
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

14A.58(3)(b)
14.63(2)(b)

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 the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

14A.59(1)
14.58(1)



A1B(1)
R13.51A

MAJOR AND CONNECTED TRANSACTION

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



A letter from the Independent Board Committee is set out on page 16 of this circular.

A letter from Investec containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 37 of this circular.

A notice convening the SGM to be held at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 9 January 2014 at 11:00 a.m. is set out on pages 46 to 47 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete 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.

20 December 2013

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	16
LETTER FROM INVESTEC	17
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	38
APPENDIX II – GENERAL INFORMATION	41
NOTICE OF THE SGM	46

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 22 November 2013;
“APSTAR 9 Satellite”	a DFH-4 series platform having 32 C-band (39.5 x 36 MHz equivalent) transponders and 14 Ku-band (21 x 36 MHz equivalent) transponders high power geostationary communications satellite;
“APT (HK)”	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“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;
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC;
“CGWIC”	China Great Wall Industry Corporation, a company registered under the laws of the PRC and a subsidiary of CASC;
“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;
“Contractor”	China Great Wall Industry (Hong Kong) Corp. Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CGWIC;
“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)), a subsidiary of CASC;
“Deliverable Items”	the APSTAR 9 Satellite and other deliverable items, including but not limited to, the dynamic satellite simulator, satellite control centre and base band subsystem to be delivered by the Contractor under the Satellite Contract;

DEFINITIONS

“Effective Date”	the date when the approval of the Independent Shareholders of the Satellite Contract and the transactions contemplated thereunder is obtained at the SGM;
“Ground Delivery”	the delivery of APSTAR 9 Satellite on the launch site after pre shipment review for the purpose of Launch;
“Group”	the Company and its subsidiaries;
“Hong Kong”	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, Mr. Cui Liguu and Dr. Meng Xingguo to advise the Independent Shareholders in respect of the Satellite Contract;
“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, a corporation licensed to conduct under the SFO for carrying type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Satellite Contract and the transactions contemplated thereunder;
“Independent Shareholders”	Shareholders other than APT International, CASC and their respective associates;
“In-Orbit Delivery”	the handover or transfer by the Contractor to APT (HK) of (i) the title and ownership of the APSTAR 9 Satellite and (ii) the right of control and possession of the APSTAR 9 Satellite which shall take place at the same time of final acceptance of the APSTAR 9 Satellite on the Transfer Date;
“ITU”	International Telecommunication Union;
“Latest Practicable Date”	18 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Launch”	the point in time during the launch countdown when the engine start command is sent to the Launch Vehicle for the purpose of Launch followed by either (i) physical separation of the Launch Vehicle from the launch pad and the ground support equipment; or (ii) total loss or destruction of the spacecraft and/or the Launch Vehicle;

DEFINITIONS

“Launch Vehicle”	a Long March 3B enhanced version (LM-3BE) launch vehicle by which the APSTAR 9 Satellite is to be launched into space;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“Optional Services or Items”	certain optional services or items to be provided at the launch site during launch campaign or in relation to the ground support system or training and logistics as set out in the Satellite Contract;
“PRC”	the People’s Republic of China;
“Satellite Contract”	a contract for the procurement and launch of the APSTAR 9 Satellite dated 22 November 2013 and entered into between APT (HK) and the Contractor in respect of the manufacturing, delivery and launching of the APSTAR 9 Satellite;
“Service Life”	the period of 15 years or 5,475 days from the date of final acceptance of the APSTAR 9 Satellite;
“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 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 9 January 2014 at 11:00 a.m. to approve the Satellite Contract and the transactions contemplated thereunder, notice of which is set out on pages 46 to 47 of this circular;
“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Transfer Date”	the date on which the In-Orbit Delivery of the APSTAR 9 Satellite takes place;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

For the purpose of this circular, an exchange rate of US\$1 to HK\$7.8 has been adopted as the exchange rate of US dollars into HK dollars. Such exchange rate does not constitute a representation that any amounts have been, could have been, or may be exchange at such or any other rates.

