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ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8097)

ANNOUNCEMENT – STANDSTILL AGREEMENT

Further to the Company's announcements dated 17 July 2003 and 22 December 2003 regarding the winding up petition against the Company and ATL by the Creditor Bank and the progress of the petition respectively, the Company entered into the Standstill Agreement with the Banks on 1 April 2004.

All the conditions precedent to the commencement of the Standstill Period were fulfilled on 8 April 2004.

The Creditor Bank has instructed its lawyer to apply to the Court to withdraw the winding up proceedings against the Company and ATL.

Trading in the Shares in the Company will remain suspended pending further information to update shareholders on the winding up petition against the Company as announced on 18 July 2003 and the financial position and operation of the Group.

STANDSTILL AGREEMENT

Further to the Company's announcements dated 17 July 2003 and 22 December 2003 regarding the winding up petition against the Company and ATL by the Creditor Bank, the Company entered into the Standstill Agreement with the Banks on 1 April 2004 in respect of the Indebtedness owed to the Banks which amounted to approximately HK\$173,969,000 as at the Cut-off Date. The Banks have indicated that they are willing to consider, without commitment at this stage, proposals for a restructuring of the Group. Accordingly, an interim standstill arrangement was entered into with principal terms as follows:

PARTIES : The Group

Banks

DATE : 1 April 2004

TERMS:

During the Standstill Period:–

1. (a) no Bank will (save as expressly provided in the Standstill Agreement):
 - (i) take any court or legal action (or further pursue any court or legal proceedings issued);
 - (ii) demand (or further demand) or otherwise seek to recover (or seek enforcement of any judgment entered); or
 - (iii) seek to enforce any security or guarantee provided by any company within the Group,

in relation to any outstanding Indebtedness owing to it (including interest during the Standstill Period) against any company within the Group, provided that, subject to Terms 1(b) below, a Bank will be entitled to take any action against any third party in respect of the Indebtedness;
- (b) The Creditor Bank will (save as expressly provided in the Standstill Agreement) not take any court action against the trade debtors of the Group in respect of Cut-off Date Receivable which were factored to the Creditor Bank. While the Group will use its best endeavours to pursue against the debtors with a view to a maximum recovery including, if necessary, to issue legal proceeding against the debtors.
2. In respect of the winding up proceedings brought against the Company or ATL or any company within the Group:–
 - (a) without prejudice to its rights described in Covenants and Undertakings below and on the basis set out therein, the Creditor Bank will, within 7 days after the commencement of the Standstill Period, apply to the court to withdraw, and the other Banks agree that they will not take over or apply to be substituted as the petitioner creditor in, those proceedings; and
 - (b) the Company and ATL shall consent to the Creditor Bank's withdrawal of the winding up proceedings without seeking any costs order against the Creditor Bank.

As all the conditions precedent to the Standstill Period set out below were fulfilled on 8 April 2004, the Creditor Bank has instructed its lawyer to apply to the Court to withdraw the winding up proceedings against the Company and ATI.

CONDITIONS PRECEDENT:

The following are all the conditions precedent to the commencement of the Standstill Period:

- (a) opening of two accounts with the Co-ordinating Bank by the Company (or the appropriate company in the Group), into which all proceeds of the Cut-off Date Receivables received from time to time throughout the Standstill Period will be paid;
- (b) execution of a fixed charge over the Charged Account by the Company (or the appropriate company in the Group) in favour of the Security Agent and in such form and substance as the Security Agent may prescribe; and

- (c) the Company will have provided to the Co-ordinating Bank the documents and information relating to the Company as required under the Standstill Agreement.

COVENANTS AND UNDERTAKINGS:

