

ASIA TELE-NET AND TECHNOLOGY CORPORATION LIMITED

INTERIM RESULTS 2002

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 2002 together with comparative figures for the corresponding period in 2001 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months	ended
	Notes	30.9.2002 (unaudited) <i>HK\$</i> ′000	30.9.2001 (unaudited) <i>HK\$'000</i>
Turnover Cost of sales		181,552 (137,196)	172,078 (139,370)
Gross profit Bad debts recovered Other operating income Distribution costs Administrative expenses Other operating expenses Allowance for bad and doubtful debts Net unrealised loss on other investments Net realised (loss) gain on other investments Loss on resumption of properties held for development by government Impairment loss recognised in respect of property, plant and equipment		44,356 5,526 4,177 (18,771) (53,432) (4,400) (3,178) (23,366) (1,070) (2,081) (32,700)	32,708 1,988 (21,155) (70,493) (1,833) (17,047) (5,122) 2,905
Loss from operations Gain on partial disposal of a subsidiary Finance costs — interest Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary	4	(84,939) ———————————————————————————————————	(78,049) 44,441 (3,725) ————————————————————————————————————
Share of results of an associate		(2,011)	(209)
Loss before taxation Taxation (charge) credit	5	(95,829) (1,899)	(37,542) 2,174
Loss after taxation Minority interests		(97,728) 3,699	(35,368) 7,614
Net loss for the period		(94,029)	(27,754)
Loss per share Basic	7	1.70 cents	0.53 cents

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 Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Practice"

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 2002.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of thee cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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 and operate under five divisions. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	equipment HK\$'000	equipment HK\$'000	communication	production HK\$'000	trading HK\$'000	operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000	
TURNOVER External sales Inter-segment sales	86,773	48,076 934	1,347	21,503	23,063	790 —	(934)	181,552	
Total	86,773	49,010	1,347	21,503	23,063	790	(934)	181,552	
			sales are cha	ged at preva	iling market ra	ntes			
RESULTS Segment results	32,177	10,135	(244)	(340)	1,837	(36)	827	44,356	
Unallocated corporate income Bad debts recovered Unallocated corporate expense Net realised loss on other	5,526 s			_		_	_	4,177 5,526 (78,684)	
investments Net unrealised loss on other investments Allowance for bad and								(1,070) (23,366)	
doubtful debts Impairment loss recognised in respect of property, plant	(3,178)	_	_	_	-	_	_	(3,178)	
and equipment	_	-	(32,700)	_	_	_	-	(32,700)	
Loss from operations								(84,939)	
For the six months ended 30th	September 200	01	Wet						
	ſ	Electroplating equipment HK\$'000	processing	Satellite ommunication HK\$'000	Entertainment production HK\$'000	Other operations HK\$'000	Elimination HK\$'000	Consolidated HK\$'000	
TURNOVER External sales		90,358	58,616	1,465	18,302	3,337		172,078	
Inter-segment sales are charged at prevailing market rates									
RESULTS Segment results		12,148	13,440	71	4,096	1,568	1,385	32,708	
Unallocated corporate income Unallocated corporate expenses Net realised gain on other investi Net unrealised loss on other inve Allowance for bad and doubtful d	stments	(15,399)	_	_	_	(1,648)	_	1,988 (93,481) 2,905 (5,122) (17,047)	
Loss from operations								(78,049)	
Loss from Operations									
						30.9.2002	ix months end		
						30.9.2002 HK\$'000		30.9.2001 HK\$'000	

Depreciation of property, plant and equipment Amortisation of goodwill (included in administrative expenses) Amortisation of intangible assets (included in administrative expenses) Total depreciation and amortisation Loss (gain) on disposal of property, plant and equipment

Taxation (Charge) Credit

The taxation (charge) credit comprises: Hong Kong Profits Tax Underprovision in prior years (55) Overseas taxation Charge for the period (Under) overprovision in prior years (385) (1,514) 2,337 (1,899) 2,337

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for the period. Overseas taxs in the relevant jurisdictions.

(1.899)

No dividends were paid during either period. The directors do not recommend the payment of any interim divided.

Loss Per Share

The calculation of the basic loss per share is based on the loss for the six months ended 30th September 2002 of approximately HK\$94,029,000 (six months ended 30.9 2001: HK\$27,754,000) and the weighted average number of 5,529,268,000 (six months ended 30.9.2001:5,267,338,601) shares in issue during the period

No diluted loss per share has been presented for the six months ended 30th September 2001 as the exercise of the Company's share options would result in reduction of the loss per share.

THE CHAIRMAN'S STATEMENT

Financial Results

I hereby announce that the Group's unaudited consolidated turnover has shown a slight 5.5% increase from approximately HK\$172 million in 2001 to approximately HK\$182 million in 2002. However, the gross profit margin has shown a significant increase from 19% in 2001 to

Although the overall loss from operation has increased from approximately HK\$78 million to approximately HK\$85 million, the operational

loss after exceptional items has indeed decreased from approximately HK\$76 million to approximately HK\$25.7 million:					
	30.9.2002 <i>HK\$'000</i>	30.9.2001 <i>HK\$</i> '000			
Loss from operations as per consolidated income statement	(84,939)	(78,049)			
Less: exceptional items — Loss on resumption of properties — Impairment loss recognized — Net loss on other investments (investments mean listed shares)	2,081 32,700 24,436	0 0 2,217			
Loss from operations after exceptional items	(25,722)	(75,832)			

The reduction in loss from operations after exceptional items was mainly due to various cost control measures undertook by the management and as well as the continuous effort in pushing up margin which will be further explained under the "Business Review" section.

