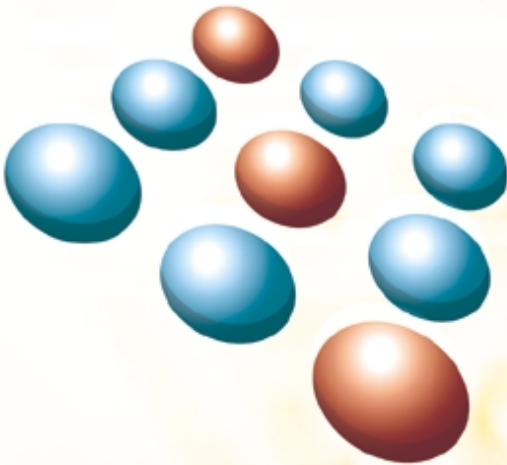


Arcontech Corporation

(incorporated in the Cayman Islands with limited liability)



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Characteristics of The Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “ Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD QUARTER RESULTS (UNAUDITED)

The Board of Directors (“Board”) of Arcontech Corporation (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the nine months and three months ended 31 December 2001, together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

		Nine months ended 31 December		Three months ended 31 December	
		2001	2000	2001	2000
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	353,447	332,946	118,479	116,781
Cost of sales		(234,617)	(220,187)	(78,884)	(75,067)
Gross profit		118,830	112,759	39,595	41,714
Other revenues	2	483	2,962	93	881
Selling and distribution expenses		(8,272)	(2,043)	(2,784)	(724)
General and administrative expenses		(37,886)	(14,607)	(13,775)	(6,956)
Operating profit		73,155	99,071	23,129	34,915
Finance costs	3	(2,215)	(3,167)	(981)	(658)
Profit before taxation		70,940	95,904	22,148	34,257
Taxation	4	(12,175)	(15,476)	(4,054)	(5,576)
Profit attributable to shareholders		58,765	80,428	18,094	28,681
Interim dividend per share		2.00 cents	1.00 cent	0.50 cent	1.00 cent
Earnings per share - basic	5	8.16 cents	12.44 cents	2.51 cents	3.98cents

Note:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 5 April 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to a group reorganisation (the “Reorganisation”) in preparation

for the listing of the Company's share on GEM of the Stock Exchange, the Company became the holding company of the Group on 21 July 2000. Further details of the Reorganisation are set out in the prospectus of the Company dated 8 August 2000 (the "Prospectus"). The Company's shares were listed on GEM of the Stock Exchange on 16 August 2000.

The unaudited consolidated results of the Group for the nine months and three months ended 31 December 2000, include the results of companies now comprising the Group as if the current group structure had been in existence throughout the period, or since their respective dates of incorporation or establishment, whichever is a shorter period.

All significant intra-group transactions and balances have been eliminated on consolidation.

2. Turnover and revenue

The Group is engaged in the sale of semiconductor products and design, development of software and engineering solutions. Revenues recognised during the period are as follows:

	Nine months ended		Three months ended	
	31 December		31 December	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover				
Sale of goods at invoiced value, net of returns and discounts	332,763	313,375	108,383	108,759
Royalty income	20,684	19,571	10,096	8,022
	<u>353,447</u>	<u>332,946</u>	<u>118,479</u>	<u>116,781</u>
Other revenues				
Interest income	250	1,264	24	793
Internet service income	233	1,698	69	88
	<u>483</u>	<u>2,962</u>	<u>93</u>	<u>881</u>
Total revenues	<u><u>353,930</u></u>	<u><u>335,908</u></u>	<u><u>118,572</u></u>	<u><u>117,662</u></u>

3. Finance costs

	Nine months ended		Three months ended	
	31 December		31 December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	2,159	3,106	962	636
Interest element of finance leases	56	61	19	22
	<u>2,215</u>	<u>3,167</u>	<u>981</u>	<u>658</u>

4. Taxation

Hong Kong profits tax has been calculated at 16% (2000: 16%) on the estimated assessable profits of the Group for the period.

5. Earnings per share

The calculation of basic earnings per share for the nine months ended 31 December 2001 is based on the Group's profit attributable to shareholders of approximately HK\$58,765,000 (2000: HK\$80,428,000) and 720,000,000 shares (2000: 646,269,091 shares) in issue during the period.

The calculation of basic earnings per share for the three months ended 31 December 2001 is based on the Group's profit attributable to shareholders of approximately HK\$18,094,000 (2000: HK\$28,681,000) and 720,000,000 shares (2000: 720,000,000 shares) in issue during the period.

In determining the weighted average number of shares in issue, a total of 572,000,000 shares issued on the establishment of the Company and on the Reorganisation of the Group is deemed to have been in issue since 1 April 2000.

