ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8097)

ANNOUNCEMENT OF 2004 RESULTS

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

This announcement, for which the directors of Arcontech Corporation collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to Arcontech Corporation. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) 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.

RESULTS

The Board of Directors (the "Board") of Arcontech Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2004, together with comparative figures for the year ended 31 March 2003 as follows:

		YEAR ENDED 31 MARCH	
		2004	2003
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**100,459**	540,367
Cost of sales		**(68,182)**	(425,822)
Gross profit		**32,277**	114,545
Other revenues	*3*	**348**	3,270
Selling and distribution expenses		**(6,368)**	(9,819)
General and administrative expenses		**(55,357)**	(83,590)
Goods returned in respect of sales in prior year	*4*	**(41,990)**	–
Gain on disposal of subsidiaries		**–**	398
Loss on deemed disposal of interests in subsidiaries		**(20)**	–
Loss on disposal of fixed assets		**(2,085)**	(857)
Write off and write down on value of inventories		**–**	(18,897)
Provision for inventories		**(1,253)**	(85,765)
Provision for bad and doubtful debts		**(12,287)**	(349,224)
Bad debt written off		**(12,920)**	–
Provision for other receivable		**–**	(2,000)
Operating loss	*5*	**(99,655)**	(431,939)
Finance costs	*6*	**(9,387)**	(7,242)
Loss before taxation		**(109,042)**	(439,181)
Taxation credit	*7*	**–**	8,743
Loss after taxation		**(109,042)**	(430,438)
Minority interests		**16,168**	9,331
Loss attributable to shareholders		**(92,874)**	(421,107)
Dividends	*8*	**nil**	16,810
Basic loss per share	*9*	**11.33 cents**	51.84 cents

Notes:

1. Basis of preparation

The accounts have been prepared on a going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business. The assumption is dependent upon the successful completion of the restructuring of the Group's debts, the continuing financial support of the Group's bankers and other external funds being available.

During the year ended 31 March 2004, the Group incurred a loss attributable to the shareholders of approximately HK$92,874,000 and at that date its current liabilities exceeded its current assets by HK$119,151,000 and the net liabilities of the Group amounted to HK$74,283,000. At present, the Banks have suspended all trade lines and overdraft facilities.

The Group is currently engaged in negotiations with its bank creditors, on a without prejudice basis, to achieve a debt restructuring agreement. Subsequent to the balance sheet date, on 1 April 2004, the Company entered into a Standstill Agreement with the bank creditors of the Group in respect of the indebtedness owed to the bank creditors. The bank creditors have indicated that they are willing to consider, without commitment at this stage proposals for a debt restructuring of the Group.

After taking the above circumstances into consideration, the Directors prepared the accounts of the Group on the basis that the Group would continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the accounts.

2. Impact of revised statement of Standard Accounting Practice ("SSAP")

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous periods, partial provision was made for deferred tax using the profit and loss account liability method, i.e. a liability was recognised in respect of timing differences between the taxable profit and accounting profit to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profits with limited exceptions.

The adoption of the revised accounting standard has had no material impact on the accounts of the company for the current and prior accounting periods. Accordingly, no prior year adjustment has been required.

3. Turnover, revenues and segment information

The Group is principally engaged in the design, development of software and engineering solutions including the sales of semiconductors and electronic components, and the location-based technology devices and applications ("GPS") in Hong Kong. Revenues recognised during the year are as follows:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**100,459**	526,379
Royalty income	**–**	13,988
	100,459	540,367
Other revenues		
Commission income	**6**	–
Software and internet service income	**–**	256
Operating lease rental income from investment property	**177**	74
Interest income	**2**	1,054
Sundry income	**163**	1,886
	348	3,270
Total revenues	**100,807**	543,637

As the Group's operations are principally located in Hong Kong, no geographical segmental analysis is presented. An analysis of the Group's revenue, segment results and segment assets by principal business segment is as follows:

