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

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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)

Connected and Discloseable Transaction

Entering into of joint venture regarding wind energy power plant facilities

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



SOMERLEY LIMITED

A letter from the board of directors of the Company is set out on pages 3 to 8 of this circular.

A letter from the Independent Board Committee is set out on page 9 of this circular.

A letter from Somerley Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 10 to 16 of this circular.

A notice convening the Extraordinary General Meeting of the Company to be held at Hall 1B, G/F., No.1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Tuesday 9 May 2006 at 11:00a.m. is set out on page 21 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the Extraordinary General Meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting should you so wish.

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DEFINITIONS

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

“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;
“Company”	CASIL Telecommunications Holdings Limited;
“Connected and Discloseable Transaction”	The transaction contemplated under the Joint Venture Agreement;
“Crownplus”	Crownplus International Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands;
“Extraordinary General Meeting”	Extraordinary General Meeting of the Company to be held at Hall 1B, G/F., No.1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Tuesday 9 May 2006 at 11:00a.m. for the purpose of considering, and if thought fit, approving the Connected and Discloseable Transaction contemplated thereunder;
“Group”	The Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the legal currency of the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	An independent committee of the board of directors comprising Mr. Zhu Shixiong, Mr. Moh Kwen Yung, Mr. Yiu Ying Wai and Mr. Wong Fai, Philip, being all the independent non-executive directors.
“Independent Financial Adviser”	Somerley Limited, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected and Discloseable Transaction;
“Independent Shareholders”	All shareholders of the Company excluding CALT and its associates;

DEFINITIONS

“Joint Venture Agreement”	The joint venture agreement dated 30 March 2006 and entered into by the Company, Longyuan Electric and Wan Yuan Industry;
“Latest Practicable Date”	18 April 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;
“Longyuan Electric”	龍源電力集團公司 (Longyuan Electric Group Corporation)#, a collectively owned corporation established in Beijing, the PRC;
“LPDRC”	遼寧省發展和改革委員會 (Liaoning Provincial Development and Reform Commission, the PRC)#;
“PRC”	The People’s Republic of China;
“RMB”	Reminbi, the legal currency of the PRC;
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Wan Yuan Industry”	北京萬源工業公司 (Beijing Wan Yuan Industry Corporation)#, a collectively owned corporation established in Beijing, the PRC.

These PRC entities do not have English name, the English names set out herein are for identification purpose only.

For the purpose of this announcement, the exchange rate of RMB:HK\$ is RMB1.04 :HK\$1.00.

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

Executive Directors:

Mr. Han Shuwang (*Vice-chairman*)

Mr. Wang Xiaodong

Mr. Li Guang

Non-executive Directors:

Mr. Wu Yansheng (*Chairman*)

Mr. Liang Xiaohong (*Vice-chairman*)

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 in

Hong Kong:

Suite 4701, 47th Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

21 April 2006

To the shareholders of the Company

Dear Sir or Madam,

Connected and Discloseable Transaction

Entering into of joint venture regarding wind energy power plant facilities

INTRODUCTION

The board of directors of the Company is pleased to announce that it has entered into the Joint Venture Agreement on 30 March 2006 in respect of the building, maintenance and operation of wind energy plants and facilities in Liaoning, the PRC.

* *For identification purpose only*

LETTER FROM THE BOARD

PRINCIPAL TERMS OF THE JOINT VENTURE AGREEMENT

- Parties:
1. Longyuan Electric
 2. Crownplus, wholly-owned subsidiary of the Company
 3. Wan Yuan Industry

To the best of the Company's knowledge, information and belief having made all reasonable enquiry, the other joint venture partners (save for Wan Yuan Industry) and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons and are not connected persons of the Group.

Name of joint venture company (subject to approval) Aerospace Long Yuan (Benxi) Wind Power Co., Ltd. (航天龍源 (本溪) 風力發電有限公司)

Business scope of the joint venture company: wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training (subject to approval by the relevant PRC authority).

