Asia Tele-Net and Technology Corporation Limited

(Incorporated in Bermuda with limited liability)

INTERIM RESULTS 2003

The Board of Directors of Asia Tele-Net and Technology Corporation Limited (the "Company") is pleased to announce the unaudited results of the Company and its subsidiaries (the "Group") for the six months ended 30th September 2003 together with comparative figures for the corresponding period in 2002 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30th September 2003

	Notes	Six months ended 30.9.2003 (unaudited) *HK$'000*	30.9.2002 (unaudited) *HK$'000*
Turnover		**210,529**	181,552
Cost of sales		**(155,941)**	(137,196)
Gross profit		**54,588**	44,356
Bad debts recovered		**9,249**	5,526
Other operating income		**5,187**	4,177
Distribution costs		**(21,658)**	(18,771)
Administrative expenses		**(48,602)**	(53,432)
Other operating expenses		**(3,374)**	(4,400)
Allowance for bad and doubtful debts		**(339)**	(3,178)
Impairment loss recognised on investments in securities		**(2,390)**	–
Net unrealised gain (loss) on other investments		**2,330**	(23,366)
Net realised loss on other investments		**(18,049)**	(1,070)
Loss on resumption of properties held for development by government		**–**	(2,081)
Impairment loss recognised in respect of property, plant and equipment	8	**(1,762)**	(32,700)
Impairment loss recognised in respect of properties held for development	9	**(9,776)**	–
Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary	10	**(1,182)**	(5,500)
Loss from operations	4	**(35,778)**	(90,439)
Finance costs – interest		**(2,781)**	(3,379)
		(38,559)	(93,818)
Share of results of an associate		**–**	(2,011)
Loss before taxation		**(38,559)**	(95,829)
Taxation charge	5	**(872)**	(1,899)
Loss after taxation		**(39,431)**	(97,728)
Minority interests		**1,443**	3,699
Net loss for the period		**(37,988)**	(94,029)
Loss per share	7		
Basic		**0.69 cents**	1.70 cents

Notes:

1. **Basis of Preparation**
The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with SSAP 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

2. **Principal Accounting Policies**
The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March 2003 except as explained below.

Income taxes
In the current interim period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. 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 amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the balance on the Group's property revaluation reserve at 1st April 2002 has been decreased by HK$3,402,000 and the Group's deferred taxation liability at 1st April 2002 has been increased by HK$3,402,000, which is the cumulative effect to the change in financial position for the periods prior to 1st April 2002.

3. **Segment Information**
Business segments
The Group is mainly engaged in electroplating equipment business, wet processing equipment business, satellite communication business, entertainment production business and timber trading business. These businesses are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Electroplating equipment	–	design, manufacture and sale of custom-built electroplating equipment
Wet processing equipment	–	design, manufacture and sale of custom-built horizontal wet processing and automation machinery
Satellite communication	–	provision of satellite communication services
Entertainment production	–	provision of concert production
Timber trading	–	trading of logged timber

Segment information about these businesses is presented below.

For the six months ended 30th September 2003

	Electroplating equipment *HK$'000*	Wet processing equipment *HK$'000*	Satellite communication *HK$'000* *(Note)*	Entertainment production *HK$'000*	Timber trading *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER								
External sales	**109,220**	**63,196**	**–**	**19,844**	**18,195**	**74**	**–**	**210,529**
Inter-segment sales	**–**	**704**	**–**	**–**	**–**	**–**	**(704)**	**–**
	109,220	**63,900**	**–**	**19,844**	**18,195**	**74**	**(704)**	**210,529**
Inter-segment sales are charged at prevailing market rates								
RESULTS								
Segment results	**2,245**	**(3,881)**	**(220)**	**(1,832)**	**(1,210)**	**(8,647)**	**3,553**	**(9,992)**
Unallocated corporate income								**576**
Unallocated corporate expenses								**(8,253)**
Impairment loss recognised on investments in securities								**(2,390)**
Net unrealised gain on other investments								**2,330**
Net realised loss on other investments								**(18,049)**
Loss from operations								**(35,778)**

For the six months ended 30th September 2002

	Electroplating equipment *HK$'000*	Wet processing equipment *HK$'000*	Satellite communication *HK$'000* *(Note)*	Entertainment production *HK$'000*	Timber trading *HK$'000*	Other operations *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER								
External sales	86,773	48,076	1,347	21,503	23,063	790	–	181,552
Inter-segment sales	–	934	–	–	–	–	(934)	–
Total	86,773	49,010	1,347	21,503	23,063	790	(934)	181,552
Inter-segment sales are charged at prevailing market rates								
RESULTS								
Segment results	264	(9,441)	(35,429)	(3,963)	(5,542)	(4,710)	3,038	(55,783)
Unallocated corporate income								101
Unallocated corporate expenses								(10,321)
Net unrealised loss on other investments								(23,366)
Net realised loss on other investments								(1,070)
Loss from operations								(90,439)

Note: In March 2003, the directors determined to abandon the Group's satellite communication. The satellite communication ceased operations in July 2003.

