航天科技國際集團有限公司
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF 2001 FINAL RESULTS

On behalf of the Board of Directors, I am pleased to announce the audited results of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (together hereinafter referred to as the "Group") for the financial year ended 31 December 2001.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2001 and the comparative figures for 2000 are as follows:

	Note	**2001** *HK$'000*	2000 *HK$'000*
Turnover	1	**1,008,293**	1,066,019
Cost of sales		**(790,068)**	(951,911)
Gross profit		**218,225**	114,108
Other revenue		**26,122**	21,413
Distribution costs		**(50,842)**	(50,683)
Administrative expenses		**(207,573)**	(276,628)
Impairment loss recognised in respect of property, plant and equipment		**(232,712)**	–
Allowance for doubtful debts		**(19,800)**	(98,222)
Write off of development costs		**(14,934)**	(5,326)
Impairment losses recognised in respect of investment securities		**–**	(583,215)
Loss from operations	2	**(281,514)**	(878,553)
Finance costs		**(113,133)**	(135,155)
Share of results of associates		**(717)**	(59,642)
Impairment loss recognised in respect of interests in associates		**(470,116)**	(44,000)
Gain on disposal of subsidiaries and an associate		**–**	54,366
Loss before taxation		**(865,480)**	(1,062,984)
Taxation	3	**(666)**	(8,866)
Loss before minority interests		**(866,146)**	(1,071,850)
Minority interests		**129,835**	54,421
Net loss for the year		**(736,311)**	(1,017,429)
Loss per share	4		
Basic		**HK(34)¢**	HK(48)¢

Notes:

1 SEGMENTAL ANALYSIS

(a) Business segments

2001

	Turnover			Attributable to profit (loss) from operations		
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Consolidated *HK$'000*	Segment result *HK$'000*	Unallocated corporate expenses *HK$'000*	Loss from operations *HK$'000*
Manufacturing						
Plastic products	**212,838**	**17,170**	**230,008**	**29,757**		
Liquid crystal display	**66,907**	**–**	**66,907**	**(6,843)**		
Audio-video products	**263,753**	**–**	**263,753**	**(149,363)**		
Printed circuit boards	**124,414**	**–**	**124,414**	**28,350**		
Printed circuit boards	**107,799**	**–**	**107,799**	**25,777**		
Telecommunication products	**92,999**	**601**	**93,600**	**(49,735)**		
Intellignet chargers and security system	**143,754**	**1,010**	**144,764**	**14,000**		
Other products	**20,095**	**18**	**20,113**	**(26,993)**		
	819,916	**18,799**	**838,715**	**(38,965)**		
Property	**81,625**	**10,809**	**92,434**	**34,322**		
Trading	**84,757**	**518**	**85,275**	**(3,440)**		
Finance	**12,657**	**12,355**	**25,012**	**8,964**		
Others	**9,338**	**–**	**9,338**	**(168,348)**		
	1,008,293	**42,481**	**1,050,774**	**(167,467)**		
Eliminations		**(42,481)**	**(42,481)**	**(26,403)**		
	1,008,293	**–**	**1,008,293**	**(193,870)**	**(87,644)**	**(281,514)**

2000

	Turnover			Attributable to profit (loss) from operations		
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Consolidated *HK$'000*	Segment result *HK$'000*	Unallocated corporate expenses *HK$'000*	Loss from operations *HK$'000*
Manufacturing						
Plastic products	143,813	13,276	157,089	20,843		
Liquid crystal display	66,907	–	66,907	(6,843)		
Audio-video products	263,753	–	263,753	(149,363)		
Printed circuit boards	124,414	–	124,414	28,350		
Telecommunication products	145,199	–	145,199	(57,527)		
Intellignet chargers and security system	131,488	3,935	135,423	(227)		
Other products	30,286	846	31,132	(41,509)		
	905,860	18,057	923,917	(206,276)		
Property	44,872	8,768	53,640	14,292		
Trading	28,994	–	28,994	(3,848)		
Finance	82,025	16,681	98,706	(559,631)		
Others	4,268	–	4,268	(39,084)		
	1,066,019	43,506	1,109,525	(794,547)		
Eliminations	–	(43,506)	(43,506)	(28,337)		
	1,066,019	–	1,066,019	(822,884)	(55,669)	(878,553)

