

**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)***FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003****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 2003 as follows:

	Notes	2003 HK\$'000	2002 HK\$'000 (As restated)
Turnover	1	143,872	113,534
Cost of sales		(95,579)	(74,596)
Gross profit		48,293	38,938
Other operating income		3,733	8,898
Distribution costs		(9,174)	(5,503)
Administrative expenses		(35,334)	(36,600)
Profit from operations	3	7,518	5,733
Finance costs		(5,137)	(6,139)
Allowance for amount due from an associate		(2,354)	-
Loss on partial disposal of a subsidiary		(1)	-
Profit (loss) before taxation		26	(406)
Taxation	4	(1,079)	(1,529)
Loss before minority interests		(1,053)	(1,935)
Minority interests		3,270	1,727
Net profit (loss) for the year		2,217	(208)
Earnings (loss) per share – Basic	5	HK0.25 cent	HK(0.02) cent

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 net profit (loss) by business segment is presented below:

	Year ended 31 December 2003							Consolidated HK\$'000
	Communication Products HK\$'000	ITS HK\$'000	Video Conference System HK\$'000	Broadband Wireless Access HK\$'000	Other HK\$'000	Eliminations HK\$'000		
TURNOVER								
External sales	37,064	19,097	12,995	74,641	75	-	-	143,872
Inter-segment sales*	-	8	-	-	990	(998)	-	-
Total	37,064	19,105	12,995	74,641	1,065	(998)		143,872
RESULT								
Segment result	3,361	(8,227)	(700)	13,407	346	-	-	8,187
Unallocated corporate expenses								(669)
Profit from operations								7,518
Finance costs								(5,137)
Allowance for amount due from an associate	(2,354)	-	-	-	-	-	-	(2,354)
Loss on partial disposal of a subsidiary	-	(1)	-	-	-	-	-	(1)
Profit before taxation								26
Taxation								(1,079)
Loss before minority interests								(1,053)
Minority interests								3,270
Net profit for the year								2,217

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

	Year ended 31 December 2002							Consolidated HK\$'000
	Communication Products HK\$'000	ITS HK\$'000	Video Conference System HK\$'000	Broadband Wireless Access HK\$'000	Other HK\$'000	Eliminations HK\$'000		
TURNOVER								
External sales	34,333	5,313	29,387	44,423	78	-	-	113,534
Inter-segment sales*	288	-	-	-	1,017	(1,305)	-	-
Total	34,621	5,313	29,387	44,423	1,095	(1,305)		113,534
RESULT								
Segment result	2,644	(10,119)	6,005	5,676	316	-	-	4,522
Unallocated corporate income								1,211
Profit from operations								5,733
Finance costs								(6,139)
Loss before taxation								(406)
Taxation								(1,529)
Loss before minority interests								(1,935)
Minority interests								1,727
Net loss for the year								(208)

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

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

	Turnover	
	2003 HK\$'000	2002 HK\$'000
PRC	94,274	46,151
Hong Kong	13,917	41,783
United States of America	30,871	20,247
Other	4,810	5,353
	143,872	113,534

3. Profit from operations

Profit from operations has been arrived at after charging:

	2003 HK\$'000	2002 HK\$'000
(Reversal of) allowance for doubtful debts	(1,713)	50
Depreciation	4,177	6,063
Amortisation of intangible assets	3,990	2,168

4. Taxation

	2003 HK\$'000	2002 HK\$'000
Current tax:		
Hong Kong Profits Tax	70	820
PRC income tax	40	321
	110	1,141
Deferred taxation:		
Current year	926	388
Attributable to a change in tax rate	43	-
	969	388
	1,079	1,529

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. Pursuant to relevant laws and regulations in the PRC, the Group's subsidiaries operating 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.

5. Earnings (loss) per share – Basic

The calculation of the basic earnings per share is based on the net profit for the year of HK\$2,217,000 (2002: net loss of HK\$208,000) and the weighted average number of 887,331,544 shares (2002: 877,139,763 shares) in issue during the year.

6. Dividend

No dividend was paid or proposed during the year ended 31 December 2003, nor has any dividend been proposed since the balance sheet date (2002: nil).

7. Comparative amounts

Certain comparative amounts have been restated to conform with the current year's presentation.

BUSINESS REVIEW AND PROSPECTS

During the year the Group has continuously implemented the established business restructuring initiatives. Resources were concentrated on broadband wireless communication technology and its applications. The Group fully fostered and supported broadband wireless communication business, intelligent transportation system business, video conferencing system business and communication terminal products business, resulting in a continuous increase in proportion of new businesses with better profits margin in the Group's total turnover by means of exploring new market and applying cost control and expense-cutting. Accordingly, the Group's profit for the year was significantly increased as compared to last year after the efforts of whole year, despite the fact that various businesses had seriously affected by SARS during the year.

The Group was, after appraisal in 2003, jumped to a large extent to ranking 97 in the 500 enterprises with the fast innovation and growing technology in the Asia Pacific Region by Deloitte Touche Tohmatsu as compared to ranking 221 in 2002.

Broadband Wireless Communication Business

Since the PRC's Radio Regulatory Committee exercising a liberalization of access to the frequency band in the 5GHz range in 2002, the Group had, with full efforts, developed domestic communication market in PRC for the products of CB-ACCESS wireless access system. From now, this product has been selected as network construction equipment by large operators and ISP, such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Meanwhile, the Group had continuously maintained this product's competitive edges in the region of Hong Kong, Macau and Taiwan. Under this foundation, it has, by various means, contributed to a good momentum in sales in the Greater China region.