LETTER FROM THE BOARD



APT SATELLITE HOLDINGS LIMITED

(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. Yong Foo Chong

Mr. Zhuo Chao

Mr. Fu Zhiheng

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 Liguo

Dr. Meng Xingguo

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and

Principal Place of Business:

22 Dai Kwai Street

Tai Po Industrial Estate

Tai Po

New Territories

Hong Kong

2.14

20 December 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

BACKGROUND

Reference is made to the Announcement in relation to the Satellite Contract entered into between APT (HK) and the Contractor.

The purpose of this circular is (i) to provide you with details of the Satellite Contract; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Satellite Contract; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Satellite Contract; and (iv) to give the Shareholders the notice of the SGM and other information as required by the Listing Rules.

LETTER FROM THE BOARD

THE SATELLITE CONTRACT

On 22 November 2013, APT (HK), a wholly-owned subsidiary of the Company, entered into the Satellite Contract with the Contractor in respect of, inter alia, the manufacturing, delivery and launching of the APSTAR 9 Satellite, a DFH-4 series platform having 32 C-band (39.5 x 36MHz equivalent) transponders and 14 Ku-band (21 x 36 MHz equivalent) transponders high power geostationary communications satellite. The major terms and conditions of the Satellite Contract are as follows:

Date: 22 November 2013

Parties: (1) APT (HK)

(2) the Contractor

14A.59(2)(a)
14.58(3)
14A.59(2)(d)
14A.59(2)(b)
14.60(2)

Subject matter:

The Contractor will (a) manufacture, deliver, and launch the APSTAR 9 Satellite to APT (HK) in accordance with the delivery schedule as set out in the Satellite Contract, including, inter alia, (i) the design, manufacture and testing of the APSTAR 9 Satellite; (ii) the launch of the APSTAR 9 Satellite using the Launch Vehicle at the launch site; (iii) launch and early orbit phase operations and positioning of the APSTAR 9 Satellite and in-orbit tests; and (iv) the delivery, installation and commissioning of the APSTAR 9 Satellite and other Deliverable Items necessary for the proper operations of the APSTAR 9 Satellite, including but not limited to dynamic satellite simulator, base band subsystem and satellite control centre software; (b) online support for in-orbit operations throughout the Service Life of the APSTAR 9 Satellite; (c) on site support; and (d) the procurement of launch and on-orbit insurance for the APSTAR 9 Satellite which commences at the point in time during the launch countdown when the engine start command is sent to the Launch Vehicle for the purpose of Launch until the end of the first year period after the Launch.

The Contractor undertakes to perform the technical interface between the APSTAR 9 Satellite and the designated launch vehicle ensuring full compatibility between the APSTAR 9 Satellite and the designated launch vehicle according to its interface manual.

The Contractor will provide drifting service of an in-orbit satellite (the “**Other Satellite**”) to be operated by APT (HK) at the designated orbital position for the purposes of operation and bring into use ITU filings of the designated orbital position.

APT (HK) may also order the Optional Services or Items from the Contractor.

LETTER FROM THE BOARD

Contract price:

14.A59(2)(c)
 14.58(4)

The total contract price under the Satellite Contract comprises:

- (a) the contract baseline price (the “**Contract Baseline Price**”) for the in-orbit delivery of the APSTAR 9 Satellite and the performance of the services by the Contractor under the Satellite Contract: US\$211,200,000;
- (b) the drifting fee of the Other Satellite: US\$3,020,000 and the use by the Contractor or the Contractor’s designated party non-contiguous 36 MHz Extended C-band transponder capacity for a total of 24 months (which is equivalent to US\$1,500,000); and
- (c) in the event that the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015, APT (HK) will pay to the Contractor for the specific incentive payment of US\$1,500,000 within 30 days after the In- Orbit Delivery.

APT (HK) shall pay 20% of the Contract Baseline Price during the satellite construction period by instalments upon completion of each applicable milestone according to the following payment plan. The remaining 80% of the Contract Baseline Price shall be paid after the occurrence of the In-Orbit Delivery.

