



CASIL TELECOMMUNICATIONS HOLDINGS LIMITED
(航天科技通信有限公司)*
(Incorporated in the Cayman Islands with limited liability)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2002

RESULTS

The directors of CASIL Telecommunications Holdings Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2002 as follows:

	2002 HK\$'000	2001 HK\$'000
Turnover (Note 1)	113,534	93,668
Cost of sales	<u>(74,596)</u>	<u>(84,234)</u>
Gross profit	38,938	9,434
Other operating income	8,898	1,743
Distribution costs	<u>(5,503)</u>	<u>(5,630)</u>
Administrative expenses	<u>(36,600)</u>	<u>(40,213)</u>
Impairment in value of development costs	-	(14,904)
Profit (Loss) from operations (Note 3)	5,733	(49,570)
Finance costs	<u>(6,139)</u>	<u>(6,515)</u>
Share of result of an associate	-	(1,079)
Allowance for amounts due from associates	-	(198,000)
Loss before taxation	<u>(406)</u>	<u>(255,164)</u>
Taxation (Note 4)	<u>(1,141)</u>	<u>(249)</u>
Loss before minority interests	<u>(1,547)</u>	<u>(255,413)</u>
Minority interests	<u>1,727</u>	<u>1,734</u>
Profit (Loss) for the year	<u>180</u>	<u>(253,679)</u>
Earnings (Loss) per share - Basic (Note 5)	<u>HK 0.02 cent</u>	<u>HK(30.4) cents</u>
Dividend per share	<u>Nil</u>	<u>Nil</u>

Notes:

- 1. Turnover**
Turnover represents the gross invoiced sales of goods less discounts and returns, revenue from service contracts and gross rental income.
- 2. Segmental information**

(i) The Group's turnover and contribution to loss before minority interests by business segment is presented below:

	Year ended 31 December 2002					
	Communication Products		Broadband Wireless Access		Others	Eliminations
	HK\$'000	ITS HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	34,333	34,700	44,423	78	-	113,534
Inter-segment sales	288	-	-	1,017	(1,305)	-
Total	<u>34,621</u>	<u>34,700</u>	<u>44,423</u>	<u>1,095</u>	<u>(1,305)</u>	<u>113,534</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	2,644	(4,114)	5,676	316	-	4,522
Unallocated corporate income						1,211
Finance costs						(6,139)
Share of result of an associate						-
Loss before taxation						<u>(406)</u>
Taxation						<u>(1,141)</u>
Loss before minority interests						<u>(1,547)</u>
	Year ended 31 December 2001					
	Communication Products		Broadband Wireless Access		Others	Eliminations
	HK\$'000	ITS HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	55,748	21,123	16,729	68	-	93,668
Inter-segment sales	-	-	-	992	(992)	-
Total	<u>55,748</u>	<u>21,123</u>	<u>16,729</u>	<u>1,060</u>	<u>(992)</u>	<u>93,668</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	(37,523)	(7,308)	(4,679)	338	-	(49,172)
Unallocated corporate expenses						(398)
Finance costs						(6,515)
Share of result of an associate	(1,079)	-	-	-	-	(1,079)
Allowance for amounts due from associates	(198,000)	-	-	-	-	(198,000)
Loss before taxation						<u>(255,164)</u>
Taxation						<u>(249)</u>
Loss before minority interests						<u>(255,413)</u>

(ii) The following table provides an analysis of the Group's sales by geographical market:

	2002		2001	
	Turnover HK\$'000	Contribution HK\$'000	Turnover HK\$'000	Contribution HK\$'000
	PRC	46,151	16	36,202
Hong Kong	41,783	1,781	18,465	(2,949)
United States	20,247	2,290	38,576	(34,426)
Others	5,353	435	425	(576)
	<u>113,534</u>	<u>4,522</u>	<u>93,668</u>	<u>(49,172)</u>
Unallocated corporate income (expenses)				(398)
		<u>1,211</u>		<u>(49,570)</u>

3. Profit (Loss) from operations

Profit (Loss) from operations has been arrived at after charging:

	2002 HK\$'000	2001 HK\$'000
Amortisation of intangible assets	2,168	4,104
Depreciation	6,063	5,533
Allowance for doubtful debts	<u>50</u>	<u>1,172</u>

4. Taxation

The charge comprises:

	2002 HK\$'000	2001 HK\$'000
Hong Kong Profits Tax	820	125
PRC Income Tax	321	124
	<u>1,141</u>	<u>249</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

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

5. Earnings (Loss) per share - Basic

The calculation of the basic earnings (loss) per share is based on the profit for the year of HK\$180,000 (2001: loss of HK\$253,679,000) and on the 877,139,763 shares (2001: weight average number of 834,674,010 shares) in issue during the year.

