



**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 2007**

**RESULTS**

The Board of 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 2007 as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*For the six months ended 30 June 2007*

	<i>Notes</i>	<b>1.1.2007 to 30.6.2007 HK\$'000 (Unaudited)</b>	1.1.2006 to 30.6.2006 HK\$'000 (Unaudited and re-presented)
Continuing operations			
Turnover	3	97,078	42,114
Cost of sales		<u>(80,691)</u>	<u>(33,354)</u>
Gross profit		16,387	8,760
Other income		7,951	1,834
Distribution costs		(4,361)	(5,031)
Administrative expenses		(20,565)	(24,764)
Increase in fair value of investment properties		5,010	—
Reversal of allowance for amount due from an associate		—	10,019
Finance costs	4	(3,734)	(3,156)
Share of results of associates		<u>(3,815)</u>	<u>(135)</u>
Loss before taxation	5	(3,127)	(12,473)
Taxation	6	439	379
Loss for the period from continuing operations		<u>(2,688)</u>	<u>(12,094)</u>
Discontinued operation			
Profit for the period from discontinued operation	7	—	1,974
Loss for the period		<u><u>(2,688)</u></u>	<u><u>(10,120)</u></u>
Attributable to:			
Equity holders of the Company		(4,294)	(9,778)
Minority interests		1,606	(342)
		<u><u>(2,688)</u></u>	<u><u>(10,120)</u></u>
Loss per share — Basic	9		
From continuing and discontinued operations		<u><u>HK(0.42) cents</u></u>	<u><u>HK(0.96) cents</u></u>
From continuing operations		<u><u>HK(0.42) cents</u></u>	<u><u>HK(1.16) cents</u></u>

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	<i>Notes</i>	<b>30.6.2007</b> <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2006 <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Property, plant and equipment		29,323	42,879
Investment properties		18,608	—
Intangible assets		7,350	9,800
Interest in associates		142,783	84,864
		<u>198,064</u>	<u>137,543</u>
<b>Current assets</b>			
Inventories		59,420	62,910
Trade and other receivables	10	97,844	92,615
Amounts due from associates		17,600	25,969
Amounts due from related companies		15,291	15,291
Pledged bank deposits		1,560	1,537
Bank balances and cash		59,851	81,777
		<u>251,566</u>	<u>280,099</u>
<b>Current liabilities</b>			
Trade and other payables	11	28,219	41,587
Amounts due to associates		2,110	13,365
Amounts due to related companies		4,407	4,407
Taxation payable		330	330
Borrowings — amount due within one year		3,036	97,350
		<u>38,102</u>	<u>157,039</u>
Net current assets		<u>213,464</u>	<u>123,060</u>
Total assets less current liabilities		<u>411,528</u>	<u>260,603</u>
<b>Non-current liabilities</b>			
Borrowings — amount due after one year		318,740	168,317
Net assets		<u><u>92,788</u></u>	<u><u>92,286</u></u>
<b>Capital and reserves</b>			
Share capital		101,714	101,714
Reserves		(12,566)	(11,440)
Equity attributable to equity holders of the Company		89,148	90,274
Minority interests		3,640	2,012
Total equity		<u><u>92,788</u></u>	<u><u>92,286</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

## 1. BASIS OF PREPARATION

The condensed consolidated 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 (the “Stock Exchange”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting.

Comparative figures for 2006 have been re-presented for presentation on continuing and discontinued operations disclosed in note 7.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006. In addition, the Group has applied the following accounting policy for investment properties during the current interim period:

### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

For a transfer from owner-occupied property to investment property that is carried at fair value, the difference at the date of transfer between the carrying amount of the property and its fair value is credited to the property revaluation reserve.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group’s financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HK(IFRIC) — INT 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives <sup>4</sup>
HK(IFRIC) — INT 10	Interim Financial Reporting and Impairment <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

<sup>5</sup> Effective for annual periods beginning on or after 1 November 2006.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — INT 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) — INT 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) — INT 13	Customer Loyalty Program <sup>4</sup>
HK(IFRIC) — INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

#### Business segments

In prior periods, the Group was also involved in the video conference system operation. That operation was discontinued during the year ended 31 December 2006.

