THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CASTEL

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)

MAJOR TRANSACTION

Entering into of Sino-foreign joint ventures regarding wind facilities

Financial Adviser to the Company

Deloitte.
德勤

Deloitte & Touche Corporate Finance Ltd.

A notice convening the Extraordinary General Meeting of CASIL Telecommunications Holdings Limited to be held at Hall 1B, G/F, No. 1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 6 June 2005 at 11:00 a.m. is set out on pages 77 to 78 of this circular.

Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to CASIL Telecommunications Holdings Limited's principal place of business in Hong Kong at Suite 4701, 47th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

19 May 2005

** For identification purpose only*

CONTENTS

DEFINITIONS

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

"Board"	the board of Directors;
"CDM"	Clean Development Mechanism, established by the Kyoto Protocol in 1997. The CDM enables developed countries and economies in transition of the United Nations Framework Convention on Climate Change to meet their greenhouse gas reduction targets at lower cost through projects in developing countries;
"China Development Bank"	國家開發銀行, a bank directly under the supervision of the State Council of the PRC;
"Company"	CASIL Telecommunications Holdings Limited;
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules;
"Crownplus"	Crownplus International Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;
"Directors"	the directors of the Company;
"Extraordinary General Meeting"	Extraordinary General Meeting of the Company to be held at Hall 1B, G/F, No. 1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 6 June 2005 at 11:00 a.m. for the purpose of considering, and if thought fit, approving the Transactions contemplated thereunder;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;
"Jiangsu Longyuan"	江蘇龍源風力發電有限公司 (Jiangsu Longyuan Wind Energy Company Limited), a Sino-foreign equity joint venture enterprise to be established in Jiangsu Province, the PRC;
"Jilin Jineng Electric"	吉林省吉能電力集團有限公司 (Jilin Jineng Electric Group Company Limited), a limited liability company established in Jilin Province, the PRC;

"Jilin Sanyuan"	吉林三源風力發電有限公司 (Jilin Sanyuan Wind Energy Company Limited), a Sino-foreign equity joint venture enterprise to be established in Jilin Province, the PRC;
"Joint Venture(s)"	Jiangsu Longyuan and Jilin Sanyuan;
"Joint Venture Contract(s)"	Sino-foreign equity joint venture contracts in respect of establishment of Jiangsu Longyuan and Jilin Sanyuan respectively;
"Joint Venture Partie(s)"	Longyuan Electric, Jilin Jineng Electric, Nantong TSG Electric and Crownplus;
"Latest Practicable Date"	10 May 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Longyuan Electric"	龍源電力集團公司 (Longyuan Electric Group Corporation), a collectively owned corporation established in Beijing, the PRC;
"Nantong TSG Electric"	南通天生港發電有限公司 (Nantong Tianshenggang Electric Company Limited), a Sino-foreign equity joint venture enterprise established in Jiangsu Province, the PRC;
"NDRC"	中華人民共和國國家發展和管理委員會 (National Development and Reform Commission, the PRC);
"PRC"	the People's Republic of China (but, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan);
"RMB"	Reminbi, the legal currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shares"	shares of HK$0.10 each in the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and

"Transaction(s)"	the establishment of Jilin Sanyuan and Jiangsu Longyuan pursuant to the terms set out in the Joint Venture Contracts respectively;
"US$"	the United States dollars, the legal currency of the United States of America;
"%"	per cent.

For use in this circular, conversion of US$ into HK$ is based on an exchange rate of US$ = HK$7.80 and conversion of RMB into HK$ is based on an exchange rate of RMB1.00 = HK$0.94. The conversions are for the purpose of illustration only and do not constitute a representation that any amount in US$, RMB or HK$ has been, could have been or may be converted at the above rate or any other rates at all.

CASTEL

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 and Managing Director)*
Mr. Zhou Xiaoyun
Mr. Han Jiang
Mr. Guo Xianpeng
Mr. Xu Jian Hua

Non-executive Director:
Mr. Ma Yucheng

Independent Non-executive Directors:
Mr. Zhu Shixiong
Mr. Moh Kwen Yung
Mr. Yiu Ying Wai
Mr. Wong Fai, Philip

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

Principal place of business in Hong Kong:
Suite 4701, 47th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

19 May 2005

To the shareholders of the Company

Dear Sir or Madam,

MAJOR TRANSACTION

Entering into of Sino-foreign joint ventures regarding wind facilities

INTRODUCTION

On 18 April 2005, the Company announced that the Joint Venture Contracts in respect of Jiangsu Longyuan and Jilin Sanyuan were entered into by Crownplus, a wholly owned subsidiary of the Company, in respect of the building, maintenance and operation of wind energy plants and facilities in the Jiangsu Province and Jilin Province, the PRC, respectively on 15 April 2005.

* *For identification purpose only*

PRINCIPAL TERMS OF THE JOINT VENTURE CONTRACTS

(1) Jilin Sanyuan

Parties:	1. Longyuan Electric 2. Jilin Jineng Electric 3. Crownplus, wholly-owned subsidiary of the Company To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the joint venture partners and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Group		
Company to be established (name subject to relevant authority's approval):	吉林三源風力發電有限公司, a Sino-foreign equity joint venture enterprise to be established in Jilin Province, the PRC		
Business scope (subject to relevant authority's approval):	wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training		
Total investment: (in HK$ equivalent)	RMB811,960,000 (HK$766,000,000)		
Total registered capital: (in HK$ equivalent)	RMB269,020,000 (HK$253,792,453)		
Share of registered capital:	Longyuan Electric	Jilin Jineng Electric	Crownplus
	RMB121,059,000	RMB80,706,000	RMB67,255,000
(in HK$ equivalent)	(HK$114,206,604)	(HK$76,137,736)	(HK$63,448,113)
(% of total registered capital)	(45%)	(30%)	(25%)
Payment of registered capital 1st instalment within 60 days from date of contract	15% in RMB	15% in RMB	15% in US$ equivalent

Payment of registered capital 2nd instalment before 31 March 2006	55% in RMB	55% in RMB	55% in US$ equivalent
Payment of registered capital 3rd instalment before 31 March 2007	30% in RMB	30% in RMB	30% in US$ equivalent
Number of directors a party may nominate	Three (one of whom the chairman of the board and the Company's legal representative)	Two (one of whom the vice chairman of the board)	Two (one of whom the vice chairman of the board)
Quorum requirements	More than two-third of all directors		
Ordinary matters in board meeting:	To be approved by more than two-third of all directors		
Senior management	One general manager to be nominated by the chairman of the board, approved by the board Other senior officers including the chief accountant, chief engineer, chief economist, the financial controller to be nominated by the general manager and approved by the board.		
Major obligations of the Joint Venture Parties:	1. obtain any approval of Jilin Sanyuan's projects; 2. apply for approval, registration and obtain business licence from relevant authorities etc.; 3. confirm matters in relation to equipment, design, making purchase order and delivery of products etc.; and 4. report and obtain approval from relevant authorities regarding the electricity prices		

Transfer of registered capital:	First right of refusal by remaining joint venture partner. If remaining shareholders do not acquire the proposed joint venture partner, the remaining shareholders are deemed to have consent to such transfer.
Term of joint venture:	25 years from the date of the issue of business licence of Jilin Sanyuan;
Shares of loss and profits, return of capital:	pro rata to the contribution of registered capital by each Joint Venture Party;
Governing law:	PRC

(2) Jiangsu Longyuan

Parties:	1. Longyuan Electric 2. Nantong TSG Electric 3. Crownplus, wholly-owned subsidiary of the Company To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the joint venture partners and their respect ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Group
Company to be established (name subject to relevant authority's approval):	江蘇龍源風力發電有限公司, a Sino-foreign equity joint venture enterprise to be established in Jiangsu Province, the PRC
Business scope (subject to relevant authority's approval):	wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training
Total investment: (in HK$ equivalent)	RMB872,620,000 (HK$823,226,415)
Total registered capital: (in HK$ equivalent)	RMB211,610,000 (HK$199,632,075)

Share of registered capital:	Longyuan Electric	Nantong TSG Electric	Crownplus
	RMB105,805,000	RMB52,902,500	RMB52,902,500
(in HK$ equivalent)	(HK$99,816,038)	(HK$49,908,019)	(HK$49,908,019)
(% of total registered capital)	(50%)	(25%)	(25%)

Payment of registered capital

Number of directors a party may nominate

Quorum requirements

Ordinary matters in board meeting:

Senior management

Same as the Joint Venture Contract regarding Jilin Sanyuan

Major obligations of the Joint Venture Parties:

1. obtain any approval of Jiangsu Longyuan's projects;
2. apply for approval, registration and obtain business licence from relevant authorities etc.;
3. confirm matters in relation to equipment, design, making purchase order and delivery of products etc.; and
4. report and obtain approval from relevant authorities regarding the electricity prices

Term of joint venture: 25 years from the date of the issue of business licence of Jiangsu Longyuan;

Shares of loss and profits, return of capital: pro rata to the contribution of registered capital by each Joint Venture Party;

Governing law: PRC

Conditions

The Joint Ventures have not been established at this stage. The establishment of the Joint Ventures will be subject to the approval of the relevant PRC authorities and approvals by the shareholders of all the Joint Venture Parties.

Subject to the approval by the shareholders of all the Joint Venture Parties, applications will be filed with the relevant authority in the PRC for the establishment of the Joint Ventures.

Articles of Association

Terms of the articles of association of the Joint Ventures mirror those of the respective Joint Venture Contracts.

Funding

Pursuant to the Joint Venture Contracts, the amount of investment made by each Joint Venture Party is made by cash and is restricted to their respective contributions in the registered capital of the Joint Ventures. The difference between total investment and registered capital will be funded by bank borrowings to be secured by assets of the Joint Ventures. Consent in principal to provide loan facilities has been given by China Development Bank. The Group has no funding committment under the JV Contracts.

The share of registered capital to be contributed by the Group amounted to an aggregate of RMB120,157,500 (equivalent to approximately HK$113,356,132) and will be payable in US$ according to official rate as quoted by the People's Bank of China. The funding of the capital contribution will be by way of internal resources, bank borrowings and provision of financial assistance to the Group from China Academy of Launch Vehicle Technology Limited ("CALT"), particulars of which please refer to the section headed "Working Capital" in Appendix II to this circular. The Joint Ventures will be accounted for as associated companies of the Company.