BUSINESS REVIEW AND PROSPECT

Following the management restructuring at the end of 1999, the Group has firmly carried out business adjustments during the subsequent years. Resources were concentrated on broadband wireless communication technology and its application. Proactive strategies and business plans were adopted for the purpose of improvement. While tapping new resources and cutting expenses,

the Group actively fostered and supported broadband wireless access business, intelligent transportation system business and video conferencing system business. On the other hand, stringent control was also applied on various costs and administrative expenses. This has resulted in a year-by-year decrease in the Group's operating losses and a steady increase in proportion of new businesses with better profits margin in the Group's total turnover. Accordingly, its overall business in 2002 finally succeeded in turning loss to profit.

In December 2002, the Group was ranked among the top 250 in the 500 enterprises with the fast innovation and growing technology in the Asia Pacific Region by Deloitte Touche Tohmatsu. This shows that the Group has ability to maintain fast growth in business in the face of a tough and challenging environment confronting the technological and communication media industry.

Broadband Wireless Access Business

CB-ACCESS broadband wireless access system with a frequency band in the 5 GHz range is the core product developed, manufactured and distributed by the Group. It is also the driving force for the Group's development of its broadband wireless access business. Further to the liberalization of the access of this product category to the Hong Kong market by the Office of Telecommunication Authority of Hong Kong in May 2001, the Group also obtained the permit to enter into the PRC market issued by the Radio Regulatory Department of the People's Republic of China in July 2002. This has established a favorable market position of the Group as the first to own and be authorized to operate with products of this category in the PRC and Hong Kong region.

As CB-ACCESS broadband wireless access system was favored and accepted by all fixed network operators in Hong Kong, the sales, adoption and installation of these products by the Group in the region continued to maintain good momentum in 2002. In the PRC, major telecommunication operators, such as China Telecom, China Unicom, China Mobile, China Netcom and China Railcom, have chosen this product for trial or commercial use in the broadband wireless communication construction projects in regions like Beijing, Guangdong, Sichuan, Fujian, Hainan and Jiangsu, so the products have enormous market prospect. Meanwhile, the Group has achieved effective results in tapping markets of the product in Macau and Taiwan region. Due to the continuous success of such measures, the Group was able to primarily complete market access and market preparation required for implementing strategies regarding large-scale operation of the core products of CB-ACCESS broadband wireless access system in the Greater China region.

In 2002 the Group's Technology R&D Center successfully launched CB-ACCESS auxiliary products and wireless local area network products - CB-MUX, CB-LAN series complementary products, which after trial used by some telecommunication operators were recognized as an indispensable solution for the most-wanted broadband access service to end-users.

Broadband wireless access business has brought about desirable economic benefits to the Group in 2002. Looking ahead, we believe that with the booming development of such business it will contribute more profits to the Group.

Intelligent Transportation System Business

In 2002, the Group continued to follow the integrated operation strategy from system integration suppliers to mobile information service operators in the development of its Intelligent Transportation System Business.

The Group's subsidiaries that engaged in the provision of intelligent transportation system integration undertook certain projects for GPS fleet management in areas like Jiangsu, Sichuan, Hainan and Hong Kong. Meanwhile, through internal cooperation for joint tendering, they won the tenders for undertaking three logistics management projects covering all customs nationwide issued by the China General Administration of Customs. Accordingly, the Group's operation revenues in this business reported significant growth over 2001.