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

#### Six months ended 30 June 2007

	Continuing operations				Consolidated <i>HK\$'000</i>
	Communication Products <i>HK\$'000</i>	Intelligent Transportation System <i>HK\$'000</i>	Broadband Wireless Access <i>HK\$'000</i>	Wind Energy Facilities <i>HK\$'000</i>	
Turnover					
External sales	<u>27,803</u>	<u>19,586</u>	<u>49,689</u>	<u>—</u>	<u>97,078</u>
Result					
Segment result	3,837	2,439	(484)	(22)	5,770
Unallocated corporate income					757
Unallocated corporate expenses					(7,115)
Finance costs					(3,734)
Share of results of associates	(2,071)	(481)	(1,222)	(41)	(3,815)
Increase in fair value of investment properties					<u>5,010</u>
Loss before taxation					(3,127)
Taxation					<u>439</u>
Loss for the period					<u>(2,688)</u>

## Six months ended 30 June 2006

	Continuing operations				Discontinued operation	
	Intelligent	Broadband	Wind Energy		Video	Consolidated
	Communication	Transportation	Wireless	Facilities	Conference	
Products	System	Access	Facilities	System		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External sales	24,212	13,859	4,043	—	42,114	54,280
Result						
Segment result	1,935	(3,870)	(11,595)	—	(13,530)	(11,213)
Unallocated corporate expenses					(6,651)	(6,651)
Reversal of allowance for amount due from an associate	—	—	10,019	—	10,019	10,019
Gain on disposal of a subsidiary	—	980	—	—	980	980
Finance costs	—	—	—	—	(3,156)	(3,198)
Share of results of associates	—	(135)	—	—	(135)	(135)
(Loss) profit before taxation					(12,473)	(10,198)
Taxation					379	78
(Loss) profit for the period					(12,094)	(10,120)

## 4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	1.1.2007	1.1.2006	1.1.2007	1.1.2006	1.1.2007	1.1.2006
	to	to	to	to	to	to
	30.6.2007	30.6.2006	30.6.2007	30.6.2006	30.6.2007	30.6.2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Bank borrowings						
— wholly repayable within five years	—	2,005	—	42	—	2,047
— not wholly repayable within five years	—	167	—	—	—	167
Other loan wholly repayable within five years	3,734	984	—	—	3,734	984
	3,734	3,156	—	42	3,734	3,198

## 5. LOSS BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000
Loss before taxation has been arrived at after charging and (crediting):						
Allowance for bad and doubtful debts	—	160	—	—	—	160
Amortisation of intangible assets ( <i>note</i> )	2,450	2,338	—	—	2,450	2,338
Depreciation of property, plant and equipment	3,108	3,747	—	197	3,108	3,944
Gain on disposal of a subsidiary (included in other income)	—	(980)	—	—	—	(980)
Interest income	(191)	(102)	—	(5)	(191)	(107)

*Note:* During the six months ended 30 June 2007, amortisation of intangible assets of approximately HK\$2,450,000 (1.1.2006 to 30.6.2006: HK\$1,752,000) and nil (1.1.2006 to 30.6.2006: HK\$586,000) were included in cost of sales and administrative expenses respectively.

## 6. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000	1.1.2007 to 30.6.2007 HK\$'000	1.1.2006 to 30.6.2006 HK\$'000
The tax credit (charge) comprises:						
Current tax:						
The People's Republic of China (the "PRC") Enterprise Income Tax	(5)	(69)	—	(301)	(5)	(370)
Deferred taxation	444	448	—	—	444	448
Taxation credit (charge) attributable to the Group	439	379	—	(301)	439	78

No provision for Hong Kong Profits Tax has been made in the current period as the Company's subsidiaries incurred tax losses for the period.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC which will take effect on 1 January 2008. The New Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprises. However, the detailed implementation rules regarding the New Law have yet to be made public. Consequently, the Group is not able to make an estimate of the expected financial effect of the New Law on its deferred tax liabilities as at 30 June 2007.

