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If you have sold all your shares in Arcontech Corporation, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8097)

NOTICE OF ANNUAL GENERAL MEETING AND GENERAL MANDATE TO REPURCHASE SHARES AND GENERAL MANDATE TO ISSUE NEW SHARES

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This circular, for which the directors of Arcontech Corporation (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities (the “GEM Listing Rules”) on the Growth Enterprise Market of the Stock Exchange (“GEM”) for the purpose of giving information with regard to the Company. 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 circular 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 circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.

A proxy form for the annual general meeting for the year ended 31 March 2005 is enclosed with the 2005 annual report. Whether or not you propose to attend the annual general meeting, you are requested to complete the proxy form and return the same to the Company’s Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the meeting. Completion and delivery of the proxy form will not preclude you from attending and voting at the annual general meeting if you so wish.

23 September 2005

LETTER FROM THE CHAIRMAN



ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8097)

Executive Directors

Mr. Tsoi Siu Ching, Leo
Mr. Chan Kwok Choi, Stanley

Independent non-executive Directors:

Mr. Lo Chi Ko
Mr. Ho Yung Sang
Mr. Zhang Jin Fu

Registered office:

Ugland House
P.O. Box 309
George Town
Grand Cayman
Cayman Islands

*Head office and principal
place of business:*

Flat 8A6, 8/F, Chou Chong
Commercial Building
422-428 Castle Peak Road
Kowloon

23 September 2005

To the shareholders of the Company

Dear Sir or Madam,

**GENERAL MANDATE TO ISSUE SECURITIES
AND
GENERAL MANDATE TO REPURCHASE SHARES
AND
GENERAL MANDATE TO ISSUE SECURITIES**

At the forthcoming annual general meeting of the Company for the year ended 31 March 2005 (the "AGM"), ordinary resolutions will be proposed to grant a general mandate to the Directors to allot, issue and otherwise deal with Securities not exceeding the sum of 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing such resolution and the aggregate nominal amount of the shares repurchased under the Repurchase Mandate (as defined below). The Directors wish to state that they have no present intention to issue any new shares pursuant to such general mandate.

LETTER FROM THE CHAIRMAN

BACKGROUND

On 26 July 2004 resolutions were passed by the then shareholders of the Company granting general unconditional mandates to the directors of the Company to exercise the powers of the Company to:

- (a) allot, issue and deal with shares in the capital of the Company not exceeding 20 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of the resolution;
- (b) repurchase shares of the Company not exceeding 10 per cent. of the aggregate nominal value of the shares of the Company in issue as at the date of resolution; and
- (c) add to the general mandate for issuing shares set out in paragraph (a) above the number of shares repurchased by the Company pursuant to the repurchase mandate set out in paragraph (b) above.

The above general mandates will expire at the conclusion of the AGM and the purpose of this circular is to request your approval to renew the general mandates as referred to below.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, it will be proposed, by way of an ordinary resolution, that the directors of the Company be given a general and unconditional mandate to exercise all powers of the Company to repurchase on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) shares in the Company up to a maximum of 10 per cent. of the shares of the Company in issue at the date of passing the ordinary resolution (the “Repurchase Mandate”).

The Repurchase Mandate, if approved, will continue in force until the conclusion of the next annual general meeting of the Company or until revoked or varied by ordinary resolution of shareholders in general meeting prior to the next annual general meeting.

The Company may only repurchase its shares on GEM if:

- (i) the shares proposed to be repurchased by the Company are fully paid up;
- (ii) the Company has previously sent to its shareholders the explanatory statement set out in the schedule to this letter; and
- (iii) the shareholders of the Company have in general meeting approved in Repurchase Mandate and the relevant documents in connection therewith have been delivered to the Stock Exchange.

LETTER FROM THE CHAIRMAN

An explanatory statement containing information relating to the Repurchase Mandate and as required pursuant to the Rules Governing the Listing of Securities on GEM of the Stock Exchange, in particular Rule 13.08, is set out in the schedule to this letter. This explanatory statement provides you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate.

