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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**APT SATELLITE HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders of APT Satellite Holdings Limited**

Hercules
Hercules Capital Limited

A letter from the Independent Board Committee is set out on page 13 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 26 of this circular.

A notice convening the SGM to be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 12 December 2011 at 11 a.m. is set out on pages 30 to 31 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

24 November 2011

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DEFINITIONS

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

“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 and communication services, value-added service for satellite telecommunication and other related professional service between the Group and CSCC and/or its associates;
“Announcement”	the announcement of the Company dated 3 November 2011;
“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 Latest Practicable Date;
“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2014 as set out under the sub-section headed “Proposed Caps” in the section headed “Letter from the Board” in this circular;
“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;

DEFINITIONS

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent board committee of the Company comprising Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguu to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
“Independent Financial Adviser”	Hercules Capital Limited, being a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activities as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates;
“Latest Practicable Date”	22 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Non-exempt Continuing Connected Transactions”	the 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 circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held at the Company’s principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 12 December 2011 at 11 a.m. to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps, notice of which is set out on pages 30 to 31 of this circular;

DEFINITIONS

“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“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; and
“%”	per cent.

LETTER FROM THE BOARD



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

Executive Directors:

Mr. Cheng Guangren (*President*)
Mr. Qi Liang (*Vice President*)

Non-executive Directors:

Mr. Lei Fanpei (*Chairman*)
Mr. Lim Toon
Dr. Yin Yen-liang
Mr. Wu Zhen Mu
Mr. Yong Foo Chong
Mr. Zhuo Chao
Mr. Tseng Ta-mon (*Alternative Director to Dr. Yin Yen-liang*)

Independent Non-executive Directors:

Dr. Lui King Man
Dr. Lam Sek Kong
Mr. Cui Ligu

To the Shareholders

Dear Sir or Madam,

Registered Office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head Office and

Principal Place of Business:

22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

24 November 2011

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

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, as announced in the Announcement, 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.

LETTER FROM THE BOARD

The purpose of this circular is (i) to provide you with further information on the Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (ii) to set out the recommendation of the Independent Board Committee; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

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,

LETTER FROM THE BOARD

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.

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 Value-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.

LETTER FROM THE BOARD

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
	HK\$'000	HK\$'000	HK\$'000
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.

LETTER FROM THE BOARD

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
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)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Caps	50,000	250,000	360,000

LETTER FROM THE BOARD

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\$318,000, HK\$79,000 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.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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 (including the independent non-executive Directors) 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.

IMPLICATIONS OF THE LISTING RULES

CASC and its associates (including CSCC) 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 Latest Practicable Date. 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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

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.

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 at the Latest Practicable Date, APT International, CASC, CSCC and their respective associates were interested in, controlled and were entitled to exercise control over 386,100,000 Shares, representing approximately 62.09% of the issued share capital of the Company.

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.

SGM

There is set out on pages 30 to 31 of this circular a notice convening the SGM to be held at the Company's principal place of business at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 12 December 2011 at 11 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

Whether or not you are able to attend the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the Agreement, the Non-exempt Continuing Connected Transactions and the Caps will be taken by poll, the results of which will be announced after the SGM.

The Company will procure the chairman of the SGM to demand for voting on poll and Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on page 13 and pages 14 to 26 of this circular. Additional information is also set out in the Appendix of this circular for your information.

By Order of the Board
APT Satellite Holdings Limited
Lei Fanpei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

24 November 2011

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 24 November 2011 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Non-Exempt Continuing Connected Transactions and the Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Hercules Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 12 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Caps as set out on pages 14 to 26 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

Yours faithfully,

Lui King Man

Lam Sek Kong

Cui Ligu

APT Satellite Holdings Limited

Independent Board Committee

Hercules
Hercules Capital Limited

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

24 November 2011

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Agreement and their respective proposed Caps, details of which are set out in the letter from the Board contained in the circular of the Company dated 24 November 2011 (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 3 November 2011, the Company entered into the Agreement with CSCC in relation to, among other things, the mutual provision of satellite transponder services, satellite telecommunication value-added services and other related professional services between the Group and CSCC and/or its associates (the “CSCC Group”) on a preferential basis.