(b) Geographical segments:

	Sales revenue by geographical market		Loss from operations	
	2001 *HK$'000*	2000 *HK$'000*	**2001** *HK$'000*	2000 *HK$'000*
Hong Kong	**664,737**	669,355	**(167,503)**	(701,917)
People's Republic of China ("PRC"), other than in Hong Kong	**343,556**	396,664	**(26,367)**	(120,967)
	1,008,293	1,066,019	**(193,870)**	(822,884)
Unallocated corporate expenses			**(87,644)**	(55,669)
Loss from operations			**(281,514)**	(878,553)

2 LOSS FROM OPERATIONS

	2001 *HK$'000*	2000 *HK$'000*
Loss from operations has been arrived at after charging:		
Amortisation of development costs *(note)*	**7,094**	6,677
Amortisation of technology license right *(note)*	**–**	1,170
Auditors' remuneration	**3,641**	5,093
Depreciation on		
– owned assets	**70,517**	65,568
– assets held under finance leases	**1,811**	3,362
Minimum lease payments paid under operating leases on land and buildings	**4,868**	11,879
Allowance for obsolete inventories	**22,199**	79,139
Research expenses	**2,145**	8,078
Total staff costs, including directors' remuneration	**141,212**	137,820
and after crediting:		
Gross rental income from		
– land and buildings	**2,626**	5,600
– investment properties	**41,904**	22,309
	44,530	27,909
Less: Outgoings	**(4,728)**	(2,584)
	39,802	25,325
Dividend income from listed investment securities	**9,339**	2,978
Gain on disposal of property, plant and equipment	**195**	136
Interest income	**12,659**	82,025

Note: The amounts are included in cost of sales and services.

3 TAXATION

	2001 *HK$'000*	2000 *HK$'000*
The charge comprises:		
Hong Kong profits tax		
– current year	**5,657**	4,996
– overprovision in previous years	**(7,101)**	(378)
Overseas income tax		
– current year	**1,961**	4,170
Taxation attributable to the Company and its subsidiaries	**517**	8,788
Share of overseas income tax attributable to associates	**149**	78
	666	8,866

Hong Kong Profits Tax is calculated at 16% (2000: 16%) on the estimated assessable profits for the year.

Overseas income tax represent the income tax of the PRC. Pursuant to relevant laws and regulations in the PRC, the Group's subsidiaries and associates are entitled to exemption from income tax under certain tax holidays and concessions. Income tax is calculated at rates given under the concessions.

4 LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2001 *HK$'000*	2000 *HK$'000*
Loss		
Loss for the year for calculation of basic loss per share	**(736,311)**	(1,017,429)
	Number of shares (In thousand)	
Weighted average number of ordinary shares for the calculation of basic loss per share	**2,142,420**	2,116,010

BUSINESS REVIEW

In the year 2001, major industrialized countries suffered from a lasting global sluggish economy. Their weak import demands triggered off drops in export from manufacturers in Mainland China. Subsequently, Hong Kong also suffered from an obvious slowdown in its export business and economic growth. Under such harsh external economic environments, the Group focused on developing and marketing network-based IT products, strengthening management, reducing costs and improving efficiency. Satisfactory progress was made accordingly in its various business sectors.

By minimizing the influence of unfavorable factors, the Group's high-tech enterprises achieved satisfactory business results. The Group's high-tech enterprises maintained continuing and stable growth against difficult market environments in 2001. The major ones, for example, for manufacturing plastic moulding products, PCBs, smart battery chargers and LCDs, achieved satisfactory results through minimizing the influence of various unfavorable factors. In particular, the manufacture of smart battery chargers continued to expand its ODM scale at overseas markets, achieving growth both in turnover and profit. The plastic moulding business also sustained its growth in turnover and profit over the previous period. As expected, the PCB business maintained the same profit level respectively as that of their previous period.