PROPOSED GENERAL MANDATE TO ISSUE NEW SHARES

At the AGM, it will also be proposed, by way of ordinary resolution, that the directors of the Company be given a general and unconditional mandate to exercise all powers of the Company to issue new shares in the Company up to 20 per cent. of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the ordinary resolution (“New Issue Mandate”). In addition, it is further proposed, by way of a separate ordinary resolution, that the New Issue Mandate be extended so that the directors of the Company be given a general mandate to issue further shares in the Company of an aggregate nominal value equal to the aggregate nominal value of the share capital of the Company repurchased under the Repurchase Mandate. Any issue of new shares in the Company is subject to approval from the Stock Exchange for the listing of and permission to deal in such new shares.

RE-ELECTION OF DIRECTORS

In accordance with Articles 99 of the Company’s Articles of Association, Mr. Zhang Jin Fu and Mr. Chan Kwok Choi. Stanley, both appointed by the board of directors on 30 September 2004 and 15 October 2005 respectively, shall retire at the AGM. In accordance with Articles 116 of the Company’s Articles of Association, Mr. Lo Chi Ko shall retire at the AGM by rotation. Mr. Zhang Jin Fu, Mr. Chan Kwok Choi Stanley and Mr. Lo Chi Ko who being eligible, offer themselves for re-election. As required by the Listing Rules, the biographical information of the above Directors proposed to be re-elected at the AGM are set out in Appendix to this circular.

THE AGM

The following are the details of the AGM:

Date: 10 October 2005

Time: 9:00 a.m.

Venue: Grand Royal Club, Opal Hall
Level 6, Tower 2, Metroplaza
223 Hing Fong Road, Kwai Fong
New Territories, Hong Kong

LETTER FROM THE CHAIRMAN

The notice convening the AGM is set out on page 10 to 12 of this circular. Resolutions nos. 4 to 6 as set out in the notice of AGM relate to the general mandates and will be proposed as ordinary resolutions at the AGM for your consideration and approval. A form of proxy for the AGM is enclosed with this circular. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time for holding the AGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

RECOMMENDATION

The directors of the Company consider that the granting of the general mandates referred to in this circular are in the best interests of the Company and its shareholders and so recommend shareholders to vote in favour of the resolutions at the AGM.

Yours faithfully,
By Order of the Board
Arcotech Corporation
Tsoi Siu Ching, Leo
Chairman

SCHEDULE

EXPLANATORY STATEMENT

The following is the explanatory statement required to be sent to shareholders pursuant to Rule 13.08 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) in connection with the proposed Repurchase Mandate which, if approved, would authorize directors of the Company to repurchase shares of HK\$0.10 each (“Shares”) in the Company.

(a) Number of Shares which may be repurchased

Exercise in full of the Repurchase Mandate, on the basis of 820,000,000 Shares in issue as at 22 September 2005 (being the latest practicable date (the “Latest Practicable Date”) for ascertaining certain information prior to the printing of this circular), would result in 82,000,000 Shares being repurchased by the Company during the period prior to the next annual general meeting of the Company following the passing of the resolution approving the Repurchase Mandate.

(b) Reasons for proposed repurchase of Shares

The directors of the Company (“Directors”) believe that it is in the interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares on GEM. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets of the Company and/or its earnings per Share and will only be made when the Directors believe that such purchases will benefit the Company and its shareholders.

(c) Source of funds

In repurchase Shares, the Company may only apply funds legally available for such purpose in accordance with its articles of association and the laws of the Cayman Islands.

(d) Effect of exercising the Repurchase Mandate

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the annual report of the Company for the year ended 31 March 2005) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which, in the opinion of the Directors, are from time to time appropriate of the Company.

(e) Who may sell Shares in the event the Repurchase Mandate is exercised

None of the directors, nor to the best of their knowledge having made all reasonable enquiries, any of their respective associates, has a present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders. No connected person (as defined in GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so in the event that the Repurchase Mandate is approved by the shareholders.

SCHEDULE

(f) Directors' undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of the Cayman Islands.