## 7. DISCONTINUED OPERATION

On 22 November 2006, the Group entered into a sale and purchase agreement in respect of the disposal of a subsidiary, CASTEL Videotec (Hong Kong) Limited ("CASTEL Videotec"), which carried out all of the Group's development, manufacture, distribution and installation of video conference system. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was effective in November 2006, in which the control of the disposal group passed to the acquirer.

The result of the video conference system operation for the six months ended 30 June 2006, which have been included in the condensed consolidated income statement, was as follows:

	1.1.2006 to 30.6.2006 <i>HK\$'000</i>
Turnover	12,166
Cost of sales	(5,678)
Other income	191
Distribution costs	(1,766)
Administrative expenses	(2,596)
Finance costs	(42)
	<hr/>
Profit before taxation	2,275
Taxation	(301)
	<hr/>
Profit for the period	<u>1,974</u>

The video conference system operation contributed cash outflow of HK\$644,000 to the Group's operating cash flows, paid HK\$118,000 in respect of investing activities and contributed HK\$43,000 in respect of financing activities for the six months ended 30 June 2006.

## 8. DIVIDENDS

No dividend was paid during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007.

## 9. LOSS PER SHARE — BASIC

### From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	1.1.2007 to 30.6.2007 <i>HK\$'000</i>	1.1.2006 to 30.6.2006 <i>HK\$'000</i>
Loss for the purpose of basic loss per share	<u>(4,294)</u>	<u>(9,778)</u>
	<b>Number of shares</b>	
	2007	2006
Weighted average number of shares for the purposes of basic loss per share	<u>1,017,139,763</u>	<u>1,017,139,763</u>

No diluted earning per share has been disclosed as the Company has no potential ordinary shares outstanding for both years.

### From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	1.1.2007 to 30.6.2007 <i>HK\$'000</i>	1.1.2006 to 30.6.2006 <i>HK\$'000</i>
Loss for the purpose of basic loss per share	(4,294)	(9,778)
Less: Profit for the period from discontinued operation	<u>—</u>	<u>(1,974)</u>
Loss for the purpose of basic loss per share from continuing operations	<u>(4,294)</u>	<u>(11,752)</u>
	<b>Number of shares</b>	
	2007	2006
Weighted average number of shares for the purposes of basic loss per share	<u>1,017,139,763</u>	<u>1,017,139,763</u>



## From discontinued operation

Basic earnings per share for the discontinued operation for the period from 1.1.2006 to 30.6.2006 was HK0.19 cents per share, based on the profit for the period from the discontinued operation of HK\$1,974,000 and the denominators detailed above for basic loss per share.

### 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$85,050,000 (31.12.2006: HK\$82,615,000). The Group allows credit periods ranging from 45 to 180 days to its customers for sales of goods. At the discretion of the directors, several major customers were allowed to settle their balances beyond credit terms up to one year. The average credit period of one year will be given to customers for revenue from service contracts. The following is an aged analysis of trade receivables:

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Within 30 days	42,842	44,039
Between 31 and 90 days	34,688	2,682
Between 91 and 180 days	2,246	649
Between 181 and 365 days	836	832
Over 1 year	4,438	34,413
	<u>85,050</u>	<u>82,615</u>

### 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$10,841,000 (31.12.2006: HK\$19,844,000). The following is an aged analysis of trade payables:

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Within 30 days	258	14,576
Between 31 and 90 days	549	1,167
Between 91 and 180 days	6,023	901
Between 181 and 365 days	1,129	84
Over 1 year	2,882	3,116
	<u>10,841</u>	<u>19,844</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Summary

As of 30 June 2007, the Group's turnover for the first half of 2007 amounted to HK\$97.08 million with a loss of HK\$2.69 million in contrast to those for the year 2006 of HK\$54.28 million and HK\$10.12 million respectively, representing a 78.9% increase of turnover and 73.5% decrease of loss over the same period last year.

### Business Review and Prospects

In continuing the sales of communication equipment, and the application services of Global Positioning System for the first half of 2007, the Group is pursuing the acquisition of different businesses with the aim of exploring diversified operations and diversified earning sources for its future development in the years ahead. On 15 February 2007 and 27 March 2007, the Group entered into agreements whereby the Group is to acquire from China Academy of Launch Vehicle Technology businesses comprising three segments, namely, the automotive component parts, rare-earth-performance magnetic motor business and alternate energy at a purchase consideration of HK\$900 million.

