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If you have sold or transferred all your shares in **CASIL Telecommunications Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

If you are in any doubt as to any aspect of this document or as to any action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.



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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)

DISCLOSEABLE TRANSACTION
DISPOSAL OF PREMISES

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

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	the board of Directors
“Company”	CASIL Telecommunications Holdings Limited, a company incorporated in the Cayman Islands with limited liability
“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Premises pursuant to the Provisional Agreement
“Group”	the Company and its subsidiaries
“Formal Agreement”	the agreement to be entered pursuant to the Provisional Agreement relating to the disposal on or before 5 November 2004
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	the person who is not a connected person (as defined in the Listing Rules) and is a third party independent of and not connected with the Company or its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	4 November 2004, being the latest practicable date prior to printing of this circular for ascertaining certain information herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Purchaser”	Smart Develop Holdings Limited, a company incorporated in Hong Kong with limited liability
“Premises”	All Those Workshop & Office Space on the 9th Floor, Workshop on the 10th Floor and Workshop on the 11th Floor of Sui Ying Industrial Building, No. 1 Yuk Yat Street and No. 41 Lok Shan Road, Tokwawan, Kowloon, Hong Kong
“Provisional Agreement”	a provisional agreement for sale and purchase dated 11 October 2004 between the Vendor and the Purchaser, in relation to, inter alia, the disposal of the Premises
“Shareholders”	the holders of the Shares

DEFINITIONS

“Share(s)”	The ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Magicsound Company Limited, a wholly-owned subsidiary of the Company, a company incorporated in Hong Kong with limited liability

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Rui Xiaowu (*Chairman*)
Mr. Wang Xiaodong (*Vice-chairman*)
Mr. Zhou Xiaoyun
Mr. Han Jiang
Mr. Guo Xianpeng
Mr. Xu Jian Hua

Non-executive Directors:

Mr. Zhu Shixiong (*Independent*)
Mr. Moh Kwen Yung (*Independent*)
Mr. Ma Yucheng
Mr. Yiu Ying Wai (*Independent*)
Mr. Wong Fai, Philip (*Independent*)

Registered Office:

Ugland House
South Church Street
P.O. Box 309, George Town
Grand Cayman, Cayman Islands
British West Indies

Principal Office in Hong Kong:

21/F, China Aerospace Tower
Concordia Plaza
1 Science Museum Road
Tsimshatsui East, Kowloon
Hong Kong

4 November 2004

To Shareholders

Dear Sir/Madam

DISCLOSEABLE TRANSACTION DISPOSAL OF PREMISES

INTRODUCTION

The Company announced on 13 October 2004 that the Vendor and the Purchaser have entered into the Provisional Agreement, pursuant to which the Vendor will dispose the Premises to the Purchaser for a total consideration of HK\$21,670,000 in cash.

The Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

The purpose of this circular is to provide Shareholders with further information in relation to the Disposal and other information in compliance with the requirements of the Listing Rules.

* the Chinese name of the Company is for reference only

LETTER FROM THE BOARD

THE PROVISIONAL AGREEMENT

Date: 11 October 2004

Parties:

Vendor: Magicsound Company Limited, a wholly-owned subsidiary of the Company.

Purchaser: Smart Develop Holdings Limited. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner of the Purchaser are Independent Third Parties.

Property: All Those Workshop & Office Space on the 9th Floor, Workshop on the 10th Floor and Workshop on the 11th Floor of Sui Ying Industrial Building, No. 1 Yuk Yat Street and No. 41 Lok Shan Road, Tokwawan, Kowloon, Hong Kong, which is mainly used for the purpose of warehouse by the Group except that part of Premises is rented out to an Independent Third Party with one month notice to terminate the tenancy agreement whose leasing period was from 11 April 2003 to 10 April 2005. Upon completion, the Vendor shall deliver vacant possession of the Premises to the Purchaser.

**Consideration
and Financial
Effects:**

The purchase price for the Premises is HK\$21,670,000 which has been determined on normal commercial terms and arm's length negotiation between the parties with reference to the market value of comparable properties and recent valuation report prepared by an independent professional valuer to the Incorporated Owners of Phase One of Sui Ying Industrial Building in relation to the property of 12-storey industrial building located at Sui Ying Industrial Building, No. 1 Yuk Yat Street and No. 41 Lok Shan Road, Tokwawan, Kowloon, Hong Kong but no professional valuation has been made by the Vendor for the purpose of the Disposal.

The net book value of the Premises as shown in the audited accounts of the Company for the year ended 31 December 2003 (the "Net Book Value") is approximately HK\$13,820,000. The value of the Premises being realized represents approximately 5.95% of the consolidated total assets of the Group as at 30 June 2004. The net profits (both before and after taxation and extraordinary items) attributable to the Premises for two years ended 31 December 2003 are both approximately HK\$24,000. Upon completion of the Disposal, the Company will realize a gain of approximately HK\$7,478,000 net of expenses in its profits and loss accounts and the consideration for the Disposal represents a premium of approximately HK\$7,850,000 (i.e. 57% above the Net Book Value). The Directors including the independent non-executive directors consider that the terms of the transaction including the consideration are fair and reasonable and in the interests of the Company and its shareholders as a whole. The condition to give good title to the Premises in accordance with condition 9 in Part A of the Second Schedule to the Conveyancing and Property

LETTER FROM THE BOARD

Ordinance (Cap.219) will be incorporated into the Formal Agreement, although not in Provisional Agreement. The purchase price shall be paid by the Purchaser to the Vendor in the following manner:

- (a) A non-refundable initial deposit of HK\$2,167,000 has been paid upon signing of the Provisional Agreement;
- (b) Upon signing of the Formal Agreement, a further non-refundable deposit of HK\$1,083,500 in cash shall be paid on or before 5 November 2004; and
- (c) The balance of the purchase price of HK\$18,419,500 in cash shall be paid upon completion which should take place on or before 11 January 2005.

