



CASIL TELECOMMUNICATIONS HOLDINGS LIMITED

(航天科技通信有限公司)*

(Incorporated in the Cayman Islands with limited liability)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

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 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited	
		2003	2002
		HK\$'000	HK\$'000
		Six months ended 30 June (As restated)	
Turnover	3	65,959	41,547
Cost of sales		(45,614)	(30,884)
Gross profit		20,345	10,663
Other operating income		1,813	940
Distribution costs		(3,251)	(2,433)
Administrative expenses		(17,592)	(19,988)
Profit (loss) from operations	4	1,315	(10,818)
Finance costs	5	(2,517)	(3,070)
Gain on partial disposal of a subsidiary		17	-
Loss before taxation		(1,185)	(13,888)
Taxation	6	(171)	(127)
Loss before minority interests		(1,356)	(14,015)
Minority interests		1,499	986
Net profit (loss) for the period		143	(13,029)
Basic earnings (loss) per share	7	HK0.02 cents	HK(1.49) cents

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants (the "HKSA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Significant accounting policies

The condensed financial statements have been prepared under the historical cost convention.

In the current period, the Group has adopted SSAP12 (Revised) "Income Taxes", for the first time, issued by the HKSA. SSAP12 (Revised) has introduced a new basis of accounting for deferred tax which have been adopted in the condensed financial statements. The adoption of SSAP12 (Revised) has been applied retrospectively and resulted in increases in accumulated losses of the Group of HK\$7,136,000 at 1 January 2002 and HK\$6,743,000 at 1 January 2003 respectively. The adoption of SSAP12 (Revised) has also resulted in the increases in loss of the Group amounted to HK\$127,000 for the period ended 30 June 2002 and profit of the Group amounted to HK\$29,000 for the period ended 30 June 2003. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

Other than the above, the accounting policies adopted are consistent with those followed in the Group's annual audited financial statements for the year ended 31 December 2002.

3. Segment information

Business segments

Six months ended 30 June 2003

	Communication Products	Intelligent Transportation System	Video Conference System	Broadband Wireless Access	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)

Six months ended 30 June 2002

	Communication Products	Intelligent Transportation System	Video Conference System	Broadband Wireless Access	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External sales	16,110	1,590	10,503	13,344	-	-	41,547
Inter-segment sales*	288	-	-	-	548	(836)	-
	16,398	1,590	10,503	13,344	548	(836)	41,547
Result							
Segment result	(4,058)	(6,858)	1,102	(787)	149	-	(10,452)
Unallocated corporate expenses							(366)
Loss from operations							(10,818)
Finance costs							(3,070)
Loss before taxation							(13,888)
Taxation							(127)
Loss before minority interests							(14,015)

* Inter-segment sales are charged at prevailing market rates

4. Profit (loss) from operations

	2003	2002
	HK\$'000	HK\$'000
Profit(loss) from operations has been arrived at after charging:		
Amortisation of intangible assets	1,298	538
Depreciation of property, plant and equipment and crediting:	2,165	2,565
Gain on disposal of property, plant and equipment	375	-
Interest income	90	201

5. Finance costs

	2003	2002
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings		
- wholly repayable within five years	1,291	1,733
- not wholly repayable within five years	266	333
Obligations under finance leases wholly repayable within five years	2	4
Other borrowings wholly repayable within five years	958	1,000
	2,517	3,070

6. Taxation

	2003	2002
	HK\$'000	HK\$'000
Current period taxation:		
Hong Kong Profits Tax	15	-
The People's Republic of China (the "PRC") income tax	185	-
	200	-
Deferred taxation:		
Current period	(616)	127
Attributable to a change in tax rate	587	-
	(29)	127
Taxation attributable to the Group	171	127

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

Pursuant to relevant laws and regulations in the PRC, the Group'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.

No provision for Hong Kong Profits Tax and PRC income tax was made in prior period as the Company and its subsidiaries had no estimated assessable profit for that period.

7. Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share is based on the net profit for the period of HK\$143,000 (net loss for 2002: HK\$13,029,000) and on 877,139,763 (2002: 877,139,763) shares in issue throughout the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operation

For the six months ended 30 June 2003, the Group's turnover increased by 58.8% to HK\$65,959,000. Operating profit for the period was HK\$1,315,000 as compared to a loss of HK\$10,818,000 for the corresponding period of 2002.

BUSINESS REVIEW AND PROSPECTS

Following the management restructuring at the end of 1999, the Group has firmly carried out business restructuring during the subsequent years. Resources were concentrated on broadband wireless communication technology and its applications. With all efforts in fostering and supporting business of broadband wireless access, intelligent transportation system, video conferencing system and communication terminal products, the Group carried out stringent control on costs and significantly cut down administrative expenses. Through the steps in tapping new resources and cutting expenses have resulted in a steady increase in proportion of new businesses with better profits margin in the Group's total turnover. Although in the reporting period, the Group's activities really suffered impacts more or less from SARS, the Group finally saw satisfactory results by all the staff's efforts.

