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## **CASIL TELECOMMUNICATIONS HOLDINGS LIMITED**

### **航天科技通信有限公司\***

*(Incorporated in Cayman Islands with limited liability)*

(Stock code: 1185)

**(1) PROPOSED VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION RELATING TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ADVANCED GRADE HOLDINGS LIMITED**  
**(2) APPLICATION FOR WHITEWASH WAIVER**  
**(3) OPEN OFFER OF 406,855,905 OFFER SHARES ON THE BASIS OF FOUR OFFER SHARES FOR EVERY TEN EXISTING SHARES IN ISSUE ON THE RECORD DATE**  
**AND**  
**(4) RESUMPTION OF TRADING**

#### **Proposed Acquisition**

The Board is pleased to announce that Astrotech (as vendor), CALT (as guarantor) and the Company (as purchaser) entered into a sale and purchase agreement and a supplemental agreement on 15 February 2007 and 27 March 2007 respectively, pursuant to which the Company conditionally agreed to acquire, and Astrotech agreed to sell, the entire issued share capital of Advanced Grade for a consideration of HK\$900,000,000.

At Completion, the Consideration is to be satisfied by (1) HK\$130,000,000 in cash and (2) the allotment and issue of 2,200,000,000 Consideration Shares to Astrotech at the Issue Price of HK\$0.35 each. The cash consideration will be financed by the proceeds from the Open Offer. The Consideration Shares represent (i) approximately 216.29% of the issued share capital of the Company as at the date of this announcement, (ii) approximately 154.49% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and (iii) approximately 60.71% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Consideration Shares.

Advanced Grade is an investment holding company and will hold the entire equity interest in Wan Yuan Industry after completion of the Restructuring. Wan Yuan Industry is an investment holding company which, upon completion of the Restructuring, will hold a 49% equity interest in Beijing Delphi, a 40% equity interest in Wanyuan GDX, a 29% equity interest in Hangzhou REPM, a 45% equity interest in Nantong Acciona and a 45% equity interest in Beijing Acciona (the "Acquired Businesses").

The Acquired Businesses comprise automotive engine management systems and components manufacturing, automotive sealing products manufacturing, elevator motor manufacturing, wind turbine manufacturing and renewable energy projects.

### **Implications of the Proposed Acquisition under the Listing Rules and the Takeovers Code**

As at the date of this announcement, CALT, the guarantor under the Sale and Purchase Agreements, through Astrotech, is beneficially interested in 449,244,000 Shares, representing approximately 44.17% of the existing issued share capital of the Company. Accordingly, Astrotech and CALT are connected persons of the Company under the Listing Rules. The entering into of the Sale and Purchase Agreements thus constitutes a connected transaction for the Company under the Listing Rules. Also, as the percentage ratios contemplated in the Proposed Acquisition as defined in the Listing Rules are more than 100%, the Proposed Acquisition thus constitutes a very substantial acquisition for the Company. The Proposed Acquisition is subject to the approval of the Independent Shareholders by way of poll at the EGM where Astrotech and parties acting in concert with it, their respective associates and those involved or interested in the Proposed Acquisition and the Whitewash Waiver will abstain from voting.

Upon Completion (assuming that no further Shares, other than the Offer Shares and the Consideration Shares, are issued by the Company between the date of this announcement and Completion), the beneficial shareholding interest of Astrotech (and parties acting in concert with it) in the Company will increase from approximately 44.17% to 73.10%. Accordingly, Astrotech will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Astrotech and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

Astrotech will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders by way of poll at the EGM. Astrotech and parties acting in concert with it, their respective associates and those involved or interested in the Proposed Acquisition and the Whitewash Waiver are required to abstain from voting at the EGM. **Completion is subject to the satisfaction of a number of conditions precedent (including the obtaining of the Whitewash Waiver from the Executive) as detailed below. The condition regarding the Whitewash Waiver will not be waived by Astrotech under the Sale and Purchase Agreements. The Whitewash Waiver may or may not be granted by the Executive, and the Sale and Purchase Agreements may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **Open Offer**

To cater for the cash consideration of the Proposed Acquisition, the Company will raise approximately HK\$142 million, before expenses, by issuing 406,855,905 Offer Shares at the Subscription Price of HK\$0.35 per Offer Share on the basis of four Offer Shares for every ten existing Shares in issue on the Record Date.

The Offer Shares to be issued represent (i) approximately 40% of the entire issued share capital of the Company as at the date of this announcement, (ii) approximately 28.57% of the entire issued share capital of the Company as enlarged by the issue of the Offer Shares, and (iii) approximately 11.23% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Consideration Shares.

The gross proceeds from the Open Offer of approximately HK\$142 million (before expenses relating to the Open Offer) will be applied as to (i) HK\$130 million for the cash consideration of the Proposed Acquisition; and (ii) the remaining balance for general working capital of the Group.

Pursuant to the Underwriting Agreement, the Offer Shares have been fully underwritten by the Underwriter. As at the date of this announcement, Astrotech is beneficially interested in 449,244,000 Shares. Astrotech has undertaken to the Company that it will not (i) subscribe for the Offer Shares to which it is entitled under the Open Offer in order to comply with Schedule VI 3(b) of the Takeovers Code; and (ii) dispose of the Shares held by it from the date of the Underwriting Agreement to Completion.

The Prospectus Documents containing full details of the Open Offer will be dispatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be dispatched to the Excluded Shareholders for information only.

**Shareholders should note that if the conditions of the Open Offer are not fulfilled or the Underwriting Agreement is terminated, the Open Offer will not proceed. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Open Offer is subject are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.**

### **General**

An independent board committee of the Company, comprising all independent non-executive Directors, namely, Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung, has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreements and the Whitewash Waiver. As all non-executive Directors, namely Mr. Wu Yansheng, Mr. Liang Xiaohong and Mr. Tang Guohong, are representative of CALT, they are considered not to be independent for appointment as members of the independent board committee.

An independent financial adviser, Partners Capital International Limited, has been appointed to advise the independent board committee in this regard. The appointment of Partners Capital International Limited as the independent adviser has been approved by the independent board committee.

A circular containing, among other things, details of the Proposed Acquisition, the recommendation of the independent board committee of the Company and the letter of advice from the independent financial adviser in respect thereof, and a notice convening the EGM will be sent to the Shareholders as soon as practicable.

### **Suspension and resumption of trading**

The Company has noted the increase in the price and trading volume of the Shares on the Last Trading Day and wish to state that save for the Proposed Acquisition it was not aware of any reasons for such an increase in price and trading volume. At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 February 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 April 2007.

## THE PROPOSED ACQUISITION

The Board is pleased to announce that Astrotech (as vendor), CALT (as guarantor) and the Company (as purchaser) entered into a sale and purchase agreement and a supplemental agreement (collectively referred as “Sale and Purchase Agreements”) on 15 February 2007 and 27 March 2007 respectively, pursuant to which the Company conditionally agreed to acquire, and Astrotech agreed to sell, the entire issued share capital of Advanced Grade for a consideration of HK\$900,000,000.

### The Sale and Purchase Agreements

#### *Parties:*

*Vendor:* Astrotech, the direct controlling Shareholder

*Purchaser:* The Company

*Guarantor:* CALT, an indirect controlling Shareholder

*Asset to be acquired:* One ordinary share of US\$1.00, representing the entire issued share capital of Advanced Grade

*Consideration:* HK\$900,000,000, which will be satisfied at Completion by

- (1) HK\$130,000,000 in cash; and
- (2) the allotment and issue of 2,200,000,000 Consideration Shares by the Company to Astrotech at the Issue Price of HK\$0.35 each.

The cash consideration will be financed by the proceeds from the Open Offer.