The automotive component parts not only comprise the automotive engine management systems and components manufacturing, car body sealing system, vessel sealing system but also a wide range of components of automobiles such as brakes, clutch, fuel tank, muffler and tires. Rare earth that is a group of active metallic elements distinct from commonly used elements is widely used to make magnetic motors with high performance in terms of high precision, low noise, high stability, heavy load and energy effective. The alternate energy of wind power is being boosted by the new Renewable Energy Law which, inter alia, promotes the development and utilization of renewable energy and diversifies energy supplies.

The details of the acquisitions that will be completed in the midst of October 2007 were set out in a circular thereon of 1 June 2007 and a prospectus on Open Offer of 406,855,955 Offer Shares on the basis of four Offer Shares for every ten existing shares in issue in relation thereto of 20 September 2007.

### *Telecommunication Business*

We continue to provide our customers including communication operators, China Mobile, China Unicom, China Telecom, China Netcom and China Railcom in PRC with communication equipment of high capability/price value in making revenue with steady growth.

### *Wind Energy Projects*

The wind energy projects of Jiangsu Longyuan project and Jilin Sanyuan project in building, maintenance and operation of wind energy plants and facilities have started to generate profit contributions during the period whereas the Liaoning Benxi project was in its final phase of implementation and has started to general revenue in preparation for making profit contribution in the short term.

## **Human Resources and Remuneration Policy**

As at 30 June 2007, the Group had 41 employees (2006: 36 employees) in the Hong Kong head office and 409 employees (2006: 618 employees) in the China Mainland offices. 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 Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance 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 2007 were HK\$321,776,000 (31 December 2006: HK\$265,667,000), which were fixed rate borrowings. 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 2007 was 361% (31 December 2006: 294%).

### *Pledge of Assets*

At 30 June 2007, bank deposits amounted to HK\$1,560,000 (31.12.2006: HK\$1,537,000) have been pledged to banks for general banking facilities granted to the Group.

### *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 has not engaged in any hedging activities.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

The Group has complied with all principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Code"), which became applicable to the Group in respect of the year under review, and complied with the relevant code provisions in the Code throughout the six month period ended 30 June 2007, with the exception of one deviation from the Code Provision A.4.1 of the Code which stipulates that Non-executive Directors should be appointed for a specific term subject to re-election.

All of the Directors of the Company including the Non-executive Directors and Independent Non-executive Directors are not appointed for a specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting in accordance with the retirement provisions under the Articles of Association of the Company. The Company considers that sufficient measures have been taken in this regard to ensure that the Group's corporate governance practices are no less exacting than those in the Code.

## **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the directors of the Company and in accordance with information provided, all the directors have complied with the provisions under the Model Code.

## **Independent Non-executive Directors**

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in appointment of a sufficient number of 4 independent non-executive directors of whom Mr. Yiu Ying Wai (“Mr. Yiu”) is a member of the Association of Chartered Certified Accountants, a member of Certified Management Accountants of Canada and also a practicing member of the Hong Kong Institute of Certified Public Accountants in Hong Kong with over 20 years of experience in auditing, accounting and financial management in Hong Kong and overseas.

## **Audit Committee**

The Audit Committee of the Company set up comprises all of the four independent non-executive directors, Mr. Yiu, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung. The principal duties of the Audit Committee include the review of the Company’s financial reporting procedure, internal controls and results of the Group. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee and Deloitte Touche Tohmatsu, the external auditors of the Company.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six month period ended 30 June 2007.

By Order of the Board

**Han Shuwang**

*Vice-Chairman*

Hong Kong, 25 September 2007

*As at the date of this announcement, the Board comprises Mr. Han Shuwang, Mr. Wang Xiaodong and Mr. Li Guang as Executive Directors, Mr. Wu Yansheng, Mr. Liang Xiaohong and Mr. Tang Guohong as Non-executive Directors and Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung as Independent Non-executive Directors.*

\* *For identification only*