CSCC is a subsidiary of CASC. As at the Latest Practicable Date, CASC and its associates (including CSCC) were interested in a total of approximately 57.14% equity interests in APT International, which in turn was a substantial Shareholder holding approximately 51.67% of the issued share capital of the Company. Furthermore, CASC, its associates (including a subsidiary of CSCC) were interested in an aggregate of approximately 10.42% of the issued share capital of the Company as at the Latest Practicable Date. As such, CSCC is a connected person of the Company and, accordingly, the entering into of the Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of the Caps for each of the three years ending 31 December 2014 exceed 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to reporting, announcement, annual review and independent shareholders’ approval requirements 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Transactions and the Caps by poll. Given the interest of CSCC in the transactions contemplated under the Agreement, APT International, CASC, CSCC and their respective associates are required to abstain from voting at the SGM in respect of the resolution to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguu, has been established to advise the Independent Shareholders on the fairness and reasonableness of the Non-exempt Continuing Connected Transactions. We, Hercules Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions, in particular as to whether (i) they are conducted in the ordinary and usual course of business of the Group, fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) the Independent Shareholders should vote in favor of the resolution to approve the Agreement, the Non-exempt Continuing Connected Transactions and their respective Caps at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof and will continue as such at the date of the SGM. The Directors have collectively and individually accepted full responsibility for the Circular, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group and having made all reasonable enquiries have confirmed that, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reasons to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion. We have not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of, and parties to, the Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons that we have taken into consideration in assessing the Agreement, the Non-exempt Continuing Connected Transactions and the proposed Caps are set out as follows:

1. Background to and reasons for entering into the Agreement

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation and provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunication services and other services. CSCC, a company owned as to 99.75% by CASC, is a renowned satellite operator in Mainland China providing satellite communication services, including the provision of satellite transponder services. CASC is a state-owned corporation and is a holding group company whose members are principally engaged in the research, design, manufacture and launch of aerospace products. Both the Group and CSCC Group possess their own satellite fleet and they have different footprint coverage and transponder specifications.

Due to the 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 or fulfill market and industry practices in Mainland China. On the other hand, CSCC, being a renowned satellite operator in Mainland China, is able to facilitate the Group in satisfying its customers' requirements and the required operating conditions in Mainland China. Therefore, the Group can provide satellite transponder services to its customers in Mainland China through CSCC Group by selling the Group's satellite transponder capacity in Mainland China to the CSCC Group which will then supply to the Company's end-user customers. The Group and the CSCC Group have been in business relationship for over a decade in light of the mutual commercial benefit. The Board considers that the arrangement for the Non-exempt Continuing Connected Transactions is beneficial to the Group as it empowers the Group to fulfill its customers' needs which, for the above-mentioned reasons, may not be satisfied by the Group on its own in the absence of the CSCC Group. Furthermore, the Group is able to strengthen its business relationship with its customers in Mainland China and explore new business opportunities in Mainland China by expanding the availability of satellite transponders.

In addition to the satellite transponder services provided mutually to the other party in the markets outside Mainland China under the Existing Transponder Service Master Agreement, the Group and the CSCC Group would also like to further extend their cooperation in overseas markets so that either party can, from time to time when their respective satellite transponder capacity and/or specification is unable to meet the requirements of their respective end-user customers in the markets outside Mainland China, exploit, on a preferential basis, (i) the available telecommunication facilities of the other party for the provision of satellite telecommunication value-added services; and (ii) other related professional services provided by the other party to their respective customers in markets outside Mainland China. As each of the Group and the CSCC Group has its own satellite fleet with different footprint coverage and transponder specification, the provision of satellite transponder services by the CSCC Group to the Group shall enable the Group to expand its revenue stream and flexibility by providing satellite transponder services to end-user customers who require footprint coverage or specification other than those available by the Group.

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In addition, the capability of providing satellite telecommunication value-added services and other related professional services to its end-user customers is essential for the Group to provide its solution-based services, which enable the Group to increase its competitive edges and create synergic effect for both the Group and the CSCC Group in the market competition.

Meanwhile, the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group shall also provide an additional revenue source to the Group.