Construction period payment plan:

No.	Milestone description	Payment due date	Payment Percentage	Payment Amount (US\$)
I	First payment	Within 15 days of the Effective Date	5%	\$10,560,000
2	Satellite Critical Design Review	28 February 2014	5%	\$10,560,000
3	Beginning of Satellite Platform Assembly Integration & Testing	30 September 2014	4%	\$8,448,000
4	Mating of Bus and Payload	1 February 2015	3%	\$6,336,000
5	Satellite pre-shipment review	30 August 2015	2%	\$4,224,000
6	Launch	15 October 2015	1%	\$2,112,000
Total			20%	\$42,240,000

APT (HK) shall pay the drifting fee of US\$2,320,000 within 15 days from the Effective Date and US\$700,000 within 15 days from the fulfillment of the precondition that the Other Satellite can be maintained in the designated position for 3 months. The 36 MHz Extended C-band transponder capacity shall be assigned by APT (HK) to the Contractor or the Contractor’s designated party within 15 days from the Effective Date.

LETTER FROM THE BOARD

In the event that APT (HK) orders any Optional Services or Items under the Satellite Contract, APT (HK) shall pay to the Contractor for the Optional Services or Items in accordance with the price list in the Satellite Contract within 15 days after the delivery of such Optional Services or Items. Any order of the Optional Services or Items will be aggregated to the total contract price under Rule 14.22 and 14A.25 of the Listing Rules. APT(HK) will comply with the Listing Rules requirements where necessary.

APT (HK) may make early payment, at its sole discretion, for part or all of the Contract Baseline Price. Such early payment shall be derived by discounting at the then prevailing market interest rate to be mutually agreed by the parties.

The Contractor shall put at risk a total sum of US\$11,500,000 out of the Contract Baseline Price as certain performance incentive of the APSTAR 9 Satellite. In the event that the Contractor fails to earn any part of such incentive as determined by reference to the criteria and formulae set out in the Satellite Contract, the amount of the delivery performance incentive not so earned will be deducted from the Contract Baseline Price and the amount of the orbital performance incentive not so earned will be refunded to APT (HK) on a half-yearly basis.

Major conditions:

The Satellite Contract is subject to the Independent Shareholders having approved the Satellite Contract and the transactions contemplated thereunder at a special general meeting of the Company. If the approval of the Independent Shareholders is not obtained within 50 days after the signing date of the Satellite Contract, the Satellite Contract shall be deemed terminated, unless otherwise agreed by the parties.

The Contractor shall apply for and seek the approval or ratification of the Satellite Contract by the relevant PRC governmental authority as soon as possible and within 1 year from the date on which the Satellite Contract is entered into between the parties (or such extension as mutually agreed by the parties). If the Contractor shall fail to obtain such approval or ratification of the Satellite Contract within the said period of time, the Contractor shall, within 2 months after such failure, refund to APT (HK) all amounts of the Contract Baseline Price received by the Contractor and thereafter the Satellite Contract shall be deemed to be terminated by the parties and without prejudice to other rights and claims accrued to the parties including but not limited to interests prior to the termination of the Satellite Contract.

Delivery:

According to the delivery schedule, the Contractor shall deliver the satellite control centre and the base band subsystem on or before 15 August 2015 and the dynamic satellite simulator on or before 30 August 2015. The Contractor shall procure the Ground Delivery and the Launch of the APSTAR 9 Satellite on or before 10 September 2015 and 15 October 2015 respectively and the In-Orbit Delivery of the APSTAR 9 Satellite on or before 30 November 2015.

LETTER FROM THE BOARD

If the APSTAR 9 Satellite is not delivered for Ground Delivery upon the delivery date in accordance with the delivery schedule or such other date as may be adjusted under the Satellite Contract, the Contractor agrees to pay to APT (HK) as liquidated damages in the range from US\$50,000 to US\$90,000 for each day of delay progressively within the first 90 days, and US\$120,000 for each day of delay commencing from the 91st day of delay.

If the In-Orbit Delivery of the APSTAR 9 Satellite is delayed in excess of the total cumulative days delayed for the Ground Delivery, the Contractor agrees to pay to APT (HK) US\$135,000 as liquidated damages for each excess day of delay.

The maximum liquidated damages for late delivery of the APSTAR 9 Satellite payable by the Contractor to APT (HK) is US\$8,000,000.

