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APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1045)

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 10 November 2009 and the circular dated 27 November 2009 in relation to the Existing Transponder Service Master Agreement entered into between CSCC and the Company. As the Existing Transponder Service Master Agreement will expire in December 2011 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 3 November 2011, the Company entered into the Agreement with CSCC in respect of, amongst other things, the provision of transponder service, value-added service for satellite telecommunication and other related professional service between the Group and CSCC and/or its associates on terms and conditions stipulated in the Agreement.

CASC and its associates are interested in aggregate approximately 57.14% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 10.42% of the issued share capital of the Company as at the date of this announcement. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Caps are more than 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The SGM will be convened for the Independent Shareholders to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps by poll.

A circular containing, inter alia, (a) further information on the Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM will be dispatched to the Shareholders on or before 24 November 2011 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement dated 10 November 2009 and the circular dated 27 November 2009 in relation to the Existing Transponder Service Master Agreement entered into between CSCC and the Company. As the Existing Transponder Service Master Agreement will expire in December 2011 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 3 November 2011, the Company entered into the Agreement with CSCC. Pursuant to the Agreement, in addition to certain services currently covered under the Existing Transponder Service Master Agreement, the scope of cooperation between the Company and CSCC will be extended to include the provision to each other value-added services for satellite communication and other related professional service in regions or markets outside Mainland China and the cooperation between the parties will be extended for three years until 31 December 2014.

THE AGREEMENT

Date: 3 November 2011

Parties: The Company
CSCC

Duration: From 1 January 2012 to 31 December 2014, subject to renewal by negotiation between the parties

Service provided:

Subject to the terms and conditions of the Agreement, the Company and CSCC have agreed to provide to each other the services as follows:

1. In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall provide its satellite transponder capacity on a preferential basis to CSCC for provision of service to the end-user customers (the “**Transponder Service in Mainland China**”). In this regard, the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC for the provision of Transponder Service in Mainland China to CSCC.
2. In regions or markets outside Mainland China, when either the Company’s or CSCC’s own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall exploit on a preferential basis (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the “**Transponder Service outside Mainland China**”), (ii) the value-added services for satellite telecommunication provided

by the available telecommunication facilities of the other party for provision of service to the end-user customers (“**Telecommunication Value-added Service**”) and (iii) other related professional services (“**Related Service**”) provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related service shall undertake the obligation to provide the necessary technical support in respect of such service to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service to CSCC. Likewise, the Company shall pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service from CSCC.

3. **Transaction amounts, pricing basis and settlement:**

Pursuant to the Agreement, in respect of the Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service, the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) shall enter into Specific Contracts which set out the specific terms including the satellite specifications and other technical requirements, or specific service standards for satisfying the end-user customers’ requirements.

Service fees payable for the use of Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Valued-added Service and Related Service shall be determined based on market-oriented, fair and reasonable principles and by mutual agreement between the two parties in accordance with the Company’s prevailing pricing policy and procurement policy, and shall be settled in cash.

Under normal circumstances, the parties shall also agree the payment terms based on the principle of fairness and reasonableness and on normal commercial terms in the Specific Contracts. Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Transponder Service in Mainland China rendered under the Agreement for each of the three financial years ending 31 December 2014 will be HK\$250,000,000, HK\$313,000,000 and HK\$370,000,000 respectively; (ii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service rendered by the Company to CSCC under the Agreement for each of the three financial years ending 31 December 2014 will be HK\$18,000,000, HK\$22,000,000 and HK\$25,000,000 respectively; (iii) the aggregate transaction amounts in respect

of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service rendered by CSCC to the Company under the Agreement for each of the three financial years ending 31 December 2014 will be HK\$50,000,000, HK\$250,000,000 and HK\$360,000,000 respectively.

Condition and other principal terms:

The Agreement is conditional upon the approval by the Independent Shareholders at the SGM. It will take effect as from 1 January 2012 and will expire on 31 December 2014, subject to negotiation for renewal by both parties.

Pursuant to the terms of the Agreement, the Company can authorize its subsidiaries, and CSCC can authorize its associates (excluding the Company and its subsidiaries), to perform the Agreement, undertake the corresponding obligations and enjoy the corresponding rights, and Specific Contracts may be entered into between such companies.