Having considered that (i) the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group is conducted in ordinary and usual course of business of the Group; (ii) CSCC, being a well-known satellite operator and one of the premier operators of the industry in Mainland China, is able to facilitate the Group to satisfy the customers' requirements and enhance the presence of the Group in the satellite industry in Mainland China; (iii) the Group can further enhance its revenue and customer bases in overseas markets by using the available satellite transponder capacity and telecommunication facilities of the CSCC Group and/or providing the available satellite transponder capacity and telecommunication facilities of the Group to the CSCC Group; (iv) the Group has been providing satellite transponder services to the CSCC Group for more than a decade and has maintained a long-term positive business relationship with the CSCC Group; and (v) the Agreement is a master agreement which sets out the principles upon which detailed terms are to be determined between the Group and the CSCC Group and such agreement can serve as a framework to regulate the conduct of business between the Group and the CSCC Group during the term of the Agreement, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to enter into the Agreement and the Non-exempt Continuing Connected Transactions are commercial transactions conducted in the ordinary and usual course of business of the Group.

2. Principal terms of the Agreement

Pursuant to the Agreement, the Company agreed to (i) provide its satellite transponder capacity, on a preferential basis, to the CSCC Group, which will then sell and supply to the Company's end-user customers in the event that the Company, by itself, is unable to meet the requirements of its customers due to its operating conditions in the Mainland China Market; (ii) provide its satellite transponder capacity and telecommunication facilities, on a preferential basis, to the CSCC Group for the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services to the end-user customers of the CSCC Group in the event that the satellite transponder capacity and/or specification of the CSCC Group is unable to meet the requirements of its end-user customers in markets outside Mainland China; and (iii) give preference to exploit the available satellite transponder and telecommunication facilities of the CSCC Group for the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services to the end-user customers of the Company in the event that the Company's own satellite transponder capacity and/or specification is unable to meet the requirements of its end-user customers in markets outside Mainland China, with effect from 1 January 2012 to 31 December 2014, subject to renewal by negotiation between the parties.

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In respect of the provision of satellite transponder services by the Group to the CSCC Group in Mainland China and satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group in the markets outside Mainland China, the Company has undertaken the obligation to provide satellite transponder technical support to the end-user customers in relation to such services and CSCC has undertaken all obligations in respect of customer maintenance other than the aforesaid technical support.

In respect of the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the CSCC Group to the Group in the markets outside Mainland China, CSCC has undertaken the obligation to provide the necessary technical support to the end-user customers in relation to such services and the Company has undertaken all obligations in respect of customer maintenance other than the aforesaid technical support.

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 services, satellite telecommunication value-added services and other related professional services and to be responsible for any compensation including, but not limited to, compensation for interruption, default or other duties arising from such party's obligation to provide technical support in respect of satellite transponder services, satellite telecommunication value-added services and other related professional services 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. 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 relevant fees in accordance with the terms of the Agreement.

Pursuant to the Agreement, the Company can authorize its subsidiaries, and CSCC can authorize its associates (excluding the Company and its subsidiaries), to perform and undertake the corresponding obligations, and enjoy the corresponding rights, under the Agreement and enter into the Specific Contracts.

The Agreement is a framework agreement which sets out the principles upon which detailed terms of the transactions are to be determined between the parties. The Group and CSCC Group shall enter into Specific Contracts which specify the terms for each transaction including, but not limited to, the satellite specifications, other technical requirements, specific service standards for satisfying the end-user customers' requirements and specific provisions in respect of undertaking. The Company and CSCC agreed that the terms of the Specific Contracts shall not contravene the principles of the Agreement, in particular, the service fees for the use of satellite transponder services, satellite telecommunication value-added services and other related professional services shall be determined based on market-oriented, fair and reasonable principles and by mutual agreement between the parties in accordance with the Company's prevailing pricing policy and procurement policy and shall be settled in cash. Moreover, under normal circumstances, the payment terms shall be determined based on the principle of fairness and reasonableness and on normal commercial terms, which may include monthly, quarterly or annually payments or lump-sum payment.