Total investment: RMB284,230,000
(in HK\$ equivalent) (HK\$ 273,298,077)

Total registered capital: RMB93,800,000
(in HK\$ equivalent) (HK\$ 90,192,308)

Share of registered capital:	Longyuan Electric*	Crownplus	Wan Yuan Industry
(in HK\$ equivalent)	RMB42,210,000	RMB37,520,000	RMB14,070,000
(% of total registered capital)	(HK\$ 40,586,538)	(HK\$ 36,076,923)	(HK\$ 13,528,846)
	(45%)	(40%)	(15%)

Payment of registered capital 1st instalment within 60 days from date to issue business permit	RMB12,663,000	RMB11,256,000	RMB4,221,000
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Payment of registered capital 2nd instalment before 30 June 2006	RMB25,326,000	RMB22,512,000	RMB8,442,000
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LETTER FROM THE BOARD

Payment of registered capital 3rd instalment before 31 December 2007	RMB4,221,000	RMB3,752,000	RMB1,407,000
Rights to nominate number of directors	3 directors	3 directors	1 directors
Conditions	(1) Relevant approval from the PRC government authorities (including the State Administration of Industry and Commerce) of the establishment of the joint venture company; and (2) Independent Shareholders' approval of the transaction contemplated under the Joint Venture Agreement.		

The wind energy power plant project to be implemented in the Liaoning Province of the PRC under the Joint Venture Agreement has been approved by the LPDRC as follows:

1. 36 sets of 850 kilowatt wind-driven generators would be put into operation;
2. the total investment and registered capital would be RMB284,230,000 and RMB93,800,000 respectively; and
3. the approval is further subject to environmental, land use, electricity cables connection and capital requirements under the national policies on the development of renewable energy.

Approvals in principal have been obtained from the Forestry Department of the Liaoning Government in respect of the use of land under the project (which is of approximately 900 square meters) and the Liaoning Electric Power Company Limited, an independent third party not being a connected person of the Company and the operator of the electricity grid of Liaoning Province, in respect of the connection of electricity cables by the wind farm with the Liaoning electricity network under the project. The Liaoning Environmental Protection Bureau has also approved the early phase of the project to be implemented.

Consent has been obtained from the Liaoning Price Bureau that when electricity is produced under the project, electricity rate would be determined having regard to provisions under the prevailing national policies and the social overhead costs of advanced corporations.

The joint venture company will be equity accounted for as an associated company of the Company.

LETTER FROM THE BOARD

REASONS FOR AND BENEFIT OF INVESTING IN THE JOINT VENTURE

The Group is principally engaged in the businesses of intelligent transportation systems, broadband wireless access systems and equipment, and manufacturing and sale of telecommunications products and has investments in wind energy power plants.

The directors considered that the Company would benefit from the entering into of the Joint Venture Agreement, as the transaction will strengthen the Group's investment in wind energy power plants. Given the shortage of electricity supplies in the PRC and the global trend towards renewable energy for environmental reasons, the investment by the Company into such power supply project is also fulfilling the Group's corporate responsibility.

The joint venture company is entitled to benefits in tax and loan financing, as well as sales guarantee at fixed price from electricity net enterprises under the PRC Regenerable Energies Law which has come into effect on 1 January 2006.

The terms of the Joint Venture Agreement are negotiated after arm's length negotiation. The directors (including the independent non-executive directors) of the Company considers that the transaction was entered into on normal commercial terms and the terms of the joint venture are fair and reasonable and in the interests of the shareholders of the Company as a whole.

FUNDING

Pursuant to the Joint Venture Agreement, the amount of investment made by each joint venture partner is restricted to their respective contributions in the registered capital of the joint venture. The difference between total investment and registered capital will be funded by bank borrowings to be secured by assets of the joint venture. The funding of the Company's capital contribution will be by way of internal resources and bank borrowings.