The Consideration Shares represent (i) approximately 216.29% of the issued share capital of the Company as at the date of this announcement, (ii) approximately 154.49% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and (iii) approximately 60.71% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Consideration Shares.

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the ordinary Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK\$0.35 represents:

- (a) a discount of approximately 55.13% to the closing price per Share of HK\$0.78 as quoted on the Stock Exchange on 12 February 2007, being the Last Trading Day;

- (b) a discount of approximately 50.70% to the average closing price per Share of HK\$0.71 as quoted on the Stock Exchange for the last 5 trading days leading up to and including the Last Trading Day;
- (c) a discount of approximately 50.00% to the average closing price per Share of HK\$0.70 as quoted on the Stock Exchange for the last 10 trading days leading up to and including the Last Trading Day;
- (d) a discount of approximately 40.68% to the average closing price per Share of HK\$0.59 as quoted on the Stock Exchange for the last 30 trading days leading up to and including the Last Trading Day; and
- (e) a premium of approximately 218.18% over the latest published unaudited consolidated net tangible assets per Share of approximately HK\$0.11 as at 30 June 2006.

*Conditions precedent:* Completion is subject to the satisfaction of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares;
- (ii) the Executive granting the Whitewash Waiver to Astrotech and parties acting in concert with it;
- (iii) the approval of the Sale and Purchase Agreements (including the allotment and issue of the Consideration Shares) and the Whitewash Waiver by Independent Shareholders by poll at the EGM;
- (iv) completion of the Restructuring and the Restructuring having been approved by, without limitation, CASC, the relevant PRC authorities and any third party who has interest in Advanced Grade (if any);
- (v) The State-owned Assets Supervision and Administration Commission of the State Council of PRC has approved the Proposed Acquisition and the valuation of Wan Yuan Industry and the Acquired Businesses;
- (vi) The Ministry of Commerce of PRC or its designated department having approved the transfer of the equity interest of CALT in Wan Yuan Industry to Advanced Grade;
- (vii) The State Administration for Industry and Commerce having approved the change of shareholders of Wan Yuan Industry pursuant to the Restructuring;
- (viii) Wan Yuan Industry having obtained its certificate of approval for conversion into a foreign investment enterprise;
- (ix) Wan Yuan Industry having obtained its new business licence to show its corporate status as a foreign investment enterprise;

- (x) The Company being able to maintain the public float of the Company at not less than 25% at Completion;
- (xi) the Company being satisfied with the results of the due diligence review of Wan Yuan Industry and the Acquired Businesses; and
- (xii) the warranties given by the vendor and the guarantor under the Sale and Purchase Agreements remaining true and accurate in all respects.

If the above conditions are not fulfilled by 30 September 2007 (or such later date as the parties may agree), the Sale and Purchase Agreements shall cease and determine and no party thereto shall have any claim against the other, save and except in respect of any antecedent breach of the Sale and Purchase Agreements. Neither the Company nor Astrotech has the right to waive any of the conditions in paragraphs (i) to (x) as set out above. The Company may at any time by notice in writing waive the conditions in paragraphs (xi) and (xii) as set out above.

*Completion:* Completion shall take place on the third Business Day after satisfaction of all the above conditions of the Sale and Purchase Agreements or such other date as the parties may agree.

#### **Basis for determining the Consideration and the Issue Price**

The Consideration of HK\$900,000,000 has been determined after arm's length negotiations among the parties with reference to the historical performance and future prospects of the Acquired Businesses.

The Issue Price of HK\$0.35 has been determined after arm's length negotiations among the parties, taking into account the following factors:

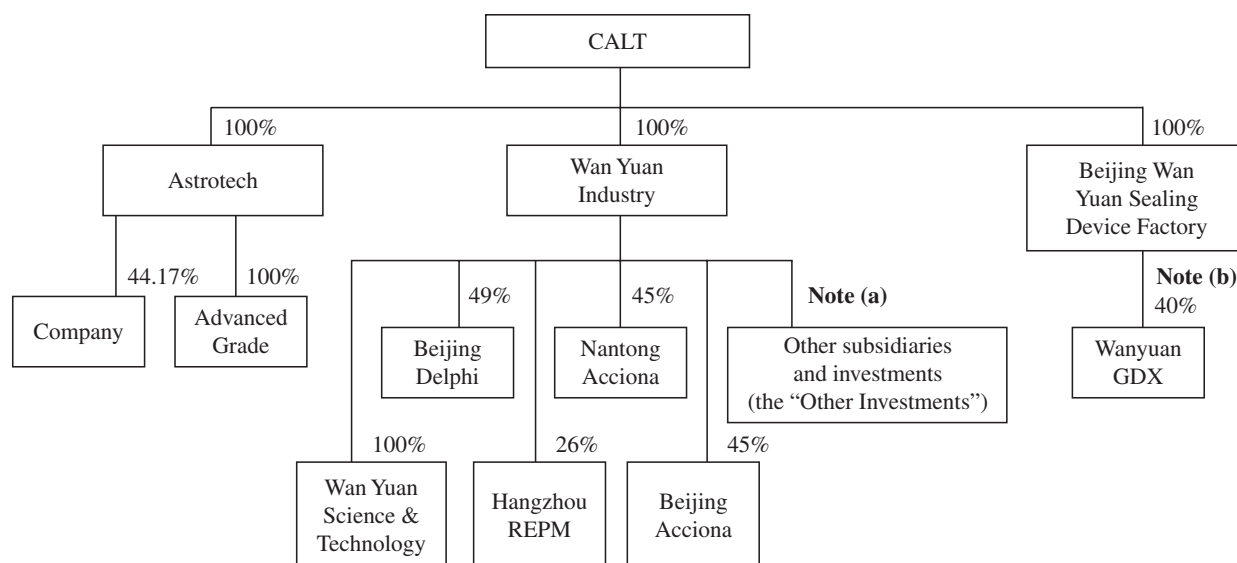
- (a) the poor business performance of the Group as reflected by the Group's loss making history in the past. The net losses attributable to the equity holders of the Company for the year ended 31 December 2005 and for the six months ended 30 June 2006 amounted to approximately HK\$29.36 million and HK\$10.12 million respectively;
- (b) the low liquidity of the Shares as represented by (i) the average daily trading volume of the Shares for the year ended 31 December 2006 was approximately 2,961,000 Shares (representing approximately 0.521% of issued Shares held by the public); (ii) the average daily trading volume of the Shares for the two months ended 28 February 2007 was 12,033,000 Shares (representing approximately 2.119% of issued Shares held by the public); and
- (c) the Issue Price represents a substantial premium of approximately 150.00% over the latest unaudited consolidated net assets per Share as at 30 June 2006, and a substantial premium of approximately 218.18% over the latest unaudited consolidated net tangible assets per Share as at 30 June 2006.

Given the loss making history of the Group, the low trading volume of the Shares and the substantial premium of the Issue Price over the net assets value per Share, the Directors consider that the discount on the Issue Price on the current market price of the Shares as proposed is appropriate.