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a. Provision of satellite transponder services by the Group to the CSCC Group in Mainland China

We understand from the management of the Company that the Group has been providing satellite transponder capacity in Mainland China to the CSCC Group for over a decade and the principles set out in the Agreement have been consistently applied for all past relevant transactions between the parties and the price and terms of such contracts were arrived at after arm's length negotiations between the parties by reference to the prevailing market conditions. We have reviewed samples of contracts entered into between the Group and the CSCC Group regarding the provision of satellite transponder services by the Group to the CSCC Group in Mainland China and noted that the terms of such contracts have not contravened the terms of the Existing Transponder Service Master Agreement and the service fees were determined in accordance with the Company's prevailing pricing policy. We have also reviewed samples of contracts entered into between the Group and other independent third parties in relation to the provision of satellite transponder services by the Group in Mainland China and noted that the terms offered to the CSCC Group are similar to those offered to the independent third parties.

b. Provision of satellite transponder service, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group in the markets outside Mainland China

We were advised by the management of the Company that the Group has not provided any satellite transponder services, satellite telecommunication value-added services or other related professional services to the CSCC Group in the markets outside Mainland China in the past. As such, no independent assessments on the historical transactions can be made. However, the management of the Company confirmed that the price and terms in respect of the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group in the markets outside Mainland China would be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to independent third parties.

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- c. *Provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the CSCC Group to the Group in the markets outside Mainland China*

We were advised by the management of the Company that the CSCC Group has been providing satellite transponder services to the Group in the markets outside Mainland China since 2009 and the principles set out in the Agreement have been consistently applied for all past relevant transactions between the parties and the price and terms of such contracts were arrived at after arm's length negotiations between the parties by reference to the prevailing market conditions. We have reviewed samples of contracts entered into between the Group and the CSCC Group regarding the provision of satellite transponder services by the CSCC Group to the Group in markets outside Mainland China and noted that the terms of such contracts have not contravened the terms of the Existing Transponder Service Master Agreement and the service fees were determined in accordance with the Company's prevailing procurement policy. We have also reviewed samples of contracts entered into between the Group and other independent third parties in relation to the provision of satellite transponder services by independent third parties to the Group in the markets outside Mainland China and noted that the terms offered by the CSCC Group are similar to those offered by independent third parties.

As of the Latest Practicable Date, no satellite telecommunication value-added services and other related professional services have been provided by the CSCC Group to the Group. As such, no independent assessments on the historical transactions can be made. However, the management of the Company confirmed that the price and terms in respect of the supply of satellite telecommunication value-added services and other related professional services by the CSCC Group to the Group outside Mainland China markets will be on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available from independent third parties.

Given the factors mentioned above, we consider that the terms of the Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Bases of the annual Caps

The historical transaction amounts and proposed Caps for the Non-exempt Continuing Connected Transactions are set out as follows:

	Historical Transaction Amounts						
	For the year ending 31 December			For the six months ended 30 June	Annual Caps For the year ended 31 December		
	2008	2009	2010	2011	2012	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate transaction amount in respect of provision of satellite transponder services in Mainland China by the Group to the CSCC Group	11,432	57,035	118,404	60,701	250,000	313,000	370,000
Aggregate transaction amount in respect of provision of satellite transponder services, satellite telecommunication value-added services and other related professional services outside Mainland China by the Group to the CSCC Group	-	-	-	-	18,000	22,000	25,000
Aggregate transaction amount in respect of provision of satellite transponder services, satellite telecommunication value-added services and other related professional services outside Mainland China by the CSCC Group to the Group	-	318	79	667	50,000	250,000	360,000

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a. Provision of satellite transponder services by the Group to the CSCC Group in Mainland China

The proposed Caps for the provision of satellite transponder services by the Group to the CSCC Group in Mainland China were determined by the Board, with reference to (i) the historical transaction amount 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.