INFORMATION ON JOINT VENTURE PARTNERS

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

Wan Yuan Industry is a collectively owned enterprise established in Beijing and engages in business pertaining to system integration, system control, electronic information technology, provision of mechanical equipment, and production of facilities and products which promote environmental conservation etc.

LETTER FROM THE BOARD

CONNECTED AND DISCLOSEABLE TRANSACTION

Wan Yuan Industry, established as a collectively owned enterprise and invested by CALT which is in turn a substantial shareholder of the Company, is a connected person of the Company under the Listing Rules. Accordingly, the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company under the Listing Rules. The total investment of the Group under the Joint Venture Agreement of RMB37,520,000 (approximately HK\$36,076,923) represents approximately 10.15% of the latest published consolidated total assets of the Group of HK\$355,393,000 and 8.98% of the market-capitalisation of the Company. Accordingly, the Joint Venture Agreement is subject to the approval of the Independent Shareholders of the Company (being shareholders of the Company excluding CALT and its associates) voting at a general meeting convened to approve the Joint Venture Agreement pursuant to rule 14A.18 of the Listing Rules. The entering into of the Joint Venture Agreement also constitutes a discloseable transaction for the Company under the Listing Rules.

FINANCIAL EFFECTS OF THE TRANSACTION

Net tangible assets value

The Group's interest in the joint venture company is 40%. As the joint venture company will be equity accounted for and recorded as an associated company of the Group, there will not be any material change to the consolidated net tangible assets of the Group.

Earnings

As the joint venture company will be accounted for as an associated company of the Group, the Company will enjoy 40% of future dividends of the joint venture company.

EXTRAORDINARY GENERAL MEETING

The notice of the Extraordinary General Meeting is set out on page 21 of this circular. The ordinary resolution to be proposed will be voted by way of a poll.

A form of proxy is enclosed with this document for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the meeting. Completion of a form of proxy will not preclude you from attending and voting at the Extraordinary General Meeting in person if you so wish.

LETTER FROM THE BOARD

Astrotech Group Limited, a wholly-owned subsidiary of CALT, which holds approximately 44.17% equity interest in the Company as at the Latest Practicable Date, and its associates (as defined under the Listing Rules) shall abstain from voting at the Extraordinary General Meeting.

RECOMMENDATION

The directors are of the opinion that the terms of the Joint Venture Agreement are on normal commercial terms, and fair and reasonable so far as the shareholders of the Company as a whole is concerned and the transactions contemplated thereunder are in the best interests of the Company and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the forthcoming Extraordinary General Meeting.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Financial Adviser, the recommendation of the Independent Board Committee and information set out in the Appendices to this circular.

Yours faithfully,

For and on behalf of the board of directors of
CASIL Telecommunications Holdings Limited

Wang Xiaodong

Executive Director



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)

21 April 2006

To the Independent Shareholders,

Connected and Discloseable Transaction

Entering into of joint venture regarding wind energy power plant facilities

We refer to the circular of the Company dated 21 April 2006 (the “Circular”) of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the board to advise the Independent Shareholders in respect of the terms of the Joint Venture Agreement pursuant to which Crownplus, a wholly-owned subsidiary of the Company, agreed to form a joint venture company with Longyuan Electric and Wan Yuan Industry (a connected person of the Company as defined in the Listing Rules) in respect of the building, maintenance and operation of wind energy plants and facilities in the Liaoning Province of the PRC. Details of the Joint Venture Agreement are contained in the Letter from the Board as set out on pages 3 to 7 of the Circular.

We have considered the various details of the Joint Venture Agreement, in particular, the reasons and benefits of the transaction and the effect thereof. We have also reviewed the advice given by Somerley Limited, the Independent Financial Adviser, on the terms of the Joint Venture Agreement as set out in their letter reproduced on pages 10 to 16 of the Circular.

Having considered the information set out in the Letter from the Board and taking into account the advice from Somerley Limited, we consider that the terms of the Joint Venture Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the Extraordinary General Meeting.

