



CASTEL CASIL TELECOMMUNICATIONS HOLDINGS LIMITED

(航天科技通信有限公司)*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1185)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

The board of directors (the "Directors") of CASIL Telecommunications Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	1.1.2004 to 30.6.2004 HK\$'000 (Unaudited)	1.1.2003 to 30.6.2003 HK\$'000 (Unaudited)
Turnover	68,006	65,959
Cost of sales	(37,639)	(45,614)
Gross profit	30,367	20,345
Other operating income	558	1,813
Distribution costs	(6,171)	(3,251)
Administrative expenses	(17,638)	(17,592)
Profit from operations	7,116	1,315
Finance costs	(2,560)	(2,517)
Gain on partial disposal of a subsidiary	-	17
Profit (loss) before taxation	4,556	(1,185)
Taxation	(2,931)	(171)
Profit (loss) before minority interests	1,625	(1,356)
Minority interests	718	1,499
Net profit for the period	2,343	143
Basic earnings per share	HK0.24 cents	HK0.02 cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. 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 No. 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

2. Significant accounting policies

The accounting policies adopted are consistent with those followed in the Group's annual audited financial statements for the year ended 31 December 2003.

3. Segment information

Business segments

The Group's primary format for reporting segment information is business segments.

Six months ended 30 June 2004

	Communication Products HK\$'000	Intelligent Transportation System HK\$'000	Video Conference System HK\$'000	Broadband Wireless Access HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover							
External sales	14,142	2,338	9,344	42,169	13	-	68,006
Inter-segment sales*	-	-	-	470	-	(470)	-
Total	14,142	2,338	9,344	42,639	13	(470)	68,006

* Inter-segment sales are charged at prevailing market rates.

	2,366	(5,956)	784	10,470	(378)	-	7,286
Result							
Segment result	2,366	(5,956)	784	10,470	(378)	-	7,286
Unallocated corporate expenses							(170)
Profit from operations							7,116
Finance costs							(2,560)
Profit before taxation							4,556
Taxation							(2,931)
Profit before minority interests							1,625
Minority interests							718
Net profit for the period							2,343

Six months ended 30 June 2003

	Communication Products HK\$'000	Intelligent Transportation System HK\$'000	Video Conference System HK\$'000	Broadband Wireless Access HK\$'000	Others HK\$'000	Consolidated HK\$'000
Turnover						
External sales	16,088	11,539	14,217	24,073	42	65,959
Result						
Segment result	1,808	(3,377)	1,605	1,740	(321)	1,455
Unallocated corporate expenses						(140)
Profit from operations						1,315
Finance costs						(2,517)
Gain on partial disposal of a subsidiary						17
Loss before taxation						(1,185)
Taxation						(171)
Loss before minority interests						(1,356)
Minority interests						1,499
Net profit for the period						143

4. Profit from operations

	1.1.2004 to 30.6.2004 HK\$'000	1.1.2003 to 30.6.2003 HK\$'000
Profit from operations has been arrived at after charging:		
Amortisation of intangible assets (note)	2,279	1,298
Depreciation of property, plant and equipment	2,223	2,165
Scrap of property, plant and equipment	8	-
and crediting:		
Gain on disposal of property, plant and equipment	-	375
Interest income	67	90

Note: Amortisation of approximately HK\$1,777,000 (2003: HK\$60,000) and HK\$502,000 (2003: HK\$1,238,000) are included in cost of sales and administrative expenses respectively.

5. Finance costs

	1.1.2004 to 30.6.2004 HK\$'000	1.1.2003 to 30.6.2003 HK\$'000
Interest on:		
Bank borrowings		
- wholly repayable within five years	1,322	1,291
- not wholly repayable within five years	248	266
Obligations under finance leases wholly repayable within five years	-	2
Other borrowings wholly repayable within five years	990	958
	2,560	2,517

6. Taxation

	1.1.2004 to 30.6.2004 HK\$'000	1.1.2003 to 30.6.2003 HK\$'000
Current tax:		
Hong Kong Profits Tax		
- current period	74	15
- underprovision in prior year	824	-
The People's Republic of China (the "PRC") income tax	220	185
	1,118	200
Deferred taxation:		
Current period	1,813	(616)
Attributable to a change in tax rate	-	587
	1,813	(29)
Taxation attributable to the Group	2,931	171

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period.

Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries registered in the PRC are entitled to exemption from income tax under certain tax holidays and concessions. Income tax is calculated at rates given under the respective concessions.

7. Basic earnings per share

The calculation of the basic earnings per share is based on the net profit for the period of HK\$2,343,000 (2003: HK\$143,000) and on the weighted average number of shares of 974,832,071 (2003: 877,139,763) shares in issue throughout the period.

MANAGEMENT DISCUSSION AND ANALYSIS RESULTS SUMMARY

For the six months ended 30 June 2004, the Group's turnover and net profit was approximately HK\$68,010,000 and HK\$2,340,000 respectively as compared to the turnover of HK\$65,960,000 and its net profit of HK\$140,000 for the corresponding period of 2003.