## Information on Advanced Grade and Wan Yuan Industry

The charts below set out the structure of Advanced Grade and Wan Yuan Industry before and after the Restructuring:

### Before the Restructuring



### Notes

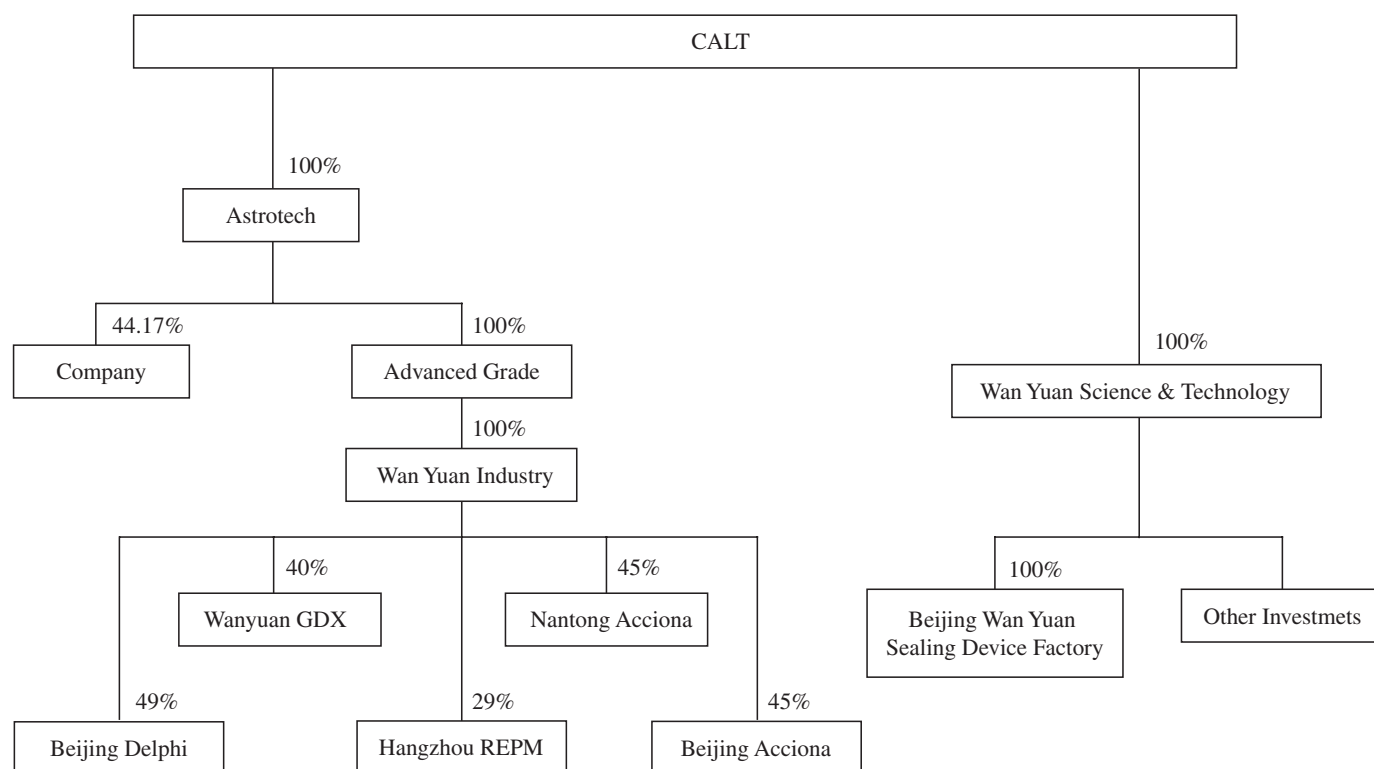
- (a) Consist of its subsidiaries (at equity interests varying from approximately 40% to 100%) and investments (at equity interests varying from 0.4% to 33.6%) which are excluded from the Proposed Acquisition. These subsidiaries are mainly engaged in the manufacturing of electronic and automation control systems and equipment, mechanical equipment and medical equipment, and processing of metal and plastic product. The key investment is 15% equity interest in Aerospace Long Yuan (Benxi) Wind Power Co., Ltd. (“Long Yuan”). Currently, Wan Yuan Industry consolidates its subsidiaries and records its investments at cost in its accounts.

Long Yuan was incorporated in June 2006 and principally engaged in the wind energy production in Liaoning, the PRC. On 30 March 2006, Wan Yuan Industry, Crownplus International Limited (a wholly-owned subsidiary of the Company) and Longyuan Electric Group Corporation (“Longyuan Electric”, an independent third party) entered into a joint venture agreement in respect of the establishment of Long Yuan. The equity interest held by Wan Yuan Industry, Crownplus International Limited and Longyuan Electric are 15%, 40% and 45% respectively. Details of this transaction were disclosed in a circular of the Group dated 21 April 2006.

As mutually agreed between the joint venture parties, Longyuan Electric shall be the largest single shareholder, therefore Wan Yuan Industry’s 15% equity interest in Long Yuan is excluded from the Proposed Acquisition.

- (b) In 1998, CASC issued a notice (the “Notice”) to assign certain businesses/investments, including its interest in Beijing Wan Yuan Sealing Device Factory, to Wan Yuan Industry. According to PRC legal opinion, Wan Yuan Industry is the ultimate beneficial owner of 100% equity interest in Beijing Wan Yuan Sealing Device Factory and 40% equity interest in Wanyuan GDX. Please refer to paragraph 3 under “The Restructuring” below for further details.

## After the Restructuring



### *The Restructuring*

Wan Yuan Industry is a wholly-owned subsidiary of CALT and was incorporated in the PRC on 26 December 1984 as a state-owned enterprise for the purpose of manufacturing of mechanical equipment and of investment holdings. Prior to the Restructuring, Wan Yuan Industry has more than twenty investments which engaged in the manufacturing of wind turbine, electronic and automation control systems and equipment, mechanical equipment, medical equipment, and automotive parts, and the operation of wind energy plants.

On 28 December 2006, CALT, Wan Yuan Industry, Beijing Wan Yuan Sealing Device Factory, Wan Yuan Science & Technology and a subsidiary of CALT had entered into a set of deeds of assignment for the purpose of effecting a restructuring exercise whereby:

- (a) apart from the Acquired Businesses, all of Wan Yuan Industry's investments and businesses (the "Non-acquired Businesses") were assigned to Wan Yuan Science & Technology;
- (b) CALT's entire equity interest in Beijing Wan Yuan Sealing Device Factory was assigned to Wan Yuan Science & Technology;
- (c) a further 3% equity interest in Hangzhou REPM was assigned from a subsidiary of CALT to Wan Yuan Industry; and
- (d) a 40% equity interest in Wanyuan GDX was assigned to Wan Yuan Industry.



In 1998, CASC issued a notice (the “Notice”) to assign certain businesses/investments, including its interest in Beijing Wan Yuan Sealing Device Factory, to Wan Yuan Industry. Although Wan Yuan Industry has not taken appropriate actions to complete legal procedures for the assignment of interest in Beijing Wan Yuan Sealing Device Factory, the corresponding risk and rewards were transferred to and taken up by Wan Yuan Industry in accordance with the Notice. According to PRC legal opinion, Wan Yuan Industry is the ultimate beneficial owner of 100% equity interest in Beijing Wan Yuan Sealing Device Factory and 40% equity interest in Wanyuan GDX. In order to ratify the legal status, the 40% equity interest in Wanyuan GDX was directly assigned to Wan Yuan Industry during the Restructuring. As Beijing Wan Yuan Sealing Device Factory is only an investments holding company and is not part of the Proposed Acquisition, its entire equity interest was directly assigned to Wan Yuan Science & Technology during the Restructuring. The above mentioned assignments are expected to be completed on or before 30 June 2007.

CALT had undertaken to indemnify the Company for any debtors or claims arising from the Non-acquired Businesses before completion of the Restructuring for a period of five years commencing from Completion. Also as part of the restructuring exercise, on 15 February 2007, CALT entered into a deed of assignment to assign its 100% direct shareholdings in Wan Yuan Industry to Advanced Grade. The Restructuring has yet to complete as at the date of this announcement. CALT estimates that the Restructuring to be completed on or before 30 June 2007. Upon completion of the Restructuring, Wan Yuan Industry will not carry on any business or have any materials assets, other than the holding of a 49% equity interest in Beijing Delphi, a 40% equity interest in Wanyuan GDX, a 29% equity interest in Hangzhou REPM, a 45% equity interest in Nantong Acciona and a 45% equity interest in Beijing Acciona (the “Acquired Businesses”).