We noted that the proposed Cap for the year ending 31 December 2012 of HK\$250.0 million is approximately 1.1 times higher than the actual transaction amount of approximately HK\$118.4 million for the year ended 31 December 2010 and were advised by the management of the Company that such increase was mainly due to the replacement of APSTAR 2R by APSTAR 7, which is expected to be taken place in the first quarter of 2012. APSTAR 7 is a high power geostationary communication satellite with 28 C-band transponders and 28 Ku-band transponders. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7 while the Ku-band transponders of APSTAR 7 are built with China beam, Middle East and North Africa ("MENA") beam, African beam and steerable beam, which will significantly increase the satellite resources coverage and capacity of the Group by approximately 50%, in terms of capacity, as compared to that of APSTAR 2R. APSTAR 7 is designed and built with cross-strapped transponder applications for specific interlinking among the regions of China, Africa, MENA and steerable beams. We have reviewed and discussed with the management of the Company in relation to the basis and assumptions made in determining the proposed Cap for the year ending 31 December 2012 and understand from the management of the Company that given the growth in demand for satellite broadcasting services and telecommunication services of the Group's end-users customers in Mainland China and the increased satellite transponder capacity of the Group, it is expected that the demand potential on Ku-band transponders of APSTAR 7 in respect of the provision of satellite transponder services to the CSCC Group in Mainland China will be approximately 505 megahertz ("MHz") for the year ending 31 December 2012.

Furthermore, the Group expected that all satellite transponder agreements would be renewed upon expiry during the three years ending 31 December 2014 and there would be an annualized compound annual growth rate of approximately 7.9% in satellite transponder service fees for the three years ending 31 December 2014.

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According to the “State of the Satellite Industry Report” issued by Satellite Industry Association and Futron Corporation in June 2011, the revenue of global satellite industry posted an average growth rate of 11.2% for the period from 2005 through 2010 and the worldwide revenue from transponder agreements has been increasing from approximately US\$7.3 billion in 2005 to approximately US\$11.1 billion in 2010, representing a compound annual increase of approximately 8.7%. Furthermore, the worldwide revenue from consumer and mobile sections also increased by 10.4% and 4.5% respectively in 2010 as compared to 2009. Global Industry Analysts issued a report, “Satellite Transponders: A Global Strategic Business Report”, in April 2011 and projected that the demand for C-band and Ku-band satellite transponders will exceed 7,150 36-MHz transponder equivalents by 2015 owing to the growing popularity of satellite televisions in the developing countries as well as the introduction of high-definition and other such bandwidth demanding applications in the developed countries. In addition, direct radio, consumer broadband internet services, data services and mobile telephony and government expenditures on positioning systems, military satellite navigation and space exploration are also expected to contribute to the demand for satellite transponders. The “Satellite Communications & Broadcasting Markets Survey, Prospects to 2019” published by Euroconsult in 2010 also anticipated that the global demand on satellite transponders would grow at a compound annual growth rate of approximately 3.7% from 2009 to 2019, mainly driven by the demand of broadcast of television channels and video services sectors. Euroconsult expected that all regions would have growth in demand for regular satellite capacity in the next ten years, but low growth rate was expected in the North American and Northeast Asian markets. Euroconsult anticipated that the compound annual growth rate of demand on satellite transponders in the PRC, South Asia, Southeast Asia, Sub-Saharan Africa and MENA would be approximately 5.7%, 6.2%, 3.9%, 6.2% and 3% over the ten-year period from 2009 to 2019 respectively and the average growth rate in the PRC, South Asia and Sub-Saharan Africa would be approximately 7.2%, 8.5% and 8.0% over the next five years from 2009 to 2014 respectively.

Having considered the above factors, we consider that the increment of the proposed Cap for the year ending 31 December 2012 as compared to the actual transaction amount for the year ended 31 December 2010 and the annualized compound annual growth rate in satellite transponder service fees for the three years ending 31 December 2014 of approximately 7.9% are reasonable.

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- b. *Mutual provision of satellite transponder services, satellite telecommunication value-added services and other related professional services between the Group and the CSCC Group in the markets outside Mainland China*

The proposed Caps for the mutual provision of satellite transponder services, satellite telecommunication value-added services and other related professional services in overseas markets between the Group and the CSCC Group were determined by the Board, with reference to (i) the historical transaction amount 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 services in markets outside Mainland China; (iii) the existing transponder capacities 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 and the increase in transponder capacities of CSCC as a result of the commencement of CHNASAT 12 (APSTAR 7B) in markets outside Mainland China.