	Sales of software and engineering solutions excluding GPS 2004 *HK$'000*	**Sales of GPS 2004** *HK$'000*	**Group 2004** *HK$'000*	Sales of software and engineering solutions excluding GPS 2003 *HK$'000*	Sales of GPS 2003 *HK$'000*	Group 2003 *HK$'000*
Turnover	**85,780**	**14,679**	**100,459**	482,917	57,450	540,367
Segment results	**(52,437)**	**(47,198)**	**(99,635)**	(402,970)	(29,367)	(432,337)
Gain on disposal of subsidiaries			**–**			398
Loss on deemed disposal of interests in subsidiaries			**(20)**			–
Operating loss			**(99,655)**			(431,939)
Finance costs			**(9,387)**			(7,242)
Loss before taxation			**(109,042)**			(439,181)
Taxation credit			**–**			8,743
Loss after taxation			**(109,042)**			(430,438)
Minority interests			**16,168**			9,331
Loss attributable to shareholders			**(92,874)**			(421,107)
Segment assets	**149,067**	**31,062**	**180,129**	251,590	99,013	350,603
Investments in associated companies			**4**			4
Total assets			**180,133**			350,607
Segment liabilities	**238,487**	**15,929**	**254,416**	278,575	53,436	332,011
Other information						
Capital expenditure	**20**	**5**	**25**	1,705	3,805	5,510
Depreciation	**17,904**	**11,966**	**29,870**	18,113	11,723	29,836
Revaluation (surplus)/deficit arising from revaluation of property	**(200)**	**–**	**(200)**	263	–	263
Loss on disposal of fixed assets	**998**	**1,087**	**2,085**	413	444	857
Write off and write down on value of inventories	**–**	**–**	**–**	12,859	6,038	18,897
(Reversal)/provision for inventories	**(1,556)**	**2,809**	**1,253**	85,765	–	85,765
Write off of bad debt	**–**	**12,920**	**12,920**	–	–	–
Provision for bad and doubtful debts	**3,026**	**9,261**	**12,287**	336,987	12,237	349,224
Provision for other receivable	**–**	**–**	**–**	2,000	–	2,000

4. Goods returned in respect of sales of prior year

During the year, three customers returned lots of goods which were sold to them in prior year. According to the orders lodged by these customers, the goods delivered in prior year represented only part of the items ordered. However, due to the financial difficulties suffered, the Group was unable to purchase and deliver the remaining items to them. Therefore, the whole lots of goods delivered were returned in this year. The cost for these returned goods amounting to approximately HK$34,207,000 were fully provided in the accounts. On the other hand, full provision had been made in the accounts for the year ended 31 March 2003 for the amounts receivable from them as at that date and remained unsettled at the date of the issue of the accounts for that year. Upon the return of the goods, the relevant provision to the amount of approximately HK$41,990,000 was reversed in the accounts for the year ended 31 March 2004. In order not to distort the gross profit for current year, the amount of goods return was not net off against turnover for the year ended 31 March 2004.

5. Operating loss

Operating loss is stated after charging/(crediting) the following:

	Group	
	2004	2003
	HK$'000	*HK$'000*
Auditors' remuneration		
– current year provision	**700**	650
– underprovision in prior year	**439**	172
Depreciation of fixed assets		
– owned assets	**29,855**	29,457
– assets held under finance leases	**15**	379
Operating lease rentals in respect of land and buildings	**2,395**	4,335
Research and development costs (note (a))	**4,822**	11,815
Staff costs excluding directors' emoluments		
– salaries, bonus, allowances and benefits in kind	**9,282**	23,604
– retirement benefits scheme contributions	**(236)**	545
(Surplus)/deficit arising from revaluation of property	**(200)**	263
Net exchange loss	**63**	255

(a) Included in the research and development costs were staff costs of HK$3,221,000 (2003: HK$9,950,000) which had also been included in staff costs disclosed above.