Advanced Grade is a limited liability company incorporated in the British Virgin Islands on 13 December 2006 which does not carry on any business or have any material assets. After the completion of the Restructuring, Advanced Grade will hold the entire equity interest in Wan Yuan Industry.

After Completion, Advanced Grade and Wan Yuan Industry will be treated as the wholly-owned subsidiaries of the Group and their results will be consolidated into the accounts of the Group. Also, the Group will hold the Acquired Businesses with less than 50% equity interests in the respective companies which will be treated as either associated companies or jointly controlled entities and their results will be equity accounted for in the books of the Group.

### *The Acquired Businesses*

Beijing Delphi is a Sino-foreign equity joint venture established in the PRC on 30 March 1994, and is principally engaged in the manufacture of automotive engine management systems and components, as well as after-sale service and technical consultancy service corresponding with it. The total registered capital of Beijing Delphi is US\$13 million (or approximately HK\$101.14 million) and contributions thereto attributable to Delphi Automotive System China Corporation and Wan Yuan Industry amounted to US\$6.63 million (or approximately HK\$51.58 million) and US\$6.37 million (or approximately HK\$49.56 million) respectively. Delphi Automotive System China Corporation and Wan Yuan Industry hold 51% and 49% equity interest in Beijing Delphi respectively.

Wanyuan GDX is a Sino-foreign equity joint venture established in the PRC on 28 December 1995, and is principally engaged in development and manufacture of the car body sealing system, vessel sealing system and accessories, as well as the provision of technical consultancy and training service. The total registered capital of Wanyuan GDX is RMB100 million (or approximately HK\$100 million) and contributions thereto

attributable to GDX Automotive Beteiligungs GMBH and Beijing Wan Yuan Sealing Device Factory amounted to RMB60 million (or approximately HK\$60 million) and RMB40 million (or approximately HK\$40 million) respectively. GDX Automotive Beteiligungs GMBH and Beijing Wan Yuan Sealing Device Factory hold 60% and 40% equity interest in Wanyuan GDX respectively.

Hangzhou REPM is a limited liability company established in the PRC on 27 February 2002, and is principally engaged in the development and manufacture of rare-earth-permanent magnet motors for elevator. The total registered capital of Hangzhou REPM is RMB50.00 million (or approximately HK\$50.00 million) and contributions thereto attributable to Wan Yuan Industry, 北京航天長征飛行器研究所 (Beijing Institute of Spaceflight Chang Zheng Aircraft (“Spaceflight Institute”), a subsidiary of CALT), 遼寧富士電梯有限公司 (Liaoning Fuji Elevator Co. Ltd. (“Liaoning Elevator”), 上海新時達電氣有限公司 (Shanghai STEP Electric Co. Ltd. (“Shanghai Electric”), 杭州榮海投資有限公司 (Hangzhou Rong Hai Investment Co. Ltd. (“Hangzhou Investment”), 丹陽市金象化工廠 (Danyang Jin Xiang Chemical Plant (“Danyang Chemical”) and 北京長征天民高科技有限公司 (Beijing Chang Zheng Tian Min High Technology Co. Ltd. (“Tian Min”) amounted to RMB13 million (or approximately HK\$13 million), RMB1.50 million (or approximately HK\$1.50 million), RMB10 million (or approximately HK\$10 million), RMB10 million (or approximately HK\$10 million), RMB9 million (or approximately HK\$9 million), RMB5 million (or approximately HK\$5 million) and RMB1.50 million (or approximately HK\$1.50 million) respectively. Wan Yuan Industry, Spaceflight Institute, Liaoning Elevator, Shanghai Electric, Hangzhou Investment, Danyang Chemical and Tian Min hold 26%, 3%, 20%, 20%, 18%, 10% and 3% equity interest in Hangzhou REPM respectively. After completion of the Restructuring, Wan Yuan Industry will hold 29% equity interest in Hangzhou REPM.

Nantong Acciona is a Sino-foreign equity joint venture established in the PRC on 22 June 2005, and is principally engaged in sale and manufacture of wind turbine. Nantong Acciona commenced its production in June 2006. The total paid-up capital of Nantong Acciona is RMB99.71 million (or approximately HK\$99.71 million) and contributions thereto attributable to Wan Yuan Industry, Energia Hidroelectrica de Navarra, Entidad de Tenencia de Valores en el Extranjero, S.A. (“Energia”) and International Commercial E. Industria S.A. (“International Commercial”) amounted to RMB45 million (or approximately HK\$45 million), RMB45 million (or approximately HK\$45 million) and RMB9.71 million (or approximately HK\$9.71 million) respectively. Wan Yuan Industry, Energia and International Commercial hold 45%, 45% and 10% equity interest in Nantong Acciona respectively.

Beijing Acciona is a Sino-foreign equity joint venture established in the PRC on 9 September 2005, and is principally engaged in development of renewable energy projects, research and development of related technologies and equipment, especially those of wind power marketing, blades, biomass and biofuel for the market of PRC, management, human resource training. Since the date of incorporation, Beijing Acciona has not commenced its business. The total registered capital of Beijing Acciona is RMB50 million (or approximately HK\$50 million) and contributions thereto attributable to Wan Yuan Industry, Energia and International Commercial amounted to RMB22.5 million (or approximately HK\$22.5 million), RMB22.5 million (or approximately HK\$22.5 million) and RMB5 million (or approximately HK\$5 million) respectively. Wan Yuan Industry, Energia and International Commercial hold 45%, 45% and 10% equity interest in Beijing Acciona respectively.

Currently, Wan Yuan Industry equity accounted for the Acquired Businesses in its consolidated accounts. For the purpose of Proposed Acquisition, the financial statements for each of three years ended 31 December 2005 and the ten months period ended 31 October 2006 of Wan Yuan Industry has been prepared in accordance with Hong Kong Financial Reporting Standards and accounting principles generally accepted in Hong Kong as if the Restructuring had taken place and Wan Yuan Industry had been in operation on a stand alone basis.

For the ten months ended 31 October 2006, the audited net profit before and after taxation of Wan Yuan Industry prepared on the above mentioned basis amounted to approximately RMB80.16 million (or approximately HK\$80.16 million). For the year ended 31 December 2005, the audited net profit before and after taxation of Wan Yuan Industry prepared on the above mentioned basis amounted to approximately RMB83.99 million (or approximately HK\$83.99 million). For the year ended 31 December 2004, the audited net profit before and after taxation of Wan Yuan Industry prepared on the above mentioned basis amounted to approximately RMB111.64 million (or approximately HK\$111.64 million).

The audited net asset values of Wan Yuan Industry prepared on the above mentioned basis as at 31 October 2006 was approximately RMB420.10 million (or approximately HK\$420.10 million).

## REASONS FOR THE PROPOSED ACQUISITION

The Company was incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange 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 and broadband wireless access system. To broaden its business scope and earning base as well as diversifying its business risk from concentration on the telecommunication sector, the Company began investments in the alternate power industry. The Group has currently invested into three joint venture operations relating to wind energy production in the PRC. The Company is of the view that the Proposed Acquisition represents a good opportunity for the Group to further expand its business in the alternate energy market, including investments in wind turbine manufacturing and renewable energy projects. Also, taking into account of the dividends received from the Acquired Businesses in the past years, the Company's cashflow position will be substantially enhanced.