We have reviewed and discussed with the management of the Company in relation to the basis and assumptions made in determining the proposed Caps for the mutual provision of satellite transponder services, satellite telecommunication value-added services and other related professional services between the Group and the CSCC Group and the key assumptions made by the Company are set out below:

- (i) Provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group in the markets outside Mainland China

According to the management of the Company, the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the Group to the CSCC Group in overseas markets shall commence in the first quarter of 2012 by utilizing the satellite transponder capacity of APSTAR 7. Based on CSCC's anticipated demand on the relevant services to be provided by the Group, it was expected that CSCC's demand potential on C-band and Ku-band transponders of APSTAR 7 would be approximately 39 MHz and 32 MHz respectively for the year ending 31 December 2012 and the estimated satellite transponder fee payable by the CSCC Group for the three years ending 31 December 2014 would be approximately HK\$18 million, HK\$22 million and HK\$25 million respectively, taking into account the future business development of the CSCC Group. Having considered the abovementioned, we are of the view that the proposed Caps for the three years ending 31 December 2014 in connection with the provision of satellite transponder services, satellite telecommunication value-added service and other related professional services by the Group to the CSCC Group in the markets outside Mainland China are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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- (ii) Provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the CSCC Group to the Group in the markets outside Mainland China

We understand from the management of the Company that APSTAR 7B, the backup satellite for APSTAR 7, will be transferred to CSCC and renamed as CHINASAT 12 once APSTAR 7 is launched and replaces APSTAR 2R successfully. It is expected that CHINASAT 12 will commence its operation by end of 2012. In view of the unique features of cross-strapped transponder applications of CHINASAT 12 for specific interlinking among the regions of China, Africa, MENA and steerable beams, the Company expected that there would be a great demand on cross-strapping services from CHINASAT 12 in the coming years. Having taken into account the expected growth in demand for satellite broadcasting services, telecommunication services and related services to be provided by the Group through CSCC in markets outside Mainland China, the management of the Company expected that the demand potential on C-band and Ku-band transponders from the CSCC Group would be approximately 252 MHz and 648 MHz respectively for the year ending 31 December 2012 and the estimated satellite transponder fee payable to the CSCC Group for the three years ending 31 December 2014 would be approximately HK\$50 million, HK\$250 million and HK\$360 million respectively. In view of the above, we consider that the proposed Caps in relation to the provision of satellite transponder services, satellite telecommunication value-added services and other related professional services by the CSCC Group to the Group in the markets outside Mainland China are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

4. Annual Review of the Non-exempt Continuing Connected Transactions

The Company confirms that it will comply with Rule 14A.37 to Rule 14A.41 of the Listing Rules during the term of the Agreement, in particular:

- (a) the annual Caps for the Non-exempt Continuing Connected Transactions shall not be exceeded;
- (b) each year the independent non-executive Directors will review the Non-exempt Continuing Connected Transactions and confirm in the annual report of the Company whether such transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Company;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (c) each year the auditor of the Company will provide a letter to the Board (with a copy of it provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming whether the Non-exempt Continuing Connected Transactions:
 - (i) have received the approval of the Board;
 - (ii) have been entered into in accordance with the pricing policy of the Group;
 - (iii) have been entered into in accordance with the terms of the Agreement; and
 - (iv) have not exceeded the annual Caps as disclosed;
- (d) the Board will also state in the annual report of the Company whether its auditor has confirmed the matters as referred to in paragraph (c) above; and
- (e) upon any variation or renewal of the Agreement, the Company will comply in full with all applicable reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Given the above, we are of the view that the interests of the Company and the Shareholders under the Non-exempt Continuing Connected Transactions will be properly safeguarded.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business and on normal commercial terms; and (ii) the terms of the Non-exempt Continuing Connected Transactions (and the Caps thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps at the upcoming SGM.

Yours faithfully,

For and on behalf of

Hercules Capital Limited

Louis Koo

Managing Director

Amilia Tsang

Director

1. RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position 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 were 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 he was taken or deemed to have under such provisions of the SFO) or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and
- (ii) none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2010, the date up to which the latest published audited consolidated financial statements of the Group were made.