1. Each of the Company and ATL covenants and acknowledges, among other things, that:
 - (a) immediately after the commencement of the Standstill Period, each of the Company and ATL will remain liable to each Bank for such Indebtedness;
 - (b) upon termination of the Standstill Period, subject to the terms of any restructuring documentation, the Creditor Bank will be free to commence fresh winding up proceedings against, among others, the Company and ATL on the same Indebtedness.
2. Each company in the Group agrees that, during the Standstill Period, it will and will procure that each other company in the Group will in summary:–
 - (a) negotiate in good faith with a view to finalizing the terms of a restructuring;
 - (b) not obtain any facilities from or maintain a banking relationship with any bank or financial institution other than either (i) on an entirely credit balance or fully cash collateralised basis in the ordinary course of business (subject to notification to the Co-ordinating Bank), or (ii) with the prior written consent of the Co-ordinating Bank;
 - (c) not take any action inconsistent with the standstill including, without limitation, making any preferential payment or arrangement with any of the Banks;
 - (d) not declare or pay any dividends or make any other distribution or payments to any shareholder of the Company or ATL (except payments as a result of trading between companies in the Group in the ordinary course of business);
 - (e) not enter into any transaction (including assets disposals) outside of the ordinary course of business or any commitment (including capital commitment) of a significant, unusual or onerous nature and not incur any indebtedness or other actual or contingent liability other than in the ordinary course of business;
 - (f) use its best endeavours to pursue against the debtors with a view to a maximum recovery of the Cut-off Date Receivables;
 - (g) provide the Banks with information as required under the Standstill Agreement;
 - (h) not enter into any agreement with a debtor in relation to all or a part of the Cut-off Date Receivables which provides for a schedule of payment extending beyond the Standstill Period;
 - (i) not sell, transfer or otherwise dispose of, or cause or permit the creation of any charge, mortgage, hypothecation or other encumbrance over: (i) any capital asset, or (ii) any of its receivables.

As part of the consideration of the standstill, the Company covenants that it will, within 14 business days from the date of the Standstill Agreement, pay to the Co-ordinating Bank for distribution to the Banks (i) a sum representing 60% of the net cash balance of the Group as at the Cut-off Date, or (ii) HKD50,000, whichever is the higher.

STANDSTILL PERIOD:

Subject to the extension mentioned below, the Standstill Period shall terminate at the earliest of:

- (a) 6 months from the Cut-off Date, i.e. 23 September 2004; or
- (b) completion of the restructuring; or
- (c) at any time, the issue of a notice of termination by the Co-ordinating Bank (acting on the instruction of all Banks) to Arcontech; or
- (d) in the event of a breach of or failure to comply with any of the covenants and undertakings mentioned above, the issue of a notice of termination by the Co-ordinating Bank (acting on the instructions of any Bank) to the Company.

The Standstill Period may be extended by agreement between the Company and the Co-ordinating Bank (acting on the instruction of all Banks) provided that it may not be extended beyond 12 months from the Cut-off Date, i.e. 23 March 2005.

GENERAL

Trading in the Shares in the Company will remain suspended pending further information to update shareholders on the winding up petition against the Company as announced on 18 July 2003 and the financial position and operation of the Group.

DEFINITIONS

In this announcements, the following terms and expressions have the following meanings:

“ATL”	Arcon Technology Limited, a wholly owned subsidiary of the Company
“Bank(s)”	creditor bank(s) of the Group including the Creditor Bank; DBS Bank (Hong Kong) Limited; and Bank of China (Hong Kong) Limited
“Charged Account”	the account with the Co-ordinating Bank as referred to in Conditions Precedent (a) above by the Company (or the appropriate company in the Group) into which 60% of all proceeds of the Cut-off Date Receivables received from time to time throughout the Standstill Period will be paid
“Company”	Arcontech Corporation
“Co-ordinating Bank”	Hongkong and Shanghai Banking Corporation Limited
“Creditor Bank”	the creditor bank which filed a winding up petition against the Company and ATL

“Cut-off Date”	24 March 2004
“Cut-off date Receivables”	the debtors of the Group as at 24 March 2004 set out in the list provided to the Banks
“Group”	the Company and its subsidiaries
“Indebtedness”	the aggregate of all actual and contingent outstandings (including principal and any unpaid accrued interest) of each Bank as at 24 March 2004 which amounted to approximately HK\$173,969,000
“Security Agent”	the security agent to be appointed by the Co-ordinating Bank under the Standstill Agreement
“Standstill Agreement”	the standstill agreement dated 1 April 2004 between the Company and the Banks in relation to the standstill agreement of the Company’s indebtedness to the Banks

By Order of the Board of
Arcontech Corporation
Tsoi Siu Ching, Leo
Chairman

Hong Kong, 16 April 2004

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Messrs. Tsoi Siu Ching, Leo and Yip Ho Bun, Edwin; and two independent non-executive directors, namely Messrs. Lo Chi Ko and Ho Yung San.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will be published on the Company’s website and will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days form the date of publication.