Basic loss per share for the period under review was 1.70 cents (2001: basic loss per share 0.53 cents)

The Directors do not recommend the payment of an interim dividend (2001: Nil)

Business Review

Electroplating Equipment Business ("PAL")

As disclosed in last year annual report, the large reductions in the output of printed circuit boards (PCBs) as well as the excess capacity in the industry situation has stalled the investment sentiment by the PCB producers which form PAL's major customer base. In view of this, the management's strategy was to

- reduce the overhead by various retrenchments
- continue investment in research and development
- push up the gross margin by introducing design change and material cost down

The segment result has increased from 13.4% to 37%. That is why the turnover has reduced from approximately HK\$90.4 million to approximately HK\$86.8 million while the segment result has indeed increased from approximately HK\$12.1 million to approximately HK\$32.2

It can be fairly said that the sales of PCB markets has stabilized, which is a positive sign. While we continue our on-going cost saving and margin improvement measures, we are pleased to announce the following progress:—

- The first continuous vertical in-line plating machine was shipped in October to Taiwan. This new product has aroused great interest in the market because it helps our customers to meet more stringent tolerance requirements at a reasonable price. The product is originated from a co-operation agreement we have with a Japanese technology company. With the advanced technology know-how possessed by the Japanese engineering team and our experience in manufacturing vertical plating machines, we believe more good products can be come out of this co-operations.
- . We are discussing another co-operation arrangement with a renowned company in Singapore to market their pure water and waste water treatment systems together with our plating machines in Asia as a total package.
- We have expanded the sphere of activity of our subsidiary in UK to the whole of Europe so that we are better represented in that region and our after sales services is further enhanced.

All in all, we maintain our view that it is unlikely that the electronics industry will recover fully before the end of 2002 or the beginning of 2003. However, we believe that with the various measures we have taken, PAL should be prudently on its road to narrow its operation loss, if not breakeven, for this financial year.

Wet Processing Equipment Business ("IML")

Same as the electroplating equipment business, the wet processing equipment also faced a downward adjustment in sales. The turnover was reduced from approximately HK\$58.6 million to approximately HK\$49 million. The gross margin was relatively the same, still over 20%. Although the operating result was a loss in first half, several breakthroughs were made since September including:—

- An order was received from renowned listed company in Korea for a value of NT\$60,000,000.
- The 4th generation Upper Contactless Conveyor System is well received in the market since its launch in October.

As the trend to expand production capacity in China still continues, we will be sending more Taiwanese experienced members to the actory in Shenzhen to strengthen its sales and manufacturing capability so as to capture this increasing market.

Entertainment Business ("AVP")

The turnover of this segment have increased from approximately HK\$18.3 million to approximately HK\$21.5 million. Other than normal income streams coming from providing show entertainment, stage production services and equipment rental, starting from this year additional income is generated from the sales of licensed rights to record album distributors and/or manufacturer.

With the increasing popularity in watching cabled TV amongst household and the fashion to provide entertainment to public-by-public transportation organizations such as the "RoadShow" in KMB and the "M-channel" in most of the mini-buses, the broadcasting rights we accumulated over the years shall become a valuable intangible asset to the Group.

Satellite Telecommunication Business ("SCL")

With the sluggish market situation, it is for certain that no further investment will be made for this business segment by the Group. We will also look for ways to further cost down the fixed overhead. In view of bringing in cash inflow to the Group, we may consider to sell part of the equipment that is not in use provided it does not affect our operations.

We have recognised approximately HK\$32.7 million impairment loss on equipments and assets to bring the net book value to its recoverable

Timber Business ("Happy Treasure")

The timber business continues to generate net cashflow in to the Group

Financial Position

The Group's total debt is gradually reducing from approximately HK\$124 million in September 2001 to approximately HK\$96 million in March 2002 and then to the latest approximately HK\$92 million in September 2002.

(all in HK\$"m)	PAL	IML	Others	Total	
Debt					
 Long term debt 	2.5	28.9	3.7	35.1	
 Short term debt 	13.2	37.7	5.9	56.8	
A	the feet and a second second of the	IV#70 0'II'	Acceptable and a consequence		

As at 30th September 2002, the Group had net current assets value being approximately HK\$72.9 million, including approximately HK\$13.6 million cash on hand.

On behalf of the Board, I would like to thank our customers, bankers, suppliers and friends for their kind support and to thank especially our staff at all levels for their contribution and commitment over the period.

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

Neither the Company nor any of its subsidiary companies has purchased, sold or redeemed any of the Company's listed securities during six months ended 30th September 2002.

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 2002, 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.

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 Kwok Yan Lam