Yours faithfully,

Zhu Shixiong

Moh Kwen Yung

Yiu Ying Wai

Wong Fai, Philip

Independent Board Committee

The following is the text of the letter to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser prepared for the purpose of incorporation into this circular.

**SOMERLEY LIMITED**

Suite 2201, 22nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

21 April 2006

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

Connected and Discloseable Transaction**Entering into of joint venture regarding wind energy power plant facilities****INTRODUCTION**

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with Crownplus, a wholly-owned subsidiary of the Company, entering into of joint venture (the “Joint Venture”) regarding wind energy power plant facilities (the “Transaction”), details of which are set out in the letter from the Board contained in the circular of the Company to the shareholders of the Company (the “Shareholders”) dated 21 April 2006 (the “Circular”), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Wan Yuan Industry was established as a collectively owned enterprise and invested by CALT. CALT, through its wholly-owned subsidiary Astrotech Group Limited, held approximately 44.17% interest in the entire issued share capital of the Company as at the Latest Practicable Date. Wan Yuan Industry, being an associate (as defined under the Listing Rules) of CATL therefore is a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the Joint Venture Agreement between Wan Yuan Industry and Crownplus constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders at the Extraordinary General Meeting. Astrotech Group Limited and its associates (as defined under the Listing Rules) shall abstain from voting at the Extraordinary General Meeting.

The Independent Board Committee, comprising all the independent non-executive directors of the Company, namely Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung, has been constituted to consider whether the terms of the Joint Venture Agreement are on normal commercial terms and fair and reasonable, and whether the Transaction is in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the directors of the Company (the “Directors”) and the staff of the Company and have assumed that such information, facts and opinions are true and accurate. We have also sought and received confirmation from the Directors that no material factors have been omitted from the information supplied and opinions expressed to us. However, we have not conducted any independent investigation into the business, operations or financial condition of the Group, the Joint Venture and/or of Wan Yuan Industry. We have assumed that all statements and representations made or referred to in the Circular were accurate at the time when they were made and are true at the date of the Circular and will continue to be true up to the date of the Extraordinary General Meeting.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our opinion with regard to the terms of Joint Venture Agreement and the Transaction, we have taken into account the following principal factors and reasons:

1. Background to and reasons for the Transaction

On 30 March 2006, the Group entered into the Joint Venture Agreement in respect of the establishment of the Joint Venture for building, maintenance and operation of wind energy plants and facilities in Huanren County, Liaoning Province of the PRC.

(a) The Group’s existing investment in the energy generation and supply sector

The Group is principally engaged in the businesses of intelligent transportation systems, broadband wireless access systems and equipment, and manufacturing and sale of telecommunication products and has investments in wind energy power plants.

As disclosed in the Company’s announcement dated 18 April 2005 and the Company’s 2005 interim report, the Group entered into two Sino-foreign joint ventures for investments in wind energy power generation plants, one in Jilin Province and another one in Jiangsu Province of the PRC. These joint ventures are the first step of the Group’s investment in power generation industry. These investments are part of the Group’s strategy to broaden its business scope and earning base as well as to diversify its risks from concentrating on the telecommunication industry.

Longyuan Electric, one of the shareholders of the Joint Venture, is also a shareholder in the other two above-mentioned wind energy power generation joint ventures. Longyuan Electric is the wind energy power operating arm of China Guodian Corporation, a state-owned enterprise and one of the five largest power generation groups in the PRC. Longyuan Electric is also one of the largest wind energy power plant operators in the PRC. It currently has investments in 18 wind energy power plants located in Guangdong Province, Inner Mongolia Province, Hebei Province and Gansu Province. At the end of 2005, Longyuan Electric has a market share of over 30% of the total wind energy power generation capacity of the PRC.