6. Finance costs

	Group	
	2004	2003
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**9,368**	7,174
Interest element of finance leases	**19**	68
	9,387	7,242

7. Taxation credit

	Group 2004 *HK$'000*	Group 2003 *HK$'000*
Current tax	**–**	–
Deferred taxation		
– current year	**–**	(8,743)
	–	(8,743)

(a) No Hong Kong profits tax has been provided for the year as the Group had no assessable profits for the year. No provision for overseas taxation has been made for the year as subsidiaries operating in the PRC had no assessable income for PRC taxation purpose.

(b) The credit for the year can be reconciled to the loss before taxation per the consolidated profit and loss account as follow:

	2004 *HK$'000*	2003 *HK$'000*
Loss before taxation	**(109,042)**	(439,181)
Tax at the domestic income tax rate of 17.5% (2003: 16%)	**(19,082)**	(70,269)
Tax effect of expenses that are not deductible in determining taxable profit	**380**	4,876
Tax effect of income that are not taxable in determining taxable profit	**–**	(3,940)
Utilisation of tax losses previously not recognised	**–**	(271)
Effect on different tax rates of subsidiaries operating in other jurisdictions	**219**	34
Deferred tax assets not recognised	**18,483**	60,827
	–	(8,743)

8. Dividends

	Group	
	2004	2003
	HK$'000	*HK$'000*
Ordinary cash dividend		
Interim dividend in respect of 2004		
(2003: HK1.05 cents) per ordinary share	–	8,610
Final dividend in respect of 2003		
(2002: HK1 cent) per ordinary share	–	8,200
	–	16,810

No dividends had been paid or declared by the Company during the year.

9. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of approximately HK$92,874,000 (2003: HK$421,107,000) and the weighted average number of 820,000,000 ordinary shares (2003: 812,328,767 ordinary shares) in issue during the year.

Diluted loss per share is not presented for the year ended 31 March 2004 as there were no dilutive potential ordinary shares outstanding as at that date. Diluted loss per share for year ended 31 March 2003 had not been presented as the exercise of share options was anti-dilutive.

10. Consolidated statement of changes in equity

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Exchange reserve *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 April 2002	72,000	74,242	20,943	(122)	170,413	337,476
Exchange differences arising on translation of accounts of overseas subsidiaries and net losses not recognised in the consolidated profit and loss account	–	–	–	(108)	–	(108)
Issue of new shares	10,000	113,000	–	–	–	123,000
Share issue expenses	–	(3,855)	–	–	–	(3,855)
Loss attributable to shareholders	–	–	–	–	(421,107)	(421,107)
Dividends:						
2002 Final dividend	–	–	–	–	(8,200)	(8,200)
2003 Interim dividends	–	–	–	–	(8,610)	(8,610)
At 31 March 2003	82,000	183,387	20,943	(230)	(267,504)	18,596
At 1 April 2003	82,000	183,387	20,943	(230)	(267,504)	18,596
Exchange differences arising on translation of accounts of overseas subsidiaries and net losses not recognised in the consolidated profit and loss account	–	–	–	(5)	–	(5)
Loss attributable to shareholders	–	–	–	–	(92,874)	(92,874)
At 31 March 2004	82,000	183,387	20,943	(235)	(360,378)	(74,283)

The merger reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation took place in 2001 and the nominal value of the Company's shares issued in exchange thereof.

EXTRACT OF AUDITORS' REPORT

The auditors of the Company were unable to form an opinion as to whether the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the Group's loss for the year then ended and as to whether the accounts have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. The following paragraphs have been included in the auditors' report:

Basis of opinion

1. Included in deposits, prepayments and other receivables in the consolidated balance sheet is prepayment of masking, engineering and tooling charges totalling HK$42,640,000 made to a supplier for developing proprietary mobile phone chipsets. The prepaid masking charge is refundable in terms of rebate on purchases made by the Group in accordance with the agreement signed between Arcon Technology Limited ("ATL"), a wholly-owned subsidiary of the Company, and the supplier. Up to the date of this report, no purchases of the chipset have been made by ATL. In view of the financial difficulties suffered by the Group as mentioned in the paragraph of "Fundamental uncertainty" below, it is uncertain whether purchases will be made and thus whether the prepaid masking charge will be refunded. There were no other satisfactory audit procedures we could adopt to ascertain that the prepayment was recoverable. Any adjustment to the amount of this asset would increase the loss of the Group for the year ended 31 March 2004 and the Group's net liabilities at that date by that amount.