The Board would like to draw your attention to the sufficiency of working capital as set out in pages 59 to 61 of this circular.

INFORMATION ON THE JOINT VENTURES

Jilin Sanyuan

The kinetic power plant project of Jilin Sanyuan, the Jilin Tong Yu United Wind Power Project, has been approved by the NDRC as follows:

1. the period of authorised operation would be 25 years;

2. the construction size would be 100 megawatt;

3. the total investment and registered capital would be RMB811,960,000 and RMB269,020,000 respectively;

4. prior to the production of 30,000 hours of electricity, Jilin Sanyuan would be entitled to a electricity rate of RMB0.509 per hour for each kilowatt. After the production of electricity has reached 30,000 hours until the end of the authorised operation period, the electricity price would be calculated according to the average local grid electricity price. The actual price would be determined by the relevant price authority;

5. the approval is subject to the application of CDM.

Approval in principal has been obtained from the Jilin Land Bureau in respect of the use of land under the project pursuant to article 26 of the PRC Land Law. Jilin Sanyuan will be responsible for payment in respect of the land allocated for such purpose and such payment represents part of the total investment. It is expected that Jilin Sanyan will be allocated approximately 552,300 sq. m. land for the purpose of installation of wind turbines, laying of connecting cables, the main plant and other offices. The exact area of the land to be allocated will be subject to final measurement after installation and construction.

Jiangsu Longyuan

The kinetic power plant project of Jiangsu Longyuan, the Jiangsu Rudong Second Wind Power Project, has been approved by the NDRC as follows:

1. the period of authorised operation would be 25 years;

2. the construction size would be 100.5 megawatt;

3. the total investment and registered capital would be RMB872,620,000 and RMB211,610,000 respectively;

4. prior to the production of 30,000 hours of electricity, Jiangsu Longyuan would be entitled to a electricity rate of RMB0.519 per hour for each kilowatt. After the production of electricity has reached 30,000 hours until the end of the authorised operation period, the electricity price would be calculated according to the average local grid electricity rate. The actual rate would be determined by the relevant price authority;

5. the approval is subject to the application of CDM.

INFORMATION ON THE JOINT VENTURE PARTIES

Longyuan Electric is a collectively owned enterprise established in Beijing and engages in the provision of technology services and maintenance services of electrical systems and electric appliances; the development, production, sale and transfer of new technology, new facilities and new materials in relation to electricity etc..

Nantong TSG Electric is a Sino-foreign joint venture enterprise established in the Jiangsu Province and engages in the production and sale of electricity, heat and related products.

Jilin Jineng Electric is a limited liability company established in the Jilin Province and engages in the investment in the construction of electricity projects, leasing of electricity facilities and equipment, production and sale of electricity and heat products, sales of electric machineries and appliances, electronic calculator and components and construction materials.

LISTING RULES IMPLICATIONS

Crownplus is a wholly owned subsidiary of the Company. Given the Joint Venture Contracts were entered into on the same date with Longyuan Electric and other local joint venture parties, the considerations payable by the Company were aggregated. Since the applicable percentage ratios for the contribution of registered capital to be made by Crownplus under the Transactions represent 25% or more but less than 100% for the Company, the entering into of the Joint Venture Contracts constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the approval of shareholders of the Company in general meeting. No shareholder is required to abstain from voting in respect of the Transactions.

None of Astrotech Group Limited ("Astrotech") and its associates (as defined in the Listing Rules) have any interest in the Transactions which is different from the interest of the other shareholders of the Company as a whole. In addition, to the best of its knowledge, information and belief and having made all reasonable enquiries, the Board confirms that none of the Joint Venture Parties, its ultimate beneficial owners and their respective associates (as defined in the Listing Rules) currently holds any shares in the Company. The Board confirms that, to the best of its knowledge, information and belief and having made all reasonable enquiries, the Joint Venture Parties and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL EFFECTS OF THE TRANSACTIONS

Net tangible assets value

As set out in Appendix 1, the aggregate net present value of a 100% interest in the Joint Ventures is stated as RMB37,114,000, being the sum of the present values of the annual cash flows minus the initial investments. The Group's interest in the Joint Ventures is 25%. As the Joint Ventures will be recorded as associated companies of the Group, there will not be any material change to the consolidated net tangible assets value of the Group.

Earnings

As the Joint Ventures will be accounted for as associated companies of the Group. As a result, the Company will enjoy 25% of future dividends of the Joint Ventures.

Financial and trading prospects

The Directors considered that the Company would benefit from the entering into of the Joint Venture Contracts, as the Transactions will widen the business scope and earning base of the Group. The Company shall recruit the relevant expertise in the PRC after the establishment of the Joint Ventures.

As set out in the annual report of the Company for the year ended 31 December 2004, the Group was, after appraisal in 2004, ranked in the 500 enterprises with the fast innovation and growing technology in the Asia Pacific Region. Such ranking was mentioned in a brochure published by Deloitte Touche Tohmatsu called "Leading the Field — Technology Fast 500 Asia Pacific 2004 Winners Report". With the addition of the investments in the Joint Ventures, the Group expands its investment base and into the renewable energy sector, another growing industrial area with the current global energy crises.

In addition to the Group's sharing of 25% of the aggregate net present value of the Joint Ventures, given the shortage of electricity supplies in the PRC and the global trend towards renewable energy for environment reasons, the investment by the Company into such power supply project is also fulfilling the Group's corporate responsibility.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE CONTRACTS

The Group is principally engaged in the businesses of intelligent transportation systems, broadband wireless access systems and equipment, and manufacturing and sale of telecommunications products.

The Directors considered that the Company would benefit from the entering into of the Joint Venture Contracts. The Transactions will widen the business scope as the Joint Ventures will bring the Group into a new arena. Further, the other Joint Venture Parties are experienced in the industry of electricity supply. They have established client base and are experienced in controlling the costs of running electricity plants. The actual electricity price will be determined by the relevant price authority in the PRC. The Directors therefore considered that the earning base of the Group could be widened. Given the shortage of electricity supplies in the PRC and the global trend towards renewable energy for environment reasons, the investment by the Company into such power supply project is also fulfilling the Group corporate responsibility.

Both Joint Ventures have been granted a concession of 25 years by NDRC. Prior to the production of 30,000 hours of electricity, the Joint Ventures would be entitled to a electricity rate of RMB0.509 to RMB0.519 per hour for each kilowatt. After the production of electricity has reached 30,000 hours until the end of the authorised operation period, the electricity price would be calculated according to the average local grid electricity rate. The rate would be determined by the relevant price authority.

The terms of the Joint Venture Contracts and articles of associations of the Joint Ventures are negotiated after arm's length negotiation and taking into account that for each of the Joint Ventures to enjoy tax allowance, a foreign investment of 25% in the registered capital is required.

PROCEDURES FOR DEMANDING A POLL AT GENERAL MEETINGS

Pursuant to Article 80 of the Articles of Association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(1) the chairman of the meeting; or

(2) at least five members present in person or by proxy and entitled to vote; or

(3) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or

(4) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Pursuant to Article 85 of the Articles of Association of the Company, at any general meeting on a show of hands every member who is present in person or by proxy (or, in the case of a member being a corporation by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. On a poll a member entitled to more than one vote is under no obligation to cast all his votes in the same way.

EXTRAORDINARY GENERAL MEETING

The notice convening the Extraordinary General Meeting, which contains an ordinary resolution to approve the Transactions, is set out pages 77 to 78 of this circular. Shareholders are advised to read the notice and to complete and return the accompanying form of proxy for use at the Extraordinary General Meeting in accordance with the instructions printed thereon.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the Transactions were entered into on normal commercial terms, the terms of the Joint Venture Contracts are fair and reasonable and in the interests of the shareholders of the Company as a whole and so recommend you to vote in favour of the resolution at the Extraordinary General Meeting.

FURTHER INFORMATION

Your attention is drawn to:

(i) the information set out in the Appendices to this circular;

(ii) the business valuation on the Joint Ventures prepared by American Appraisal China Limited; and

(iii) the letters of advice from Deloitte Touche Tohmatsu and Deloitte & Touche Corporate Finance Limited regarding the underlying forecasts of the business valuation.

Yours faithfully,
By order of the board of directors of
CASIL Telecommunications Holdings Limited
Wang Xiaodong
Vice-chairman and Managing Director

American Appraisal

19 May 2005

Board of directors
Casil Telecommunications Holdings Ltd.
Suite 4701, 47/F, Central Plaza
18 Harbour Road,
Wanchai, Hong Kong

Our Ref.: 05/0802

Dear Sirs,

In accordance with your instructions, we made an appraisal of the Net Present Value of a 100 percent interest in the Jiangsu Rudong Second Wind Power Project ("Jiangsu Rudong") and Jilin Tong Yu United Wind Power Project ("Jilin Tongyu") respectively, (collectively the " Projects") as of April 18, 2005.

The purpose of this appraisal is to express an independent opinion of the net present value of a 100 percent interest in the Projects as of April 18, 2005. It is our understanding that this appraisal will be used for the acquisition of interest in the Projects by Casil Telecommunications Holdings Ltd. ("Castel" or the "Company") and be disclosed in public document.

This executive summary letter identifies the assets appraised, describes the basis of valuation and assumptions, explains the valuation methods used, and presents our conclusion of the Net Present Value. The full narrative report is intended to comply with the purpose of the appraisal and the reporting requirements set forth by the Uniform Standards of Professional Appraisal Practice ("USPAP") for a summary appraisal report. As such, the report presents only summary discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value of American Appraisal China Limited. The full narrative report has been retained by the Company and additional supporting documentation has been filed as a part of our work papers. Some of the terms used in the report are defined as below.

Net Present Value is defined as the value, as of specific date, of future cash inflows less all cash outflows (including the cost of the investment) calculated using an appropriate discount rate.

