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 DISPOSAL OF 60% OF THE ENTIRE EQUITY INTERESTS IN CASTEL VIDEOTECH (HONG KONG) LIMITED

Financial Adviser to the Company

VINCO 域高

Grand Vinco Capital Limited

SUMMARY

The Board is pleased to announce that the Agreement was entered into between the Company, CASTEL and Brightness on 22 November 2006. Pursuant to the Agreement, Brightness, the Purchaser, agreed to acquire and the Company agreed to dispose the Sale Shares at a consideration of HK$4,200,000. Brightness further agreed to subscribe 2,505,000 new CASTEL's shares for a consideration of HK$4,000,000. 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.

A circular containing, among other things, details of the Disposal and the Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

SALE AND PURCHASE AGREEMENT

Date: 22 November 2006

Parties:

(1) Vendor — The Company

(2) Purchaser — Brightness is an investment company incorporated in Hong Kong and 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.

Asset to be disposed:

Pursuant to the Agreement, the Company has agreed to dispose and Brightness has agreed to acquire the Sale Shares, which represents 40% of the total issued shares of CASTEL before the Completion. Brightness agreed to subscribe 2,505,000 new CASTEL's shares, representing 20% of the total issued shares of CASTEL after the 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 Company and its associates 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 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 and thus CASTEL will cease to be a subsidiary 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.

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 and 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 the 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 was incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited and is an investment holding company. 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 the 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.

REASONS AND BENEFITS FOR THE DISPOSAL:

The Company is a holding company of a group 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 reason of the Disposal is to introduce new capital injection in its video conference business and to capture Brightness' experience in PRC distribution network with a view to extending the sales in the PRC market.

The gain on 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 intended to utilize the sales proceeds as working capital of the Company.

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.

GENERAL INFORMATION:

A circular containing, among other things, details of the Disposal and the Agreement will be despatched to the Shareholders within 21 days after the publication of this announcement.

DEFINITIONS:

In this announcement, 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 Holding Limited, incorporated in Hong Kong

"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 Cayman Islands with limited Liability
"Completion"	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 entire issued capital of CASTEL by the Company to the Brightness and the deemed disposal of 20% of 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
"HK GAAP"	Hong Kong Generally Accepted Accounting Principles
"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 capital before the Completion
"Shareholders"	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

By Order of the Board
CASIL Telecommunications Holdings Limited
Wang Xiaodong
Executive Director

Hong Kong, 24 November 2006

As at the date hereof, the Board of the Company comprises Mr. Han Shuwang, Mr. Wang Xiaodong and Mr. Li Guang as Executive Directors, Mr. Wu Yansheng, Mr. Liang Xiaohong and Mr. Tang Guohong as Non-executive Directors and Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung as Independent Non-executive Directors.

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

Please also refer to the published version of this announcement in The Standard.