



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 2004

RESULTS

The directors of CASIL Telecommunications Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 as follows:

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	1	148,126	143,872
Cost of sales		<u>(93,956)</u>	<u>(95,579)</u>
Gross profit		54,170	48,293
Other operating income		9,518	3,733
Distribution costs		(12,876)	(9,174)
Administrative expenses		<u>(38,631)</u>	<u>(35,334)</u>
Profit from operations	3	12,181	7,518
Finance costs		(5,124)	(5,137)
Share of result of an associate		(149)	—
Loss on liquidation of subsidiaries		(186)	—
Allowance for amount due from an associate		—	(2,354)
Loss on partial disposal of a subsidiary		—	(1)
Profit before taxation		6,722	26
Taxation	4	<u>(2,544)</u>	<u>(1,079)</u>
Profit (loss) before minority interests		4,178	(1,053)
Minority interests		<u>1,190</u>	<u>3,270</u>
Net profit for the year		<u><u>5,368</u></u>	<u><u>2,217</u></u>
Earnings per share — Basic	5	<u><u>HK0.54 cent</u></u>	<u><u>HK0.25 cent</u></u>

Notes:

1. Turnover

Turnover represents the gross invoiced value of goods sold less discounts and returns, revenue from service contracts and gross rental income.

2. Segmental information

(i) The Group's turnover and net profit by business segment is presented below:

	Year ended 31 December 2004							
	Communication		Video	Broadband		Other	Eliminations	Consolidated
	Products	ITS	Conference	Wireless	Access			
HK\$'000	HK\$'000	System	Access	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
TURNOVER								
External sales	29,205	7,842	13,082	97,974	23	—	148,126	
Inter-segment sales*	—	—	—	1,337	—	(1,337)	—	
Total	<u>29,205</u>	<u>7,842</u>	<u>13,082</u>	<u>99,311</u>	<u>23</u>	<u>(1,337)</u>	<u>148,126</u>	
RESULT								
Segment result	<u>1,497</u>	<u>(11,730)</u>	<u>(706)</u>	<u>16,198</u>	<u>7,094</u>	<u>—</u>	<u>12,353</u>	
Unallocated corporate expenses							<u>(172)</u>	
Profit from operations							12,181	
Finance costs							(5,124)	
Share of result of an associate	—	(149)	—	—	—	—	(149)	
Gain (loss) on liquidation of subsidiaries	110	(296)	—	—	—	—	<u>(186)</u>	
Profit before taxation							6,722	
Taxation							<u>(2,544)</u>	
Profit before minority interests							4,178	
Minority interests							<u>1,190</u>	
Net profit for the year							<u><u>5,368</u></u>	

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

Year ended 31 December 2003

	Communication		Video	Broadband				
	Products	ITS	Conference	Wireless	Access	Other	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>System</i>	<i>System</i>	<i>Access</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER								
External sales	37,064	19,097	12,995	74,641	75	—	—	143,872
Inter-segment sales*	—	8	—	—	990	(998)	—	—
	<u>37,064</u>	<u>19,105</u>	<u>12,995</u>	<u>74,641</u>	<u>1,065</u>	<u>(998)</u>	<u>(998)</u>	<u>143,872</u>
Total	<u>37,064</u>	<u>19,105</u>	<u>12,995</u>	<u>74,641</u>	<u>1,065</u>	<u>(998)</u>	<u>(998)</u>	<u>143,872</u>
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								<u>2,217</u>

* *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	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
People's Republic of China ("PRC")	96,173	94,274
Hong Kong	22,151	13,917
United States of America	27,193	30,871
Others	2,609	4,810
	<u>148,126</u>	<u>143,872</u>

3. Profit from operations

Profit from operations has been arrived at after charging:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Depreciation		
— owned assets	5,418	4,153
— asset held under a finance lease	—	24
Amortisation of intangible assets	4,818	3,990
and crediting:		
Gain on disposal of property, plant and equipment	7,548	658
Reversal of allowance of doubtful debts	1,444	1,713
	<u>1,444</u>	<u>1,713</u>

4. Taxation

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
— current year	325	70
— underprovision in prior year	824	—
PRC Income Tax	148	40
	<u>1,297</u>	<u>110</u>
Deferred taxation:		
Current year	1,247	926
Attributable to a change in tax rate	—	43
	<u>1,247</u>	<u>969</u>
	<u>2,544</u>	<u>1,079</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) 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. PRC Income Tax is calculated at rates given under the respective concessions.

5. Earnings per share — Basic

The calculation of the basic earnings per share is based on the net profit for the year of HK\$5,368,000 (2003: HK\$2,217,000) and the weighted average number of 1,000,199,872 shares (2003: 887,331,544 shares) in issue during the year.

6. Dividend

No dividend was paid or proposed during the year ended 31 December 2004, nor has any dividend been proposed since the balance sheet date (2003: nil).

