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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, company secretary, 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 the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**DISCLOSEABLE TRANSACTION WITH RESPECT TO**  
**THE DISPOSAL OF 60% OF THE ENTIRE EQUITY INTERESTS IN**  
**CASTEL VIDEOTECH (HONG KONG) LIMITED**

**Financial Adviser to the Company**

**VINCO**  **城高**  
**Grand Vinco Capital Limited**

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15 December 2006

\* the Chinese name of the Company is for identification purpose only

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## DEFINITIONS

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*In this Circular, unless the context otherwise requires, the following expressions shall have the following meaning:*

“Agreement”	the sale and purchase agreement entered into between the Purchaser and the Company on 22 November 2006
“associates” & “subsidiaries”	have the same meaning ascribed to these terms under the Listing Rules
“Board”	board of Directors
“Brightness” or the “Purchaser”	Brightness International Holdings Limited, incorporated in Hong Kong with limited liability
“CASTEL”	CASTEL Videotech (Hong Kong) Limited, incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Company”	CASIL Telecommunications Holdings Limited, a holding company incorporated in the Cayman Islands with limited liability
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“Directors”	directors of the Company
“Disposal”	the disposal of the 40% of the entire issued share capital of CASTEL by the Company to Brightness and the deemed disposal of 20% of the entire issued share capital of CASTEL when Brightness subscribes new CASTEL’s shares pursuant to the Agreement
“Disposal Consideration”	the consideration for the Disposal
“Group”	CASIL Telecommunications Holdings Limited and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“HK GAAP”	Hong Kong Generally Accepted Accounting Principles
“Latest Practicable Date”	14 December 2006, 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
“Sale Shares”	2.004 million shares of HK\$1 each in the share capital of CASTEL, representing 40% of its entire issued share capital before the Completion
“SFO”	the Securities and Futures Ordinance
“Shareholders”	the holders of the shares of HK\$0.1 each in the issued share capital of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent

*The contents of the Company’s website will not form part of this circular. The Directors will not be responsible for the accuracy or completeness of the information of third parties included in this circular.*

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## LETTER FROM THE BOARD

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# CASIL TELECOMMUNICATIONS HOLDINGS LIMITED (航天科技通信有限公司)\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1185)

*Executive Directors:*

Mr. Han Shuwang  
Mr. Wang Xiaodong  
Mr. Li Guang

*Non-executive Directors:*

Mr. Wu Yansheng  
Mr. Liang Xiaohong  
Mr. Tang Guohong

*Independent Non-executive Directors:*

Mr. Yiu Ying Wai  
Mr. Wong Fai, Philip  
Mr. Zhu Shixiong  
Mr. Moh Kwen Yung

*Registered Office:*

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

*Principal Place of Business:*

Suite 4701, 47th Floor,  
Central Plaza,  
18 Harbour Road, Wan Chai,  
Hong Kong

15 December 2006

*To the shareholders of the Company*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION WITH RESPECT TO THE DISPOSAL OF 60% OF THE ENTIRE EQUITY INTERESTS IN CASTEL VIDEOTECH (HONG KONG) LIMITED**

#### **INTRODUCTION**

It was announced that on 27 November 2006, the Agreement was entered into between the Company, CASTEL and Brightness for the sale and purchase of the Sale Shares at an aggregate consideration of HK\$4,200,000. Brightness further agreed to subscribe 2,505,000 new CASTEL's shares for a

*\* the Chinese name of the Company is for identification purpose only*

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consideration of HK\$4,000,000; and pursuant to the Agreement, the Company and CASTEL agreed to issue new CASTEL's shares to Brightness. Pursuant to Rule 14.06 of the Listing Rules, the Disposal constitutes a discloseable transaction for the Company.

The purpose of this circular is to set out the details of the Disposal.

### SALE AND PURCHASE AGREEMENT

1. **Date:** 22 November 2006
2. **Parties:**
  - (i) **Vendor** The Company is an investment holding company incorporated in the Cayman Islands with limited liability, and its shares are listed on the Stock Exchange
  - (ii) **Purchaser** Brightness is an investment company incorporated in Hong Kong and is wholly-owned by Mr. Wang Xiaohui, who has extensive experience in import and export trading of electronic products and machine equipment.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, Brightness and its ultimate beneficial owner, are third parties independent of and not connected with the Company and its connected persons.

3. **Asset to be disposed :**

Pursuant to the Agreement, the Company has conditionally agreed to dispose and Brightness has conditionally agreed to acquire the Sale Shares, which represents 40% of the total issued shares of the CASTEL before Completion. Brightness further agreed to subscribe 2,505,000 new CASTEL's shares, representing 20% of the total issued shares of CASTEL after Completion for a consideration of HK\$4,000,000. The Directors confirmed that the Disposal did not relate to any transactions carried on by the Group within the ambit of Rule 14.22 of the Listing Rules.

From the date of the Agreement, Brightness is allowed to exercise its 60% interests over CASTEL although the actual subscription of 2,505,000 new CASTEL's shares by Brightness will take place in the first half of 2007. For accounting purpose, the interest of share of net assets of the Company in CASTEL will decrease from 100% to 40% on the date of the Agreement. Therefore,

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## LETTER FROM THE BOARD

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CASTEL will cease to be a subsidiary of the Company and become an associated company of the Company on the date of the Agreement. From that onward, the results of CASTEL will be equity accounted for in the financial statements of the Group. The Directors do not intend to sell the remaining 40% of the equity interests in CASTEL as at the Latest Practicable Date.

