

Electroplating Equipment Business (“PAL”)

Overall Market Situation

In a generally depressed economic climate the electronics industry suffered a severe downturn throughout the period, resulting in large reductions in the output of printed circuit boards (PCBs), the manufacturers of which form PAL's major customer base. The PCB output reduction was worldwide, with an average fall of 26% of revenue in the year 2001 compared with 2000. (Worst hit were the USA and Japan (both around 30% reduction) and Taiwan (around 25%). China fared best, seeing a drop of only 1%, but in view of the huge investment into the area, this was also a very disappointing result.)

Clearly such a situation is not conducive to investment by PCB producers in major pieces of capital equipment. In addition the excess capacity in the industry has caused a number of factories to be closed down, resulting in the appearance of used equipment on the market.

In the general metal finishing (“GMF”) industry, the situation has been similar, if somewhat less severe than in the PCB industry.

The result of the above for PAL was a large reduction in orders for electroplating equipment of all types in all regions of activity.

Strategy

The strategy adopted in response to the weak market situation, has been to reduce overhead in both the Hong Kong Headquarter and the Shenzhen factory to a level sustainable under present conditions. This has been achieved by a combination of headcount reduction, salary reduction for senior staff, replacement of 13th month salary by a bonus dependent on profitability, and removal of some functions, such as spare parts sales, from Hong Kong to Shenzhen. The decision to stop all manufacture in Hong Kong was taken in light of China and Taiwan's accession to WTO, allowing major cuts in production workforce.

電鍍設備業務（「亞洲電鍍」）

整體市場狀況

在經濟普遍不景之情況下，電子業在整個期間一直面對嚴重衰退，印刷電路板（電路板）產量大減，而電路板生產商則為電鍍設備業務之主要客戶。電路板產量減少是全球性之現象。對比二零零零年，二零零一年電路板生產商的平均收入跌幅是26%。美國及日本市場受到最大打擊，兩者均下跌大約30%，台灣亦下跌大約25%。中國則表現最佳，僅僅微降1%，但因當地市場已有龐大投資，故業務亦不算理想。

電路板生產商在上述市況下顯然無意作出大規模資本投資。此外，行業出現剩餘產力導致不少工廠結業，結果市場出現大量二手設備。

一般之金屬表面處理行業亦出現類似情況，只是情況可能不比電路板行業嚴重而已。

結果亞洲電鍍面對的是各行各業不同類型的電鍍設備訂單均大幅減少。

策略

面對疲弱的市況環境，本集團採取積極策略，全面降低香港總部及深圳廠房之經營成本，配合現時之營商環境。實際措施包括減省人員、調低高級人員薪金、以基於公司淨利釐定之花紅取代雙糧，並將部份業務（例如零件買賣）由香港遷往深圳等。基於中國及台灣加入世貿，故此決定結束所有香港生產業務，大幅削減生產人員數目。

Similar retrenchments have also taken place in the overseas subsidiaries, particularly in the USA where the two subsidiaries have been merged, and the total headcount reduced considerably as a result.

At the same times, the sales network is extended geographically by appointing more agents and new markets such as Japan, India and Russia are being explored.

Technical Development

Despite the unfavourable market conditions, PAL has continued its oft-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 OSST 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.

海外的附屬公司亦採取同樣之節約措施，特別是於美國之兩間子公司經合併後，人員總數結果大幅減少。

與此同時，在委任更多代理下，銷售網絡之地區覆蓋面則有所擴大，同時不斷開拓新市場，包括日本、印度及俄羅斯。

技術發展

雖然面對不利的市場情況，電鍍設備業務繼續實行一貫對研究開發投資之政策，不斷改善產品設計及推出創新功能，努力領先主要競爭對手。

本公司在本年度成立產品工程部，被委以研究現時之設計及調查改善品質及降低成本之途徑，是項有關工作在目前經濟狀況下尤其重要。

本公司與瑞典之軟件供應商IA Controls以各佔60%及40%股權之比例，正在馬來西亞成立合營公司。新公司稱為PAL Control SDN BHD，專門深入開發大部份電鍍設備使用之OSST軟件控制系統。