4. **Loss from Operations**

	Six months ended 30.9.2003 *HK$'000*	30.9.2002 *HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**6,140**	8,114
Amortisation of goodwill (included in administrative expenses)	**194**	1,360
Amortisation of intangible assets (included in administrative expenses)	**6**	13
Total depreciation and amortisation	**6,340**	9,487
(Gain) loss on disposal of property, plant and equipment	**(2,277)**	250

5. **Taxation Charge**

	Six months ended 30.9.2003 *HK$'000*	30.9.2002 *HK$'000*
The taxation charge comprises:		
Hong Kong Profits – Tax Underprovision in prior years	**518**	–
Overseas taxation		
Charge for the period	**354**	385
Underprovision in prior years	**–**	1,514
	354	1,899
	872	1,899

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for the period. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

6. **Dividend**
No dividends were paid during either period. The directors do not recommend the payment of any interim dividend.

7. **Loss Per Share**
The calculation of the basic loss per share is based on the net loss for the six months ended 30th September 2003 of HK$37,988,000 (six months ended 30.9.2002: HK$94,029,000) and the weighted average number of 5,529,268,000 (six months ended 30.9.2002: 5,529,268,000) shares in issue during the period.

No diluted loss per share has been presented because the exercise price of the Company's share options was higher than the average market price of shares for both periods.

8. **Property, Plant and Equipment**
During the six months ended 30th September 2003, the Group spent HK$1,047,000 (six months ended 30.9.2002: HK$912,000) on acquisition of property, plant and equipment.

Due to the stagnant development of the entertainment production business, the directors reassessed the recoverable amount of the major assets of its entertainment production business with reference to the net recoverable amount at the balance sheet date. Based on this reassessment, the directors consider an impairment of approximately HK$1.8 million is required to be recognised for the current period.

9. **Properties Held for Development**
As a consequent of different evaluation basis, the Group reassessed the recoverable amount of its properties held for development by reference to the estimated market value of the land. The directors consider there was an impairment of HK$9,776,000 and accordingly the amount has been charged to the income statement during the six months ended 30 September 2003.

10. **Goodwill**
As a consequence of a change to the original business plan, the Group reassessed the recoverable amount of its investment in the timber trading business based on the present value of the expected future cash flows arising from trading of timber, which was derived from discounting the projected cash flows by an implicit rate of return of 4.3%. Based on this reassessment, the directors consider a further impairment of approximately HK$1.2 million (six months ended 30.9.2002: HK$5.5 million) is required to be recognised for the goodwill arising from the acquisition of the subsidiary engaged in the timber trading business.

THE CHAIRMAN'S STATEMENT

Financial Results
I hereby announce that the Group's unaudited consolidated turnover has shown a 16% increase from approximately HK$182 million in 2002 to approximately HK$211 million in 2003. However, the gross profit margin has shown a slight increase from 24% in 2002 to 26% in 2003.

The reduction in loss from operations after exceptional items was mainly due to increase in turnover, various cost control measures undertook by the management and as well as the continuous effort in pushing up the margin.

Basic loss per share for the period under review was 0.69 cents (2002 : basic loss per share 1.70 cents).

Interim Dividend
The Directors do not recommend the payment of an interim dividend (2002 : Nil).

Business Review
PAL GROUP (electroplating equipment and surface finishing equipment)

Just when we started to see the return of investment confidence in equipment market in the first quarter of 2003, the outbreak of SARS suddenly put all business activities into halt. Not only did some of the customers postpone their factory visits, others, especially the overseas ones, requested to postpone the scheduled installation until they had an overall evaluation. As a result, when the society at large came to understand this mysterious diseases more, all on-hold projects were released and all planned factory expansions were resumed with full speed. This explains why we have seen a sudden surge of orders in quarter three of 2003. In fact, our factory has been working full overtime since then.

