

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

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, the 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 the 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 period. 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 period.

CHAIRMAN'S STATEMENT

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 type of set-top box, which has been finalized and put into batch production.

On 30 January 2002, China Cable & CASIL Information 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.

Jiangsu CASIL Broadcasting & Cable TV Network Company Limited, a joint venture invested by the Company in Jiangsu Province, focused on developing data chain business within the City of Nanjing in 2002, as well as maintaining the work of the existing 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 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 system, 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 the previous 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 innovative 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.

By Order of the Board

Rui Xiaowu

Chairman

Hong Kong, 16 April 2003