



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED
航天科技國際集團有限公司

(Incorporated in Hong Kong with limited liability)

ANNOUNCEMENT OF 2002 FINAL RESULTS

On behalf of the Board of Directors, I am pleased to announce the audited results of China Aerospace International Holdings Limited (the “Company”) and its subsidiaries (together hereinafter referred to as the “Group”) for the financial year ended 31 December 2002.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2002 and the comparative figures for 2001 are as follows:

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	<i>1</i>	1,299,825	1,008,293
Cost of sales and services		(1,035,498)	(790,068)
		264,327	218,225
Other operating income		26,546	26,122
Distribution costs		(46,012)	(50,842)
Administrative expenses		(255,014)	(207,573)
Deficit on revaluation of investment properties		(68,431)	–
Allowance for amount due from an associate		(30,162)	–
Allowance for doubtful debts		(27,599)	(19,800)
Impairment loss recognised in respect of property, plant and equipment		(35,365)	(232,712)
Impairment loss recognised in respect of investments in securities		(23,708)	–
Impairment loss recognised in respect of development costs		(3,000)	(14,934)
Loss from operations	<i>2</i>	(198,418)	(281,514)
Finance costs		(79,578)	(113,133)
Share of results of associates		(6,236)	(717)
Impairment loss recognised in respect of interests in associates		–	(470,116)
Gain on disposal of subsidiaries		7,840	–
Loss on disposal of an associate		(14,880)	–
Loss before taxation		(291,272)	(865,480)
Taxation	<i>3</i>	(11,836)	(666)
Loss before minority interests		(303,108)	(866,146)
Minority interests		1,835	129,835
Net loss for the year		(301,273)	(736,311)

Loss per share – Basic

4

HK(14)¢HK(34)¢

Notes:

1 SEGMENTAL ANALYSIS*(a) Business segments***2002**

	Turnover			Attributable to profit (loss) from operations		
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	Segment results HK\$'000	Unallocated corporate expenses HK\$'000	Loss from operations HK\$'000
Manufacturing						
Plastic products	261,373	17,136	278,509	37,797		
Liquid crystal display	50,873	–	50,873	1,457		
Audio-video products	247,279	–	247,279	(19,401)		
Printed circuit boards	89,405	–	89,405	19,299		
Telecommunication products	117,126	49	117,175	5,733		
Intelligent chargers and security system	230,579	689	231,268	25,225		
Other products	17,362	–	17,362	(21,797)		
Property	194,343	6,965	201,308	(86,315)		
Trading	84,651	–	84,651	(19,226)		
Finance	3,745	6,672	10,417	(14,755)		
Others	3,089	–	3,089	(62,596)		
	<u>1,299,825</u>	<u>31,511</u>	<u>1,331,336</u>	<u>(134,579)</u>		
Eliminations	–	(31,511)	(31,511)	(16,737)		
	<u>1,299,825</u>	<u>–</u>	<u>1,299,825</u>	<u>(151,316)</u>	<u>(47,102)</u>	<u>(198,418)</u>

2001

	Turnover			Attributable to profit (loss) from operations		
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	Segment results HK\$'000	Unallocated corporate expenses HK\$'000	Loss from operations HK\$'000
Manufacturing						
Plastic products	212,838	17,170	230,008	29,757		
Liquid crystal display	53,793	–	53,793	(8,947)		
Audio-video products	188,638	–	188,638	(22,824)		
Printed circuit boards	107,799	–	107,799	25,777		
Telecommunication products	92,999	601	93,600	(49,735)		
Intelligent chargers and security system	143,754	1,010	144,764	14,000		
Other products	20,095	18	20,113	(26,993)		
Property	81,625	10,809	92,434	34,322		
Trading	84,757	518	85,275	(3,440)		
Finance	12,657	12,355	25,012	8,964		
Others	9,338	–	9,338	(168,348)		

	1,008,293	42,481	1,050,774	(167,467)		
Eliminations	<u>–</u>	<u>(42,481)</u>	<u>(42,481)</u>	<u>(26,403)</u>		
	<u>1,008,293</u>	<u>–</u>	<u>1,008,293</u>	<u>(193,870)</u>	<u>(87,644)</u>	<u>(281,514)</u>

(b) *Geographical segments*

	Sales revenue by geographical market		Loss from operations	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	1,014,590	664,737	(116,677)	(167,503)
The People's Republic of China ("PRC"), other than Hong Kong	285,235	343,556	(34,639)	(26,367)
Total	<u>1,299,825</u>	<u>1,008,293</u>	<u>(151,316)</u>	<u>(193,870)</u>
Unallocated corporate expenses			<u>(47,102)</u>	<u>(87,644)</u>
Loss from operations			<u>(198,418)</u>	<u>(281,514)</u>