科技部繼續為客戶提供電鍍保證服務，亦參與不少開發項目，包括垂直直連線電鍍機及微孔電鍍等項目。該部門亦與本地大學合作，開發IC substrate電鍍技術，此乃電子連接行業最尖端之科技。

前景

電子行業有可能不會在二零零二年底甚至二零零三年初之前全面復甦。期間上述各種措施將可確保電鍍設備業務仍有穩固之基礎，最終會在電子市場復甦時受惠。在此之前，亞洲電鍍設備業務將繼續開拓金屬表面處理市場，未來數月更會大展拳腳。

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.

濕式處理設備業務（「亞智」）

濕式處理設備業務與電鍍設備業務同樣受到經濟不景及電路板行業衰退之嚴重打擊。為克服困難，亞智已進行大量內部重整工作以提高競爭力，包括成立監督委員會，針對改善效率及提高成本效益。管理層亦迅速調整經營重點，轉而集中於以下範圍：

- 加快開發利潤更高之新產品
- 委任更多代理及與化學品供應商合作以擴大國際銷售額
- 預期中國內地之銷量會大幅增長，因此會借助在深圳及上海設立之業務據點，爭取在中國內地發揮銷售潛力
- 重新設計設備以降低直接成本
- 實施一系列政策以節省一般營運開支
- 檢討及調整工作程序，力求滿足客戶及縮短回應時間

亞智於本年度在深圳地區設立廠房，同時在上海設立代辦處。中國加入世貿之後，以往外資企業所享有之稅項及其他優惠將逐步取消，屆時內地銷量預期將會上升。現時在中國之據點將確保本公司可爭取這等潛在之銷量，並且可成為亞智之低成本生產基地。

衛星通訊業務（「天城」）

天城國際電訊有限公司為對外固網服務牌照的持牌人，經營衛星港業務，提供上行或下行傳輸服務，傳送各種通訊內容，包括數據、語音及視像。

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:

- (a) 80 Sky Citi-Link Shares, representing 80% of the issued share capital of Sky Citi-Link; and
- (b) 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:

- (a) the issue of 151,200,000 eCyber Consideration Shares, credited as fully paid at HK\$0.25 each; and
- (b) 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.

Valuation and consideration

The consideration of HK\$55,000,000 for the disposal of the 80% interest in Sky Citi-Link was determined based on arms-length commercial negotiations between the parties with reference to the unaudited adjusted net assets of Sky Citi-Link Group (excluding its consolidated current assets, consolidated current liabilities, and shareholders' loan of approximately HK\$78,395,000 granted to it) as at 31st March 2002 of approximately HK\$64,842,000.

Benefits of the Transaction

Having considered the factors and reasons set out below, in particular,

- the exchange of illiquid shares of a private company for liquid shares of two listed companies;

光訊控股集團有限公司(「光訊」)、華德豐集團有限公司(「華德豐」)及亞洲聯網科技有限公司(「ATNT」)於二零零二年五月六日聯合公佈，ATNT、Happy Win Resources Ltd(「Happy Win」)、eCyber及Teleinvest Holdings Ltd(「Teleinvest」)已於二零零二年五月一日訂立ATNT協議，Happy Win同意出售而Teleinvest同意收購或安排收購：

- (a) 80股Sky Citi-Link股份(佔Sky Citi-Link已發行股本80%)；及
- (b) Happy Win貸款(佔完成時全部貸款額80%)

總代價為55,000,000港元，以下列方式支付：

- (a) 按每股0.25港元之價格發行151,200,000股入賬列為繳足股本之光訊代價股份；及
- (b) 光訊促使華德豐按每股0.55港元之價格向ATNT或其指定者發行31,272,727股入賬列為繳足股本之華德豐代價股份。

估值及代價

出售天城80%權益之代價為55,000,000港元，乃交易各方基於天城集團於二零零二年三月三十一日之未審核經調整資產淨值約64,842,000港元(不包括綜合流動資產、綜合流動負債及所獲股東貸款約78,395,000港元)而公平磋商釐定。