2. We did not receive a sufficient number of replies to confirmations requested from the Group's suppliers on the amounts of purchases for the year ended 31 March 2004 and of trade payables as at that date. Total sample amounts selected by us for such confirmation purpose amounted to approximately HK$25,962,000 and HK$24,094,000 respectively out of the population of total purchases for the year and the year-end trade payable balance of approximately HK$42,087,000 and HK$28,063,000 respectively. As at the date of this report, replies to confirmations not yet received by us amounted to approximately HK$19,820,000 for purchases and HK$3,996,000 for trade payable balances. There were no other satisfactory audit procedures we could adopt to confirm that all purchases for the year ended 31 March 2004 and all liabilities as at that date were properly recorded.

3. We did not receive a sufficient number of replies to confirmations requested from the Group's customers on amounts of sales for the year ended 31 March 2004 and of receivables as at that date. Total sample amounts selected by us for such confirmation purpose amounted to approximately HK$70,621,000 and HK$352,091,000 respectively out of the population of total sales for the year and the year-end trade receivable balance before provision for bad and doubtful debts of approximately HK$100,459,000 and HK$373,855,000 respectively. As at the date of this report, replies to confirmations not yet received by us amounted to approximately HK$13,889,000 for sales and HK$163,988,000 for trade receivable balances. There were no other satisfactory audit procedures we could adopt to confirm that all sales for the year ended 31 March 2004 and all assets as at that date were properly recorded.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures made in the accounts concerning the basis adopted in the preparation of the Group's accounts. The Group incurred a loss attributable to shareholders of HK$92,874,000 for the year ended 31 March 2004 and had net current liabilities of HK$119,151,000 as at 31 March 2004. At present, the banks have suspended all trade lines and overdraft facilities. As mentioned in note 1, the Group is currently engaged in negotiations with its bank creditors to achieve a debt restructuring agreement and on 1 April 2004, a Standstill Agreement was entered into. The bank creditors have indicated that they are willing to consider, without commitment at this stage, proposals for a restructuring of the Group. The directors prepared the accounts of the Group on the basis that the Group would continue to operate as a going concern. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities, which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the accounts.

Disclaimer on view given by the accounts

Included in fixed assets in the consolidated balance sheet as at 31 March 2004, there were computer equipment with net book value of approximately HK$28,694,000. These assets are the major cash-generating unit for the business segment of sales of GPS of the Group. However, the business segment has been suffering from significant operating loss over the years and it is uncertain whether the operating results will be improved in the near future. In our opinion, the carrying amounts of these assets have exceeded their recoverable amounts and impairment loss should have been recognised, increasing the consolidated loss for the year ended 31 March 2004 and reducing the net assets of the Group as at that date by the amount of impairment loss. However, due to the unavailability of sufficient information, we could not quantify the effect of the impairment loss at the moment.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: nil).

BUSINESS REVIEW AND PROSPECTS

Financial Results and Liquidity

For the year ended 31 March 2004, the Group operated under difficult financial position which was highlighted by the filing of the winding up proceedings against the Company on 16 July 2003.

Consequently, the turnover of the Group for the year dropped to HK$100 million from HK$540 million for last year. The loss attributable to shareholders was approximately HK$92.8 million.

The gross profit margin increased to 32.1% from 21.2% in the previous year mainly due to the sales of stocks and return of stocks to suppliers in respect of stocks of the previous year amounting to approximately HK$20 million and HK$9 million respectively. Provision has been made in respect of the old stocks.

Products sold in prior year amounting to HK$42 million were returned to the Group during the year ended 31 March 2004 by customers which were waiting for the Group to deliver semi-conductor chips which were essential to form complete chip sets for their products but as a result of unresolved winding up proceedings decided not to wait for such further delivery and products already delivered were consequently returned to the Group.