Both parties have warranted (i) to provide services to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC); and (ii) to pay on time to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC) the transponder service fees, satellite communication value-added service fees, related service fees and tax levy in accordance with the terms of the Agreement.

Both parties have also undertaken to provide service assurance to the end-user customers in respect of the technical aspects of the relevant satellite transponder service, Telecommunication Value-added Service and Related Service, and to be responsible for any compensation (including, but not limited to, compensation for interruption, default or other duty) arising from such party's obligation to provide technical support in respect of satellite transponder service and value-added service for satellite communication and related service to the end-user customers or any other responsibility or expenses caused to the other party by such party's failure to perform its obligations. The specific provisions in respect of the undertaking will be agreed based on the principle of fairness and reasonableness and on normal commercial terms and will be set out in the Specific Contracts.

PROPOSED CAPS

(I) Caps in respect of the provision of Transponder Service in Mainland China

The Board proposes to set the Caps in respect of the provision of the Transponder Service in Mainland China pursuant to the Agreement for the three financial years ending 31 December 2014 as follows:

	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	250,000	313,000	370,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China; and (iv) the significant increase in satellite transponder capacities of the Group which will be available following the commencement of APSTAR 7, which is expected to replace APSTAR 2R in the first quarter of 2012.

Owing to the fact that gradual increase in the market demand and the significant increase in the available satellite transponder capacities of the Group subsequent to the commencement of APSTAR 7 in the first half year of 2012, the proposed Caps in respect of the provision of Transponder Service in Mainland China for the three financial years ending 31 December 2014 will be significantly increased as compared to the three-year period ending 31 December 2011, to cope with the future business growth and market demand.

Historical amounts:

For the three financial years ended 31 December 2010 and the six months ended 30 June 2011, the actual aggregate transactions amounts in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) were approximately HK\$11,432,000, HK\$57,035,000, HK\$118,404,000 and HK\$60,701,000 (unaudited), respectively.

(II) Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service

The Board proposes to set the Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service pursuant to the Agreement for the three financial years ending 31 December 2014 as follows:

	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	18,000	22,000	25,000
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group			
Caps	50,000	250,000	360,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the estimate on the potential growth in demand for satellite broadcasting services, telecommunication services and related service in markets outside Mainland China; (iii) the existing transponder capacities available and the increase in transponder capacities of the Group in markets outside Mainland China as a result of the commencement of APSTAR 7, which is expected to replace APSTAR 2R in the first quarter in 2012; and (iv) the existing transponder capacities available and the increase in transponder capacities of CSCC as a result of the commencement of CHINASAT 12 (APSTAR 7B) in markets outside Mainland China.

To cope with rapid change in the market demand and the significant increase in the available satellite transponder capacities as a result of the commencement of APSTAR 7 and CHINASAT 12 in 2012, the proposed Caps for the three financial years ending 31 December 2014 in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) and the proposed Caps for the three financial years ending 31 December 2014 in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group will be increased significantly.

Historical amounts:

For the three financial years ended 31 December 2010 and the six months ended 30 June 2011, there had not been any actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service by the Group to CSCC and/or its associates (other than the Company or its subsidiaries).

For the three financial years ended 31 December 2010 and the six months ended 30 June 2011, the actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Service by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group were approximately HK\$0, HK\$402,000, HK\$284,000 and HK\$667,000 (unaudited), respectively.

INFORMATION OF THE GROUP AND CSCC

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunications services and other services.

CSCC is a company which is owned as to 99.75% by CASC. CASC is a state-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTION

The principal businesses of both the Group and CSCC include the provision of satellite transponder services, but they each possess its own satellites fleet having different footprint coverage and transponder specification. Due to operating conditions relating to communication and satellite related business in Mainland China, there are situations where the Group by itself may not be able to satisfy its customers' requirements. As a renowned satellite operator in Mainland China, CSCC is able to facilitate the Group in satisfying its Mainland China customers' requirements so that the Group can not only strengthen its business relationship with its Mainland China customers, but also pursue new business opportunities in Mainland China as a result of expanding the availability of satellite transponders.