Broadband Wireless Access

In July 2002, the PRC's Radio Regulatory Committee exercised a liberalization of access to the frequency band in the 5 GHz range. Since then, the Group's CB-ACCESS wireless access system has been selected as network construction equipment during the first half of this year by large operators and ISP in domestic communication market, such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Meanwhile, at the beginning of this year, the CB MUX series products successfully developed by a subsidiary of the Group engaged in broadband business were well received by the market and secured plenty of overseas and domestic orders, an evidence of the Group's technical and competitive edges. Currently, the Group is developing wireless access system working on other frequency bands, which is expected to contribute satisfactory profits in the future.

Intelligent Transportation System

The Group continued to develop the intelligent transportation business, providing the public with total solutions as well as operation services.

In respect of products and solutions, during the first half of this year, the Group has completed the development of two types of products, namely, the mobile control unit based on GPRS communicated environment and the central managing software based on internet transmission. Meanwhile, the Group continued to cooperate with the China General Administration of Customs for promoting projects like IC card management system, electronic guardrail system and GPS vehicle control throughout Customs in China.

As regards intelligent transportation operation service, during the first half of the year, the Group promoted its business under the unified brand name HangTianQiHua, especially in the areas of Beijing, Tangshan, Shenzhen and Hong Kong and received good response. In Beijing, the Group entered into the mobile control unit installation and service contracts with Capital Taxi Co. Ltd., and Beijing Beiqi Municipal Taxi Group Co. The Group also signed a cooperation agreement with Huatai Insurance Co. Ltd., for promotion of the Group's mobile control unit installation and theft preventing service among users of insured vehicles. In addition, the Group also carried out operation service activities in Hong Kong and Shenzhen. Thanks to the above measures, the Group's intelligent transportation operation service recorded significant increase in operating revenue during the first half of the year.

Video Conferencing System Business

The Group's video conferencing system business targets at local public security departments across the PRC. Operating revenue from this business had a good performance with consecutively several folds increase in recent years. The Group's video conferencing system products are very popular among users for their outstanding performance in terms of function and features at major national or international meetings. In the first half of the year, the Group continued to negotiate with over ten domestic public security departments and bureaus on the cooperation in respect of construction of video conferencing systems. And the business progressed well.

Communication Products

In the first half of the year, the production base in which the Group undertook its business of communication terminal products was satisfactorily reviewed and accredited with ISO9001: 2000 certification. For the first half of the year, orders for communication terminal products and computer wireless peripheral products undertaken by the Group from overseas and domestic market maintained at a rational level.

Human resources

At 30 June 2003, the Group employed 256 (31 December 2002: 238) 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 2003 was HK\$104,049,000 (31 December 2002: 99,294,000), 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 2003 was 90% (31 December 2002: 89%).

Pledge of assets

As at 30 June 2003, the Group had pledged certain land and buildings with carrying value of HK\$25,635,000 (31 December 2002: HK\$26,166,000) to secure general banking facilities. Bank deposits amounted to HK\$11,238,000 (31 December 2002: HK\$11,185,000) have been pledged to secure short term borrowings.

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 2003.

Amounts due from associates

As at 30 June 2003, the amounts due from two associates, which represented 55% (31 December 2002: 48%) of the Group's net assets of HK\$115,254,000 (31 December 2002: HK\$111,454,000) is analysed as follows:

	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
Shandong Kongwei Electronics Company Limited ("Shandong Kongwei")	63,355	63,401
Southern Telecommunication Development Company Limited ("Southern Telecom")	242,079	232,320
	305,434	295,721
Allowance for amounts due from associates	242,000	242,000
	63,434	53,721

The amounts due include: (1) outstanding dividends receivable of previous years which were retained in the associates as additional working capital, (2) advances for the purpose of providing additional working capital and (3) trade credit facilities utilised by the associates in previous years. The amounts are unsecured, non-interest bearing and overdue. In light of their respective financial positions, these associates have not been able to settle the outstanding amounts. An allowance of HK\$242 million was recognised in previous years.

With a view to protecting the Group's interest and monitoring the repayment of amount due from Southern Telecom, the Group has actively participated in its business strategy and operations. The Group is in continuing negotiation with the managing joint venture partner of Shandong Kangwei for the settlement of the outstanding amount.

DIVIDENDS

No dividends were paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2003.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the six months period ended 30 June 2003.

AUDIT COMMITTEE

Up to the date of this announcement, two formal meetings of the Audit Committee were held in 2003 to review the financial reports and to discuss the performance of the Group. In particular, the Audit Committee has reviewed and approved this unaudited interim report of the Group for the six months period ended 30 June 2003.

CODE OF BEST PRACTICE

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30 June 2003, in compliance with Appendix 14 of the Listing Rules.

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.

By Order of the Board
Wang Xiaodong
Managing Director

3 September 2003

* For identification only