

Business Review and Prospects

Satellite Communication Business

With mainland China's imminent entry in the W.T.O, new opportunities are likely to emerge. The Group has foreseen the potential of the PRC telecom market. In addition to obtaining the FTNS (fixed telecommunications network services) licence in April 2000 from the Hong Kong Telecommunication Authority, the Group also signed an agreement with China Telecommunications Broadcast Satellite Corporation, which implies in future the Group's Satellite Service for overseas customers can be linked with various PRC regions. Sky Citi-Link International Telecom Limited, the Group's wholly owned subsidiary, has installed 2 new antennae of 7.3 Metres for the joint alliance mentioned above. Furthermore, the Group is prepared to increase the number of antennae to cater for the new government policy in opening the telecom market.

The Group has acquired 117,000 square feet of land space in Tai Po Industrial Estate facing the Tolo Harbour for the development of a teleport. Piling work is now under progress for phase I of the teleport project. The new teleport will be linking with global and regional satellites to provide facility management, point to point and point to multi-point VSAT communication systems, events and flyaway satellite newsgathering unit as well as internet broadband trunk connectivity.

The Group has participated actively in international telecom conferences including ITU Telecom Asia 2000 and the Singapore conference — Communic Asia 2000. It has also managed to broadcast worldwide in real time by satellite, Hong Kong concert "Sky Citi-Link Teleport Rachie Jen Summer Concert", to various parts of the world in August 2000. It also participated in the direct broadcast of 2000 Olympic events held in Sydney, Australia.

Internet Data Centre Business

Sky Datamann International Limited ("Sky Datamann") is a wholly owned subsidiary of the Group and is engaged in high value-adding and quality services on internet, mission critical solutions and network security.

In October 2000, Sky Datamann has opened a new data centre of approximately 20,000 square feet in CBW Building in Tsuen Wan to launch new services to the esteemed customers.

Electroplating Equipment Business

On 28 March, 2000, an oral offer was received from a former director of the Company for the purchase of the electroplating business of the Company for cash.

On 25 August, 2000, the Company decided to terminate negotiations with the offeror since the Directors inclined towards considering a separate listing of the electroplating business of the Group in future to generate greater benefit to the shareholders of the Company.

Last year the electroplating business had undergone a periodic adjustment of the industry, resulting in decline of both turnover and net profit. This was due to the fact that customers had been conservative towards capital project investments as a result of market uncertainty.

However, the current situation has been encouraging and the Group's Hong Kong and Shenzhen plants have been working at relatively high capacities. The Group is prepared to expand the existing capacities to cater for more customer orders. In addition, a new service centre has just been opened in Shanghai offering sale of spare parts, modification and installation services as the Group's business in the East China region is growing dramatically.

The Group has developed the latest model of the new horizontal plating machine ("PALTECH") and the copper replenishment system ("CRS"). New developments have been introduced to improve plating performance of ultra-thin multi-layer PCB boards as well as ease of maintenance for the PALTECH. The CRS has been redesigned to improve its efficiencies and feature a new sensor system. It is expected to have plenty of global demand for the new products.

Wet Processing Business

Progress was made in connection with the spin-off listing of Intech Machines Company Limited ("Intech"), a subsidiary of the Company engaged in design, manufacture and sale of custom built horizontal wet processing and automatic machinery, at the Taiwan Over-the-Counter Securities Exchange ("Taiwan OTC").

On 2 November, 2000, conditional approval from the Taiwan OTC for admission of Intech to listing was received. It is expected that final approval will be granted by the Securities and Futures Commission of the Department of Finance of Taiwan shortly.

The Directors expect that admission of Intech to the Taiwan OTC will help to increase Intech's profile and enhance its fund raising capability, thereby strengthening Intech's ability to expand its business in Taiwan and the international market. The Directors consider these will enhance the overall ability of ATNT Group to continue to expand its operation as appropriate and will benefit its shareholders.

Other Business

The entertainment production business continued to contribute to the Group in the period under review. The Group launched "Sky Citi-Link Teleport Rachie Jen Summer Concert" in August 2000 and "Shinco Danny Summer Live in Concert 2000" in November, 2000. Both concert productions were welcome by the general public.

Money Lender business continues to contribute to the Group as a stable source of re-current income. The Group has adopted a prudent and conservative policy where comfortable security is a basic requirement.

In preparing the interim financial statements, the Directors have considered the recorded value of the Group's investments in HK Sky-e.com Limited. Although the global e-business is experiencing an unprecedented challenge to its future, the Directors are of the opinion that the unsatisfactory atmosphere in relation to the global e-business only represents a short-term phenomenon. In the absence of evidences indicating a permanent impairment to the Group's existing investments, no provision was made in the interim financial statements in respect of the investment in securities. Nevertheless, the Directors will constantly monitor the ongoing market trend and the prospect of the e-business.

Financial Position

The Group has remained healthy regarding her financial position and working capital. Gearing has been maintained at a low level. As at 30th September, 2000, the Group's cash and bank balances amounted to approximately HK\$126 million. Total debt was approximately HK\$83 million, equal to 13.1% of the shareholders' funds.

As a result of the expansion of the Group's new businesses, the Group expects further increase of financing activities through equity market and financial institutions. On the other hand, the Group will consider feasibility studies in listing some of the new businesses such that they may assure financial independence.