(b) *Strong demand for power in the PRC*

The PRC is still suffering from power shortages. This has led to regular power cuts and other measures to limit the use of power imposed by the government. In accordance with 國家電力資訊網 (National Electricity Information Network), one of the largest electricity industry information database in the PRC, an international management consultancy company estimates the power shortage in the PRC will continue. Having taken into consideration the continuing power shortage and the continuing upward momentum of the economy in the PRC which implies a corresponding growth in demand for power, the management of the Group anticipates the demand for power in the PRC would continue to be strong.

(c) *Competitive advantage of wind energy power generation*

The management of the Group considers that the global trend is steered towards renewable energy for environmental reasons. It also believes that wind energy power generation business will provide the Group with a competitive advantage in the power supply sector due to the implementation of a number of policies, including the PRC Regenerable Energies Law, by the PRC government in favour of power generation from renewable energy resources.

The PRC Regenerable Energies Law, which has come into effect on 1 January 2006, and other relevant regulations offer a number of favourable policies to encourage the construction and operations of the renewable energy power generation facilities. These policies include:

- (i) operators of electricity grid are required to purchase all the electricity generated by power plants using renewable energy sources;
- (ii) favourable pricing mechanism for the electricity generated from renewable energy sources;

- (iii) value added tax for sales of electricity is reduced by 50%;
- (iv) lower import duties on import of power generation assets and parts; and
- (v) favourable interest rate of loan for financing the construction of power generation project.

Given the PRC government's policies are tilted to support renewable energy sources power generation industry, the management of the Group is optimistic in the future development of the Joint Venture.

Having considered (i) the Group's commitment and experience in investments in the wind energy power generation sector; (ii) the shortage of and growing demand for power in the PRC; and (iii) the competitive advantage of generating power by wind energy as compared to traditional means, we consider that the Transaction is in line with the business strategy of the Group to invest in power generation industry from renewable energy sources to fulfill the Group's corporate responsibility. This is also in line with the Group's plan to strengthen its investment in the power generation industry to achieve diversification and broaden its earning base.

2. Principal terms of the Joint Venture Agreement

(a) Shareholding structure of the Joint Venture

Under the Joint Venture Agreement, the Joint Venture will be registered as a Sino-foreign equity joint venture company, the equity capital of which will be owned as to 45% by Longyuan Electric, 40% by Crownplus and 15% by Wan Yuan Industry.

(b) Capital contribution of the Joint Venture

The total investment of the Joint Venture will be RMB284.2 million (equivalent to approximately HK\$273.3 million), of which RMB93.8 million (equivalent to approximately HK\$90.2 million) will be contributed as the registered capital of the Joint Venture and the remaining balance of RMB190.4 million (equivalent to approximately HK\$183.1 million) will be provided to the Joint Venture by means of bank borrowings to be secured by assets of the Joint Venture. The financial commitments of shareholders of the Joint Venture (the "JV Shareholder") are only limited to their respective contributions to the registered capital of the Joint Venture. The registered capital of the Joint Venture will be contributed by the JV Shareholder in proportion to their respective shareholding in the Joint Venture. Crownplus therefore is required to pay 40% of the registered capital of the Joint Venture of approximately RMB37.5 million (equivalent to approximately HK\$36.1 million). The contribution to the registered capital of the Joint Venture will be settled in three installments, details of which are set out in the letter from the Board.

(c) *Management and operations of the Joint Venture*

The Joint Venture has a construction period of one year and an operating period of 20 years. The operating period can be extended subject to approval by the relevant government authorities. Under the Joint Venture Agreement, the Joint Venture will principally engaged in wind power generation; wind field survey and design and construction works; full-set installation, testing, and maintenance and repairs of wind-driven generators; sale of electricity; and related technical consultancy and training. The production capacity of the Joint Venture's wind energy power plant is 30 megawatt.

Major obligations of the JV shareholders include, among other things:

- (i) obtain any approval of the Joint Venture;
- (ii) apply for approval, registration and obtain business licence from relevant authorities etc.;
- (iii) confirm matters in relation to equipment, design, making purchase order and delivery of products etc.; and
- (iv) report and obtain approval from relevant authorities regarding the electricity prices.