PROJECT DESCRIPTION

Crownplus International Limited, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands, entered into a sino-foreign equity joint venture contracts to establish Jiangsu Longyuan Wind Energy Company Ltd. ("Jiangsu Longyuan") and Jilin Sanyuan Wind Energy Company Ltd. ("Jilin Sanyuan"), in respect of the building, maintenance and operation of wind energy plants and facilities in the Jiangsu Province and Jilin Province in China respectively. Upon the completion of joint venture formation, the Company will indirectly own 25% in each of Jiangsu Longyuan and Jilin Sanyan. The brief profile of the Projects are summarized as follow:

Project Name	**Total Investment** *(RMB'million)*	**Total Share Capital** *(RMB'million)*	**Construction period** *(Year)*	**Total Capacity** *(MW)*	**Location**	**Operating Terms** *(Year)*
Jiangsu Rudong	872.62	211.61	2.5	100.5	Nantong, Jiangsu	25
JilinTong Yu	811.96	269.02	2.5	100	Tongyu, Jilin	25

VALUATION METHODOLOGY

The net present value of the 100% interest of the Projects was developed through the application of the income approach technique known as the discounted cash flow method. In this method, the value depends on the present worth of future economic benefits to be derived from the Projects. Thus, an indication of value was developed by discounting future free cash flows available for distribution to shareholders and debt holders to their present worth at market-derived rates of return appropriate for the risks and hazards of the wind power projects.

When developing the discount rate to apply to the future economic income streams from the Projects, the discount rate is the weighted average cost of capital ("WACC'). WACC incorporates the cost of debt and equity, weighted by the proportionate amount of each source of capital in the capital structure. The cost of debt capital was borrowing rate on bank loans raised to finance the Projects. The cost of equity of Projects was developed through the application of the Capital Asset Pricing Model ("CAPM"), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk ("Beta") times equity market premium in general. Three power generation comparable companies in China were used to estimate the beta. The comparable companies were selected based on the criteria that their business natures are reasonably similar to the Projects, and their markets are, to a large extent, subject to the same economic, environmental, and political factors.

Based on our analysis, the WACC was computed to be 8% for valuing the Projects. Our investigation included discussions with management of the Company with regards to the operations and prospects of the Projects, analysis of industry environment as well as review of feasibility study of the Projects, financial projection ("the Projection") and other relevant documents that were furnished to us by management. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us by the Company are true and accurate.

MAJOR ASSUMPTIONS

Due to the changing environment in which the wind power companies are operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business enterprise. The major assumptions adopted in this appraisal are:

— The construction of the Projects will be completed in accordance with the schedule estimated in the financial projection provided by the management of the Company;

— the wind power companies will be approved by the relevant authorities in China and the shareholders of all the joint venture partners;

— provision for major overhaul included in the maintenance costs is assumed to be adequate;

— there is no restriction on cash distribution;

— no significant change in working capital requirement over the project term;

— payments for the steam and power sold will be made on time;

— there will be no major change in the existing political, legal, and economic conditions in China;

— there will be no major change in the current taxation law in China, that the rates of tax payable remain unchanged and that all applicable laws and regulations will remain in compliance;

— exchange rates and interest rates will not differ materially from those presently prevailing;

— the financial information and assumptions provided by the company and adopted by us have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the management of the Company;

— No natural calamities that will have a major impact upon wind speed in Jiangsu Province and Jilin Province.

SENSITIVITY ANALYSIS

A sensitivity analysis based on various discount rates and total output volume for the operating period for the Projects are distributed as follow:

Net Present Value of Jiangsu Rudong Second Wind Power Project (Unit: RMB'000)

Total Output Volume for the Operating Period (billion kilowatt hour)	Discount rate				
	7.0%	**7.5%**	**8.0%**	**8.5%**	**9.0%**
Conservative Case					
— 46.65 billion kwh	24,483	3,092	(16,435)	(34,791)	(51,457)
Base Case					
— 49.11 billion kwh	63,074	39,939	18,782	(1,104)	(19,201)
Best Case					
— 51.57 billion kwh	101,665	76,786	53,999	32,582	13,055

Note: The total output volume of Base Case is based on the average 2,273 operating hours per year of the Project, forecasted in the Feasibility Study provided by management of Castel. Conservative and Best Cases are -/+ 5% of the Base Case.

Net Present Value of Jilin Dongyu United Wind Power Project (Unit: RMB'000)

Total Output Volume for the Operating Period (billion kilowatt hour)	Discount rate				
	7.0%	**7.5%**	**8.0%**	**8.5%**	**9.0%**
Conservative Case					
— 47.29 billion kwh	4,198	(14,118)	(30,863)	(46,657)	(60,976)
Base Case					
— 49.78 billion kwh	57,628	37,127	18,332	607	(15,525)
Best Case					
— 52.27 billion kwh	101,213	78,775	58,167	38,735	21,006

Note: The total output volume of Base Case is based on the average 2,304 operating hours per year of the Project, forecasted in the Feasibility Study provided by management of Castel. Conservative and Best Cases are -/+ 5% of the Base Case.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal methods employed, it is our opinion that as of April 18, 2005, the net present value of a 100 percent interest in the Jiangsu Rudong Second Wind Power Project and Jilin Tong Yu United Wind Power Project are reasonably stated by the amount as below :

Project Name	Net Present Value of 100% interest (Under discount rate of 8% and base case output volume)
Jiangsu Rudong Second Wind Power Project	RMB18,782,000
Jilin Tong Yu United Wind Power Project	RMB18,332,000

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the property appraised. We hereby certify that we have neither present nor prospective interests in the Company, the wind power projects or the value reported.

Respectfully submitted,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Ricky Lee
Assistant Vice President

Investigated and reported by:
Tracy Chow
Ricky Lee, ACCA, ASA

1. FINANCIAL SUMMARY

The following is a summary of the audited financial information of the Group for the three years ended 31 December 2004 extracted from the annual report of the Company for the year ended 31 December 2004:

Results

	For the year ended 31 December		
	2004	2003	2002
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**148,126**	143,872	113,534
(Loss) profit from operations	**12,181**	7,518	5,733
Finance costs	**(5,124)**	(5,137)	(6,139)
Share of results of associates	**(149)**	—	—
Net loss on liquidation of subsidiaries	**(186)**	—	—
Allowance for amounts due from associates	**—**	(2,354)	—
Loss on partial disposal of a subsidiary	**—**	(1)	—
(Loss) profit before taxation	**6,722**	26	(406)
Taxation	**(2,544)**	(1,079)	(1,529)
(Loss) profit before minority interests	**4,178**	(1,053)	(1,935)
Minority interests	**1,190**	3,270	1,727
Net (loss) profit for the year	**5,368**	2,217	(208)

Assets, liabilities and minority interests

	At 31 December		
	2004	2003	2002
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
Total assets	**357,333**	317,032	269,685
Total liabilities	**(175,991)**	(173,938)	(141,200)
Minority interests	**(796)**	(7,969)	(10,747)
	180,546	135,125	117,738

2. AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement of the Group for each of the two years ended 31 December 2004, the audited consolidated balance sheet of the Group as at 31 December 2003 and 2004, the audited consolidated statement of changes in equity of the Group for each of the two years ended 31 December 2004 and the audited consolidated cash flow statement of the Group for each of the two years ended 31 December 2004 together with the notes to the financial statements, as extracted from the annual report of the Company for the year ended 31 December 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Turnover	4	**148,126**	143,872
Cost of sales		**(93,956)**	(95,579)
Gross profit		**54,170**	48,293
Other operating income		**9,518**	3,733
Distribution costs		**(12,876)**	(9,174)
Administrative expenses		**(38,631)**	(35,334)
Profit from operations	6	**12,181**	7,518
Finance costs	8	**(5,124)**	(5,137)
Share of result of an associate		**(149)**	—
Net loss on liquidation of subsidiaries	29	**(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	9	**(2,544)**	(1,079)
Profit (loss) before minority interests		**4,178**	(1,053)
Minority interests		**1,190**	3,270
Net profit for the year		**5,368**	2,217
		cent	*cent*
Earnings per share — Basic	11	**0.54**	0.25

CONSOLIDATED BALANCE SHEET

At 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Non-current assets			
Property, plant and equipment	12	**47,202**	48,592
Intangible assets	13	**40,666**	44,157
Interests in subsidiaries	14	**—**	—
Interests in associates	15	**1,269**	42,838
		89,137	135,587
Current assets			
Inventories	16	**70,523**	65,312
Debtors and prepayments	17	**124,170**	65,714
Amounts due from related companies	18	**15,291**	15,291
Amounts due from subsidiaries		**—**	—
Amount due from an associate	19	**19,122**	—
Taxation recoverable		**210**	210
Pledged bank deposits	32	**1,264**	5,959
Bank balances and cash		**37,616**	28,959
		268,196	181,445
Current liabilities			
Creditors and accrued charges	20	**68,312**	63,535
Amounts due to related companies	18	**3,743**	3,743
Amounts due to subsidiaries		**—**	—
Amount due to immediate holding company of a shareholder	21	**906**	915
Amount due to an associate	19	**870**	2,690
Taxation payable		**296**	299
Borrowings due within one year	22	**39,358**	43,044
		113,485	114,226
Net current assets		**154,711**	67,219
		243,848	202,806

	Notes	**2004** *HK$'000*	2003 *HK$'000*
Capital and reserves			
Share capital	*24*	**101,714**	91,714
Reserves	*26*	**78,832**	43,411
		180,546	135,125
Minority interests		**796**	7,969
Non-current liabilities			
Borrowings due after one year	*22*	**59,831**	58,284
Deferred taxation	*27*	**2,675**	1,428
		62,506	59,712
		243,848	202,806

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	Share capital	Special reserve	Share premium account	Exchange reserve	General reserve	Goodwill	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2003	87,714	117,554	435,419	868	3,499	(17,878)	(509,438)	117,738
Shares issued at premium	4,000	—	8,000	—	—	—	—	12,000
Share issue expenses	—	—	(487)	—	—	—	—	(487)
Release of goodwill upon partial disposal of a subsidiary	—	—	—	—	—	3,657	—	3,657
Net profit for the year	—	—	—	—	—	—	2,217	2,217
At 31 December 2003 and 1 January 2004	91,714	117,554	442,932	868	3,499	(14,221)	(507,221)	135,125
Shares issued at premium	10,000	—	31,000	—	—	—	—	41,000
Share issue expenses	—	—	(839)	—	—	—	—	(839)
Exchange difference from translation of operations outside Hong Kong not recognised in the consolidated income statement	—	—	—	108	—	—	—	108
Release on liquidation of subsidiaries	—	—	—	(147)	(69)	—	—	(216)
Net profit for the year	—	—	—	—	—	—	5,368	5,368
At 31 December 2004	101,714	117,554	473,093	829	3,430	(14,221)	(501,853)	180,546