REASONS FOR THE DISPOSAL

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consisted of property investment and distribution of broadband business, ITS business and telecommunication products. The principal activity of the Purchaser is investment holding.

As the Premises are over 20 years old, the maintenance costs of the Premises are also high. The Board considers that the Disposal is in the interests of the Company and consideration of the Disposal is fair and reasonable. The Board wishes to reallocate net proceeds generated from the Disposal to better opportunities with higher returns. The Board is constantly reviewing the Company's business strategy in maximizing shareholders value. It will continue to explore and identify attractive business opportunities as it has done so in the past. As at the Latest Practicable Date, the Company has not entered into any binding agreement to that effect. At present, the Company does not have any designated use for the net proceeds. The Company will make the necessary announcement in compliance with the Listing Rules, if the appropriate investment opportunity arises.

FORMAL AGREEMENT

Pursuant to the terms of the Provisional Agreement, a formal agreement for the Disposal will be entered into by the parties on or before 5 November 2004.

If, in the absence of breach of the Provisional Agreement by the Vendor, the Purchaser shall fail to enter into the Formal Agreement on or before 5 November 2004, the initial deposit shall be forfeited to the Vendor and the Vendor shall then be entitled at its absolute discretion to sell the Premises to anyone it thinks fit and the Vendor shall not sue the Purchaser for any liabilities and/or damages caused by the Purchaser's default of Provisional Agreement.

LETTER FROM THE BOARD

On the other hand, if, in the absence of breach of the Provisional Agreement by the Purchaser, the Vendor after receiving the initial deposit shall fail to enter into the Formal Agreement on or before 5 November 2004, the Vendor shall immediately compensate the Purchaser with a sum equivalent to the amount of the initial deposit as liquidated damages together with the refund of the initial deposit and the Purchaser shall not take any further action to claim for damages or to enforce specific performance.

COMPLETION DATE

The sale and purchase pursuant to the Provisional Agreement is scheduled to be completed on or before 11 January 2005.

If the Purchaser shall fail to complete the purchase of the Premises in the Formal Agreement, then all the deposits paid shall be absolutely forfeited to the Vendor who may, by notice given to the Purchaser but without tendering an assignment to the Purchaser, rescind the disposal of the Premises and to claim or recover from the Purchaser such damages which the Vendor may sustain arising from the breach of the Purchaser or to enforce specific performance.

If the Vendor shall fail to complete the disposal of the Premises in the Formal Agreement, then all the deposit received shall be returned to the Purchaser but without prejudice to the right of the Purchaser (i) to recover from the Vendor such damages which the Purchaser may sustain by reason of the failure on the part of the Vendor to complete the said disposal of the Premises and it shall not be necessary for the Purchaser to tender an assignment to the Vendor or (ii) to enforce specific performance.

GENERAL

The Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and the company has issued this circular to the Shareholders in the connection.

Your attention is drawn to the information set out in the appendix to this circular.

By Order of the Board
Wang Xiaodong
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made full reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the directors and chief executive of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors, the persons/entities (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

Name	Capacity	Number of shares (<i>Note 1</i>)	Percentage of shareholding
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation (<i>Note 2</i>)	449,244,000 (L)	44.17%
China Aerospace International Holdings Limited ("CASIL")	Interest of a controlled corporation (<i>Note 3</i>)	449,244,000 (L)	44.17%
Astrotech Group Limited ("Astrotech")	Beneficial owner	449,244,000 (L)	44.17%

Notes:

1. The letter “L” denotes the shareholder’s long position in the shares.
2. CASC is deemed to be interested in 449,244,000 shares as it holds approximately 41.86% of the issued share capital of CASIL.
3. Astrotech is a wholly owned subsidiary of CASIL. Accordingly, CASIL is deemed to be interested in all the shares held by Astrotech.

Save as disclosed herein, according to the register of interests kept by the Company under Section 336 of the SFO and so far as was known to the Directors, there is no other person/entity (other than a director or chief executive of the Company) who, as at the Latest Practicable Date, had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group in any options in respect of such capital.

4. SERVICES CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the Company within a year without payment of compensation other than statutory compensation).

5. DIRECTORS’ INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning defined in the Listing Rules) has any interests in a business, which competes or may compete with the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against the Group.

7. GENERAL

- (i) The share registrar of the Company is Standard registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (ii) The registered office of the Company is Uglan House, South Church Street, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (iii) The secretary of the Company is Mr. Cheng Chai Fu, who is an associate member of Hong Kong Institute of Company Secretaries.

- (iv) The qualified accountant of the Company is Mr. Han Jiang, who is a Certified Public Accountant of American Institute of Certified Public Accountants (as required under Rule 3.24 of the Listing Rules).

- (v) The English text of this circular shall prevail over the Chinese text.