The board of the directors of the Joint Venture (the "JV Board") consists of seven directors, of which three will be nominated by Longyuan Electric, three will be nominated by Crownplus and the remaining one will be nominated by Wan Yuana Industry. A general manager will be nominated by the chairman, subject to approval by the JV Board. Other senior officers including the chief accountant, chief engineers, chief economist and financial controller will be nominated by the general manager and approved by the JV Board.

Share of profit or loss will be pro rata to the respective shareholding of each of the JV Shareholder. Subject to the availability of cash of the Joint Venture and the relevant legal requirements for distribution of profit after tax to the legal reserves and welfare funds, dividend will be distributed to the JV Shareholders, the amount of which will be determined by the JV Board.

(d) *Conditions to the Joint Venture Agreement*

Completion of the Joint Venture Agreement is subject to the fulfillment of the following conditions:

- (i) relevant approval from the PRC government authorities (including the State Administration of Industry and Commerce) of the establishment of the Joint Venture; and

- (ii) Independent Shareholders' approval of the transaction contemplated under the Joint Venture Agreement.

3. Other required approvals

Other required approvals for implementation of the wind energy power plant under the Joint Venture Agreement have been disclosed in details in the letter from the board.

4. Financial effects

(a) *Net assets value*

The Group will hold equity interest in the Joint Venture of 40%. The Joint Venture will be accounted for as an associate of the Group. Upon completion of the Transaction, there will not be any significant impact on the net assets value of the Group.

(b) *Earnings*

Based on our understanding from the management of the Group, the Joint Venture is expected to commence operation only after a one-year construction period and therefore it will not have any immediate earnings contribution to the Group upon entering into the Joint Venture Agreement. The management of the Group believes that the Joint Venture, after the beginning of its commercial operation, will contribute to the Group's revenue sources and broaden its earning base. As the investment in the Joint Venture will be financed partly by bank borrowing, interest expenses will be incurred, the exact amount of which cannot be quantified now as it is subject to the interest rate at the date the borrowing is drawn down. Given the Joint Venture will be accounted for as an associate of the Group, 40% of its profits or losses will be shared by the Group in its consolidated financial statements.

(c) *Gearing*

It is the present intention of the board of the Directors that the Group will finance its investment in the Joint Venture by both the internal resources and bank borrowings. As discussed in the paragraph headed "Cashflow" below, the Group had outstanding capital commitments of approximately HK\$113 million as at 30 June 2005 in relation to financings of two wind energy power plant joint ventures. Taking into account these commitments and assuming they will be funded by bank borrowings, the gearing ratio (defined as gross bank borrowings to Shareholders' equity) of the Group would be 118%. Suppose the required investment in the Joint Venture of RMB37.5 million (equivalent to approximately HK\$36.1 million) of the Group will also be funded by bank borrowings, the gearing ratio will be further increased by approximately 20% from approximately 118% to approximately 138%. We consider this increase in the level of leverage of the Group is moderate and will not have a significant impact on the Group's financial position.

(d) *Cashflow*

Based on the unaudited consolidated balance sheet of the Group as at 30 June 2005, the Group had cash reserves of approximately HK\$26.3 million. Given the contribution of the Group to the Joint Venture of RMB37.5 million (equivalent to approximately HK\$36.1 million) exceeds the cash balance of the Group, the Group intends to finance the investment in the Joint Venture with both the internal resources and bank borrowing. Furthermore, it should be noted that (i) the Group had cash outflows from operating activities of approximately HK\$22.5 million and HK\$4.6 million for the year ended 31 December 2004 and for the six months ended 30 June 2005; and (ii) outstanding capital commitments of approximately HK\$113 million as at 30 June 2005 in respect of the establishment of the two Sino-foreign joint ventures engaging in wind energy power generation in the PRC and they may reduce the cash balances and liquidity of the Group. We are advised by the management of the Group that they are confident in obtaining sufficient financial resources to satisfy the contribution required in the Joint Venture given its successful experiences in obtaining bank financings in two previous wind energy power generation ventures in the PRC.