CASIL Electronic Products Limited, the Group's subsidiary, substantially reduced its loss in television business in 2001 comparing with the previous period. At present, it focuses on developing and manufacturing network-based products such as set-top boxes so as to accomplish its business and product restructure.

The Group continued to inject more resources to technology renovation for its enterprises. The second-phase plant construction project in the Group's Huizhou Industrial Park in Mainland China was completed and put into operation in December 2001. The project significantly enhanced the competitive edge for the Group's major enterprises, laying a solid basis for future growth.

The network-based IT business maintained stable growth while the Group's R&D Centre accomplished its strategic restructure. The Group relocated its R&D Center to Shenzhen in Mainland China, and its management was integrated with the Group's R&D Company in Hong Kong. The strategic restructure for the R&D Center was already accomplished by the Group. In 2001, the R&D Center, while further improving its DVB-C system functions, developed a new Subscriber Management System (SMS) which enabled a commercial broadcasting of 11 encoded programs and providing of many other value-added services in Changzhou Cable TV Station in Mainland China. The authorities of Changzhou Cable TV Station highly appreciated these R&D achievements and the National Broadcasting & Television Administration of China also gave encouraging attention to them.

To optimize the management of the JS-CASIL Network, a joint-venture invested by the Group in Nanjing, Mainland China, the Group followed a business development policy of "taking data link business as the basis and internet business as the key in order to develop broadcasting/television-style broadband multimedia business". In 2001, the JS-CASIL Network successfully set up a broadband internet access center for Jiangsu Broadcasting and TV Network, and started commercial operation in the same year, providing internet access service for broadcasting and TV stations in cities and townships in Jiangsu Province.

Despite of its drop in turnover, CASIL Telecommunications Holdings Limited ("CASTEL"), the Group's subsidiary, significantly enhanced its gross profit. Its continuing loss was mainly attributed to the impairment on amounts due from its associates, as well as the pressure from the sales slowdown in its traditional telecommunications products and the taking off in its newly-developed business. Nevertheless, the 5.8GHz Broadband Wireless Access System (CB-ACCESS) developed by CASTEL was approved to enter the Hong Kong telecommunications market by the Hong Kong Telecommunications Authorities soon after its announcement of commercial access to the 5.8GHz frequency spectrum in May 2001. Within expectation, the CB-ACCESS was embraced by the market. In addition, CASTEL achieved further progress in promoting its self-developed intelligent traffic control system in Hong Kong, Beijing and Guangdong Province. These two businesses are taking shape and will grow to meet further market needs.

The Group's property business made some progress. Against a sluggish property market in Hong Kong, the Group's property subsidiary carried out the Group's policy to dispose of properties and fulfilled its annual disposal target, which created favorable conditions for the Group's business restructure and transformation.

OUTLOOK

Looking into 2002, the U.S. economy is expected to attain recovery and the world market is getting pro-demanding. Since China has officially become the member of the WTO , its market will be further opened and related policies will become more concrete and encouraging for foreign investments. The National Broadcasting & Television Administration of China has already set the development of digital TV technology as the key project for broadcasting and TV technological innovation by putting forward an implementation policy for digital TV technological experiment. And following the

announcement of commercial access to the 5.8GHz frequency spectrum by the Hong Kong Telecommunications Authorities, Mainland China is expected to make the same announcement in 2002. These factors provide favorable business opportunities and promising market for the network-based digital video products, the broadband wireless access system and the intelligent traffic control system that have been the key R&D projects for the Group in recent years.