While the Group was unable to invest any resources into any significant research and development during the period required to dispose of all its stock, the market conditions have generally improved during the period and there is a shortage of supply for semi-conductor chips which have benefited the Group in successfully selling some of its stock..

One of the bank creditors of the Group commenced winding up proceedings against the Company on 16 July 2003. The winding up action coupled with the financial difficulty faced by the Group's customers due to the slow US market conditions during the early part of the year caused many of the Group's customers to stop payment of debts to the Group. The effects of the winding up proceedings spiraled and a number of debtors refused or were unable to pay the Group and an amount of HK$12 million were additionally provided for in the accounts for the year ended 31 March 2004 as bad and doubtful debts.

The Group succeeded to reduce the general and administrative expenses from HK$83.6 million for the year ended 31 March 2003 to HK$55 million after making a depreciation charge of HK$30 million for the year ended 31 March 2004.

Charges on Group Assets and Contingent Liabilities

The Group's banking facilities were originally secured by corporate guarantees given by the Company and there were approximately HK$206 million utilized banking facilities, mainly trade financing, as at 31 March 2004.

One of the Group's bank creditors, Hongkong and Shanghai Banking Corporation Limited ("HSBC"), has filed a winding up petition against each of the Company and its principal subsidiary, Arcon Technology Limited ("ATL") on 16 July 2003. Some other major bank creditors have also demanded for immediate payments of the amounts due to them. In the absence of additional funding, the Group cannot meet the demands for immediate payments of its debts. The company has engaged its legal adviser to advise on the petition and prepare its defence.

The Group is currently engaged in negotiations with its bank creditors, on a without prejudice basis, to achieve a debt restructuring agreement. Subsequent to the balance sheet date, on 1 April 2004, the Company entered into a Standstill Agreement with the bank creditors of the Group in respect of the indebtedness owed to the bank creditors. HSBC has withdrawn the winding up petition against each of the Company on 26 April 2004. The bank creditors have indicated that they are willing to consider, without commitment at this stage proposals for a debt restructuring of the Group, but formal agreement has not been reached up to the date of this announcement.

In view of the absence of a formal restructuring agreement, it is more appropriate to classify all borrowings of the Group as current liabilities in the accounts.

The directors believe that the Group's aggressive credit policy contributed significantly to its fast expansion in the market in the past years. Unfortunately, the unexpected US-Iraq War and the attack of SARS in the first half of 2003 had ruined this aggressive business approach. Demand dropped sharply and most of its customers are in financial difficulties. The Group's liquidity is thus affected and its funds are held up by inventory and trade receivables. However, the Group's core business remains profitable.

Foreign Exchange Exposure

The revenues of the Group are denominated mostly in Hong Kong Dollars and U.S. Dollars. The Group has minimal exposure to foreign exchange fluctuations and seldom needs to make use of financial instruments for hedging purposes.

Employees

As at 31 March 2004, the Group had 60 full-time employees who were engaged in the following operations:

Engineering and R&D	44
Sales and marketing (including field application engineers)	4
Finance, accounting, operation and administration	12
Total headcount	60

The Group has successfully reduced the total headcounts from 153 to 60 as part of an internal reorganization and increased operational efficiency. The Group believes that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. Employees are remunerated according to their performance and work experience. In addition to basic salaries, staff benefits include medical scheme, share options and performance bonus.

Acquisition of subsidiaries and affiliated companies

Apart from the deemed disposal of interest in a subsidiary, there was no material acquisition and disposal of subsidiaries and affiliated companies during the year ended 31 March 2004.

Business Review

The Group faced extreme challenges during the period under review due especially to weak global economies, the attack of SARS and a particularly poor consumer spending environment in the US market during the early part of the year. The Group faced even stronger challenges due to the financial difficulties suffered from many of its customers which complied with other factors eventually led to the filing of the winding up petition against the Group by a bank creditor.