2 LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Allowance for obsolete inventories	6,245	22,199
Amortisation of development costs	4,935	7,094
Auditors' remuneration	4,818	3,641
Cost of inventories consumed	878,878	768,931
Depreciation on		
– owned assets	63,010	70,517
– assets held under finance leases	998	1,811
Loss on disposal of property, plant and equipment	11,294	–
Minimum lease payments paid under operating leases on land and buildings	7,321	4,868
Research expenses	8,652	2,145
Total staff costs, including directors' remuneration	160,161	141,212
and after crediting:		
Gross rental income from		
– land and buildings	6,219	2,626
– investment properties	35,277	41,904
– properties for sale	1,698	–
	43,194	44,530
Less: Outgoings	(6,001)	(4,728)
	37,193	39,802
Dividend income from listed investment securities	3,089	9,339
Gain on disposal of property, plant and equipment	–	195
Interest income	3,745	12,659

3 TAXATION

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
– current year	14,203	5,657
– overprovision in previous years	(3,932)	(7,101)
Overseas income tax		
– current year	1,565	1,961
	<hr/>	<hr/>
Taxation attributable to the Company and its subsidiaries	11,836	517
Share of overseas income tax attributable to associates	–	149
	<hr/>	<hr/>
	11,836	666
	<hr/>	<hr/>

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

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

4 LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss		
Loss for the year for calculation of basic loss per share	301,273	736,311
	<hr/>	<hr/>
	Number of Shares (In thousand)	
Number of ordinary shares for the calculation of basic loss per share	2,142,420	2,142,420
	<hr/>	<hr/>

SUMMARY OF RESULTS

In 2002, the Group recorded a turnover of HK\$1,299,825,000 (2001: HK\$1,008,293,000) and a gross profit of HK\$264,327,000 (2001: HK\$218,225,000), representing an increase of 28.9% and 21.1% respectively over last year. Both shares of administrative and general expenses and cost of sales and services to the turnover dropped over last year. Besides, the allowance for doubtful debts and for amounts due from associates decreased by 88%. The finance costs also dropped significantly by 29.7%. Consequently, the overall losses of the Group decreased by 59% over last year.

BUSINESS REVIEW

During 2002, the Group endeavoured to offset various unfavourable factors and continued to put efforts in achieving the targets of turning loss to profits, striving for market developments, strengthening management, cutting costs and exploring sources of funding so as to increase efficiency. Favourable improvements had been made.

The Group's high-tech manufacturing industries maintained a rather strong competitiveness and sustained an increase in profits. The income of high-tech manufacturing industries is the Group's major source of revenue. Through technology renovation and equipment upgrading in recent years, high-tech manufacturing industries maintained a rather strong competitiveness. In 2002, the turnover increased by 23% over last year, accounting for 79% of the Group's turnover. This was the best performance of high-tech manufacturing industries ever had in recent years.

The plastic injection business, targeting at overseas markets, improved its production capacity and product quality significantly after technology renovation and plant enlargement in 2001. With the adoption of effective measures, it further strengthens and develops business with multinational enterprises. Its turnover increased by 14% over last year.

In the business of intelligent battery chargers, a total of 22 new models was developed in 2002. Its turnover jumped by 60% over last year.

In face of the intense competition of LCD business in 2002, the Company's semiconductor subsidiary, which mainly deals with overseas markets, developed more than 80 new LCD modules. Overseas sales revenue pumped by 90.6% over last year.

The PCB business was affected by the sluggish global telecommunications & electronics markets and the price competition were getting fierce. In 2002, the average unit price of PCB products of the Group dropped remarkably comparing to that of the previous year. Though profits could still be maintained, the total amount was unavoidably reduced.

In the business of colour-TV, a major progress was made in developing overseas markets in 2002. As a result, inventory had been reduced and its annual turnover increased by 31% over last year. With improved operation in business, its losses decreased over the previous year.

New progress was made in the R&D and application of network-based information technology.

In 2002, the Group continued to input significant resources in the R&D of network-based information technology, bringing such results as the application of the DVB-C system and the DCR 2800 type of set-top box developed by the Group's R&D Center. The former has been under smooth operation of 19 channels of programs broadcasted in the cable TV network in the City of Changzhou, Jiangsu Province, and the latter has boasted stable operating quality and satisfactory visual effects, as evidenced by the increase in numbers of subscribers and the speed up in sales volume. In order to meet the needs of advancement in digital TV application technology and its ever increasing demands of subscribers, the Group has developed a new generation of DCR 2880, which has been finalized and put into batch production.

On 30 January, 2002, China Broadcasting & CASIL Technology Company Limited, a joint venture among China Broadcasting & Television Research Academy, China Cable Broadcasting Company and the Company, was officially registered and established, symbolizing the Group's endeavours to initiate the R&D of digital TV user management system. Within the year, the joint venture obtained an exclusive financial support for R&D from China State Planning Commission, which was of great significance for the Group's digital TV market development in China.

The JS-CASIL Network, a joint venture invested by the Company in Jiangsu Province, focuses on developing data chain business within the City of Nanjing, as well as maintaining the work of the present 103 provincial artery data chains continuously. On the basis of 36 municipal data chains already under operation, the JS-CASIL Network further expanded its business by setting up another 23 municipal data chains in 2002 successfully.