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Notes	2004 HK$'000	2003 HK$'000
Cash flows from operating activities			
Profit before taxation		**6,722**	26
Adjustments for:			
Interest income		**(109)**	(213)
Interest expenses		**5,124**	5,137
Depreciation of property, plant and equipment		**5,418**	4,177
Loss on partial disposal of a subsidiary		**—**	1
Gain on disposal of property, plant and equipment		**(7,548)**	(658)
Net loss on liquidation of subsidiaries		**186**	—
Amortisation of intangible assets		**4,818**	3,990
Allowance for amount due from an associate		**—**	2,354
Share of result of an associate		**149**	—
Reversal of allowance for doubtful debts		**(1,444)**	(1,713)
Allowance for obsolete inventories		**—**	452
Write-off of development costs		**—**	1,297
Operating cash flows before movements in working capital		**13,316**	14,850
Increase in inventories		**(5,562)**	(38,642)
Increase in debtors and prepayments		**(57,012)**	(28,418)
Decrease in amounts due from associates		**—**	8,529
Increase in amounts due from related companies		**—**	(11)
Increase in creditors and accrued charges		**6,459**	30,580
(Decrease) increase in amount due to immediate holding company of a shareholder		**(9)**	31
Increase amount due to an associate		**21,617**	2,690
Cash used in operations		**(21,191)**	(10,391)
Income taxes paid		**(1,300)**	(1,036)
Net cash used in operating activities		**(22,491)**	(11,427)

	Notes	2004 HK$'000	2003 HK$'000
Investing activities			
Proceeds on disposal of property, plant and equipment		**21,463**	5,895
Decrease in pledged bank deposits		**4,695**	5,226
Interest received		**109**	213
Purchase of property, plant and equipment		**(25,112)**	(2,659)
Development cost incurred		**(1,327)**	(2,638)
Investment made in an associate		**(1,418)**	—
Liquidation of subsidiaries, net cash	*29*	**(268)**	—
Net cash (used in) from investing activities		**(1,858)**	6,037
Financing activities			
Issue of ordinary shares, net of expenses		**40,161**	11,513
Interest paid		**(3,135)**	(3,777)
Repayments of bank loans		**(4,121)**	(2,774)
New bank loans raised		**—**	849
Repayments of obligations under finance leases		**(7)**	(41)
Net cash from financing activities		**32,898**	5,770
Net increase in cash and cash equivalents		**8,549**	380
Effect of foreign exchange rate changes		**108**	—
Cash and cash equivalents at 1 January		**28,959**	28,579
Cash and cash equivalents at 31 December representing bank balances and cash		**37,616**	28,959

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2004

1. GENERAL

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life, generally not exceeding twenty years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, the attributable amount of unamortised goodwill or goodwill previously eliminated against or credited to reserves is included in the determination of the gain or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired lease term
Buildings	4 - 5% or over the unexpired lease terms, whichever is shorter
Plant, equipment and machinery	9 - 15%
Moulds and tools	25%
Furniture and office equipment	10 - 25%
Motor vehicles	18 - 25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Technology licence rights

Technology licence rights are stated at cost less accumulated amortisation and any identified impairment losses. Amortisation is provided to write off the cost of such rights on a straight line basis over its estimated useful life.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible assets arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recoverable through future commercial activity. The resultant asset is amortised on a straight line basis over its useful economic life generally not exceeding five years.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

The charge for taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The principal portion of the corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation of the Group. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals receivable or payable are credited or charged, respectively, to the income statement on a straight-line basis over the relevant lease term.

Foreign currencies

Transactions in foreign currencies are initially recorded at exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits schemes

Payments to the defined contribution retirement schemes are charged as an expense as they fall due.

4. TURNOVER

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

	2004	2003
	HK$'000	*HK$'000*
Sales of goods	**143,473**	129,403
Revenue from service contracts	**4,630**	14,394
Gross rental income	**23**	75
	148,126	143,872

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group is currently organised into four operating divisions:

Communication Products, Intelligent Transportation Systems ("ITS"), Video Conference System and Broadband Wireless Access. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Communication Products
— manufacture and distribution of telecommunication products

ITS
— development, manufacture, distribution and installation of global positioning system application products

Video Conference System
— development, manufacture, distribution and installation of video conference system

Broadband Wireless Access
— development, distribution and installation of broadband system, equipment and accessories

(i) Segment information about these businesses for the year ended 31 December 2004 is presented below:

Income statement

	Communication Products	ITS	Video Conference System	Broadband Wireless Access	Others	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	29,205	7,842	13,082	99,311	23	(1,337)	148,126
RESULT							
Segment result	1,497	(11,730)	(706)	16,198	7,094	—	12,353
Unallocated corporate expenses							(172)
Profit from operations							12,181
Finance costs							(5,124)
Share of result of an associate	—	(149)	—	—	—	—	(149)
Net gain (loss) on liquidation of subsidiaries	110	(296)	—	—	—	—	(186)
Profit before taxation							6,722
Taxation							(2,544)
Profit before minority interests							4,178
Minority interests							1,190
Net profit for the year							5,368

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

Balance sheet

	Communication Products HK$'000	ITS HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	32,342	29,419	25,743	230,269	18,596	336,369
Interests in associates	—	1,269	—	—	—	1,269
Unallocated corporate assets						19,695
Consolidated total assets						357,333
LIABILITIES						
Segment liabilities	7,983	9,155	9,498	42,965	418	70,019
Unallocated corporate liabilities						105,972
Consolidated total liabilities						175,991

Other information

	Communication Products HK$'000	ITS HK$'000	Video Conference System HK$'000	Broadband Wireless Access HK$'000	Others HK$'000	Corporate HK$'000	Consolidated HK$'000
Capital additions							
— Property, plant and equipment	17	1,449	269	21,859	—	1,518	25,112
— Development costs	—	—	—	1,327	—	—	1,327
Depreciation and amortisation							
— Property, plant and equipment	80	1,330	399	2,746	581	282	5,418
— Development costs	—	940	329	1,034	—	—	2,303
— Technology licence right	—	—	—	2,262	—	—	2,262
— Goodwill	—	—	208	45	—	—	253
(Reverse of) allowance for doubtful debts	(2,536)	168	924	—	—	—	(1,444)
Loss (gain) on disposal of property, plant and equipment	116	3	—	85	(7,845)	93	(7,548)

(ii) Segment information about these businesses for the year ended 31 December 2003 is presented below:

Income statement

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

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

Balance sheet

	Communication Products *HK$'000*	ITS *HK$'000*	Video Conference System *HK$'000*	Broadband Wireless Access *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	29,585	33,323	27,043	156,134	14,222	260,307
Interests in associates	42,838	—	—	—	—	42,838
Unallocated corporate assets						13,887
Consolidated total assets						317,032
LIABILITIES						
Segment liabilities	8,295	13,441	10,683	39,826	28	72,273
Unallocated corporate liabilities						101,665
Consolidated total liabilities						173,938

Other information

	Communication Products *HK$'000*	ITS *HK$'000*	Video Conference System *HK$'000*	Broadband Wireless Access *HK$'000*	Others *HK$'000*	Corporate *HK$'000*	Consolidated *HK$'000*
Capital additions							
— Property, plant and equipment	39	586	443	1,391	31	169	2,659
— Development costs	—	1,435	302	901	—	—	2,638
— Goodwill	—	—	4,148	—	—	—	4,148
Depreciation and amortisation							
— Property, plant and equipment	243	1,234	304	1,637	592	167	4,177
— Development costs	—	1,435	587	585	—	—	2,607
— Technology licence right	—	—	—	1,131	—	—	1,131
— Goodwill	—	—	207	45	—	—	252
(Reverse of) allowance for doubtful debts	(1,595)	(180)	62	—	—	—	(1,713)
Allowance for obsolete inventories	46	—	406	—	—	—	452
Allowance for amount due from an associate	2,354	—	—	—	—	—	2,354
Gain on disposal of property, plant and equipment	422	—	—	—	236	—	658
Write-off of development costs	—	1,297	—	—	—	—	1,297

(B) Geographical segments

The Group's operations are located in Hong Kong and other parts of the People's Republic of China (the "PRC").

(i) The following table provides an analysis of the Group's sales by geographical market:

	Turnover	
	2004	2003
	HK$'000	*HK$'000*
PRC	**96,173**	94,274
Hong Kong	**22,151**	13,917
United States of America	**27,193**	30,871
Others	**2,609**	4,810
	148,126	143,872

(ii) The following is an analysis of the carrying amount of the segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**216,630**	96,196	**24,285**	4,568
Hong Kong	**139,224**	177,788	**2,154**	4,877
	355,854	273,984	**26,439**	9,445

6. PROFIT FROM OPERATIONS

	2004	2003
	HK$'000	*HK$'000*
Profit from operations has been arrived at after charging:		
Directors' emoluments *(note 7)*	**3,187**	3,053
Other staff costs	**19,820**	20,464
Other staff's retirement benefits scheme contributions	**822**	906
	23,829	24,423
Allowance for obsolete inventories	**—**	452
Amortisation of intangible assets *(note)*	**4,818**	3,990
Auditors' remuneration	**1,000**	664
Depreciation of property, plant and equipment		
— owned assets	**5,418**	4,153
— asset held under a finance lease	**—**	24
Minimum lease payments paid under operating leases in respect of land and buildings	**2,459**	2,043
Research and development expenses	**248**	115
Write-off of development costs	**—**	1,297
and crediting:		
Rental income from land and buildings, net of negligible outgoings	**23**	75
Gain on disposal of property, plant and equipment	**7,548**	658
Interest income	**109**	213
Reversal of allowance for doubtful debts	**1,444**	1,713

Note: Amortisation of approximately HK$253,000 (2003: HK$252,000) and approximately HK$4,565,000 (2003: HK$3,738,000) were included in administrative expenses and cost of sales respectively.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors

	2004	2003
	HK$'000	*HK$'000*
Directors' fees	**204**	200
Other emoluments:		
Salaries and other benefits	**2,947**	2,624
Contributions under retirement benefits scheme	**36**	45
Compensation for loss of office	**—**	184
	3,187	3,053

The emoluments paid to each of the directors during the year did not exceed HK$1,000,000.

