

Technical Development.

Despite the unfavourable market conditions, PAL has continued its off-stated policy of investing in research and development in an effort to keep ahead of its major competitors by continuously improving product design and introducing innovative features.

During the year the company has set up a Product Engineering Dept. with a mandate to study present designs and investigate ways to improve quality and reduce costs, which is particularly important in the present economic climate.

A 60:40 joint venture company is being set up in Malaysia with software supplier IA Controls of Sweden. The new company, PAL Control SDN BHD, will work exclusively on the further development of the OSSST software control system used on many PAL machines.

The New Technologies Dept continues to provide customers with plating guarantee services as well as being involved in a number of development projects, including vertical in-line plating and microvia plating. The department is also co-operating with a local university in a project to develop the plating of IC substrates, a leading edge technology in the electronic interconnection field.

Future Outlook.

It appears unlikely that the electronics industry will recover fully before the end of 2002 or the beginning of 2003. In the meantime the various measures described above will ensure PAL remains in a strong position to benefit from the eventual electronic market upturn. In the meantime, PAL is continuing to make inroads in the GMF market and this activity will be increased in the coming months.

WET PROCESSING EQUIPMENT BUSINESS (“IML”)

Same as the electroplating equipment business, the wet processing equipment is severely affected by the sluggish economic conditions and the downturn in PCB industry. To meet with the present challenge, IML has done a lot of internal reengineering to sharpen its competitive strength including the formation of a Control Committee to focus on improving efficiency and cost effectiveness. The management has also quickly adjusted its operation focus to the following areas:—

- Speed up new product development which will earn a higher margin
- Expand international sales by appointing agents and co-operating with chemical suppliers
- Capture potential sales in Mainland China which is expected to be a high growth area in next year by leveraging the set up in Shenzhen and Shanghai
- Lower the direct cost by redesigning the equipment
- Implement a series of policies to reduce the general overhead
- Review and adjust internal workflow to improve customer satisfaction and response time

During the year, IML has set up a factory in Shenzhen region and a representative office in Shanghai region. With the admission of China to WTO, the tax and other benefits previously enjoyed by foreign enterprises will gradually be removed and the domestic sale is expected to increase. The present set up in China will help to ensure that the Company is able to capture such potential sales as well as providing a low cost production base to IML.

SATELLITE TELECOMMUNICATION BUSINESS (“SCL”)

As the licensee of the External Fixed Telecommunication Network Services License, Sky Citi-Link International Telecommunication Ltd operates as a teleport operator to provide uplink or downlink services for transmission of various form of communication such as data, voice and TV.

On 6th May, 2002, the directors of eCyberChina Holdings Ltd (“eCyber”), Wah Tak Fung Holdings Ltd (“WTF”) and Asia Tele-Net and Technology Corporation Ltd (“ATNT”) jointly announced that on 1st May, 2002, the ATNT Agreement was entered into between ATNT, Happy Win Resources Ltd (“Happy Win”), eCyber and Teleinvest Holdings Ltd (“Teleinvest”). Pursuant to the ATNT Agreement, inter alia, Happy Win agreed to sell and Teleinvest agreed to purchase or procure the purchase of:—

- 80 Sky Citi-Link Shares, representing 80% of the issued share capital of Sky Citi-Link; and
- the Happy Win Loan, representing 80% of all amounts outstanding at Completion

The aggregate consideration is HK\$55,000,000 and is to be satisfied by:—

- the issue of 151,200,000 eCyber Consideration Shares, credited as fully paid at HK\$0.25 each; and
- eCyber procuring the issue of 31,272,727 ATNT WTF Consideration Shares by WTF, credited as fully paid at HK\$0.55 each to ATNT or as it may direct.

In view that Sky Citi-Link was held as to 80% and 20% by Happy Win and Teleinvest respectively, the disposal of a 80% interest in Sky Citi-Link by Happy Win to Teleinvest constitutes a connected transaction for ATNT under Chapter 14 of the Listing Rules and therefore is subject to, among other things, approval by Shareholders in the Special General Meeting. No Shareholder has to abstain from voting in the Special General Meeting. Such special general meeting was held on 5th July 2002 in which the resolution was passed to approve the ATNT Agreement and the connected transaction contemplated thereunder.

Completion of the ATNT Agreement is conditional upon the satisfaction of several conditions. On 22nd July 2002, the directors of eCyber, WTF and ATNT jointly announced that the Long Stop Date is extended from 31st July 2002 to 7th August, 2002. If the conditions have not been satisfied on or before 7th August, 2002 (or such later date as the parties may agree), eCyber and Teleinvest (acting jointly) or ATNT can terminate the ATNT Agreement

Since the market price of the eCyber Consideration Shares and the WTF Consideration Shares has been decreased since the date of the ATNT Agreement, the value of consideration was approximately \$27,300,000 less than the cost of net assets to be transferred. The Group has accordingly recognized an impairment loss of \$27,300,000 on property, plant and equipment held by SCL.

TIMBER BUSINESS (“HAPPY TREASURE”)

The Directors are very pleased to report that the timber business has started to contribute steady cashflow to the Company. The monthly export volume is expected to increase gradually.

During the year under review, impairment loss of \$22,000,000 has been recognized for the goodwill arising from the acquisition of the timber business to reflect the delay of the business operation and the possible declining demand on Indonesian log.

ENTERTAINMENT BUSINESS (“AVP”)

The turnover and the result of the entertainment production segment have increased by 50% and 17% respectively. This was resulted from the increase in overall number of concerts and the increase in the audio and lighting equipment rental business.