交易之利益

經考慮如下之主要因素及理由：

- 將私人公司之非流通股份轉換為兩家上市公司之流通股份；

- the synergistic effect to the future business development of Sky Citi-Link Group as a result of the resources and expertise of eCyber and WTF in the field of satellite communication;
- the alleviation from the potential impact of Sky Citi-Link on the financial performance of the Group as a result of further capital requirements of Sky Citi-Link; and
- an opportunity for the Group to realize immediate returns since upon completion of the ATNT Agreement, ATNT is free to sell or otherwise dispose of 10% of the eCyber Consideration Shares and ATNT WTF Consideration Shares
- 天城集團借助光訊與華德豐在衛星通訊方面之資源及專長，發揮協同作用，進一步推動天城集團日後之業務發展；
- 避免由於天城額外的資金需求而對本集團之財務表現有不利影響；及
- 當完成ATNT協議後，ATNT可不受限制出售或以其他方式處置10%光訊代價股份及華德豐代價股份，使本集團有機會獲得即時回報，

the Directors conclude that the terms of the ATNT Agreement are in the interests of ATNT and its Shareholders.

董事認為ATNT協議之條款符合ATNT及其股東之利益。

Special General Meeting held on 5th July 2002

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.

二零零二年七月五日舉行之股東特別大會

鑒於Happy Win及Teleinvest分別持有天城80%及20%權益，因此根據上市規則第14章規定，HappyWin向Teleinvest出售天城80%權益構成ATNT之關連交易，須獲得股東在股東特別大會批准及符合其他規定，沒有任何一位股東需要在股東特別大會放棄投票。該股東特別大會已於二零零二年七月五日舉行，會上已通過決議案批准ATNT協議及該協議所涉及之關連交易。

Long Stop Date

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.

延長終止日期

ATNT協議須待達成多項條件方可完成。於二零零二年七月二十二日，光訊、華德豐及ATNT董事聯合公佈延長最後期限，由二零零二年七月三十一日押後至二零零二年八月七日。倘若截至二零零二年八月七日（或各方同意之較後日期）仍未達成該等條件，則光訊及Teleinvest（共同）或ATNT可終止ATNT協議。

Impairment Loss

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”)

On the 30th May 2001, the Company has entered into a conditional sale and purchase agreement with Strength Hope Holdings Ltd (“the Vendor”) whereby the Company has agreed to purchase from Strength Hope all of the issued capital of Strength Hope Limited (the “SHL”) for an aggregate consideration of HK\$64,500,000 which said consideration shall be satisfied in full by:—

- 500,000,000 new shares with nominal value of HK\$0.01 in the Company at a price per share of HK\$0.06;
- convertible notes with a face value of HK\$30,000,000 (“the Consideration Notes”); and
- the transfer of the 150,000,000 ordinary shares at price per share of HK\$0.03 in Smartech (a listed company in Hong Kong)

The transaction was completed on 24th July 2001. It was a term of the Agreement and the Consideration Notes that if the gross profits of SHL for the period of six months after the date of the Agreement (which period may be extended if any force majeure events arise) is less than HK\$15,000,000, then the Company is entitled to redeem the Consideration Notes with a principal value equal to 2 times the shortfall (subject to a maximum of HK\$30,000,000) being the face value of the Consideration Notes for the sum of HK\$1.00.

減值虧損

由於光訊代價股份及華德豐代價股份之市價自ATNT協議日期後有所下跌，總代價之價值較所轉讓之淨資產值少約27,300,000港元。因此，本集團就天城所擁有之物業、機器及設備確認減值虧損27,300,000港元。

木材業務（「喜富」）

於二零零一年五月三十日，本公司與Strength Hope Holdings Ltd（「賣方」）訂立有條件買賣協議，本公司同意以總代價64,500,000港元向Strength Hope收購Strength Hope Limited（「SHL」）全部已發行股本，而上述代價將以下列方式支付：

- 以每股0.06港元之價格發行500,000,000股本公司每股面值0.01港元之股份；
- 面值30,000,000港元之可換股票據（「代價票據」）；及
- 以每股0.03港元之價格轉讓150,000,000股Smartech（香港之上市公司）普通股。