Total amount paid to independent non-executive directors is directors' fees of HK$204,000 (2003: HK$200,000).

No emoluments were paid to non-executive director during the year (2003: nil).

(b) Five highest paid individuals

The five highest paid individuals included three (2003: four) directors, details of whose remuneration are set out above. The remuneration of the remaining two (2003: one) individuals is analysed below:

	2004	2003
	HK$'000	*HK$'000*
Salaries and other benefits	**1,245**	739
Contributions under retirement benefits scheme	**24**	12
	1,269	751

The aggregate emoluments paid to each of the highest paid individuals during the year did not exceed HK$1,000,000.

8. FINANCE COSTS

	2004	2003
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings		
— wholly repayable within five years	**2,645**	2,656
— not wholly repayable within five years	**490**	517
Obligations under finance leases wholly repayable within five years	**—**	3
Other loan wholly repayable within five years	**1,989**	1,961
	5,124	5,137

9. TAXATION

	2004	2003
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax		
— current year	**(325)**	(70)
— underprovision in prior year	**(824)**	—
PRC income tax	**(148)**	(40)
	(1,297)	(110)
Deferred taxation *(note 27)*:		
Current year	**(1,247)**	(926)
Attributable to a change in tax rate	**—**	(43)
	(1,247)	(969)
	(2,544)	(1,079)

The reconciliation of tax charge for the year to the profit before taxation is as follows:

	2004	2003
	HK$'000	*HK$'000*
Profit before taxation	**6,722**	26
Tax charge at Hong Kong Profits Tax of 17.5% (2003: 17.5%)	**(1,176)**	(5)
Tax effect of expenses not deductible for tax purpose	**(861)**	(333)
Tax effect of income not taxable for tax purpose	**1,574**	24
Tax effect of deferred tax losses not recognised	**(4,557)**	(1,632)
Utilisation of tax losses previously not recognised	**3,364**	1,103
Effect of different tax rates of subsidiaries operating in the PRC	**(64)**	(193)
Increase in opening deferred tax liability resulting from an increase in tax rate	**—**	(43)
Underprovision in prior year	**(824)**	—
Tax charge for the year	**(2,544)**	(1,079)

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. Income tax is calculated at rates given under the respective concessions.

10. DIVIDENDS

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).

11. EARNINGS PER SHARE — BASIC

	2004	2003
	HK$'000	*HK$'000*
Net profit for the year	**5,368**	2,217

	Number of shares	
	2004	2003
Weighted average number of shares for the purposes of basic earnings per share	**1,000,199,872**	887,331,544

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

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant, equipment and machinery	Moulds and tools	Furniture and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1 January 2004	48,444	10,495	917	19,066	2,410	81,332
Additions	—	21,041	5	2,618	1,448	25,112
Liquidation of subsidiaries	(11,040)	—	—	—	—	(11,040)
Reclassification	—	1,184	95	(1,279)	—	—
Disposals	(22,329)	(988)	(10)	(1,533)	(162)	(25,022)
At 31 December 2004	15,075	31,732	1,007	18,872	3,696	70,382
DEPRECIATION						
At 1 January 2004	14,425	4,232	122	12,324	1,637	32,740
Provided for the year	1,240	1,870	192	1,812	304	5,418
Liquidation of subsidiaries	(3,871)	—	—	—	—	(3,871)
Reclassification	—	555	6	(561)	—	—
Eliminated on disposals	(9,081)	(988)	(10)	(945)	(83)	(11,107)
At 31 December 2004	2,713	5,669	310	12,630	1,858	23,180
NET BOOK VALUES						
At 31 December 2004	12,362	26,063	697	6,242	1,838	47,202
At 31 December 2003	34,019	6,263	795	6,742	773	48,592

	Plant, equipment and machinery *HK$'000*	**Furniture and office equipment** *HK$'000*	**Motor vehicles** *HK$'000*	**Total** *HK$'000*
THE COMPANY				
COST				
At 1 January 2004	254	947	987	2,188
Additions	—	1,109	409	1,518
Disposals	—	(146)	—	(146)
At 31 December 2004	254	1,910	1,396	3,560
DEPRECIATION				
At 1 January 2004	172	358	987	1,517
Provided for the year	32	208	43	283
Eliminated on disposals	—	(40)	—	(40)
At 31 December 2004	204	526	1,030	1,760
NET BOOK VALUES				
At 31 December 2004	50	1,384	366	1,800
At 31 December 2003	82	589	—	671

The net book value of the Group's motor vehicle held under a finance lease at 31 December 2004 was nil (2003: HK$23,000).

The Group's property interests shown above comprise:

	2004 ***HK$'000***	2003 *HK$'000*
Long term lease held in Hong Kong	**—**	13,820
Medium term leases held in the PRC	**12,362**	20,199
	12,362	34,019

13. INTANGIBLE ASSETS

	Development costs	Technology licence right	Goodwill	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP				
COST				
At 1 January 2004	13,117	35,100	4,780	52,997
Additions	1,327	—	—	1,327
At 31 December 2004	14,444	35,100	4,780	54,324
AMORTISATION				
At 1 January 2004	6,287	2,301	252	8,840
Amortised for the year	2,303	2,262	253	4,818
At 31 December 2004	8,590	4,563	505	13,658
NET BOOK VALUES				
At 31 December 2004	5,854	30,537	4,275	40,666
At 31 December 2003	6,830	32,799	4,528	44,157

Intangible assets are amortised on a straight-line basis over the following periods:

Development costs	3 - 5 years
Technology licence right	15 years
Goodwill	14 - 20 years

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**177,490**	177,490
Amounts due from subsidiaries	**112,290**	104,458
Impairment losses recognised	**(207,347)**	(207,347)
	82,433	74,601

The amounts due from subsidiaries are unsecured and non-interest bearing. In the opinion of the directors, the Company would not demand for repayment from the subsidiaries within twelve months from the balance sheet dates. Accordingly, the amounts are classified as non-current assets.

Details of principal subsidiaries of the Company at 31 December 2004 are set out in note 36.

15. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Share of net assets	**1,269**	—
Amount due from an associate	**—**	82,838
	1,269	82,838
Impairment loss recognised	**—**	(40,000)
	1,269	42,838

The amount due from an associate was unsecured and non-interest bearing. In the opinion of the directors, the amount due from an associate as at 31 December 2003 would not be demanded by the Group for repayment within twelve months from 31 December 2003 and accordingly classified as a non-current asset in prior year. During the year ended 31 December 2004, the net amount due from an associate of HK$42,838,000 was set off with the amount due to an associate of HK$23,437,000. In the opinion of the directors, the remaining balance is repayable on demand and is reclassified as a current asset accordingly.

Details of the associates of the Group at 31 December 2004 are set out in note 36.

16. INVENTORIES

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**7,633**	36,907
Work-in-progress	**8,270**	13,103
Finished goods	**54,620**	15,302
	70,523	65,312

All the inventories are carried at cost.

17. DEBTORS AND PREPAYMENTS

Included in debtors and prepayments are trade debtors of HK$85,987,000 (2003: HK$54,040,000). The Group allows credit periods ranging from 45 days 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 the 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 debtors at 31 December:

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Within 30 days	**44,241**	40,806
Between 31 - 90 days	**7,951**	6,863
Between 91 - 180 days	**20,734**	2,698
Between 181 - 365 days	**8,913**	3,673
Over 1 year	**4,148**	—
	85,987	54,040

18. AMOUNTS DUE FROM/TO RELATED COMPANIES

The amounts represent amounts due from/to subsidiaries of CASIL, immediate holding company of a shareholder of the Company. The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

19. AMOUNTS DUE FROM/TO ASSOCIATES

The amounts are unsecured, non-interest bearing and have no fixed repayment terms.

20. CREDITORS AND ACCRUED CHARGES

Included in creditors and accrued charges are trade creditors of HK$14,186,000 (2003: HK$32,042,000). The following is an aged analysis of trade creditors at the balance sheet date:

	THE GROUP	
	2004	2003
	HK$'000	*HK$'000*
Within 30 days	**6,760**	19,994
Between 31 - 90 days	**1,766**	5,429
Between 91 - 180 days	**377**	1,215
Between 181 - 365 days	**1,762**	1,147
Over 1 year	**3,521**	4,257
	14,186	32,042

21. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY OF A SHAREHOLDER

It represents amount due to CASIL. The amount is unsecured, non-interest bearing and has no fixed repayment terms.

22. BORROWINGS

	THE GROUP		THE COMPANY	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Long term bank loans — secured *(note a)*	**7,484**	7,926	**—**	—
Short term bank loans — secured *(note a)*	**—**	2,830	**—**	—
Short term bank loans — unsecured *(note a)*	**24,387**	25,236	**12,557**	12,557
Bank overdrafts — unsecured	**14,529**	14,529	**8,388**	8,388
Total bank borrowings	**46,400**	50,521	**20,945**	20,945
Other loan *(note b)*	**52,789**	50,800	**—**	—
Total bank borrowings and other loan	**99,189**	101,321	**20,945**	20,945
Obligation under a finance lease *(note 23)*	**—**	7	**—**	—
	99,189	101,328	**20,945**	20,945
Less: Amount due within one year included under current liabilities	**(39,358)**	(43,044)	**(20,945)**	(20,945)
Amount due after one year	**59,831**	58,284	**—**	—
The maturity of total bank borrowings and other loan is as follows:				
On demand or within one year	**39,358**	43,037	**20,945**	20,945
Between one to two years	**53,231**	472	**—**	—
Between two to five years	**1,328**	52,406	**—**	—
Over five years	**5,272**	5,406	**—**	—
	99,189	101,321	**20,945**	20,945

Notes:

(a) The loans bear interest at prevailing market rates. The short term loans and long term loans are repayable in instalments within one year and eleven years, respectively.