It is worth mentioning the “Synergy Ultraman Live Show at Hong Kong Convention & Exhibition Center — New Wing (synergy 超人35週年之不滅的傳說現場版)”. The show was organized during the summer holiday in 2001 and was the first in Hong Kong to put up a live show for a very popular Japanese idol. The Management will continue to search for potential singers to bring delightful entertainment to Hong Kong people.

PROSPECT

The Directors have seen signs of recovery in the electroplating equipment and wet processing equipment businesses based on the orders on hands and feedback from the downstream customers. Nevertheless the recovery progress, pace and extent will be a bit difficult to determine. As such, the Group remains cost conscious and will continue to look at very aspects to reduce the direct cost as well as the operating overhead in order to remain competitive. On the other hands, resources are reserved for product developments and R&D activities. By offering high-tech advanced products and good quality services, the Directors believed that the Group will become profitable again with only a moderate recovery of PCB industry. The low interest rate will be an added advantage as the finance cost to our customers in equipment investment will be lower. Furthermore, the Group is well positioned to capture the vast markets in Mainland China which is expected to be a high growth area.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2002, the Group had more than \$24.4 million of cash on hand, net current assets value being over \$123 million. Short-term loan amounted to \$55 million and long-term loan amounted to \$39.8 million. The total borrowing was therefore \$94.8 million, when comparing with net assets of \$329 million representing a gearing ratio of 28.8%. As at the year end date, the Group held a value of \$71.9 million of investment in securities which is highly liquid.

As at 31 March 2002, the Group has pledged its land and buildings in Taiwan and the United Kingdom with an aggregate net book value of \$87 million and bank deposits of approximately \$3.6 million to secure general banking facilities to the Group.

HUMAN RESOURCES

As at 31st March, 2002, the Group has approximately 850 employees. Remuneration for its employees is based on industry practice and performance of individual employees. The Group also adopts a share option scheme for its staff of senior grade.

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

Neither the Company nor any of its subsidiaries purchase, sold or redeemed any of the Company's listed shares during the year ended 31st March 2002.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company was 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 throughout the year.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 24th July, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the C1 Conference Room, 11 Dai Hei Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong at 2:00 p.m. on Friday, 27th September, 2002 for the following purposes:

- To receive and consider the report of the directors and financial statements for the year ended 31st March, 2002 and the auditors' report thereon.
- To elect directors and to fix their remuneration.
- To appoint auditors for the year ending 31st March, 2003 and to authorise the directors to fix their remuneration.
- By way of special business to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(A) “That:—

- subject to paragraph (iii), the exercise by the directors of the Company during the relevant period of all the powers of the Company to allot and issue or otherwise deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options over shares which might require such shares to be allotted and issued be and is hereby generally and unconditionally approved;
- the approval in paragraph (i) shall authorise the directors of the Company during the relevant period to make or grant offers, agreements and options which might require the exercise of such power after the end of the relevant period;
- the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued whether pursuant to an option or otherwise, by the directors of the Company pursuant to the approval in paragraph (i), otherwise than pursuant to rights issue, shall not exceed 20% of the aggregate nominal amount of the existing share capital of the Company in issue as at the date hereof and the said approval shall be limited accordingly; and

for the purpose of this resolution:—

“relevant period” means the period from the passing of the resolution until whichever is the earlier of:—

- the conclusion of the next annual general meeting of the Company, and
- the expiration of the period within which the next annual general meeting of the Company is required by law or the Company's bye-laws to be held; and
- the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“right issue” means an offer of shares open for a period fixed by the directors of the Company to holders of ordinary shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the director of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory outside Hong Kong.”

(B) “That:

- subject to paragraph (ii) the exercise by the directors of the Company during the relevant period of all the powers of the Company to purchase its own securities, subject to and in accordance with all applicable laws and the listing rules, be and is hereby generally and unconditionally approved;
- the aggregate nominal amount of securities of the Company purchased by the Company pursuant to paragraph (i) during the relevant period, shall be no more than 10% of the aggregate nominal amount of the existing issued share capital of the Company at the date of this meeting, and the authority pursuant to paragraph (i) shall be limited accordingly;
- for the purposes of this resolution, “relevant period” means the period from the date of passing of this resolution until whichever is the earlier of:—
 - the conclusion of the next annual general meeting of the Company;
 - the expiration of the period within which the next annual general meeting of the Company is required by law or the Company's bye-laws to be held; and
 - the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- (C) “That the exercise by the directors of the Company of all powers of Company following any repurchase of its own shares to allot and issue or agree to allot and issue additional shares in the capital of the Company up to maximum number of such shares repurchased since the granting of the general mandate (up to a maximum number equivalent to 10% of the existing issued share capital of the Company at the date of this meeting) and to make or grant offers, agreements and options which might require the exercise of such power equivalent to the number of shares so purchased, in addition to the general mandate granted to the directors of the Company and for the time being in force pursuant to resolution 4(A) contained in the notice convening this meeting, be and is hereby generally and unconditionally approved.”

By order of the Board
Kwok Hing Lam
Deputy Chairman & Managing Director

Hong Kong, 24th July, 2002

Notes:

- Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- The form of proxy must be lodged at the head office and principal place of business of the Company in Hong Kong not less than 48 hours before the time appointed for the meeting. Completion and return of the proxy will not preclude a member from attending and voting in person.