

Transaction with National Astronomical Observatories of the Chinese Academy of Sciences

APT HK, a wholly-owned subsidiary of the Company, entered into an utilization agreement with NAOC pursuant to which APT HK will provide the services of transponders to NOCA for the remaining life of APSTAR I for an aggregate fee of US\$4,000,000 (approximately HK\$31,200,000) and an annual management fee of US\$300,000 (approximately HK\$2,340,000).

The announcement is made pursuant to the Company's general disclosure obligation under rule 13.09 of the Listing Rules.

The board of directors of the Company announced that APT HK, a wholly-owned subsidiary of the Company, entered into an utilization agreement with NAOC.

Utilization Agreement dated 22 October 2004

Parties	: Operator: APT HK Customer: NAOC, an independent third party not being a connected person of the Company (as defined under rule 14A.11 of the Listing Rules)
Subject matter and tenure	: • utilize of up to 24 C-band transponders of APSTAR I for the remaining life (provided that at least 16 transponders for the first 2 years of the utilization and at least 12 transponders for the third year of the utilization functioning properly) • provide satellite management services via the Company's Telemetry Tracking & Control station located at Tai Po, Hong Kong
Commencement of the utilization	: Upon payment of the deposit by NAOC and APSTAR I reaches the orbit as designated by NAOC
Fees	: Fee for utilizing of the transponders: an aggregate fee of US\$4,000,000 (approximately HK\$31,200,000) Annual management fee: US\$300,000 (approximately HK\$2,340,000)
Payment Terms	: Fee for utilizing of the transponders • Deposit of US\$400,000 payable within 5 business days from the date of the agreement (non-refundable in case of breach of contract by NAOC) • Final payment of US\$3,600,000, payable on or before 31 December 2005 (refundable pro rata to the date of non-usage in case the life of the satellite is less than 3 years, unless voluntarily terminated by NAOC) Annual management fee • First year utilization - US\$300,000, payable on or before 31 December 2005 • Second year onward - US\$300,000, pro rated according to actual day of utilization, payable on or before 31 May for the relevant calendar year
Ownership of APSTAR I	: APT HK APT HK will take out the relevant third party liabilities insurance at the request and expense of NAOC
Termination	: • APSTAR I fails to be maintained within the designated orbit • major breach or default by either parties

Basis of consideration

The utilization fee for the remaining life of APSTAR I is determined after arm's length negotiation between the parties (taking into account the estimated life of 3 years of at least 16 transponders). The annual management fee is determined with reference to other management fee charged by APT HK against third parties customers.

Reasons and benefit of the transaction

The satellite services offered by APSTAR I has been replaced by APSTAR V since its launch on 29 June 2004. The audited book value of APSTAR I was HK\$43,932,000 as at 31 December 2003 and the unaudited book value was HK\$nil as at 30 June 2004. The value of APSTAR I has been depreciated pursuant to straight-line depreciation method throughout the estimated operational life. Nevertheless, there are at least 24 C-band transponders which APT HK can still provide limited services until the end of APSTAR I's life. To maximise the return to the Company, APT HK, the owner of APSTAR I, entered into the utilization agreement with NAOC. Given the above circumstances, it is expected that a substantial portion of the utilization fee and the management fee will contribute to the profits of the Company.

The directors of the Company are of the view that the transaction has been conducted in the ordinary and usual course of business of APT HK, on normal commercial terms and the terms of the transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

General

Principal business activities carried out by the Company:

The Company and its subsidiaries are engaged in the provision of satellite transponder services for the international and Asia-Pacific broadcasting and telecommunications sectors.

Principal business activities of NAOC:

NAOC conducts astronomical observations, theoretical astronomical work and fundamental astronomy-orientated high-technology research.

Definitions

Terms used in this announcement has the following meanings:

"APT HK"	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"APSTAR I"	A satellite based on a Boeing BSS-376 model satellite with 24 C-band transponders, which will be operated in inclined orbit mode
"Company"	APT Satellite Holdings Limited
"HK\$"	Hong Kong dollars
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NAOC"	National Astronomical Observatories of the Chinese Academy of Sciences (中國科學院國家天文台)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US\$"	United States dollars

By Order of the Board
Dr. Brian Lo
Company Secretary

Hong Kong, 27th October, 2004

The Directors as at the date of this announcement are as follows:

Executive Directors: Chen Zhaobin and Tong Xudong

Non-Executive Directors: Liu Ji Yuan (Chairman), Zhang Hainan (Deputy Chairman), Lim Toon, Wu Zhen Mu, Tay Chek Khoon, Yin Yen-liang, Tseng Ta-mon (Alternate Director to Yin Yen-liang) and Lim Wee Seng (Alternate Director to Lim Toon and Tay Chek Khoon)

Independent Non-Executive Directors: Yuen Pak Yiu, Philip, Huan Guocang and Lui King Man