We regard the return of investment confidence this time as being sustainable, for a number of reasons:-

1. The massive shutdown of PCB factories in North America and West Europe has stopped. The production capacity of these regions is adjusted to a suitable level to match with the present market demand. In the last half of August, shipment of laminates went up abruptly and many large PCB manufacturers have increased their number of employees.
2. Electronic equipment growth has now resumed in all major areas. Western Europe and Taiwan PCB manufacturers are the first to benefit.
3. In order to increase circuit density, filled-vias by plating are in great demand. This emerge of new technology has generated new investment in equipment.
4. The strong US dollar in 2002 and the strong Euro in 2003 has forced global players to shift their production base to China or other "low cost" Asian countries and to a lesser extent Eastern Europe. During this relocation exercise, new investment in equipment is needed.

PAL is ready to capture this boom of demand. The strong Euro definitely works towards our advantage. Our New Technology Dept has successfully worked out the filled-vias technology through months of effort. The new machine "MCP-PAL" jointly developed with Marunaka is well received by the customers. We believe we have captured more than 80% market share in Taiwan as far as continuous vertical plating machine is concerned. Other markets for this technology are emerging rapidly and are being vigorously pursued. In addition, the Surface Finishing orders are generating good margin. We are presently working on several enquiries for POP (plating on plastics) equipment for automotive companies.

These developments allow us to be selective in accepting orders for "traditional" vertical plating machines, taking only those with good margin or which are strategically important.

We shall continue our strategy to broaden PAL's product range by seeking opportunities to produce equipment under license or joint venture agreements. It is our long term drive to stay ahead in the industry and to provide good services to our customers.

IML Group (wet processing equipment for PCB and FPD markets)
The recovery of PCB market described above has definitely benefited IML as well. We received steady orders for the traditional wet processing equipment and customers are fighting for better delivery schedule.

As reported in last annual report, IML is qualified as an approved supplier by a couple of renowned TFT-LCD manufacturers. For six months only, IML has received over NTD150 millions orders to build Flat Panel Display ("FPD") equipment. Due to the drive to produce low cost FPD, global players have shifted their production bases gradually from Japan and Korea to Taiwan. It is estimated that Taiwan will eventually take up 40% of world output. Several big factories are under construction and billions of fund are ready to be invested in it.

There are 6-7 major players in the FPD market and IML has been selling to the top three (CMO, CPT and Au Optronics). These top three customers represent almost 50% of Taiwan capacity. It is our intention to remain as the market leader through continuous investment in R&D. We believe that the processing equipment for FPD will emerge as one of the core income streams for IML.

Other businesses
Our entertainment arm, Vigour Entertainment, continues to provide lively concerts to public. The next show is "12 girls band" to be held in mid January. Timber trading business continues as normal.

In order to consolidate resources for our equipment businesses, we have sold our shareholding interest in wind generator in November and discontinued the rectifier assembly factory in Beijing.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES
As at 30th September 2003, the Group had net assets of approximately HK$126.5 million. The gearing ratio was 61.6% (31st March, 2003: 58.6%). This gearing ratio is calculated by dividing total liabilities of HK$282.39 million (31st March, 2003: HK$304.26 million) over total assets of HK$458.13 million (31st March, 2003: HK$519.15 million).

As at 30th September 2003, the Group had bank balances and cash on hands of approximately HK$22.65 million, net current assets value of approximately HK$15.55 million, bank overdrafts of HK$0.49 million, short-term borrowings of HK$77.25 million and long-term borrowings of HK$24.74 million. The total borrowings was therefore HK$101.99 million, slightly increase by HK$5.54 million from the balance as at 31st March, 2003.

Most of the bank borrowings is charged at prevailing market rate in the countries where the Company's subsidiaries are operating in.

As at 30th September 2003, the Group has pledged its land and buildings in PRC and Taiwan with an aggregate net book value of approximately HK$122 million (31st March, 2003: HK$126 million) and bank deposits of approximately HK$2.4 million (31st March, 2003: HK$0.3 million) to secure banking facilities of the Group.

Most of the assets and liabilities in the Company were mainly dominated in US dollars and HK dollars. Since HK dollars are packed against US dollars, the Group is subject to low risk of foreign exchange exposure.

CONTINGENT LIABILITIES
As at 30th September, 2003, the Company had guarantee of approximately HK$14 million (31st March, 2003: HK$14 million) to a bank in respect of banking facilities granted to a subsidiary of the Company. The amount utilized by the subsidiary was approximately HK$8.8 million (31st March, 2003: HK$12.7 million)

As at 30th September, 2003, the Group did not have any material contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES
Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during six months ended 30th September 2003.

CODE OF BEST PRACTICE
None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30th September 2003, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE
The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE
All the information to accompany preliminary announcement of interim results of the Group required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board
Asia Tele-Net and Technology Corporation Limited
Lam Kwok Hing
Deputy Chairman and Managing Director

Hong Kong, 23 December 2003