(g) Substantial Shareholders

As at 31 March 2005 and up to the date of this report, the register of substantial shareholders has been maintained pursuant to Section 336 of SFO. The following shareholders had notified the Company of their relevant interests or deemed interests in the issued capital of the Company:

Name	Number of shares	Percentage of issued share capital	
		As at 31 March 2005	As at the date of this report
Oaktree Capital Management LLC	99,910,000	12.18%	12.18%
OCM Emerging Market Fund, L. P.	99,910,000	12.18%	12.18%
Chinese Star Limited	238,800,000	29%	29%
Fair Sharp Investments Limited	238,800,000	29%	—
GZ Trust Corporation	238,800,000	29%	—
Honour Sky International	238,800,000	29%	29%
Kung Ching	238,800,000	29%	29%
Restart International Investment Limited	238,800,000	29%	—
Sino Breakthrough Limited	238,800,000	29%	29%
Smarty Fortune Limited	238,800,000	29%	29%
Xiang Xin	238,800,000	29%	29%
HSBC International Trustee Limited	238,800,000	29%	29%
Upgrade Technology Limited	4,984,000	28.61%	0.61%
Hercules Capital Limited	65,600,000	—	8%
Moonbo Limited	106,600,000	—	13%
Ng Shing Fan	106,600,000	—	13%

SCHEDULE

(h) The Hong Kong Code on Takeovers and Mergers

If, as a result of a repurchase of Shares, pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a shareholder, or a group of shareholders acting in concert (within that term's meaning under the Code), depending on the level of increase in the shareholders interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

As at the Latest Practicable Date, Mr. Tsoi Siu Ching, Leo (through Upgrade Technology Limited), which is the initial management shareholder of the Company and also an executive director of the Company, held 4,984,000 shares of the Company, which represents 0.61% of the issued shared capital of the Company.

Assuming the substantial shareholders do not dispose of their Shares, if the Repurchase Mandate is exercised in full, the percentage shareholdings of the substantial Shareholders before and after such repurchase would be as follows :

Substantial Shareholders	Before repurchase	After repurchase
Oaktree Capital Management LLC	12.18%	13.40%
OCM Emerging Market Fund, L. P.	12.18%	13.40%
HSBC International Trustee Limited	29%	32.02%
Upgrade Technology Limited	0.61%	0.67%
Hercules Capital Limited	8%	8.80%
Moonbo Limited	13%	14.30%

On the basis of the shareholdings held by the substantial Shareholders named above, an exercise of the Repurchase Mandate in full will not have any implications under the Code in the case of Shareholders other than HSBC International Trustee Limited, but will have implications under the Code in the case of HSBC International Trustee Limited, a trustee of a discretionary trust founded by Mr. Xiang Xin. Should the Repurchase Mandate be exercised in full, the aggregate shareholding of HSBC International Trustee Limited will become larger than 30% and he will become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Code.

If the Directors exercise the Repurchase Mandate (whether in whole or in part), they will not exercise it to the extent which would result in the number of shares being held by the public falling below the relevant minimum prescribed percentage of the Company as required by the Stock Exchange, which is current 25% of the entire issued capital of the Company.

SCHEDULE

(i) **No purchases of Shares by the Company**

The Company has not purchased any Shares in the previous six months preceding the Latest Practicable Date.

(j) **Share Prices**

The highest and lowest prices at which the Shares were traded on GEM during each of the previous twelve months immediately before the Latest Practicable Date were as follows:

	Price per Share	
	Highest HK\$	Lowest HK\$
2004		
September		suspended*
October		suspended*
November		suspended*
December		suspended*
2005		
January		suspended*
Februray		suspended*
March		suspended*
April		suspended*
May		suspended*
June		suspended*
July		suspended*
August		suspended*

* *Trading in the Shares has been suspended since 9.30 a.m. on 27 June 2003. The last traded price of the Shares immediately prior to the suspension was HK\$0.173.*

SCHEDULE

As required by the Listing Rules, the following re the particulars of the Directors to be re-elected at the AGM:

Mr. ZHANG Jin Fu, aged 30, is an independent non-executive director of the Company. He engaged in trading of electronics in PRC. He joined the Group in October 2004. During the financial year ended 31 March 2005. Mr. Zhang received emoluments in the total amount of HK\$76,800.