Digital TV technology is currently the key to innovate broadcasting and TV technology and the priority to be promoted in Mainland China. From its past business engagement in DVB-C in Mainland China, the Group has accumulated precious market experience and results of related technology development. The Group will take further active measures to develop such businesses so as to create favorable conditions for its new growth.

In recent years, the Group has optimized its assets through increasing investments in renovating industrial technology and disposing of doubtful assets. Its input in technological renovation has started to yield profits, and thanks to such technological renovation, some subsidiaries have remarkably improved their business operation. Their development and marketing of new products have also made satisfactory progress.

Under the support of the major shareholder, China Aerospace Science & Technology Corporation, the Group will devoted more efforts to its asset restructure and business transformation so as to further reduce its debts and dispose of its non-core assets. With a solid foundation, the Group will gradually set up its core business dominated by satellite and satellite application.

SUMMARY OF RESULTS

In the year 2001, the Group's turnover was HK$1,008,293,000, representing a 5.4% decrease over the previous period, and its gross profit was HK$218,225,000 (2000: HK$114,108,000). As required by the new Statements of Standard Accounting Practice ("SSAP"), the Group made a write down of properties at HK$232,712,000. In the year 2001, the Group's loss from operations was HK$281,514,000, representing a 67.9% decrease over the previous period (2000: HK$878,553,000).

The impairment on amounts due from associates and the provision together attributed a loss of HK$470,116,000 to the Group. As for the year ended 31 December 2001, the net loss attributable to shareholders was HK$736,311,000, representing a 27.6% decrease over the previous period, and the loss per share was HK34 cents.

The substantial overall loss cut was attributed to the reduction in its financial and administrative expenditures, as well as the positive results from its business restructuring. However, the loss was mainly incurred by the substantially increased provisions made for the businesses in telecommunications, properties and associates, as well as the loss suffered by the television business.

Assets and Liabilities

As at 31 December 2001, the Group still had total liabilities of about HK$2,293,204,000 (2000: HK$2,323,527,000), of which the current liabilities and non-current liabilities for bank loans were HK$634,612,000 and HK$268,615,000 respectively (2000: HK$643,359,000 and HK$324,394,000 respectively). In mid-December 2001, the Group settled in full an outstanding principal of a syndicated loan of US$28,000,000.

In terms of contingent liabilities, there was about HK$4,450,000 as at 31 December 2001, which was a guarantee provided by the Company to secure the repayment of trade facilities by a third party (2000: HK$8,000,000).

The Group's assets/liabilities ratio is calculated from its total liabilities divided by net tangible assets and the Group's current ratio is calculated from the current assets divided by the current liabilities. As at 31 December 2001, the Group's assets/liabilities ratio was 66%, which was the result of substantial reduction in total tangible assets attributed by significant provision made for assets (2000: 53%); and the current ratio was 1.12, similar with that of the previous year (2000: 1.18).

The Group reviews its cash flow and financial position periodically. At present, the Group is exploring various ways to obtain long term financing in order to reduce the pressure of short-term liquidity.

During 2001, the Group strengthened its effort to dispose of its investment properties with satisfactory results, aiming to pool up its resources for core businesses. Meanwhile, the Group accomplished the second-phase plant construction project in its Huizhou Industrial Park in Mainland China in December 2001.

Cash Flow

The major finance source of the Group comes from its own resources supplemented by banking facilities. The cash on hand as at the end of December 2001 was about HK$367,000,000 (2000: HK$369,000,000), most of which were in HK dollars with the rest in RMB and US dollars.

The Group's bank loans are at market interest rates and denominated in HK and US dollars. In addition to mortgage loans, several term loans and overdraft facilities arranged by local banks are at prime rate whereas the remaining loans are at HIBOR plus margin basis. The Group encounters little risk in exchange rate under the peg system in Hong Kong, and foresees the interest rate will remain at a lower level in the near future. Therefore, there is no necessity for the Group to engage any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The Group will continue to control its costs and expenditures under a strict financial management system.