BUSINESS REVIEW AND PROSPECTS

During the year the Group had continuously concentrated resources on broadband wireless communication technology and its application. The Group had fully fostered and supported Broadband Wireless Communication Business, Intelligent Transportation System Business, Video Conferencing System Business and Communication Products Business, resulting in the lucrative Broadband Wireless Communication Business amount to approximately 67% of the Group's total turnover that the Group's profit during the year was significantly increased by 142% as compared to its increase in its total turnover for the year by 2.8%, by effective means of exploring new markets, applying cost control and expense cutting.

The Group was, after appraisal in 2004, ranked in the 500 enterprises with the fast innovation and growing technology in the Asia Pacific Region by Deloitte Touche Tohmatsu.

Broadband Wireless Communication Business

The Group's products of broadband wireless access systems had been continuously selected as network construction equipment by large operators and internet service provider (ISP) during the year, such as China Telecom, China Netcom, China Unicom, China Mobile, China Railcom and CETC Communications. Business orders had been placed in the region of Greater China, such as Beijing, Shanghai, Guangdong, Jiangsu, Henan, Jiangxi, Sichuan, Guizhou, Yunnan, Gansu, Qinghai, Hong Kong, Macau and Taiwan.

The Group's CB-ACCESS broadband wireless access system and its successfully self-developed CB-MUX series product, used for voice and data comprehensive assessing, had been launched, installed and operated in a commercially influential scale. In terms of commercially reliable applications, good functionality and economic price, those products had maintained a clear competitive edge in the communication market.

In order to adapt to highly competitive conditions, the Group had planned and instituted effective measures as follows: strengthening the popularity of broadband wireless products and enhancing the acceptability of sales service in overall together with adequate adjustment in the pricing policy in order to consolidate and maintain its market share; actively forming a win-win cooperation with some innovative organizations, with the objectives of mutual benefits and development, to broaden the Group's broadband wireless communication product chain and to continuously launch new products to the communication market; attracting strategic partners to establish a highly autonomous research centre, via self-owned intellectual properties, to quicken the launch of newly self-developed products to the market.

Intelligent Transportation System Business

The Group had, during the year, utilized two types of self-developed product, namely, the mobile control unit based on GSM/GPRS communication network and the software of vehicle despatching and control system based on internet-related operation centres, providing the total solutions as well as operation services to the public.

The Group had, 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.

In order for product segmentation to provide tailor-made services, the Group would, under the brand name HangTianQiHua, provide the mobile vehicle monitoring and despatching services to the target clientele of taxi and rented vehicle in the region of Beijing and Tangshan. The Group would also, under the band name SpaceiNet, serve the target clientele of privately owned vehicles in the region of Shanghai, Shenzhen and Hong Kong.

Video Conferencing System Business

The Group's Video Conferencing System Business had, during the year, launched new products based on MPEG4 technique, together with existing MPEG2 video conferencing system, which constituted MPEG2 / MPEG4 dual-mode system to fulfil 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.

Communication Products Business

In terms of strict quality control and in time delivery, the Group had, during the year, finished the clients' orders smoothly so as to maintain good working relationship with oversea buyers and to achieve the prescribed business indicators.

In order to fit for better development in the future and to enhance the Group's profile in a position to be the representative of China Aerospace Science and Technology Corporation in Hong Kong, which is the ultimate shareholder of the Company, the Group had deployed itself into two parts: the Principal Place of Business was located in Central Plaza while its R & D component was shifted to Hong Kong Science Park. The reason why the Group disposed its old Principal Place of Business was to reallocate net proceeds generated from this disposal to better opportunities with higher returns and to have a fair asset management. The new profile of the Group will be appeared in Hong Kong after the change of Principal Place of Business and deployment in practice during the year.

Human Resources and Remuneration Policy

As at 31 December 2004, the Group has 46 employees (2003: 38 employees) in the Hong Kong head office and 260 employees (2003: 231 employees) in the China Mainland offices. Remuneration of employees is determined by individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund 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 31 December 2004 was HK\$99,189,000 (2003: HK\$101,328,000), of which HK\$52,789,000 (2003: 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 55% (2003: 75%).

Pledge of Assets

As at 31 December 2004, certain assets of the Group of HK\$11,927,000 (2003: HK\$31,020,000) 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, 26 April 2005 to Friday, 29 April 2005 (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, 29 April 2005, 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, 25 April 2005.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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, 30 March 2005

As at the date of this notice, the Board comprises Mr. Rui Xiaowu (Chairman), Mr. Wang Xiaodong (Vice-chairman and Managing Director), Mr. Zhou Xiaoyun, Mr. Han Jiang, Mr. Guo Xiaopeng and Mr. Xu Jian Hua as executive directors, Mr. Ma Yucheng as non-executive director and Mr. Zhu Shixiong, Mr. Moh Kwen Yung, Mr. Yiu Ying Wai and Mr. Wong Fai, Philip as independent non-executive directors.

** the Chinese name of the Company is for reference only*

Please also refer to the published version of this announcement in The Standard.