Diluted earnings per share is not presented because there were no dilutive potential ordinary shares outstanding during the period.

6. Reserves

There was no movement to or from reserves during the three months ended 31 December 2001 and 31 December 2000.

INTERIM DIVIDENDS

The Board recommends the payment of an interim dividend of HK0.50 cent per share for the three months ended 31 December 2001 (2000: HK1.00 cent per share). The dividend will be payable on Wednesday, 6 March 2002 to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 22 February 2002. Together with an interim dividend of HK1.50 cents per share for the six months ended 30 June 2001 paid to the shareholders on 23 August 2001 and 21 November 2001, total dividends for the nine months ended 31 December 2001 amounted to HK2.00 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 22 February 2002 to Sunday, 24 February 2002, both days inclusive, during which period no share transfers will be registered. In order to qualify for the interim dividend for the three months ended 31 December 2001, all transfer documents accompanied by relevant share certificates must be lodged with the Company's Share Register, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 21 February 2002.

BUSINESS REVIEW

Following the 911 incident in the U.S. and in view of the continuous downturn in the global economy, we are pleased to report that the Group still achieved a strong turnover in the third quarter of this financial year under the current difficult business environment. The Group's unaudited consolidated turnover and profit attributable to shareholders for the nine months ended 31 December 2001 are HK\$353,447,000 (2000: HK\$332,946,000) and HK\$58,765,000 (2000: HK\$80,428,000) respectively, representing an increase in turnover of 6% with a 27% decrease in profit attributable to shareholders over the corresponding periods in 2000. As a result, the earnings per share of the Group for the period is HK8.16 cents (2000: HK12.44 cents per share).

The Group's turnover growth was inevitably depressed by the continuous global economic downturn, however, the Group has well positioned itself in marketing and innovation to capture more ODMs, OEMs and OBM's customers, especially in the PRC. Although the global market of 3C products (communication products, consumer electronics and computer peripherals) was sluggish during the period, the Group obtained a slight increase in turnover.

As research and development are crucial activities in the technology industry, despite the current global economic downturn, the Group continued to emphasise research and development activities. In particular, the Group has commenced establishing a research and development center in Shanghai, PRC during this quarter for the purpose of capturing expertise and business opportunities in the Central and Northern China. As an expanding corporation, the Directors consider that the decrease in profit attributable to shareholders was primarily due to: (1) an increase in payroll for additional research engineers and marketing engineers; (2) an increase in depreciation expenses as additional equipment were acquired for upgrading and diversifying the Group's research and development activities; (3) an increase in marketing expenses for promoting the Group's products to the world; and (4) the additional general and administrative expenses as a result of expansion, in particular, the establishment of research and development center in Shanghai. On the other hand, in view of a weak economic environment, the Group continued to adopt a conservative approach by not capitalising any research and development expenditure.

The Group went through another difficult quarter during which the global market became more volatile and slack after the 911 incident in the U.S. and the following tension in the Middle East. However, the Group still stands firmly and expands continuously in the technology industry with positive return to our shareholders.

FUTURE PROSPECTS

As the global economic downturn continues, the business outlook for 2002 remains uncertain, and the Group is still facing sluggish demand from the U.S. and European markets. However, the PRC's accession into the World Trade Organisation should have positive impact to the global economy. In view of this opportunity, the Group has devoted resources for exploring and developing business in the PRC, which include, for example, the expansion of the research and development supporting base in Shenzhen, and the establishment of a research and development center in Shanghai. The Group is also actively studying the feasibility of making direct sales in the PRC. The Directors consider that the PRC market will generate a stable revenue growth for the business of the Group in long term.

Location-based technology solutions utilising GPS devices and related products have huge business potential in the future. Satellite Devices Limited, a wholly-owned subsidiary of the Group, has been well-equipped to serve this rapidly growing market. During this quarter, the Group has been approached by enterprises and organisations from Hong Kong and the PRC for setting up joint ventures and developing business opportunities. As stated in the Company's announcement dated 29 October 2001, the Company has applied to the Stock Exchange for a separate listing of Satellite Devices Corporation which will effectively hold the Group's location based-technology solutions. The application is in progress at the moment, and the Company will make announcement to update the progress whenever it is appropriate and necessary.

The Group is actively pursuing opportunities to establish or acquire technological alliance/ventures in Hong Kong, the PRC and even other Asian countries which are able to compliment the future business development of the Group. The Company will make an appropriate announcement of such establishments and acquisitions as and when necessary in order to comply with the requirements of the GEM Listing Rules. On the other hand, the Group is very careful in controlling the speed of expansion and the overheads in order to achieve good return to our shareholders. No matter the business environment is good or bad, the Group always has firm commitment and dedication to achieve our objective to be the leading provider of the 3C product solutions in Asia.

DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 31 December 2001, the interests of the Directors and their associates in the share capital of the Company and its associated corporations as required to be recorded in the register maintained under Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") of the Company or which required, pursuant to Rules 5.40 to 5.49 of the GEM Listing Rules, to be notified to the Company and the Exchange were as follows:

A. Ordinary shares of HK\$0.10 each of the Company

Name	Type of interest	Number of shares	Percentage of issued share capital
Mr. Tsoi Siu Ching, Leo	Corporate (Note 1)	472,384,000	65.61%
Mr. Mak Kam Wah	Personal	3,814,000	0.53%
Mr. Tong Ka Ming, Patrick	Personal	5,720,000	0.79%

The Director's interest in Arcon Technology Limited, a subsidiary of the Group are as follows:

Name	Personal Interests	Corporate Interests	Total Interests
Mr. Tsoi Siu Ching, Leo	10,250,000 Deferred Shares (Note 3)	5,000,000 Deferred Shares (Notes 2 and 3)	15,250,000 Deferred Shares (Note 3)

Note 1: Mr. Tsoi Siu Ching, Leo held these shares through Upgrade Technology Limited, a company in which Mr. Tsoi Siu Ching, Leo holds 100% of its issued share capital.

Note 2: These deferred shares are held by Winland Nominees Limited as nominee of Mr. Tsoi Siu Ching, Leo.

Note 3: These deferred shares carry rights with regards to distribution of capital and voting as summarized in paragraph (j) under the subsection headed "Corporate reorganization" in the Prospectus.

Save as disclosed above, none of the Directors or their associates had any interests in the share capital of the Company or its associated corporations.

B. Share options

The Company has adopted a Pre-IPO Share Option Plan (the “Plan”) and a Share Option Scheme (the “Scheme”) on 19 July 2000. As at 31 December 2001, options to subscribe for an aggregate of 64,800,000 Shares at an exercise price HK\$1.18 have conditionally been granted by the Company on 20 July 2000 under the Plan & Scheme. The Options granted under the Scheme are exercisable at any time within 3 years from 16 August 2000 while the options granted under the Plan are exercisable at any time within 3 years after the expiry of 6 months from 16 August 2000. Each of these shall lapse in accordance with the Plan & Scheme if the relevant grantee ceases to be employed by the Group. As at 31 December 2001, none of these options has been exercised or has lapsed. All options under the Plan & Scheme have been granted to each grantee in consideration for the payment of HK\$1.00. Particulars of the outstanding options granted to the Directors, the senior managers and certain employees of the Group are set out below:

Name	Pre-IPO Share Option Plan Number of underlying shares	Share Option Scheme
<i>Directors:</i>		
Mr. Mak Kam Wah	—	3,600,000
Mr. Tong Ka Ming, Patrick	—	3,600,000
Mr. Chu Ho Hwa, Howard	3,600,000	—
Mr. Wang Wei Hung	3,600,000	—
<i>Senior Management:</i>		
Mr. Tien Chang Lin	14,400,000	—
Mr. Cheng Lee Lung	7,200,000	—
Ms. Ho Kwan Yin	—	14,400,000
Mr. Ching Man Leuk	—	3,600,000
Ms. Kou Zhi Hui	—	3,600,000
Mr. Chan Wai Wong	—	3,600,000
Mr. Lee Lai Shing	—	3,600,000

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, according to the register of substantial shareholders maintained under section 16(1) of the SDI Ordinance, the following person is interested in 10% or more of the Company's issued share capital:

Name	Number of shares	Percentage of issued share capital
Upgrade Technology Limited (<i>Note 1</i>)	472,384,000	65.61%

Note 1: Mr. Tsoi Siu Ching, Leo held these shares through Upgrade Technology Limited, a company in which Mr. Tsoi Siu Ching, Leo holds 100% of its issued share capital.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, ICEA Capital Limited (the "Sponsor"), as at 31 December 2001, an associate of the Sponsor held 1,122,000 shares in the Company.

Saved as disclosed above, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the sponsorship agreement dated 7 August 2000 entered into between the Company and the Sponsor, the Sponsor will receive sponsorship fee for acting as the Company's retained sponsor until 31 March 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31 December 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee on 19 July 2000. The audit committee has three members comprising an Executive Director, Mr. Tong Ka Ming, Patrick and the two Independent Non-Executive Directors, Mr. Chu Ho Hwa, Howard and Mr. Wang Wei Hung. Mr. Chu Ho Hwa, Howard was appointed as the chairman of this committee. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control of the Group.

By Order of the Board
Tsoi Siu Ching, Leo
Chairman

Hong Kong, 6 February 2002