Major Financial Activities

On 21 May 2001, the Group made a placement of 50,000,000 shares and subscribed 100,000,000 shares in CASTEL at HK$0.5 each through a placing and top-up transaction.

Due to a change of policy in Mainland China, the remaining amount of over HK$100,000,000 from the Group's previous placing proceeds has not yet been allocated completely to those planned projects.

Mortgaged Assets

A couple of the Group's real estates and securities have been mortgaged to banks with instalment repayment terms. As at the end of December 2001, there were outstanding mortgage loans of about HK$500,000,000 in principal at prime rate and their remaining terms by instalment vary from 2 to 10 years.

DIVIDEND

The Board of Directors of the Company resolved not to declare any final dividend for the year ended 31 December 2001 (2000: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year.

CODE OF BEST PRACTICE

The Company had complied throughout the year with those paragraphs of 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, with which it is required to report compliance, except that none of the non-executive directors of the Company has been appointed for a specific term but are subject to retirement by rotation.

AUDIT COMMITTEE

The Audit Committee had reviewed, discussed and approved the annual financial report of the Company for the year ended 31 December 2001.

HUMAN RESOURCES

The Group devotes constant efforts to update its internal human resources management and assessment system, as well as encourages and subsidizes its staff to enroll in professional courses and seminars so as to further improve human resources management, enhance assessment quality and strengthen internal supervision.

The Group now has a total staff of around 4,000 in Mainland China and in Hong Kong.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the Stock Exchange's website in due course.

COMPLIMENTS

I would like to take this opportunity to express, on behalf of the Board of the Directors, my sincere gratitude to our shareholders, bankers, business partners, people from various social communities, as well as all staff of the Group for their long-time support.

By Order of the Board
Lu Xiaochun
Chairman

22 April, 2002

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Aerospace International Holdings Limited (the "Company") will be held at 21st Floor, China Aerospace Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Tuesday, 28th May, 2002 at 11:00 a.m. for the following purposes:–

1. To receive and adopt the Audited Accounts of the Company and the Reports of the Directors and the Auditors of the Company for the year ended 31st December, 2001.
2. To consider the re-election of the retiring Directors and to approve the proposed Directors' fee.
3. To consider the re-appointment of Messrs. Deloitte Touche Tohmatsu（德勤•關黃陳方會計師行）as the Auditors of the Company and to authorise the Board of Directors to fix their remuneration.

As special business, to consider and, if thought fit, passing the following resolutions as Ordinary Resolutions:–

4. "**THAT**:–
   (i) subject to paragraph (iii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;
   (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;
   (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (i) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or on the exercise of any options granted under the share option scheme of the Company or on the exercise of the conversion rights attaching to any convertible notes of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
   (iv) for the purposes of this Resolution:–
   "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
   (a) the conclusion of the next annual general meeting of the Company;
   (b) the expiration of the period within which the next annual general meeting of the Company is required by the applicable law or the Articles of Association of the Company to be held; and
   (c) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution;
   "Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors 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 applicable to the Company)."
5. "**THAT**:–
   (i) subject to paragraph (ii) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase issued shares or any other rights to subscribe shares in the capital of the Company in each case on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
   (ii) the aggregate nominal amount of share capital of the Company which are authorised to be repurchased by the Directors of the Company pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
   (iii) for the purposes of this Resolution:–
   "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:–
   (a) the conclusion of the next annual general meeting of the Company;
   (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles of Association of the Company to be held; and
   (c) the passing of an ordinary resolution of the Company in the general meeting revoking or varying the authority set out in this resolution."
6. "**THAT** conditional on the passing of the Resolution No. 5 set out in the notice of the annual general meeting at which this Resolution is considered, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the Resolution No. 4 set out in the said notice be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the said Resolution No. 5, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution."
7. Any other business.

By Order of the Board
Ken Chan
Company Secretary

22 April, 2002

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the registered office of the Company at 21st Floor, China Aerospace Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.