#### **4. Consideration :**

The consideration for the Sale Shares is HK\$4,200,000 of which HK\$2,200,000 shall be satisfied by Brightness in cash within 10 days from the date of the Agreement, which was already settled on 29 November 2006 and 1 December 2006 as to HK\$1,000,000 and HK\$1,200,000 respectively. The remaining HK\$2,000,000 should be paid in cash by Brightness within 30 days after the former payment.

Pursuant to the Agreement, Brightness should subscribe 2,505,000 new CASTEL's shares before 30 June 2007 and pay the subscription monies amounted to HK\$4,000,000 to CASTEL within 10 days from the date of subscription of the new CASTEL's shares.

The Disposal Consideration was arrived at after arm's length negotiations with reference to the attributable share of the unaudited consolidated net asset value prepared under the HK GAAP of CASTEL as at 31 October 2006 amounted to HK\$9,326,628.

Furthermore, Brightness procures that a CASTEL's subsidiary should repay its debts due to the Company or its subsidiaries amounted to HK\$1,050,000 on or before 31 March 2007.

#### **INFORMATION ON THE COMPANY AND CASTEL**

The Company is an investment holding company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange. The Group is engaged in businesses of manufacture and sales of communication product, distribution of Intelligent Transportation System in application of Global Positioning System, distribution of broadband wireless access system and of video conferencing system. The Group had increased its investments in wind energy facilities, aiming at exploring operations for its future development.

CASTEL is a company incorporated in Hong Kong with limited liability which is principally engaged in the development, manufacture, distribution and installation of video conference system.

According to the unaudited financial statement of CASTEL prepared under HK GAAP, the net profit before taxation and net loss after taxation of CASTEL for the 10 months ended 31 October 2006 were approximately HK\$7,000 and HK\$36,000 respectively. According to the audited financial statements of CASTEL prepared under HK GAAP, the net losses were approximately HK\$706,000 and HK\$4,680,000 for the years ended 31 December 2004 and 31 December 2005 respectively. As at 31 October 2006, the unaudited net asset value of CASTEL prepared under HK GAAP was HK\$9,326,628.

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## LETTER FROM THE BOARD

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### REASONS AND BENEFITS FOR THE DISPOSAL

The Company is a holding company that has a long history of engagement in the design, development, production, marketing, system integration and professional system service of electronic and telecommunication products. The Group is dedicated to exploit markets of telecommunication equipment in China, Asia, Europe and America.

The reasons of the Disposal are to introduce new capital injection in its video conference business and to capture Brightness' experience in the PRC distribution network with a view to extending the sales in the PRC market.

The gain on the Disposal for the Company, calculated by subtracting the aggregate of the consideration of the Sale Shares amounted to HK\$4,200,000 and the Company's attributable interests of Brightness' injection amounted to HK\$1,600,000 (HK\$4,000,000 x remaining 40%) by the aggregate of the attributable interest of 60% in the net asset value of CASTEL and the related expenses, will be approximately HK\$100,000 and the Company intends to utilize the sales proceeds as working capital of the Company.

Upon Completion, CASTEL will cease to be a subsidiary of the Company and become an associated company of the Company on the date of the Agreement. From that onward, the results of CASTEL will be equity accounted for in the financial statements of the Group. Upon Completion, the net asset value of the Group will increase by approximately HK\$100,000 and profit of HK\$100,000 will be recognized in the accounts of the Group.

The Directors, including the independent non-executive Directors, consider that the terms of the Disposal are fair and reasonable, on normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATION

The Disposal constitutes a discloseable transaction on the part of the Company under Rule 14.06 of the Listing Rules.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the Appendix.

Yours faithfully,  
**For and on behalf of the Board of**  
**CASIL Telecommunications Holdings Limited**  
**Wang Xiaodong**  
*Executive 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 herein misleading.

**2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE COMPANY AND ANY ASSOCIATED CORPORATION**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (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 the SFO), or to be recorded in the registrar 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 the Listed Companies in the Listing Rules.

**3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY**

As at the Latest Practicable Date, so far as is known to the Directors, the persons/entities (other than the Directors 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 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 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
China Aerospace Science & Technology Corporation (“CASC”)	Interest of a controlled corporation (note 2)	449,244,000 (L)	44.17%
China Academy of Launch Vehicle Technology Limited (“CALT”)	Interest of a controlled corporation (note 3)	449,244,000 (L)	44.17%
Astrotech Group Limited (“Astrotech”)	Beneficial owner (note 3)	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 100% of the issued share capital of CALT.
3. Astrotech is a wholly owned subsidiary of CALT. Accordingly, CALT is deemed to be interested in all the shares held by Astrotech.

Save as disclosed herein, as at Latest Practicable Date, as is known to the Directors or the chief executive of the Company, there is no other persons/entities (other than the Directors or chief executive of the Company) who had any 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 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 and the amount of each of such person’s interest in such securities or in any options in respect of such capital.

#### 4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into, or was proposing to enter into any service contract with the Company or any member of the Group (except those expiring or determinable by the Company within a year without payment of compensation other than statutory compensation).

**5. COMPETING INTERESTS**

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.

**6. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

**7. MISCELLANEOUS**

- a. 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.
- b. The principal place of business is Suite 4701, 47th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.
- c. The company secretary of the Company is Mr. Au-Yeung Keung Steve LLB LLM, who is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.
- d. 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).
- e. English texts of this circular shall prevail over the Chinese texts.