The Directors believe that the terms of the Sale and Purchase Agreements, including the Consideration and the Issued Price, are on normal commercial terms which are fair and reasonable, and the Proposed Acquisition is entered into in the interest of the Company and its Shareholders as a whole. The independent non-executive directors of the Company are of the initial view that the Proposed Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The independent board committee will rely on the recommendations of the independent financial adviser to make their recommendations to the Independent Shareholders.

## FINANCIAL INFORMATION ON THE GROUP

The following table sets out a summary of consolidated financial information of the Group as extracted from the published annual report for the year ended 31 December 2005 and from the published interim report for the period ended 30 June 2006:

|  | For the year<br>ended 31 December    |                                      | For the six months<br>ended 30 June    |  |
|--|--------------------------------------|--------------------------------------|--|--|
|  | 2005<br><i>HK\$'000</i><br>(audited) | 2004<br><i>HK\$'000</i><br>(audited) | 2006<br><i>HK\$'000</i><br>(unaudited) | 2005<br><i>HK\$'000</i><br>(unaudited) |
| Turnover                                   | 185,784                              | 148,126                              | 54,280                                 | 97,321                                 |
| Profit/(loss) before taxation              | (29,874)                             | 6,722                                | (10,198)                               | 763                                    |
| Profit/(loss) attributable to Shareholders | (29,781)                             | 5,368                                | (9,778)                                | 287                                    |
| Net tangible assets                        | 119,389                              | 140,676                              | 111,607                                | 146,201                                |

## IMPLICATIONS OF THE PROPOSED ACQUISITION UNDER THE LISTING RULES AND THE TAKEOVERS CODE

At the date of this announcement, CALT, the guarantor under the Sale and Purchase Agreements, through Astrotech, is beneficially interested in 449,244,000 Shares, representing approximately 44.17% of the existing issued share capital of the Company. Accordingly, CALT and Astrotech are connected persons of the Company under the Listing Rules. The Proposed Acquisition therefore constitutes a connected transaction for the Company under the Listing Rules. Also, as the percentage ratios contemplated in the Proposed Acquisition as defined in the Listing Rules are more than 100%, the Proposed Acquisition thus constitutes a very substantial acquisition for the Company. The Proposed Acquisition is subject to the approval of the Independent Shareholders by way of poll at the EGM where Astrotech and parties acting in concert with it, their respective associates and those involved or interested in the Proposed Acquisition and the Whitewash Waiver will abstain from voting.

Upon Completion (assuming that no further Shares, other than the Offer Shares and the Consideration Shares, are issued by the Company between the date of this announcement and Completion), the beneficial shareholding interest of Astrotech (and parties acting in concert with it) in the Company will increase from approximately 44.17% to 73.10%. Accordingly, Astrotech will be obliged to make an unconditional mandatory general offer for all the issued Shares not already owned or agreed to be acquired by Astrotech and parties acting in concert with it under Rule 26.1 of the Takeovers Code, unless a Whitewash Waiver is obtained from the Executive.

Astrotech will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, will be subject to the approval of the Independent Shareholders by way of poll at the EGM. Astrotech and parties acting in concert with it, their respective associates and those involved or interested in the Proposed Acquisition and the Whitewash Waiver are required to abstain from voting at the EGM. **Completion is subject to the satisfaction of a number of conditions precedent (including the obtaining of the Whitewash Waiver from the Executive) as detailed above. The condition regarding the Whitewash Waiver will not be waived by Astrotech under the Sale and Purchase Agreements. The Whitewash Waiver may or may not be granted by the Executive and the Sale and Purchase Agreements may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

Upon Completion (assuming that no further Shares, other than the Offer Shares and the Consideration Shares, are issued by the Company between the date of this announcement and Completion), the beneficial shareholding interest of Astrotech (and parties acting in concert with it) in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Offer Shares and Consideration Shares to be issued pursuant to the Sale and Purchase Agreements. Accordingly, if the Whitewash Waiver is approved by the Independent Shareholders, Astrotech (and parties acting in concert with it) may acquire further Shares following Completion without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

Astrotech has confirmed that it (and parties acting in concert with it) has not dealt in the securities of the Company within the 6-month period prior to the date of this announcement.

## **OPEN OFFER**

To cater for the cash consideration of the Proposed Acquisition, the Company will raise approximately HK\$142 million, before expenses, by issuing 406,855,905 Offer Shares. However, as part of the condition of the Open Offer being the approval of the Sale and Purchase Agreements by Independent Shareholders by poll at the EGM, should such approval not be obtained, the Open Offer will not proceed.

### **Issue statistics**

|  |   |   |
|--|---|---|
| Basis of the Open Offer  | : | Four Offer Shares for every ten existing Shares in issue on the Record Date |
| Subscription Price   | : | HK\$0.35 per Offer Share (the same as the Issue Price)                      |
| Number of existing Shares in issue as at the date of this announcement | : | 1,017,139,763 Shares  |
| Number of Offer Shares   | : | 406,855,905 Offer Shares  |
| Number of Shares in issue upon completion of the Open Offer            | : | 1,423,995,668 Shares  |

The Offer Shares to be issued represent (i) approximately 40% of the entire issued share capital of the Company as at the date of this announcement, (ii) approximately 28.57% of the entire issued share capital of the Company as enlarged by the issue of the Offer Shares, and (iii) approximately 11.23% of the issued share capital of the Company as enlarged by the issue of the Offer Shares and the Consideration Shares.

As at the date of this announcement, the Company has no derivatives option, warrants and conversion rights and other similar rights which are convertible or exchangeable into Shares and, save for the Open Offer, has no intention to issue any new shares or any of the above securities before completion of the Open Offer.

As at the date of this announcement, Astrotech is beneficially interested in 449,244,000 Shares. Astrotech has undertaken to the Company that it will not (i) subscribe for the Offer Shares to which it is entitled under the Open Offer in order to comply with Schedule VI 3(b) of the Takeovers Code; and (ii) dispose of the Shares held by it from the date of the Underwriting Agreement to Completion.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders. To qualify for the Open Offer, Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on 11 July 2007. The address of the Registrar is:

Standard Registrars Limited  
26/F., Tesbury Centre  
28 Queen's Road East  
Wanchai, Hong Kong

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable. There will not be any trading in nil-paid entitlements on the Stock Exchange.

### **Closure of register of members**

The register of members of the Company will be closed from 12 July 2007 to 16 July 2007, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer. No transfer of Shares will be registered during this period.

### **Subscription Price**

The Subscription Price for the Offer Shares is HK\$0.35 per Offer Share, payable in full on acceptance. The Subscription Price represents:

- (a) a discount of approximately 55.13% to the closing price per Share of HK\$0.78 as quoted on the Stock Exchange on 12 February 2007, being the Last Trading Day;
- (b) a discount of approximately 50.70% to the average closing price per Share of HK\$0.71 as quoted on the Stock Exchange for the last 5 trading days leading up to and including the Last Trading Day;
- (c) a discount of approximately 50.00% to the average closing price per Share of HK\$0.70 as quoted on the Stock Exchange for the last 10 trading days leading up to and including the Last Trading Day;
- (d) a discount of approximately 40.68% to the average closing price per Share of HK\$0.59 as quoted on the Stock Exchange for the last 30 trading days leading up to and including the Last Trading Day;
- (e) a discount of approximately 46.97% to the theoretical ex-entitlement price per Share of HK\$0.66 based on the closing price as quoted on the Stock Exchange on the Last Trading Day; and
- (f) a premium of approximately 218.18% over the latest published unaudited consolidated net tangible assets per Share of approximately HK\$0.11 as at 30 June 2006.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter and after having taken into account, among other things, i) the historical price of the Shares for the past year; ii) the business performance of the Company in the past; and iii) the Issue Price. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

## **Fractions of Offer Shares**

The Company will not allot fractions of the Offer Shares. Any fractional entitlement to the Offer Shares will be aggregated and will be taken up by the Underwriter and/or the Qualifying Shareholders who have applied for the excess Offer Shares.