Having considered (i) the amount of cash reserves of approximately HK\$26.3 million; (ii) the cash outflows from operating activities of the Group in the last one and a half year; (iii) the outstanding capital commitment; and (iv) the availability of banking facilities, we consider the Group possesses adequate financial resources to satisfy the payment of the contribution to the Joint Venture and is able to maintain the Group's positive cash position.

OPINION

Based on the above principal factors and reasons, we are of the opinion that the terms of the Joint Venture Agreement are on normal commercial terms and fair and reasonable. We are of further opinion that the Transaction is in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders vote in favour of the resolution to be proposed at the Extraordinary General Meeting to approve the Joint Venture Agreement and the transactions contemplated thereby.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Mei H. Leung
Deputy Chairman

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 SECURITIES

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the directors, the persons/entities (other than 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

Name	Capacity	Number of shares <i>(Note 1)</i>	Percentage of shareholding
CASC	Interest of a controlled corporation <i>(Note 2)</i>	449,244,000 (L)	44.17%
CALT	Interest of a controlled corporation <i>(Note 3)</i>	449,244,000 (L)	44.17%
Astrotech	Interest of a controlled corporation <i>(Note 3)</i>	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 the Latest Practicable Date, so far as was known to the directors or the chief executive of the Company, there is no other person/entity (other than a director or the chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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 or in any option in respect of such capital.

4. DIRECTORS’ SERVICE CONTRACTS

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. MATERIAL ADVERSE CHANGE

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

6. EXPERT

- (a) The Independent Financial Adviser is a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as set out in the SFO.
- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.

- (c) The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they are included in this circular.

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

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

- (a) the chairman of the meeting; or
- (b) at least five members present in person or by proxy and entitled to vote; or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which they have been paid up sums in aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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

8. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

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

9. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

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

As at the Latest Practicable Date, none of the directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company was made up, acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the principal place of business of the Company within 14 days from the date of this circular:

- (a) the Joint Venture Agreement dated 30 March 2006;
- (b) the letter from the Independent Financial Adviser as set out in this circular; and
- (c) the written consent from the Independent Financial Adviser referred to in the section headed "Expert" in this appendix.

11. 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.

12. GENERAL

- (a) The company secretary of the Company is Mr. Cheng Chai Fu, who is an associate member of Hong Kong Institute of Company Secretaries.
- (b) 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).
- (c) The share registrar of the Company is Standard Registrars Limited, Share Registration Public Office, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1185)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of CASIL Telecommunications Holdings Limited (the “**Company**”) will be held at Hall 1B, G/F., No.1 Science Park East Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Tuesday 9 May 2006 at 11:00a.m. for the purposes of considering and, if thought fit, passing the ordinary resolution set out as follows:—

ORDINARY RESOLUTION

“THAT:

- (a) the subscription of 40% of the registered capital of 航天龍源(本溪)風力發電有限公司 (Aerospace Long Yuan (Benxi) Wind Power Co., Ltd.) at RMB37,520,000 by Crownplus International Limited (“Crownplus”), a wholly-owned subsidiary of the Company, pursuant to the joint venture agreement (“Joint Venture Agreement”) entered into by 龍源電力集團公司 (Longyuan Electric Group Corporation), 北京萬源工業公司 (Beijing Wan Yuan Industry Corporation) and Crownplus on 30 March 2006, as more particularly set out in the circular of the Company dated 21 April 2006, be and is hereby approved; and
- (b) the board of directors of the Company be and are hereby authorized to do all such things and acts and execute such documents which they consider necessary or expedient for the implementation of and give effect to the Joint Venture Agreement.

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

Hong Kong, 21 April 2006

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the Company's principal place of business in Hong Kong at Suite 4701, 47th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.