(b) The amount represents advance from an independent third party and respective interests accrued. Such advance amounting to HK$46,800,000 is unsecured, bears interest at 4.25% (2003: 4.25%) per annum and is repayable on 27 December 2006. The interests accrued of HK$5,989,000 (2003: HK$4,000,000) is unsecured, non-interest bearing and repayable on 27 December 2006.

23. OBLIGATION UNDER A FINANCE LEASE

	Minimum lease payments		**Present value of minimum lease payments**	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
THE GROUP				
Amount payable under a finance lease:				
Within one year	—	7	—	7
In the second to fifth year inclusive	—	—	—	—
	—	7	—	7
Less: Future finance charges	—	—		
Present value of lease obligations	—	7		
Less: Amount due within one year			—	(7)
Amount due after one year			—	—

The lease term was three years and the effective borrowing rate was 12%. Interest rate was fixed at the contract date. The lease was on a fixed repayment basis and no arrangement has been entered into for contingent rental payments.

24. SHARE CAPITAL

	Number of shares		Share capital	
	2004	2003	**2004**	2003
			HK$'000	*HK$'000*
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**917,139,763**	877,139,763	**91,714**	87,714
Shares issued on 30 September 2003 *(note a)*	**—**	40,000,000	**—**	4,000
Share issued on 3 March 2004 *(note b)*	**100,000,000**	—	**10,000**	—
At end of the year	**1,017,139,763**	917,139,763	**101,714**	91,714

Notes:

(a) On 11 September 2003, the Company entered into a placing and underwriting agreement to issue 40,000,000 shares of HK$0.10 each at a placing price of HK$0.30 per share, representing a discount of approximately 23.1% to the closing market price of the Company's shares on that date. The proceeds were used for general working capital purpose. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 30 April 2003 and rank pari passu with the existing shares in all respects.

(b) On 3 March 2004, the Company entered into a placing and underwriting agreement to issue 100,000,000 shares of HK$0.10 each at a placing price of HK$0.41 per share, representing a discount of approximately 16.3% to the closing market price of the Company's shares on that date. The proceeds are used for general working capital purpose. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 30 April 2003 and rank pari passu with the existing shares in all respects.

25. SHARE OPTION SCHEMES

Under the terms of the share option scheme of the Company (the "CASTEL Scheme") which became effective on 23 July 1997 and shall be valid until 23 July 2007, the board of directors may offer to any full time employees, including executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The options granted must be accepted within 28 days from date of grant. Upon acceptance of an offer of options, an amount of HK$1 by way of consideration is payable by the employee. Options may be exercised, at any time for a period to be determined by the directors of the Company, which shall not exceed ten years from the adoption of the CASTEL Scheme. Unless otherwise terminated or altered, the CASTEL Scheme will remain in force for a period of ten years from the date of adoption.

Under the terms of the share option scheme of CASIL (the "CASIL Scheme") which became effective on 8 July 1997 and shall be valid until 8 July 2007, the board of directors of CASIL may offer to any full time employees of CASIL, and/or any of its subsidiaries including executive directors of the Company, options to subscribe for shares in CASIL at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of CASIL from time to time. The options granted must be accepted within 28 days from date of grant. Upon acceptance of an offer of options, an amount of HK$1 by way of consideration is payable by the employee. Options may be exercised, at any time for a period to be determined by the directors of the Company, which shall not exceed ten years from the adoption of the CASIL Scheme. Unless otherwise terminated or altered, the CASIL Schheme will remain in force for a period of ten years from the date of adoption.

The purpose of the schemes is to recognise the contribution of employees of the Group.

Pursuant to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with which the Company must comply, the exercise price of options under an option scheme must be at least the higher of: (i) the closing price of the shares on the Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The total number of options to be issued to each participant in any twelve-month period must not exceed 1% of the share capital of the Company in issue.

As the Listing Rules relating to a share option scheme were amended on 1 September 2001, share option can only be granted under the share option scheme provided that the existing Listing Rules on share option schemes are complied with.

No share option under either the CASTEL Scheme or the CASIL Scheme was held by the directors or employees of the Company or its subsidiaries in both years ended 31 December 2003 and 31 December 2004.

26. RESERVES

THE GROUP

The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the issued share capital of the subsidiaries acquired by the Company and the aggregate amount of HK$116,025,000 transferred from other reserves pursuant to the group's reorganisation on 11 August 1997.

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity on page 24.

	Contributed surplus	Share premium account	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1 January 2003	117,554	435,419	(478,981)	73,992
Shares issued at premium	—	8,000	—	8,000
Share issue expenses	—	(487)	—	(487)
Net loss for the year	—	—	(48,057)	(48,057)
At 31 December 2003	117,554	442,932	(527,038)	33,448
Shares issued at premium	—	31,000	—	31,000
Share issue expenses	—	(839)	—	(839)
Net profit for the year	—	—	428	428
At 31 December 2004	117,554	473,093	(526,610)	64,037

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries at the date they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares on 11 August 1997.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

The Company's reserves available for distribution comprise the contributed surplus, share premium account and accumulated losses. In the opinion of the directors, the Company's reserves available for distribution to shareholders amounted to HK$64,037,000 (2003: HK$33,448,000).

27. DEFERRED TAXATION

The followings are the major deferred tax liabilities and assets recognised by the Group.

	Accelerated tax depreciation	Development costs	Technology licence right	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP					
At 1 January 2003	1,008	257	5,428	(6,234)	459
Change in tax rate	95	24	509	(585)	43
(Credit) charge for the year	(731)	(133)	(197)	1,987	926
At 31 December 2003	372	148	5,740	(4,832)	1,428
Charge (credit) for the year	105	(44)	(396)	1,582	1,247
At 31 December 2004	477	104	5,344	(3,250)	2,675

At 31 December 2004, the Group has unused tax losses of approximately HK$81 million (2003: HK$85 million) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$19 million (2003: HK$28 million) of such tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$62 million (2003: HK$57 million) due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$46 million (2003: HK$44 million) that may be carried forward indefinitely. The remaining unrecognised tax losses will expire in the following years:

	2004	2003
	HK$'000	*HK$'000*
2004	**—**	2,100
2005	**1,500**	1,500
2006	**2,000**	2,000
2007	**2,100**	2,100
2008	**5,300**	5,300
2009	**4,700**	—
	15,600	13,000

THE COMPANY

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

28. MAJOR NON-CASH TRANSACTIONS

On 1 January 2003, the Company disposed of 18% interest in CASTEL Intelligent Transportation System (BVI) Limited ("CASTEL ITS") to the minority shareholder of CASTEL ITS (the "CASTEL ITS Minority Shareholder") at a consideration of HK$5,100,000. On the same date, the Company acquired additional 12% interest in CASTEL Videotec Holdings Limited ("CASTEL Videotec") from the minority shareholder of CASTEL Videotec who is also the CASTEL ITS Minority Shareholder at a consideration of HK$5,100,000. After the transactions, the Company held 70% and 100% interests in CASTEL ITS and CASTEL Videotec. The Company and the CASTEL ITS Minority Shareholder agreed to offset the above considerations.

29. LIQUIDATION OF SUBSIDIARIES

	2004	2003
	HK$'000	*HK$'000*
Net assets of subsidiaries liquidated comprise:		
Property, plant and equipment	**7,169**	—
Inventories	**351**	—
Amounts due from associates	**279**	—
Bank balances and cash	**268**	—
Creditor and accrued charges	**(2,148)**	—
Minority interests	**(5,983)**	—
Group's share of net liability liquidated	**(64)**	—
Release of reserves on liquidation of subsidiaries	**(216)**	—
Net loss on liquidation of subsidiaries	**(186)**	—
	(466)	—
Satisfied by:		
Other payable	**(466)**	—
Net cash outflow arising on liquidation:		
Cash consideration	**—**	—
Bank balances and cash eliminated on liquidation	**(268)**	—
	(268)	—

The subsidiaries liquidated during the year contributed no turnover to the Group, and a loss of HK$466,000 to the Group's net profit attributable to shareholders.

30. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to third parties in respect of loans granted to a subsidiary	**—**	—	**46,800**	46,800

31. OPERATING LEASE COMMITMENTS

THE GROUP

At the balance sheet date, the Group had future minimum lease payments payable under operating leases in respect of land and buildings as set out below:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**3,233**	1,651
In the second to fifth year inclusive	**4,590**	2,015
	7,823	3,666

Operating lease payments represent rentals payable by the Group for certain office premises and quarters. Leases are generally negotiated for an average term of two years and rentals are fixed for the lease period.

THE COMPANY

At balance sheet date, the Company had future minimum lease payments payable under operating leases in respect of land and buildings as set out below:

	2004	2003
	HK$'000	*HK$'000*
Within one year	**1,007**	—
In the second to fifth year inclusive	**1,426**	—
	2,433	—

Operating lease payments represent rentals payable by the Company for a office premise. The lease is generally negotiated for a term of three years and rentals are fixed for the lease period.

32. PLEDGE OF ASSETS

THE GROUP

At 31 December 2004, the Group had pledged certain land and buildings with carrying value of HK$10,663,000 (2003: HK$25,061,000) to secure the banking facilities. Bank deposits amounted to HK$1,264,000 (2003: HK$5,959,000) have been pledged to secure short term borrowings and are therefore classified as current assets.

33. RETIREMENT BENEFITS SCHEME

THE GROUP

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

34. RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

	2004	2003
	HK$'000	*HK$'000*
CASIL		
Rental expenses and management fees paid *(note a)*	**10**	23
Subsidiaries of CASIL		
Rental fee paid *(note a)*	**—**	6
Associates		
Goods sold *(note b)*	**19,701**	14,720
Goods purchased *(note b)*	**51,038**	82,043
Proceeds from disposal of property, plant and equipment received *(note c)*	**—**	4,500
Management fee received *(note d)*	**400**	387

Notes:

(a) The transactions were carried out in accordance with the terms of relevant agreement.

(b) The goods sold to and purchased from related parties were determined on a cost plus basis.

(c) The proceeds from disposal of property, plant and equipment were determined by the directors with reference to the estimated open market value.

(d) Management fee income was received with reference to the estimated market price for the services rendered as determined by the directors.

(e) Amounts due from or to related companies, associates and immediate holding company of a shareholder of the Company are set out in notes 18, 19 and 21, respectively, to the financial statements.