## **Application for excess Offer Shares**

Qualifying Shareholders may make excess application. Applications for excess Right Shares can be made only by completing the excess application form and lodging the same with a separate remittance for the excess Offer Shares being applied for. The Company will allocate the excess Offer Shares at their discretion on a fair and equitable basis.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

Investors whose Shares are held by their nominee(s) and who would like to have their names registered on the register of members of the Company, must lodge all necessary document with the branch share registrar of the Company in Hong Kong for completion of the relevant registration by 4:00 p.m. on 11 July 2007.

The latest time for the acceptance of and payment for Offer Shares is 4:00 p.m. on 2 August 2007, or such later time or date as may be agreed between the Company and the Underwriter.

## **Share certificates and refund cheques for Open Offer**

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before 9 August 2007 to those entitled thereto by ordinary post at their own risk. Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares (if any) are expected to be posted on or before 9 August 2007 by ordinary post to the applicants at their own risk.

## **Rights of the Overseas Shareholders**

If, at the close of business on the Record Date, a Shareholder's registered address and correspondence address on the register of members of the Company are in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents are not expected to be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not

to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be available to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Excluded Shareholders. The results of the enquiries and the basis of exclusion of Overseas Shareholders will be disclosed in the Prospectus Document.

The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Prospectus, for information only, to the Excluded Shareholders.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of , and permission to deal in, the Offer Shares. Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

### **Conditions of the Open Offer**

The Open Offer is conditional upon:

- (1) the signing by or on behalf of all of the Directors of one printed copy of each of the Prospectus Documents and the certification by all Directors (or by their agents duly authorised in writing) in the manner as mentioned in paragraph (6) below of two copies of each of the Prospectus Documents on or before the Posting Date;
- (2) the delivery of one such signed copy of each of the Prospectus Documents to the Underwriter on or before the Posting Date;
- (3) the approval of the Sale and Purchase Agreements (including the allotment and issue of Consideration Shares) by Independent Shareholders by poll at the EGM on or before the Posting Date;
- (4) the approval of the Whitewash Waiver by Independent Shareholders by poll at the EGM and the receipt of the Whitewash Waiver before the Posting Date;
- (5) the obtaining of the necessary approvals issued by the relevant PRC authorities of the Restructuring and the Proposed Acquisition before the Posting Date;
- (6) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents each duly certified by two Directors (or by their agents duly authorised in writing) in compliance with the Companies Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules on or before the Posting Date;
- (7) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Posting Date;
- (8) compliance by the Company with all its obligations under the Underwriting Agreement; and
- (9) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares on or before 4:00 p.m. on the Business Day immediately preceding the commencement of dealings in Offer Shares.



In the event the said conditions have not been satisfied on or before the respective dates above (or such other date as the Company and the Underwriter may otherwise agree, which shall not be later than 30 September 2007 unless extended by mutual agreement), the Underwriting Agreement shall terminate and all obligations and liabilities of the parties thereunder shall cease and determine and no party shall have any claim against the others (save for any antecedent breaches thereof).

## **UNDERWRITING ARRANGEMENTS**

### **Underwriting Agreement**

|                                       |   |   |
|---------------------------------------|---|---|
| Date                                  | : | 2 April 2007  |
| Underwriter                           | : | Luen Fat Securities Company Limited   |
| Number of Offer Shares underwritten : |   | Pursuant to the Underwriting Agreement, the Underwriter have conditionally agreed to underwrite 406,855,905 Offer Shares, representing approximately 40% of the entire issued share capital of the Company as at the date of this announcement, on a fully underwritten basis |
| Commission                            | : | 3% of the aggregate Subscription Price in respect of then number of Offer Shares agreed to be underwritten by the Underwriter   |

The 3% commission payable to the Underwriter was determined after arm's length negotiations between the Company and the Underwriter. The Directors consider that the underwriting commission is on normal commercial terms and accords with market rates.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares which have not been taken up. The Underwriter and its respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules), and are not acting in concert with the Sub-underwriter, Astrotech and their respective concert parties.

### **Termination of the Underwriting Agreement**

The Underwriter has the right to terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on the second Business Day after the latest time for the acceptance of and payment for Offer Shares, if:

- (i) the occurrence of the following events would, in the reasonable opinion of the Underwriter, materially and adversely affect the business, financial or trading position or prospects of the Group as a whole or otherwise makes it inexpedient or inadvisable for the Company or the Underwriter to proceed with the Open Offer:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever;

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic, currency or other nature (whether or not sui generis with any of the foregoing or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict); or
  - (c) the occurrence of any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities);
- (ii) any change occurs in the circumstances of the Company or any member of the Group which would materially and adversely affect the prospects of the Group as a whole;
  - (iii) the Company commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement;
  - (iv) the Underwriter shall receive notification pursuant to the terms of the Underwriting Agreement or shall otherwise become aware of, the fact that any of the representations or warranties by the Company in the Underwriting Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate and the Underwriter shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material and adverse change in the business, financial or trading position or prospects of the Group as a whole or is otherwise likely to have a material and adverse effect on the Open Offer; or
  - (v) the Company shall, after any matter or event that comes to the attention of the Company that any representation or warranty given would be untrue or inaccurate in any respect or would render untrue, inaccurate in any material respect or misleading or such events come to the attention of the Underwriter, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of such termination notice, all obligations of the Underwriter shall cease and determine (save for any antecedent breaches thereof) and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement.

## **USE OF PROCEEDS**

The gross proceeds from the Open Offer of approximately HK\$142 million (before expenses relating to the Open Offer) will be applied as to (i) HK\$130 million for the cash consideration of the Proposed Acquisition; and (ii) the remaining balance for general working capital of the Group.

As part of the proceeds of the Open Offer will be used as consideration for the Proposed Acquisition, the completion of the Open Offer will take place before Completion.

## **FUND RAISING ACTIVITIES OF THE COMPANY IN THE LAST TWELVE MONTHS IMMEDIATELY BEFORE THE DATE OF THIS ANNOUNCEMENT**

The Company did not have any capital raising activities in the last twelve months immediately before the date of this announcement.

## WARNING OF THE RISKS OF DEALINGS IN THE SHARES

Shareholders should note that if the conditions of the Open Offer are not fulfilled or the Underwriting Agreement is terminated, the Open Offer will not proceed. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Open Offer is subject are fulfilled will bear the risk that the Open Offer may not become unconditional or may not proceed. If in any doubt, investors are recommended to consult their professional advisers.