The market sentiment, particularly on consumer electronic products, improved gradually during the year to the extent that during the later part of year, there was a worldwide shortage of supply for semi-conductor chips. The Group's financial position did not allow the Group to cash in on such improvement in market conditions.

Consequently, during the year, the Group was focusing on a number of internal policies and restructure to combat the exposure to credit risk, which the Group considered necessary, given the changes in operating environment described above. Such policies include plans to take out insurance policy on new sales, and measures were imposed on managing credit assessment. The Group has also completed its restructuring on its operational plan, focusing on streamlining its operations.

The winding up petition was finally lifted on 26 April 2004 and the Group has been in negotiations with its Bank creditors for the restructuring of its debts. The lifting of the petition has allowed the Group to revisit its strategies with regards to resuming normal operations going forward.

Prior to the difficulties faced by the Group with regards to the winding up proceedings against the Company and the failure of its customers to pay its debts, the Group was successful in adopting a revised operation policy to combat the difficult operating environment. The Group has moved towards focusing on developing solutions for fast moving consumer items such as audio visual products and simple digital devices which command a higher volume. The Group also focused on developing solutions for high end products which have a shorter time to market in order for the Group to benefit from the higher margin available during the early cycles of the product, and allow the Group to move its development focus to the next generation of products relatively quickly. The Group has focused its research and development resources of such operation and product road map and have developed a number of solutions which are in the testing phase.

On the operation side, the Group has completed its organizational restructuring and have now streamlined its operation costs which will allow, the Group to resume its operations in a cost effective manner.

On the senior management side, Mr. Mak Kam Wah and Mr. Ho Ping resigned as executive directors in August 2003 and December 2003 respectively. Mr. Raymond Cheung, Mr. Lo Chi Ko and Mr. Ho Yung San were appointed as independent non-executive directors in May 2003 and August 2003 respectively. Mr. Wang Wei Hung, Mr. Chu Ho Hwa, Mr. Raymond Cheung and Mr. Zhang Xiaoming resigned as independent non-executive directors in April 2003, May 2003, July 2003 and August 2003 respectively. The Board would like to take this opportunity to welcome the new directors and to express its appreciation for the outgoing directors' contributions towards the Group during their terms of service.

FUTURE PROSPECTS

Prospects

The market sentiment has picked up significantly since the year under review and the Group's products are in demand by industry players. The Group has the know how to develop solutions which can replace expensive features often executed through hardware with a much cheaper alternative in software solutions, and this ability of Group continues to attract customer interest.

With the lifting of the winding up petition and the continuing negotiation with its bank regarding a restructuring in its bank debts, the Group expect to be able to graduate to resume its operation. The focus of the business, given a weak financial based, will be on its design strength in developing new products and to diversify its revenue structure by looking to charge design fees and reduce exposure on trading of embedded chips.

ADVANCES TO ENTITIES

In accordance with rules 17.15 to 17.17 of the GEM Listing Rules, the Company makes the following disclosures in relation to the details of advances to entities:

Name of entity	**Outstanding balance as at 31 March 2004 (before provision)** *HK$'000*
He Mu Economy Development Co., Ltd.	62,383
Mighty Treasure Trading Limited	67,954
Shanghai Chuen Tian Electronic Co.	53,616
Shenzhen He Si Rui Electrical Ltd.	19,733
SVA Information Industry Company Limited	24,041
Windsor Technology Limited	88,885

The above entities are independent third party customers of the Group and the amounts represented trade receivable balances for sales made to the respective customers as at 31 March 2004. The amounts are unsecured, interest-free and repayable in accordance with the credit terms as agreed with respective customers. Adequate provision for bad and doubtful debts have been made on all the above amounts in the accounts for the year ended 31 March 2004.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

BOARD PRACTICES AND PROCEDURES

The Group has complied with Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules throughout the year.

On behalf of the Board
Arcontech Corporation
Tsoi Siu Ching Leo
Chairman

Hong Kong, 28 June 2004

This announcement will remain on the "Latest Company Announcement" page of the GEM website for at least seven days from its date of publication.