35. POST BALANCE SHEET EVENT

On 22 January 2005, CASIL and China Academy of Launch Vehicle Technology Limited ("CALT") entered into a sale and purchase agreement for the purposes of effecting the group reorganisation (the "Sale and Purchase Agreement"). Pursuant to the Sale and Purchase Agreement, for an aggregate cash consideration of HK$143,758,081, CASIL agreed to sell, and CALT agreed to purchase, CASIL's entire 100% equity interest in and the entire shareholder's loan due from Astrotech, which, in turn, holds 449,244,000 ordinary shares (representing approximately 44.17% equity interest) in the Company. Upon completion of the Sale and Purchase Agreement which had taken place on 15 March 2005, CASIL will no longer hold any direct or indirect equity interest in the Company.

Details of the transaction were set out in an announcement made by the Company on 24 January 2005.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

Details of the principal subsidiaries and associates at 31 December 2004 are as follows:

Name of company	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity attributable to the Group %	Principal activities
Subsidiaries				
Incorporated and operating in Hong Kong:				
CASTEL Broadband Limited	HK$10,000 (10,000 ordinary shares)	100	—	Distribution of broadband business
CASIL Intelligent Transportation System Limited	HK$11,600,000 (11,600,000 ordinary shares)	—	70	Distribution of ITS business
CASTEL Broadband (Hong Kong) Limited	HK$10,000 (10,000 ordinary shares)	—	100	Distribution of broadband business
CASTEL Qihua Hi-Tech Investments Limited	HK$8,000,000 (8,000,000 ordinary shares)	—	70	Investment holding
Hung Nien Electronics Limited	HK$30,001,000 (300,000 non-voting deferred shares and 10 ordinary shares)	—	100	Distribution of telecommunication products
Magicsound Company Limited	HK$10,000 (100 ordinary shares)	—	100	Property investment

Name of company	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity attributable to the Group %	Principal activities
Registered and operating in the PRC:				
CASIL Telecommunications (Shenzhen) Co., Ltd.#	HK$5,000,000	—	100	Manufacture and distribution of telecommunication products
Beijing Qihua Communications Co., Ltd.##	US$1,239,000	—	55	Distribution of ITS business
Beijing Castel Infotech Co., Ltd.##	HK$8,000,000	—	70	Distribution of ITS business
航天航通(北京)寬帶科技有限公司# (formerly known as Beijing Castel United Broadband Co., Ltd.	RMB2,000,000	—	100	Distribution of broadband business
CASTEL Broadband (Shenzhen) Ltd.#	HK$5,000,000	—	100	Distribution of broadband business
CASTEL Intelligent Transportation System (Shenzhen) Ltd.##	HK$1,000,000	—	70	Distribution of ITS business
航天星網通訊(深圳)有限公司*#	HK$1,000,000	—	100	Distribution of ITS business
航天科技通信(深圳)有限公司*#	HK$2,000,000	—	100	Distribution of ITS business

* *Subsidiaries set up during the year.*

\# *Wholly foreign-owed enterprises registered in the PRC.*

\## *Sino-foreign joint equity enterprises registered in the PRC.*

Name of company	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity attributable to the Group %	Principal activities
Associates				
Registered and operating in the PRC:				
Southern Telecommunication Development Company Limited#	US$8,400,000	—	41	Manufacture and distribution of telecommunication products
上海航天信網通訊有限公司*#	RMB5,000,000	—	30	Distribution of ITS business

* *Associates established during the year.*
\# *Being sino-foreign joint venture established in the PRC.*

Except for the companies established in the PRC, the classes of shares held by the Group in the above companies are ordinary shares issued by those companies.

The above table lists the subsidiaries and associates of the Company which, in the opinion of the directors, principally affected the results or assets or form a substantial portion of the net assets of the Group. To give details of other subsidiaries and associates would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

3. INDEBTEDNESS

At the close of business on 31 March 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information in respect of the indebtedness of the Group, the Group had outstanding bank borrowings of approximately HK$46,286,000 (of which HK$7,370,000 was secured by the Group's certain land and buildings with carrying value of HK$10,519,000 and pledged bank deposits of approximately HK$1,271,000) representing bank loans and bank overdrafts. In addition, the Group had other loan of approximately HK$53,278,000 outstanding at that date.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 March 2005.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have outstanding at the close of business on 31 March 2005 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse change in the indebtedness, contingent liabilities and commitments of the Group since 31 March 2005.

4. WORKING CAPITAL

On 24 January 2005, the Company and China Aerospace International Holdings Limited ("CASIL") jointly announced that CASIL and CALT entered into a sale and purchase agreement on 22 January 2005 (the "Sale and Purchase Agreement") pursuant to which CASIL agreed to sell and CALT agreed to purchase, CASIL's entire 100% equity interest in and the entire shareholder's loan due from Astrotech, which, in turn, holds 44.17% equity interest in the Company. CALT will become the parent company of Astrotech upon the completion of the Sale and Purchase Agreement *(Note 1)*. According to the announcement of CASIL dated 31 March 2005, the time for fulfilment of the condition precedent of the Sale and Purchase Agreement was extended from 31 March 2005 to 30 June 2005. Such condition precedents included, but not limited to, the provision by CALT of all necessary approvals from relevant PRC authorities and the provision by CASIL of all relevant consent letters from the banks and creditors of the Company.

Note 1: Currently, China Aerospace Science & Technology Corporation ("CASC") holds approximately 41.86% of the issued share capital of CASIL and 100% of the issued capital of CALT. Please refer to pages 72 to 73 in the section headed "Substantial Shareholders" in Appendix V of this circular regarding particulars of the shareholding of such companies.

The Directors are of the opinion that after taking into account:

(1) the internal resources of the Group;

(2) the existing available banking facilities of the Group;

(3) the provision of financial assistance to the Group undertaken by CALT, in respect of the funds required for the investment in the Joint Ventures, subject to the completion of the Sale and Purchase Agreement (there is no fix amount of financial assistance specified in the undertaking), and

(4) the assumption that no immediate payment will be demanded by a bank in respect of overdue bank borrowings of approximately HK$38,915,000 within one year from the date of the Circular

the Group has sufficient working capital for its present requirements in respect of the next 12 months from the date of the Circular.

The Group will have sufficient funds to pay the first instalment of the registered capital of the Joint Ventures in an aggregate amount of RMB18,023,625 on 7 June 2005. Upon payment of the said first amount, it is likely that the relevant PRC authorities will approve the Transactions and, together with the shareholders approval from the Joint Ventures Parties, the Joint Ventures can be established.

Subsequent to the establishment of the Joint Ventures, if the Group failed to obtain sufficient funds to pay either the second instalment and/or the third instalments of the registered capital of the Joint Ventures due on 31 March 2006 and 31 March 2007 respectively, the Group may have to consider disposing its interest in the Joint Ventures to third parties.

The Group will not have sufficient working capital if:

(1) CALT withdraws its undertaking to provide financial assistance to the Group if the Sales and Purchase Agreement cannot be completed and hence terminated; or

(2) immediate payments in respect of overdue bank borrowings of approximately HK$38,915,000 are demanded by a bank within one year from the date of the Circular *(Note 2)*.

In such circumstances, the Group will, after obtaining the shareholder's approval on the Transactions, use its best endeavours to obtain banking facilities and financial assistance from CASIL or its ultimate holding company, CASC, if necessary. Currently, no negotiation has been made between the Company and any bank. However, based on the discussion between the Company and CASC, CASC is aware of the Company's current financial position and CASC has indicated to the Company that it is ready to provide financial assistance to the Group upon request. No written agreement has been made regarding such financial assistance.

Notwithstanding the above, the Directors considered that the Company would benefit from the entering into the Joint Venture Contracts as the Transactions will widen the business scope and earning base of the Group. They therefore determined to proceed with the Transactions. Details of the reasons of entering into the Transactions are set out in pages 12 to 13 of this Circular.

Note2: The Group has borrowed several loans from a licensed bank in Hong Kong in an aggregate sum of approximately HK$38,915,000 since January 1998 for the purpose of working capital. Such loans were first due around November 2000 and around 2001 or 2002. The negotiation of the extension or conversion of the loans to long term banking facilities commenced in July 2002 and is underway. Such bank has not called any payment of the loans and the loans have not been repaid at this stage.

5. MATERIAL ADVERSE CHANCE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, the date to which the latest audited consolidated financial statements of the Group were made up.

Set out below (A) the opinion letter from Deloitte Touche Tohmatsu, the auditors of the Company, in respect of the Pro Forma Financial Information set out in this Appendix and (B) the Unaudited Pro Forma Statement of Assets and Liabilities of the Group after the Transactions.

A. LETTER FROM DELOITTE TOUCHE TOHMATSU

Deloitte.
德勤

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

19 May 2005

The Directors
CASIL Telecommunications Holdings Limited
Suite 4701, 47th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We report on the pro forma financial information of CASIL Telecommunications Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Section B of Appendix III (the "Pro Forma Financial Information") to the circular dated 19 May 2005 in connection with the establishment of two Sino-foreign equity joint ventures in the People's Republic of China (the "Transactions"), which has been prepared by the Directors of the Company, for illustrative purposes only, to provide information about how the Transactions might have affected the financial information presented.

RESPONSIBILITIES

It is the responsibility solely of the Directors of the Company to prepare the Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on Pro Forma Financial Information Pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its nature, it may not be indicative of the financial position of the Group as at 31 December 2004 or at any future date.

OPINION

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP AFTER THE TRANSACTIONS

The following is the unaudited pro forma statement of assets and liabilities of the Group, assuming that the first stage of the Transactions, which represents the contribution of the first instalment of 15% of registered capital of the Joint Ventures, had been taken place.

The unaudited pro forma statement of assets and liabilities of the Group after the Transactions is prepared based on the audited consolidated balance sheet of the Group as at 31 December 2004 extracted from the annual report of the Company for the year ended 31 December 2004 with adjustments to reflect the effect of the share of the first instalment payment of registered capital of the Joint Ventures to be contributed by the Group.

The unaudited pro forma statement of assets and liabilities is prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at any date.