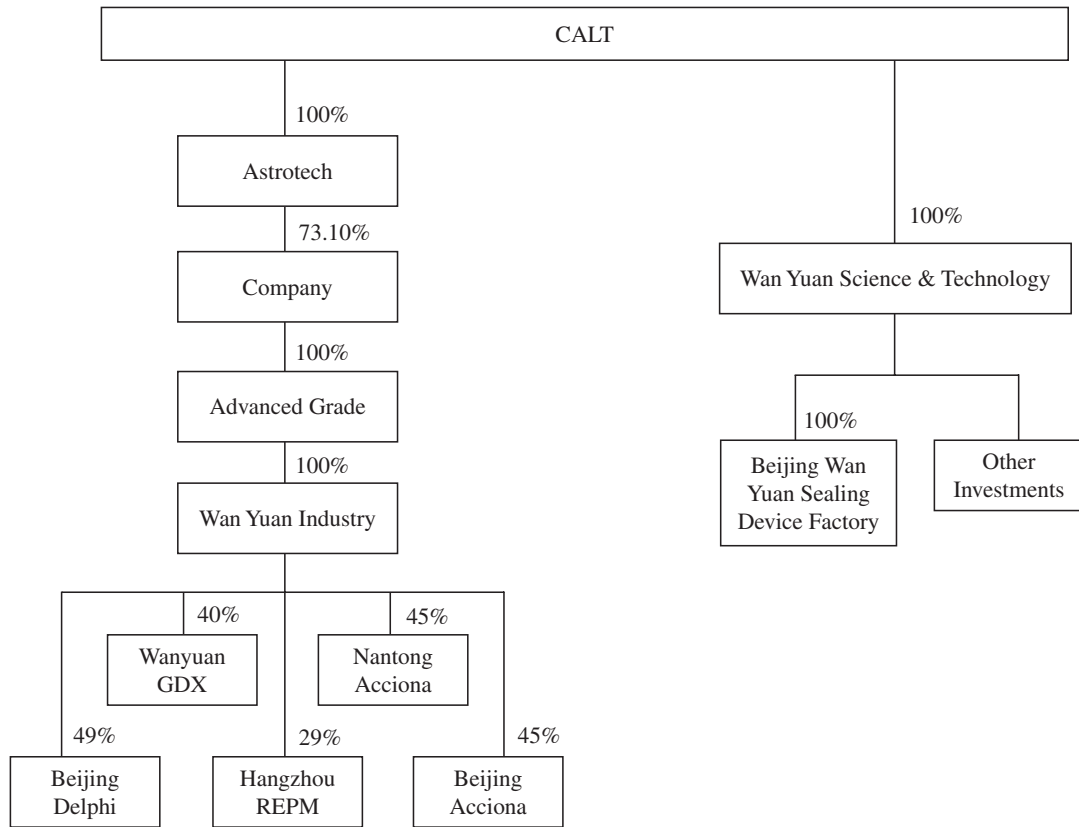
## EXPECTED TIMETABLE OF THE OPEN OFFER

2007

|   |  |
|---|--|
| Last day of dealing in Shares on a cum-entitlement basis .....                                | Monday, 9 July   |
| First day of dealing in Shares on an ex-entitlement basis .....                               | Tuesday, 10 July   |
| Latest time for lodging transfers of Shares in order to be qualified for the Open Offer ..... | 4:00 p.m. on Wednesday, 11 July                                |
| Register of members of the Company closes .....   | Thursday, 12 July to Monday, 16 July<br>(both dates inclusive) |
| Record Date .....   | Monday, 16 July  |
| Register of members of the Company reopens .....  | Tuesday, 17 July   |
| Despatch of the Prospectus Documents .....  | Wednesday, 18 July   |
| Latest time for the acceptance of and payment for Offer Shares .....                          | 4:00 p.m. on Thursday, 2 August                                |
| Latest time for the Open Offer to become unconditional .....                                  | 4:00 p.m. on Monday, 6 August                                  |
| Announcement of the results of acceptance and excess applications of the Open Offer .....     | Wednesday, 8 August  |
| Despatch of refund cheques for wholly and partially unsuccessful excess applications .....    | Thursday, 9 August   |
| Despatch of share certificates for Offer Shares .....   | Thursday, 9 August   |
| Dealing in fully-paid Offer Shares commences .....  | Monday, 13 August  |

All times stated in this announcement refer to Hong Kong times. Dates stated in this announcement for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriated.

# STRUCTURE AFTER COMPLETION OF THE OPEN OFFER AND THE PROPOSED ACQUISITION



## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is a table showing the shareholding structure of the Company i) as at the date of this announcement; ii) immediately upon completion of the Open Offer; and iii) immediately upon Completion:—

|                                   | As at the date of this announcement |               | Immediately upon completion of the Open Offer   |               |   |               | Immediately upon Completion   |               |   |               |
|-----------------------------------|-------------------------------------|---------------|---|---------------|---|---------------|---|---------------|---|---------------|
|                                   |                                     |               | (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer) |               | (assuming no Qualifying Shareholder takes up his/her/its entitlements under the Open Offer) |               | (assuming all Qualifying Shareholders take up their respective entitlements under the Open Offer) |               | (assuming no Qualifying Shareholder takes up his/her/its entitlements under the Open Offer) |               |
| Shareholders                      | Number of Shares held               | % (approx.)   | Number of Shares held   | % (approx.)   | Number of Shares held   | % (approx.)   | Number of Shares held   | % (approx.)   | Number of Shares held   | % (approx.)   |
| Astrotech and its concert parties | 449,244,000                         | 44.17         | 449,244,000   | 31.55         | 449,244,000   | 31.55         | 2,649,244,000   | 73.10         | 2,649,244,000   | 73.10         |
| Underwriter*                      | —                                   | —             | 179,697,600   | 12.62         | 283,855,905   | 19.93         | 179,697,600   | 4.96          | 283,855,905   | 7.83          |
| Sub-underwriter*                  | —                                   | —             | —   | —             | 123,000,000   | 8.64          | —   | —             | 123,000,000   | 3.40          |
| Other Public Shareholders         | 567,895,763                         | 55.83         | 795,054,068   | 55.83         | 567,895,763   | 39.88         | 795,054,068   | 21.94         | 567,895,763   | 15.67         |
| Sub-total of public float         | 567,895,763                         | 55.83         | 974,751,668   | 68.45         | 974,751,668   | 68.45         | 974,751,668   | 26.90         | 974,751,668   | 26.90         |
| <b>Total</b>                      | <b>1,017,139,763</b>                | <b>100.00</b> | <b>1,423,995,668</b>  | <b>100.00</b> | <b>1,423,995,668</b>  | <b>100.00</b> | <b>3,623,995,668</b>  | <b>100.00</b> | <b>3,623,995,668</b>  | <b>100.00</b> |

*Note:* Pursuant to a sub-underwriting arrangement made between the Underwriter and the Sub-underwriter (who and whose respective ultimate beneficial owners are also third parties independent of the Company and its connected persons, and not acting in concert with the Underwriter, Astrotech and their respective concert parties), the Underwriter has conditionally agreed to sub-underwrite 123,000,000 Offer Shares to the Sub-underwriter.

Shareholders and public investors should note that the above shareholding structure is for illustration purpose only and the actual shareholding structure of the Company upon completion of the Open Offer and Completion are subject to various factors, including the results of acceptance of the Open Offer.

## GENERAL

An independent board committee of the Company, comprising all independent non- executive Directors, namely Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung, has been formed to advise the Independent Shareholders on the terms of the Sale and Purchase Agreements and the Whitewash Waiver. As all non- executive Directors, namely Mr. Wu Yansheng, Mr. Liang Xiaohong and Mr. Tang Guohong, are representative of CALT, they are considered not to be independent for appointment as members of the independent board committee.

An independent financial adviser, Partners Capital International Limited, has been appointed to advise the independent board committee in this regard. The appointment of Partners Capital International Limited as the independent adviser has been approved by the independent board committee. The independent board committee will rely on the recommendations of the independent financial adviser to make their recommendations to the Independent Shareholders.

A circular containing, among other things, details of the Proposed Acquisition, the recommendation of the independent board committee of the Company and the letter of advice from the independent financial adviser in respect thereof, and a notice convening the EGM, will be sent to the Shareholders as soon as practicable.