In term of product development, the Group's CB-MUX series products, used for voice and data comprehensive accessing and launching this year, had received a good comment in general in the marketplace and from end-users. Currently, the Group is developing wireless access system working on other frequency bands, other than in the 5GHz range, which is expected to contribute satisfactory economic benefits in the future.

Intelligent Transportation System Business

The Group continued to develop the intelligent transportation system business this year, providing the traffic infrastructure in the public with total solutions as well as operation services.

In respect of total solutions, during the 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, 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 year.

Currently, the Group is positively planning to develop this business in the region of Shanghai and the eastern part of the PRC.

Communication Products Business

The production base in which the Group undertook its business of communication terminal products was satisfactorily reviewed and accredited with ISO9001: 2000 certification this year. Concurrently, the Group had been awarded "The Designated Unit for the Credits Systems of Foreign Enterprises in the PRC" by the Ministry of Commerce of the PRC in the "Survey of 500 Creditable Organizations in the PRC". Orders for communication terminal products and computer wireless peripheral products undertaken by the Group this year from international and domestic market maintained at a rational level.

Video Conferencing System Business

The Group's video conferencing system business targets at local public security departments across the PRC. During 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.

Human Resources and Remuneration Policy

As at 31 December 2003, the Group has 38 employees (2002:45 employees) in the Hong Kong head office and 231 employees (2002: 193 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 December 2004 to 27 December 2006, thus improving the Group's liquidity position.

Total borrowings of the Group as at 31 December 2003 was HK\$101,328,000 (2002:HK\$99,294,000), of which HK\$50,800,000 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 75% (2002:84%).

Pledge of assets

As at 31 December 2003, certain assets of the Group of HK\$31,020,000 (2002: HK\$37,351,000) 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 Tuesday, 4 May 2004 to Friday, 7 May 2004 (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 Friday, 7 May 2004, 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 Monday, 3 May 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company and the Placing Agent entered into a placing and underwriting agreement on 11 September 2003 for the placing of 40,000,000 Placing Shares at a placing price of HK\$0.30 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\$11.4 million will be used for general working capital purpose.

Save as disclosed above, neither the Company nor any of 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

Hong Kong, 7 April 2004

* the Chinese name of the Company is for reference only

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 Friday, 7 May 2004 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 2003.
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.

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

4. **"THAT:**
 - (a) subject to paragraph (c) 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;
 - (b) the approval in paragraph (a) 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;
 - (c) 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 (a) 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
 - (d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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
 - (iii) 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:**
 - (a) subject to paragraph (b) 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;
 - (b) the aggregate nominal amount of shares which are authorised to be repurchased by the directors of the Company pursuant to the approval in paragraph (a) 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
 - (c) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) 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
 - (iii) 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."

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

7. **"THAT** the Articles of Association of the Company (the "Articles") be and are hereby amended as follows:
 - (a) by deleting the definition of "recognised clearing house" in Article 2 in its entirety and replacing it with the following definition:

"recognised clearing house" shall have the meaning ascribed thereto under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong;"
 - (b) by deleting the definition of "subsidiary and holding company" in Article 2 in its entirety and replacing it with the following definition:

"subsidiary" and "holding company" shall have the meanings ascribed to such terms in the Listing Rules;"
 - (c) by adding the following new Article 85A immediately after the existing Article 85:

"85A. In the event that any member is, under the Listing Rules, required to abstain from voting on any particular ordinary resolution or special resolution or restricted to voting only for or only against any particular ordinary resolution or special resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted;"
 - (d) by deleting Article 107(c) in its entirety and replacing it with the following:

"A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Associate(s) has any material interest, but this prohibition shall not apply to any of the following matters, namely:

 - (i) the giving of any security or indemnity either:
 - (aa) to the Director or his Associate(s) in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
 - (bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his Associate(s) has himself (/ themselves) assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his Associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (iii) any proposal concerning any other company in which the Director or his Associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his Associate(s) is/are beneficially interested in the shares of that company, provided that, the Director and any of his Associates (as defined below in paragraph (f)) are not, in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his Associate is derived) or of the voting rights;
 - (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or any share incentive scheme or share option scheme under which the Director as his Associate(s) may benefit;
 - (bb) the adoption, modification or operation of a person or provident fund or retirement, death or disability benefits scheme which relates both to Directors or his Associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his Associate(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (v) any contract or arrangement in which the Director or his Associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.”;
- (e) by deleting Article 107(f) in its entirety and replacing it with the following:

“For the purpose of paragraph (c)(iii), “Associates” mean, in relation to any Director of the Company:

- (i) his spouse;
 - (ii) any child or step-child, natural or adopted, under the age of 18 years of such individual or his spouse's (together with (i) above the “family interests”); and
 - (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Code on Hong Kong Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”); and
 - (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
 - (v) any company in the equity capital of which he, any of the trustees referred to in (a)(iii) above, acting in their capacity as such trustees, and/or any trust interests and/or his family interests taken together are directly or indirectly interested (other than through their respective interests in the capital of the Company) so as to exercise or control the exercise of 30% (or such lower amount as may from time to time be specified in the Hong Kong Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.”; and
- (f) by deleting Article 120 in its entirety and replacing it with the following:

“No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, not less than seven and no earlier than the day after the despatch of the notice of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.”

By Order of the Board
Cheng Chai Fu
 Secretary

Hong Kong, 7 April 2004

Notes:

1. The register of Members of the Company will be closed from 4 May 2004 (Tuesday) to 7 May 2004 (Friday) (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.