CASIL Telecommunications Holdings Limited, a subsidiary of the Company, continued to focus its resources on developing broadband wireless telecommunications technology and its applications, while taking strict measures to control its various costs and administrative expenses. As a result, its

turnover increased by 25% and hence achieved an overall profit. The businesses of broadband wireless access, the intelligent traffic control system and the video conferencing system accounted for a significant growth in the share to overall turnover.

Though investment properties were further reduced, the operating performance still remained stable. Disposing of non-core assets is the Group's established policy for its business restructuring. In 2002, the Company's realty subsidiaries continued to take active and workable measures to reduce vacancy rate and improve property management. Owing to the reduction in investment properties held gradually year by year and the continuous drop in Hong Kong's property value, the share of rental income to the Group's overall turnover fell over last year.

BUSINESS OUTLOOK

In view of the situation in 2003, it is not yet optimistic for the trend of the global market and is still under the pressure of price deduction. Nevertheless, the competitive strength of the high-tech manufacturing enterprises has been enhanced by the Group's further technology renovation in recent years, and so have their product quality and product capability. It is predicted that their businesses will continue to grow in 2003.

In promoting the products related to network-based information technology, the DVB-C system, the set-top boxes, the broadband wireless access system and the intelligent traffic control system have all made remarkable progress and are expected to have greater market share in the Mainland China, Hong Kong and abroad in 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to promoting markets, conduct structural changes in business, asset restructurings and strengthening management under the harsh global deflationary market during 2002, so as to reach the target of turning loss to profits.

As at 31 December, 2002, the total assets of the Group were HK\$2,880,750,000, in which the non-current portion and the current portion were HK\$1,379,675,000 and HK\$1,501,075,000 respectively. The total liabilities were HK\$1,969,910,000, of which the current and the non-current portion of bank loans were HK\$549,982,000 and HK\$253,748,000 respectively. In terms of contingent liabilities, there was about HK\$4,450,000 which was more or less the same to that of the end of last year. As at 31 December 2002, the assets/liabilities ratio was 68.4% and the current ratio was 1.12 respectively, both were similar to that of the end of last year.

The source of funding of the Group mainly comes from its internal financial resources and banking facilities. The Group's cash on hand as at 31 December 2002 was HK\$369,077,000, most of which was in HK dollars and the rest in RMB and US dollars. The remaining about HK\$ 50 million from the Group's previous placing proceeds has not yet been allocated to those planned projects.

A couple of the Group's real estates and investments have been mortgaged to banks for financing with interest calculated at prime rate, and their remaining terms by installment varies from 3 to 10 years.

DIVIDEND

The Board of Directors of the Company resolved not to declare any final dividend for the year ended 31 December 2002 (2001:nil).

CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 23 May, 2003 to 28 May, 2003 (both days inclusive). Shareholders must lodge any transfers of shares (with the relevant share certificates) with the Company's registrar, Standard Registrars Limited of Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration by no later than 4:00 p.m. on 22 May, 2003.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

CODE OF BEST PRACTICE

The Company had complied throughout the year with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance, except that none of the non-executive directors of the Company has been appointed for a specific term but are subject to retirement by rotation.

AUDIT COMMITTEE

The Audit Committee had reviewed, discussed and approved the annual financial report of the Company for the year ended 31 December 2002.

HUMAN RESOURCES

The Group will further improve human resources management, enhance assessment quality and strengthen internal supervision. The Group now has more than 4,000 staff in the Mainland China and in Hong Kong.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the Stock Exchange's website in due course.

COMPLIMENTS

With the support of the major shareholder, China Aerospace Science & Technology Corporation, the Group will devote more resources to assets restructuring and business transformation, so as to build up a new core business of satellite and satellite applications based on consolidating its restructured businesses.

I would like to take this opportunity to express, on behalf of the Board of the Directors, my sincere gratitude to our shareholders, bankers, business partners, people from various social communities, as well as all staff of the Group for their long-time support.

By Order of the Board
Rui Xiaowu
Chairman

16 April, 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Aerospace International Holdings Limited (the “Company”) will be held at 21st Floor, China Aerospace Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Wednesday, 28 May, 2003 at 11:00 a.m. for the following purposes:

1. To receive and adopt the Audited Accounts 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 approve the proposed Directors’ fee.
3. To consider the re-appointment of Messrs. Deloitte Touche Tohmatsu (德勤 • 關黃陳方會計師行) 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, passing 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 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;

“Rights 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 or any other rights to subscribe shares in the capital of the Company in each case 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 share capital of the Company 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 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 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 of the annual general meeting at which this Resolution is considered, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with new shares pursuant to the Resolution No. 4 set out in the said notice 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 said Resolution No. 5, 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.”

7. Any other business.

By Order of the Board
Ken Chan
Company Secretary

16 April, 2003

Notes:

1. 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.
2. 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 registered office of the Company at 21st Floor, 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.

“Please also refer to the published version of this announcement in China Daily”