## SUSPENSION AND RESUMPTION OF TRADING

The Company has noted the increase in the price and trading volume of the Shares on the Last Trading Day and wish to state that save for the Proposed Acquisition it was not aware of any reasons for such an increase in price and trading volume. At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 13 February 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 3 April 2007.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

|                       |  |
|-----------------------|--|
| “Acquired Businesses” | the 49% equity interest in Beijing Delphi, 40% equity interest in Wanyuan GDX, 29% equity interest in Hangzhou REPM, 45% equity interest in Nantong Acciona and 45% equity interest in Beijing Acciona |
| “Advanced Grade”      | Advanced Grade Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned subsidiary of Astrotech  |
| “Astrotech”           | Astrotech Group Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned subsidiary of CALT   |
| “associates”          | the meaning ascribed to it under the Listing Rules   |
| “Beijing Accoina”     | Beijing CASC Wanyuan Accoina Renewable Energy Corporation Ltd. (北京航天萬源安迅能新能源有限公司), a Sino-foreign equity joint venture enterprise established in the PRC   |
| “Beijing Delphi”      | Beijing Delphi Wan Yuan Engine Management Systems Co., Ltd. (北京德爾福萬源發動機管理系統有限公司), a Sino-foreign equity joint venture enterprise established in the PRC  |
| “Board”               | board of Directors   |
| “Business Day”        | any day (other than a Saturday or Sunday) on which banks in Hong Kong generally are open for business  |
| “CALT”                | 中國運載火箭技術研究院(China Academy of Launch Vehicle Technology), a legal entity established in the PRC and wholly-owned by CASC  |
| “CASC”                | 中國航天科技集團公司(China Aerospace Science and Technology Corporation), a state-owned enterprise established in the PRC and the ultimate controlling Shareholder   |
| “Company”             | CASIL Telecommunications Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange                                   |

|                            |   |
|----------------------------|---|
| “Completion”               | completion of the Sale and Purchase Agreements  |
| “Consideration”            | the consideration of HK\$900,000,000 for the acquisition by the Company of the entire issued share capital of Advanced Grade pursuant to the Sale and Purchase Agreements   |
| “Consideration Shares”     | the new Shares to be allotted and issued by the Company to Astrotech as consideration under the Sale and Purchase Agreements  |
| “Director(s)”              | director(s) of the Company  |
| “EGM”                      | the extraordinary general meeting of Company to be convened to consider and, if thought fit, approve, among other things, the entering into of the Sale and Purchase Agreements and the Whitewash Waiver  |
| “Excluded Shareholder(s)”  | Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions, consider it necessary or expedient not to offer the Open Offer to such Overseas Shareholder(s) on account either of restrictions under the laws of the relevant place or the requirements of a relevant regulatory body or stock exchange in place |
| “Executive”                | the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director   |
| “Group”                    | the Company and its subsidiaries  |
| “Hangzhou REPM”            | 杭州航天萬源稀土電機應用技術有限公司(Hangzhou Aerospace Wan Yuan REPM Motor Application Technology Co., Ltd.), a limited liability company established in the PRC   |
| “Hong Kong”                | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Shareholders” | Shareholders other than Astrotech and parties acting in concert with it, their respective associates and those involved or interested in the Proposed Acquisition and the Whitewash Waiver  |
| “Issue Price”              | the issue price of HK\$0.35 per Consideration Share   |
| “Last Trading Day”         | 12 February 2007, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement  |
| “Listing Rules”            | The Rules Governing the Listing of Securities on the Stock Exchange   |
| “Nantong Accoina”          | Nantong CASC Wanyuan Accoina Wind Turbine Manufacture Corporation Ltd. (南通航天萬源安迅能風電設備製造有限公司), a Sino-foreign equity joint venture enterprise established in the PRC   |
| “Offer Shares”             | 406,855,905 new Shares to be issued by the Company pursuant to the Open Offer   |

|                                |  |
|--------------------------------|--|
| “Open Offer”                   | the proposed issue of Offer Shares by the Company on the basis of four Offer Shares for every ten existing Shares to the Shareholders at the Subscription Price  |
| “Overseas Shareholder(s)”      | Shareholder(s) whose name(s) appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong                   |
| “parties acting in concert”    | has the meaning ascribed to it under the Takeovers Code  |
| “Posting Date”                 | 18 July 2007 or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents;   |
| “PRC”                          | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Proposed Acquisition”         | the proposed acquisition of the entire issued share capital of Advanced Grade by the Company pursuant to the terms and conditions of the Sale and Purchase Agreements  |
| “Prospectus”                   | A prospectus containing details of the Offer Shares to be issued in connection to the Open Offer   |
| “Prospectus Documents”         | the Prospectus, the provisional allotment letter and the excess application form   |
| “Qualifying Shareholder(s)”    | Shareholder(s), other than the Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date   |
| “Record Date”                  | 16 July 2007 or such other date as the Underwriter may agree in writing with the Company as the date by reference to which entitlements to the Open Offer are to be determined   |
| “Restructuring”                | The restructuring of Wan Yuan Industry as described in the section headed “Information of Advanced Grade and Wan Yuan Industry” in this announcement   |
| “Sale and Purchase Agreements” | the sale and purchase agreement dated 15 February 2007 and a supplemental agreement dated 27 March 2007 between Astrotech and the Company in respect of the sale and purchase of the entire issued share capital of Advanced Grade |
| “SFC”                          | the Securities and Futures Commission of Hong Kong   |
| “Share(s)”                     | ordinary share(s) of HK\$0.10 each in the issued share capital of the Company  |
| “Shareholder(s)”               | holder(s) of the Share(s)  |



|                                 |   |
|---------------------------------|---|
| “Stock Exchange”                | The Stock Exchange of Hong Kong Limited   |
| “Subscription Price”            | subscription price of HK\$0.35 per Offer Share  |
| “Sub-underwriter”               | Sino Grade Securities Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Takeovers Code”                | The Hong Kong Code on Takeovers and Mergers   |
| “Underwriter”                   | Luen Fat Securities Company Limited, a licensed corporation to carry on business in type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)   |
| “Underwriting Agreement”        | The underwriting agreement dated 2 April 2007 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Open Offer  |
| “Wanyuan GDX”                   | Beijing Wanyuan GDX Automotive Sealing Products Co., Ltd. (北京萬源金德汽車密封製品有限公司), a Sino-foreign equity joint venture enterprise established in the PRC   |
| “Wan Yuan Industry”             | 北京萬源工業公司(Beijing Wan Yuan Industry Corporation), a state-owned enterprise established in the PRC, and wholly-owned subsidiary of CALT   |
| “Wan Yuan Science & Technology” | 萬源科技公司(Wan Yuan Science & Technology Corporation), a state-owned enterprise established in the PRC and wholly-owned subsidiary of Wan Yuan Industry, which will become a direct wholly-owned subsidiary of CALT after completion of the Restructuring   |
| “Whitewash Waiver”              | a waiver in respect of the obligation on the part of Astrotech and parties acting in concert with it to make a mandatory general offer to the Shareholders for all the issued Shares not already owned or agreed to be acquired by Astrotech and parties acting in concert with it as a result of the taking up of the Consideration Shares under the Proposed Acquisition in accordance with Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code |
| “HK\$”                          | Hong Kong dollar(s), the lawful currency of Hong Kong   |
| “RMB”                           | Renminbi, the lawful currency of the PRC  |
| “US\$”                          | United States dollar(s), the lawful currency of the United States of America  |
| “%”                             | per cent.   |

*For the purpose of this announcement, unless otherwise indicated, the exchange rates of RMB1.00 = HK\$1.00 and US\$1.00 = HK\$7.78 have been used for currency translation, where applicable. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amount in US\$, HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.*

*Certain English translations of Chinese names or words in this announcement are included for information only, and are not official English translations of such Chinese names or words.*

On behalf of the Board of  
**CASIL Telecommunications Holdings Limited**  
**Wang Xiaodong**  
*Executive Director*

Hong Kong, 2 April 2007

*As at the date of this announcement, the Board 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 Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*\* For identification only*

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