In Tangshan, a key logistics location in the PRC, the Group's subsidiaries undertaking intelligent transportation mobile information services reported significant growth in vehicles subscription for the service over 2001. In Beijing, the Group's subsidiaries were awarded qualification and permits in respect of replacement of GPS taxis terminals for vehicle terminal suppliers and mobile information operators, which were strictly controlled by the local government. These companies also concluded agreements with leading enterprises in the local taxi industry for strong cooperation and win-win operations. Though the number of vehicles subscription for mobile communication information service to the subsidiaries was not as anticipated due to the intelligent transportation policy under formulation by the Government, the Group believes that, with pressing high demand from urban construction in the China Mainland for intelligent transportation system services, it can realize its business strategy of achieving stable growth in recurring operation revenue through this business.

At present, the Group is keeping abreast of the rampant development trend in communication technology. Major measures, such as R&D and launching of new GPS vehicle-load terminals and new internet-based vehicle control service centers have been taken, with an aim to lay a solid foundation for substantial growth in the Group's Intelligent Transportation system integration and information service businesses.

Video Conference System Business

The Group's self-developed high precision video conference system products are well received by customers. During 2002, operating income from this business registered multiple increase over 2001, and it is the third year to report multiple increase. In the meantime, the products performed well in terms of functions and features in international and domestic important conferences. This has demonstrated the Group's integrated capability.

Communication Terminal Products

Telephone with special hearing aid devices developed by Hung Nien Electronics Co., Ltd. under the Group has obtained network access permit in the China Mainland and started its sales. Computer wireless peripheral products, such as cordless mouse, have commenced sales in small volume to the China Mainland and overseas. The business operation of this division was stable.

Human Resources and Remuneration Policy

As at 31 December 2002, the Group has 45 employees (2001:47 employees) in the Hong Kong head office and 193 employees (2001: 174 employees) in the China Mainland offices. Remuneration of employees 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

During the year, the Group succeeded in negotiation with an independent third party to defer the repayment of other borrowings in the amount of US\$ 6,000,000 from 27 June 2003 to 27 December 2004, thus improving the Group's liquidity position.

Total borrowings of the Group as at 31 December 2002 was HK\$99,294,000 (2001:HK\$84,735,000), 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) at the year end was 84% (2001:72%). New short-term bank borrowings were obtained for the Group's core business, resulting in an increase in gearing ratio.

Pledge of assets

As at 31 December 2002, certain assets of the Group of HK\$37,351,000 (2001: HK\$16,756,000) have been pledged to secure borrowings from banks and financial institutions.

Exchange and other exposures

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi and United States dollars. We expected that the Group's exposure to exchange rates fluctuation was minimal and therefore have not engaged in any hedging activities.

The Group did not have any contingent liabilities at the year end.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 24 April 2003 to Wednesday, 30 April 2003 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for voting at the annual general meeting to be held on Wednesday, 30 April 2003, all share certificates with completed transfer forms must be lodged with the Company's Share Registrar, Standard Registrars Limited, at G/F, BEA Harbourview Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 23 April 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF FURTHER INFORMATION

All the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the websites of the Company and the Stock Exchange in due course.

By Order of the Board
Rui Xiaowu
Chairman

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting of CASIL Telecommunications Holdings Limited (the "Company") will be held on Wednesday, 30 April 2003 at 10:00 a.m. at 21/F, China Aerospace Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong for the following purposes:

1. To receive and adopt the audited financial statements of the Company and the reports of the directors and the auditors of the Company for the year ended 31 December 2002.
2. To consider the re-election of the retiring directors, and to authorise the board of directors to fix the directors' remuneration.
3. To consider the re-appointment of Messrs. Deloitte Touche Tohmatsu 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, pass 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 any issue of shares of the Company on the exercise of subscription rights attaching to any warrants of the Company 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;

"Right 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 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 shares 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 purpose 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 convening this meeting of which this resolution forms part, the general mandate granted to the directors of the Company to allot, issue and deal with new shares pursuant to the resolution no. 4 set out in the notice convening this meeting of which this resolution forms part 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 resolution no. 5 set out in the notice convening this meeting of which this resolution forms part, 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."

By Order of the Board
Tang Chi Kei
Secretary

Hong Kong, 24 March 2003

Notes:

1. The Register of Members of the Company will be closed from 24 April 2003 (Thursday) to 30 April 2003 (Wednesday) (both days inclusive) during which no share transfer will be registered.
2. 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.
3. 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 Company's principal office in Hong Kong at 21/F, 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.