Mr. CHAN Kwok Choi, Stanley, aged 41, is an executive director and the Chief Financial officer of the Company. He is primarily responsible for the overall financial planning and corporate planning of the Group. Mr. Chan graduated from the Monash University, Melbourne, Australia in 1987. He is an associate member of the Hong Kong Institute of Certified Public Accountants and Australian Society of Certified Public Accountants. He has over 18 years of senior financial and accounting position in various companies. He joined the Group in October 2004. During the financial year ended 31 March 2005. Mr. Chan received emoluments in the total amount of HK\$123,417.

Mr. LO Chi Ko, aged 35, is an independent non-executive director and Chairman of the Audit committee of the Company. He holds a bachelor degree from the Hong Kong Baptist University and a master degree in business administration from the University of Surrey United Kingdom. He has over 10 years of experience in corporate finance and accounting sector, particularly in auditing and taxation areas. Mr. LO is a member of the Hong Kong Institute of Certified Public Accountants and Australian Society of Certified Public Accountants. He joined the Group in August 2003. During the financial year ended 31 March 2005. Mr. Lo received emoluments in the total amount of HK\$153,600.

All the above retiring directors do not have directorship with other companies for the past three years, and have no relationships with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company, and have no interests in shares of the company within the meaning of Part XV of the Securities and Future Ordinance.

NOTICE OF ANNUAL GENERAL MEETING



ARCONTECH CORPORATION

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8097)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of Arcontech Corporation (the “Company”) will be held at Grand Royal Club, Opal Hall, Level 6, Tower 2, Metroplaza, 223 Hing Fong Road, Kwai Fong, New Territories, Hong Kong on 10 October 2005 at 9:00 a.m for the following purposes:—

1. To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31 March 2005.
2. To re-elect the retiring directors, and to authorise the board of directors to fix their remuneration.
3. To re-appoint the auditors of the Company and to authorise the board of directors to fix their remuneration.
4. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution of the Company:—

“**THAT:**—

- (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “GEM Listing Rules”), the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with (otherwise than by way of rights issue or pursuant to the exercise of options granted under any of the Company’s share option schemes or any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the articles of association of the Company from time to time) additional shares in the share capital of the Company and to make or grant any offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant any offers, agreements and options which would or might require the exercise of such powers either during or after the end of the Relevant Period (as hereinafter defined);

NOTICE OF ANNUAL GENERAL MEETING

- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (A) above shall not exceed 20% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (D) for the purposes of this resolution :

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:—

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“rights issue” means the allotment or issue of shares in the Company or other securities which would or might require shares to be allotted and issued pursuant to an offer made to all the shareholders of the Company (excluding for such purpose any shareholder who is resident in a place where such offer is not permitted under the laws of that place) and, where appropriate, the holders of other equity securities of the Company entitled to such offer, pro rata (apart from fractional entitlements) to their existing holdings of shares or such other equity securities.”

5. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution: -

“**THAT:**—

- (A) subject to paragraph (B) of this resolution, the exercise by the Directors during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) of all the powers of the Company to repurchase the issued shares of the Company on the Stock Exchange or any other stock exchange on which shares in the capital of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and

NOTICE OF ANNUAL GENERAL MEETING

(B) the aggregate nominal amount of shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (A) of this resolution during the Relevant Period (as defined in resolution 4(D) set out in the Notice of this Meeting) shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of the passing of this resolution, and the said approval shall be limited accordingly.”

6. To consider as special business, and if thought fit, pass, with or without amendments, the following resolution as an ordinary resolution:—

“**THAT**, conditional upon the passing of resolutions Nos. 4 and 5 (as set out in the Notice of this Meeting), the unconditional general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 (as set out in the Notice of this Meeting) be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such unconditional general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 5 (as set out in the Notice of this Meeting), provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of the Company as at the date of passing this resolution.”

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

Hong Kong, 23 September 2005

Notes:—

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. To be valid, the instrument appointing a proxy and (if required by the board of directors) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power a authority, shall be delivered to the Company’s share registrar, Hong Kong Registrars Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
3. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.