On the other hand, the Group may, from time to time when its own satellite transponder capacity or specification is unable to meet the requirements of its end-user customers in markets outside Mainland China, exploit the available satellite transponder of CSCC for provision of service to its customers outside Mainland China. Meanwhile, the Group may also increase its revenue by providing the Transponder Service outside Mainland China to CSCC under the Agreement.

The arrangements under the Agreement are expected to enable the Group to strengthen its business relationship with its end-user customers through CSCC as well as exploring new business opportunities in the Mainland China market. In markets outside Mainland China, the Group may also expand its revenue stream by exploitation of the available satellite transponder capacity of CSCC or provision of its own satellite transponder capacity to CSCC.

Telecommunication Value-added Service and Related Service are essential value-added telecommunication services which can help the Group and CSCC to provide solution-based services to their respective end-user customers in the regions or markets outside Mainland China thereby increasing the competitive edges and synergic effect for both the Group and CSCC in market competition.

The Directors (excluding the independent non-executive Directors whose view will be formed after considering the advice of the independent financial adviser) are of the view that the transactions contemplated under the Agreement will be entered into in the ordinary and usual course of business of the Group and will be on normal commercial terms and the terms thereof and the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

CASC and its associates are interested in aggregate approximately 57.14% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 10.42% of the issued share capital of the Company as at the date of this announcement. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Caps are more than 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The SGM will be convened for the Independent Shareholders to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps by poll.

The independent board committee comprising the independent non-executive Directors has been appointed to advise the Independent Shareholders on whether or not the Non-exempt Continuing Connected Transactions and the Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser, Hercules Capital Limited, has also been appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions and the Caps.

A circular containing, inter alia, (a) further information on the Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM will be dispatched to the Shareholders on or before 24 November 2011 in accordance with the Listing Rules.

In view of CSCC's interests in the transactions contemplated under the Agreement, APT International, CASC, CSCC and their respective associates will be required to abstain from voting at the SGM in respect of the resolution(s) to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

As (i) Mr. Cheng Guangren, an Executive Director and the President of the Company, is also concurrently a Non-Executive Director of CSCC, (ii) Mr. Lei Fanpei, a Non-Executive Director and the Chairman of the Company, is also concurrently a Director and the Chairman of CSCC and (iii) Mr. Zhuo Chao, a Non-Executive Director of the Company, is also concurrently a Director and President of CSCC, they have abstained from voting on the relevant board resolution(s) for approving the Agreement and the transactions contemplated thereunder to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Agreement and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

DEFINITIONS

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

“Agreement”	the transponder and communication services master agreement dated 3 November 2011 entered into between the Company and CSCC in respect of, among other things, the provision of transponder service, value-added service for satellite telecommunication and other related professional service between the Group and CSCC and/or its associates
“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board” or “Director(s)”	the board of directors of the Company
“Caps”	the proposed annual caps for the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2014 as set out under the sections headed “PROPOSED CAPS” in this announcement
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC
“Company”	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“CSCC”	中國衛星通信集團有限公司 (China Satellite Communications Company Limited) (formerly known as 中國衛星通信集團公司 (China Satellite Communications Corporation))

“Existing Transponder Service Master Agreement”	the transponder service master agreement entered into between the Company and CSCC dated 10 November 2009 in respect of the provision of transponder services between the Group and CSCC and/or its associates for the three years ending 31 December 2011
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	transactions in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service and the Related Service contemplated under the Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“SGM”	the special general meeting of the Company to be held to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps
“Shareholder(s)”	shareholder(s) of the Company
“Specific Contract(s)”	the specific contract(s), order(s) or confirmatory document(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service, and the Related Service;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	the meaning ascribed to it in the Listing Rules

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

“%”

per cent.

By Order of the Board
APT Satellite Holdings Limited
Dr. Brian LO
Company Secretary

Hong Kong, 3 November 2011

List of all directors of the Company as of the time issuing this announcement:

Executive Directors:

Cheng Guangren (President) and Qi Liang (*Vice President*)

Non-executive Directors:

Lei Fanpei (*Chairman*), Lim Toon, Yin Yen-liang, Wu Zhen Mu, Yong Foo Chong, Zhuo Chao and Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-executive Directors:

Lui King Man, Lam Sek Kong and Cui Liguó