BUSINESS REVIEW AND PROSPECTS

During the period the Group has continuously fostered and supported broadband wireless access business, intelligent transportation system business and video conferencing system business, resulting in a continuous rise in sales revenue and significant increase in net profit of the Group for the six months ended 30 June 2004, as compared to its overall results for the corresponding period of 2003 by means of diligently exploring market, increasing its turnover and sales revenue and strictly controlling cost and expenses concurrently.

Broadband wireless access business, being a new business with better profit margin, has continuously enjoyed a greater share of its total turnover during the period. The products of CB-ACCESS wireless access system has been selected as network construction equipment by large operators and internet service provider (ISP), such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Business orders have been placed in the region of Greater China and South East Asia, such as Beijing, Shanghai, Guangdong, Jiangsu, Henan, Jiangxi, Sichuan, Guizhou, Yunnan, Gansu, Qinghai, Hong Kong, Macau and Taiwan. Meanwhile, the Group's CB-MUX series products, used for voice and data comprehensive assessing and developed by its own efforts, have been launched appropriately to the marketplace, installed and operated in very large quantities. These products have already formed a huge commercial scale in the market for the time being, whose degrees of satisfaction and awareness are clearly enhanced, thus maintaining the competitive advantages relative to similar products in the marketplace.

The Group had a great degree of awareness for its product positioning in the highly competitive communication market. Currently, in order to penetrate the market, consolidate and expand its market share by means of competitive advantages and attractive pricing policy, the Group had adopted various effective measures to strengthen the popularity of broadband wireless communication products and to enhance the acceptability of sales service in overall. Concurrently, on the basis of upgrading the product research and development, the Group had formed a strategic alliance and win-win cooperation with some innovative organizations in order to quicken the launching of new products to the market, thus continuously maintaining its relatively leading role in the marketplace.

During the period the Group had developed two types of product, namely, the mobile control unit based on GSM/GPRS communicated technique and the vehicle despatching and control system based on internet-related control centres, providing the total solutions as well as operation services to the necessity for intelligent transportation system of the public.

The Group has, on the schedule, actualized the agreed projects of China General Administration of Customs like IC card management system, electronic guardrail system and GPS vehicle control throughout Customs in China, and concurrently bids for new contracts of total solutions for other departments.

The Group had established its operation centres to provide the society the mobile vehicle monitoring and despatching services, under the unified brand name HangTianQiHua. Those operation centres had achieved the planned progress in terms of hitting the target clientele and increasing the operation revenue.

During the period the Group's video conferencing system business has launched new products based on MPEG4 technique, together with existing MPEG2 video conferencing system, which constitutes MPEG2/MPEG4 dual-mode system to fulfil the different requirements of end-users and the product chain of video conferencing systems. The Group will continuously consolidate the existing market foundation and aggressively promote the specialized system concurrently.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 30 June 2004, the Group employed 275 (2003: 256) employees. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides provident funds and medical insurance to its employees. In addition, discretionary performance related bonus and share option schemes are available and are at the discretion of the Directors.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

Total borrowings of the Group as at 30 June 2004 was HK\$98,414,000 (31 December 2003: HK\$101,328,000), of which HK\$46,800,000 was fixed rate borrowings and the remaining was floating rate. All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 30 June 2004 was 55% (31 December 2003: 75%).

PLEDGE OF ASSETS

At 30 June 2004, the Group had pledged certain land and buildings with carrying value of HK\$24,486,000 (31 December 2003: HK\$25,061,000) to secure general banking facilities. At 30 June 2004, bank deposits amounted to HK\$3,276,000 (31 December 2003: HK\$5,959,000) have been pledged to secure short term borrowings and are therefore classified as current assets.

EXCHANGE AND OTHER EXPOSURES

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi and United States dollars. The Group expected that the exposure to exchange rates fluctuation was minimal and therefore have not engaged in any hedging activities. The Group did not have any contingent liabilities as at 30 June 2004.

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2004 (2003: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and the Placing Agent entered into a placing and underwriting agreement on 3 March 2004 for the placing of 100,000,000 Placing shares at a placing price of HK\$0.41 per Placing Shares to not less than six independent individual or institutional investors.

The net proceeds to be raised from the Placing in the amount of approximately HK\$40 million will be used for general working capital purpose.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's financial statements for the period ended 30 June 2004 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

CODE OF BEST PRACTICE

The Board confirms that for the period ended 30 June 2004, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited as soon as practicable.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of the Company comprises six executive directors, namely Mr. Rui Xiaowu, Mr. Wang Xiaodong, Mr. Zhou Xiaoyun, Mr. Han Jiang, Mr. Guo Xianpeng and Mr. Xu Jian Hua and one non-executive director namely Mr. Ma Yucheng and four independent non-executive directors, namely Mr. Sit Kien Ping, Peter, Mr. Zhu Shixiong, Mr. Moh Kwen Yung and Mr. Lau Tit Shing.

By Order of the Board
Wang Xiaodong
Managing Director

Hong Kong, 14 September 2004

* the Chinese name of the Company is for identification only