As at the Latest Practicable Date:

- (i) (aa) Mr. Cheng Guangren, an Executive Director and the President of the Company, was also concurrently a Non-Executive Director of CSCC, (bb) Mr. Lei Fanpei, a Non-Executive Director and the Chairman of the Company, was also concurrently a Director and the Chairman of CSCC and (cc) Mr. Zhuo Chao, a Non-Executive Director of the Company, was also concurrently a Director and President of CSCC;
- (ii) Mr. Lei Fanpei, Chairman and Non-executive Director, was also a Vice President of CASC;
- (iii) Mr. Qi Liang, an Executive Director, was also the Deputy Chief Accountant for CSCC;
- (iv) Mr. Yong Foo Chong, Non-executive Director, was the Head of Satellite for Singapore Telecommunications Limited (“**SingTel**”) overseeing the fixed and mobile satellite business and infrastructure and also the Director of SingaSat Private Limited, which was a wholly owned subsidiary of SingTel and one of the shareholders of APT International as at the Latest Practicable Date. Based on the register of interests in shares and short positions kept by the Company under section 336 of the SFO, as at the Latest Practicable Date, SingTel was deemed to be interested in 5.50% of the issued share capital of the Company by virtue of SingTel’s 100% shareholding in SingaSat Private Limited; and

- (v) Messrs. Cheng Guangren (an Executive Director and the President of the Company), Qi Liang (an Executive Director and the Vice President of the Company), Lei Fanpei (Chairman and a Non-executive Director), Lim Toon (a Non-executive Director), Yin Yen-liang (a Non-executive Director), Wu Zhen Mu (a Non-executive Director), Yong Foo Chong (a Non-executive Director), Zhuo Chao (a Non-executive Director) and Tseng Ta-mon (Alternate Director to Yin Yen-liang) were also directors of APT International.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the following Director was also a director or officer in other business, which competed or might compete, either directly or indirectly, with the Group's business:

Name of Director	Name of the entity which competed or might compete with the Group's business	Principal activities of the entity which competed or might compete with the Group's business
Mr. Yong Foo Chong	SingTel/SingaSat Private Limited	Provision of satellite capacity for telecommunications and video broadcasting services

As at the Latest Practicable Date, save as disclosed herein, to the best knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competed or might compete with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Hercules Capital Limited	a licensed corporation to carry out type 6 (advising on corporate finance) of the regulated activities as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2010, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

The letter of advice given by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders was made on 24 November 2011 for incorporation in this circular.

7. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection at the head office of the Company at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, during normal business hours from the date of this circular up to and including the date of SGM:

- (i) the Existing Transponder Service Master Agreement;
- (ii) the Agreement;
- (iii) letter from the Independent Board Committee dated 24 November 2011; and
- (iv) letter from the Independent Financial Adviser dated 24 November 2011.

NOTICE OF THE SGM



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

NOTICE IS HEREBY GIVEN that a special general meeting of APT Satellite Holdings Limited (the “**Company**”) will be held at its principal place of business at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 12 December 2011, at 11 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the Agreement and the proposed Caps in relation thereto, each as defined and described in the circular of the Company dated 24 November 2011 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Agreement marked “**B**” being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and all transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to do all such further acts and things and sign, seal, execute, perfect and deliver all such documents on behalf of the Company as they may in their absolute discretion consider necessary, desirable or expedient to implement and/or give full effect to the Agreement and the transactions contemplated thereunder and the proposed Caps in relation thereto.”

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

Hong Kong, 24 November 2011

Registered office:
Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head office and principal place of business:
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

NOTICE OF THE SGM

Notes:

1. The ordinary resolution to be considered at the special general meeting of the Company will be determined by poll. On voting by poll, each member shall have one vote for each share held in the Company.
2. A member of the Company who is entitled to attend and vote at the special general meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting of the Company is enclosed herewith and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the special general meeting of the Company or any adjourned meeting thereof (as the case may be) and in default thereof the form of proxy shall not be treated as valid.
5. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the special general meeting of the Company and in such event, the instrument appointing a proxy shall be deemed to be revoked.