	As at 31 December 2004 The Group	**Pro Forma adjustments**	*Notes*	**The Group after the Transactions**
	HK$'000	*HK$'000*		*HK$'000*
Non-current assets				
Property, plant and equipment	47,202			47,202
Intangible assets	40,666			40,666
Interests in associates	1,269	17,003	*(1)*	18,272
	89,137			106,140
Current assets				
Inventories	70,523			70,523
Debtors and prepayments	124,170			124,170
Amount due from related companies	15,291			15,291
Amount due from an associate	19,122			19,122
Taxation recoverable	210			210
Pledged bank deposits	1,264			1,264
Bank balances and cash	37,616	(17,003)	*(2)*	20,613
	268,196			251,193

	As at 31 December 2004 The Group	Pro Forma adjustments	*Notes*	The Group after the Transactions
	HK$'000	*HK$'000*		*HK$'000*
Current liabilities				
Creditors and accrued charges	68,312			68,312
Amount due to related companies	3,743			3,743
Amount due to immediate holding company of a shareholder	906			906
Amount due to an associate	870			870
Taxation payable	296			296
Borrowing due within one year	39,358			39,538
	113,485			113,485
Net current assets	154,711			137,708
	243,848			243,848
Capital and reserves				
Share capital	101,714			101,714
Reserve	78,832			78,832
	180,546			180,546
Minority interests	796			796
Non-current liabilities				
Borrowings due after one year	59,831			59,831
Deferred taxation	2,675			2,675
	62,506			62,506
	243,848			243,848

Notes:

(1) The adjustment represents the Group's 25% share in the first instalment payment of 15% of registered capital of the Joint Ventures. The remaining 55% and 30% of the registered capital of the Joint Ventures, amounting to approximately of HK$62,346,000 and HK$34,006,000 respectively, will be due on or before 31 March 2006 and 31 March 2007 respectively.

(2) The adjustment represents the Group's contribution of 25% share in the first instalment payment of 15% of registered capital of the Joint Ventures by available bank balances and cash.

(3) The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("New Accounting Standards"), which are effective for accounting periods beginning on or after 1 January 2005. The New Accounting Standards may result in changes in future as to how the results and financial position are prepared and presented.

Set out below the letters from Deloitte Touche Tohmatsu, the auditor of the Company, and Deloitte & Touche Corporate Finance Limited, the financial adviser to the Company, in relation to the business valuation of the Joint Ventures, which is deemed a profit forecast under Chapter 14 of the Listing Rules:—

A. REPORT FROM DELOITTE TOUCHE TOHMATSU

Deloitte.
德勤

德勤•關黃陳方會計師行
香港中環干諾道中111號
永安中心26樓

Deloitte Touche Tohmatsu
26/F Wing On Centre
111 Connaught Road Central
Hong Kong

19 May 2005

The Directors
CASIL Telecommunications Holdings Limited
Suite 4701, 47th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the calculations of the underlying cash flow forecast (the "Underlying Forecast") to the business valuation dated 19 May 2005 prepared by American Appraisal China Limited (the "Valuer") in respect of the valuation of the 100% equity interest in the registered capital of Jiangsu Rudong Second Wind Power Project ("Jiangsu Rudong") and Jilin Tong Yu United Wind Power Project ("Jilin Tongyu") respectively, (collectively the "Projects") as of 18 April 2005 as set out in Appendix I of the circular of CASIL Telecommunications Holdings Limited ("the Company") dated 19 May 2005 (the "Circular").

Responsibilities

The Directors of the Company and the Valuer are solely responsible for the preparation of the Underlying Forecast including the assumptions, for the purpose of business valuation of Jiangsu Rudong and Jilin Tongyu based on discounted cash flow method. The Underlying Forecast prepared by Directors of the Company and Valuer is a cash flow model and no accounting policies of the Company have been adopted in the preparation of the Underlying Forecast. As the Projects are in the start-up phase, the Underlying Forecast has been prepared using a set of assumptions (the “Assumptions”) that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors of the Company and the Valuer are responsible for the reasonableness and validity of the Assumptions.

It is our responsibility to form an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.71 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Summary of our work

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Underlying Forecast. Our work has been undertaken solely to assist the Directors of the Company in evaluating whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors of the Company and the Valuer. Our work does not constitute any valuation of the 100% equity interest in the registered capital of the Projects.

Opinion

Based on the examination of the arithmetical accuracy of the Underlying Forecast, nothing came to our attention to indicate that, the Underlying Forecast, so far as the calculations are concerned, has not been properly compiled in accordance with the Assumptions made by the Directors of the Company and the Valuer.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

B. REPORT FROM DELOITTE & TOUCHE CORPORATE FINANCE LIMITED

Deloitte.
德勤

德勤企業財務顧問有限公司
香港中環干諾道中111號
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19 May 2005

The Directors
CASIL Telecommunications Holdings Limited
Suite 4701, 47th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the business valuation prepared by American Appraisal China Limited ("American Appraisal") to CASIL Telecommunications Holdings Limited (the "Company") in relation to the appraisal of the net present values (the "Net Present Values") of 100% interest in each of Jiangsu Rudong Second Wind Power Project and Jilin Tong Yu United Wind Power Project (collectively, the "Projects") as of 18 April 2005.

We note that the Net Present Values, which have been developed based on the discounted cash flow method, are regarded as profit forecast under chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We also note that the Net Present Values are developed based on, among others, the estimated required rate of return derived from three comparable power generation companies in China.

We have discussed with the management of the Company and American Appraisal regarding the basis and assumptions of the business valuation and have reviewed the letter issued by Deloitte Touche Tohmatsu as set out in section A of Appendix IV to this circular.

On the basis of the foregoing and all the information comprising the Net Present Values and the calculations reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Net Present Values, for which the management of the Company is solely responsible, have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Deloitte & Touche Corporate Finance Limited
Lawrence Chia
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 all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular 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 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/entitles (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 10%. 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 *(Note 1)*	Percentage of shareholding
CASC	Interest of a controlled corporation *(Note 2)*	449,244,000 (L)	44.17%
CASIL	Interest of a controlled corporation *(Note 3)*	449,244,000 (L)	44.17%
CALT	Interest of a controlled corporation *(Note 3)*	449,244,000 (L)	44.17%
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 and 100% of the issued share capital of CALT.

3. Astrotech is a wholly owned subsidiary of CASIL. Accordingly, CASIL is deemed to be interested in all the shares held by Astrotech. Astrotech will be a wholly owned subsidiary of CALT upon completion of the sale and purchase of interests in Astrotech pursuant to an agreement dated 22 January 2005 and as more practically set out in the joint announcement of the Company and CASIL dated 25 January 2005. Accordingly, CALT 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 of 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 10%. 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. DIRECTORS' SERVICE CONTRACTS

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. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, there were no litigation or, claims of material importance pending or threatened against any member of the Group.

6. EXPERTS

(a) The qualification of each of the experts who have given opinion or advice which are contained in this circular is as follows:

Name	Qualification
Deloitte & Touche Corporate Finance Limited	a deemed licensed corporation under the SFO to conduct types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
American Appraisal China Limited	Independent Professional Valuer

(b) As at the Latest Practicable Date, none of Deloitte & Touche Corporate Finance Limited, Deloitte Touche Tohmatsu and American Appraisal China Limited had any shareholding in the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group, nor did any of them have any interest, direct or indirect, in any assets which had, since the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

(c) Each of Deloitte & Touche Corporate Finance Limited, Deloitte Touche Tohmatsu and American Appraisal China Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and references to its name in the form and context in which they appear.

7. COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, none of the Directors and their respective associates were considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

8. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date up to which the latest published audited financial statements of the Group were made.

9. MATERIAL CONTRACTS

The Joint Venture Contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years preceding the date of this circular and which are or may be material.

10. MISCELLANEOUS

(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 Ugland 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the office of Richards Butler situated at 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong for a period of 14 days from the date of this circular:

(a) this circular;

(b) the Memorandum and Articles of Association of the Company;

(c) the business valuation report set out in Appendix I to this circular;

(d) the audited consolidated financial statements of the Company for each of the three financial years ended 31 December 2004 as set out in Appendix II of this circular;

(e) the letter from Deloitte & Touche Tohmatsu together with their report on the pro forma financial information of the Group as set out in Appendix III of this circular;

(f) the letters from Deloitte & Touche Corporate Finance Limited and Deloitte & Touche Tohmatsu as set out in Appendix IV of this circular;

(g) the written consent from each of American Appraisal China Limited, Deloitte & Touche Corporate Finance Limited and Deloitte & Touche Tohmatsu referred to in the section headed "Experts" in this Appendix;

(h) the material contracts referred to in the section headed "Material Contracts" in this Appendix.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of CASIL Telecommunications Holdings Limited (the "Company") will be held on Monday, 6 June 2005 at 11:00 a.m. at Hall 1B, G/F., No.1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution as an Ordinary Resolution of the Company:-

"**THAT** (i) the Sino-foreign equity joint venture contract entered into by 龍源電力集團公司 (Longyuan Electric Group Corporation) ("Longyuan Electric"), 吉林省吉能電力集團有限公司 (Jilin Jineng Electric Group Company Limited) and Crownplus International Limited ("Crownplus"), a wholly-owned subsidiary of the Company, in respect of establishment of 吉林三源風力發電有限公司 (Jilin Sanyuan Wind Energy Company Limited); and (ii) the Sino-foreign equity joint venture contract entered into by Longyuan Electric, 南通天生港發電有限公司 (Nantong Tianshenggang Electric Company Limited) and Crownplus, a wholly-owned subsidiary of the Company, in respect of establishment of 江蘇龍源風力發電有限公司 (Jiangsu Longyuan Wind Energy Company Limited) (altogether known as the "Joint Venture Contracts"), copies of the Joint Venture Contracts have been produced to this meeting marked "A" and initialled by the Chairman of this meeting for the purpose of identification and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and that the board of directors of the Company be and are hereby authorised to do all such things and acts and execute such documents which they consider necessary or expedient for the implementation of and give effect to the Joint Venture Contracts."

By order of the board of directors of
CASIL Telecommunications Holdings Limited
Cheng Chai Fu
Secretary

Hong Kong, 19 May 2005

* *For identification purpose only*

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 Company's Principal Place of Business in Hong Kong at Suite 4701, 47th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.