上述交易已於二零零一年七月二十四日完成。該協議及代價票據之條款規定，倘若SHL在協議日期後之六個月期間（如出現不可抗力事件，則有關期間或會延長）毛利少於15,000,000港元，則本公司可以1.00港元購回相等於毛利差額2倍（以30,000,000港元為限，即代價票據之面值）之代價票據。

The said gross profit requirement has not been satisfied because the Vendor has taken a longer time than expected in getting customers' acceptance of Happy Treasure Ltd, which is a wholly-owned subsidiary of SHL, as new supplier and in setting up a banking facility for the purchase of log. As a result, the Company has issued a notice to redeem the Consideration Notes for the sum of HK\$1.00.

Nevertheless, 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 SHL to reflect the delay of the business operation and a change to the original business plan. It was reported recently that the Indonesian Government is actively seeking co-operation with Asian countries such as Malaysia and China aiming at curbing trading in illegally-felled logs. As a result, most of the Indonesian log prices has increased and most of the Indonesian suppliers are now enjoying a higher margin. However, the Company believe it is possible that a couple of years down the road, the increase in log prices may force importers to consider other sources of supplies such as Malaysia or China. Although the State Forestry Administration in China is now operating a Harvesting Quota System, the System is not operating very efficiently. Local analysts said that there are annually around 86 million cubic metres of timber are harvested above the quota. After careful consideration and for prudent sake, the Directors suggested a recognition of impairment loss is warranted in spite of the gradual increase in turnover.

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.

由於賣方以較預計時間長之時間才獲得客戶接納SHL之全資附屬公司Happy Treasure Ltd擔任新供應商並設立購買木材之銀行信貸，故此未能於指定時間內達成上述毛利之規定。因此本公司發出通知，以1.00港元贖回所有代價票據。

雖然如此，董事欣然報告，木材業務已開始為本公司提供穩定之流動現金，且預期每月之出口量會逐步增加。

在是次檢討年度內，對收購木材業務所出現之商譽進行減值虧損22,000,000港元，以反映延遲開展業務及原業務計劃更改之影響。據近期消息所指，印尼政府積極爭取與馬來西亞及中國等亞洲國家合作，打擊非法伐木。因此，大部份印尼木材價格經已上升，而大部份印尼供應商之溢利率亦同樣上升。然而，本公司相信，經過兩三年後，木材價格上升將促使進口商考慮從馬來西亞或中國等地採購。雖然中國國家林木管理局現時執行採伐配額系統，但該制度並非十分有效。當地分析員表示每年超逾限額之採伐數量約為86,000,000立方米。經仔細考慮後，雖然營業額逐步上升，但董事建議為審慎起見，應當將減值虧損確認入賬。

娛樂業務（「恒藝」）

娛樂業務之營業額及業績分別增加50%及17%，原因在於音樂會數目全面增加，加上音響及燈光設備租賃業務亦有上升所致。

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.

Kwok Hing Lam

Deputy Chairman and Managing Director

Hong Kong
24th July, 2002

特別值得提及「Synergy超人35週年之不滅的傳說現場版」，該節目於二零零一年暑假舉行，是香港首個替日本受歡迎之英雄偶像所作現場表演。管理層將繼續物色更多有潛質之歌手，為香港大眾提供更多娛樂。

前景

根據現有訂單及下游客戶之意見，董事已發現電鍍設備及濕式處理設備業務已出現復甦跡象，然而復甦步伐及程度則難以衡量。因此，本集團仍然繼續審慎理財，並會繼續全面檢討減低直接成本與經營成本之方法，以維持競爭力。另一方面，亦會保留資源用於產品開發及其他研發工作。董事相信以高科技先進產品及優良之服務，當電路板行業稍有好轉時，本集團將可轉虧為盈。低利率亦是額外優勢，因為低財務成本將會有利客戶進行設備投資。此外，預期中國內地市場將會有相當高之增長，本集團已具備有利條件並已準備好擷取這個龐大之商機。

副主席兼董事總經理

藍國慶

香港
二零零二年七月二十四日