The liquidated damages provided above shall be in lieu of all other rights by law, in equity or contract and shall be the sole remedy to which APT (HK) shall be entitled for late delivery of the APSTAR 9 Satellite due to the reason of the Contractor, other than the right to terminate by the Contractor under the Satellite Contract.

Title and risk:

Title and ownership of all Deliverable Items including the APSTAR 9 Satellite together with their respective control and possession shall be transferred from the Contractor to APT (HK) upon the In-Orbit Delivery of the APSTAR 9 Satellite which shall take place at the same time of final acceptance of the APSTAR 9 Satellite on the Transfer Date.

All risks of loss, defect, malfunctioning, failure or damage to all the Deliverable Items including the APSTAR 9 Satellite shall pass from the Contractor to APT (HK) upon the transfer of the title and ownership of the APSTAR 9 Satellite.

Termination:

Termination for convenience

APT (HK) may, before the Launch, by written notice to the Contractor, terminate the Satellite Contract in whole or in part, for its convenience. Upon receipt of a notice of such partial or complete termination before Launch by APT (HK), the Contractor shall take such action as may be necessary, or as APT (HK) may direct, for the protection and preservation of the APSTAR 9 Satellite or other Deliverable Items or any part thereof which is in possession of the Contractor or any subcontractor and in which APT (HK) has or may acquire an interest. In such event, APT (HK) shall pay the termination charges applicable to any portion of the work under the Satellite Contract, being the total direct costs incurred by the Contractor in the performance of the work prior to the termination of the Satellite Contract, including the reasonable costs properly incurred with respect to termination and settlement with vendors and subcontractors as a result of such termination, plus a 6% charges on such costs. The obligations of APT (HK) to pay the above termination charges shall replace APT (HK)'s obligations to pay the Contract Baseline Price (or in case of termination in part, the Contract Baseline Price for the terminated portion of the Satellite Contract) and any payment of the Contract Baseline Price previously paid by APT (HK) shall be treated as payment of the termination charges and the Contractor shall refund any surplus to APT (HK) within 30 days after termination.

LETTER FROM THE BOARD

APT (HK) shall not have any right to terminate for convenience of the Satellite Contract in whole or in part after Launch.

Termination for default

APT (HK) may terminate the Satellite Contract in whole or in part by written notice of default if:

- (a) the Contractor fails to deliver the APSTAR 9 Satellite into the designated orbital position on or before 180 days after 30 November 2015 or such other date as may be adjusted under the Satellite Contract;
- (b) the Contractor fails to perform any of its material obligations (including the refusal to deliver the APSTAR 9 Satellite after Launch to APT (HK) other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract, the default of payment of liquidated damages in due time by the Contractor, if any) under the Satellite Contract, and has not rectified such failure within 45 days after receipt from APT (HK) of a written notice of such default;
- (c) the Contractor becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganization proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filing thereof; or
- (d) the approved governmental authorization applied by the Contractor was withheld or cancelled due to the default of the Contractor.

Upon such partial or complete termination before Launch by APT (HK), the Contractor shall, within 2 months reimburse to APT (HK) any amount paid to the Contractor by APT (HK) under the Satellite Contract up to the date of termination less the liquidated damages already paid by the Contractor plus 6% of such amount.

APT (HK) is not entitled to exercise its contract termination rights after the Launch of the APSTAR 9 Satellite except in the event that the Contractor fails to deliver the APSTAR 9 Satellite to APT (HK) after Launch for any reason other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract, APT (HK) may subject to its sole discretion either to (a) terminate the Satellite Contract due to the default of the Contractor, and the Contractor shall within 2 months reimburse to APT (HK) any amount paid to the Contractor by APT (HK) under the Satellite Contract up to the date of termination less the liquidated damages already paid by the Contractor plus 6% of such amount; or (b) apply to the court for specific performance enforcing the Contractor to deliver the APSTAR 9 Satellite and such other Deliverable Items which have not been delivered by the Contractor to APT (HK).

The Contractor will be entitled, after providing written notice to APT (HK), to stop all or part of the work if:

- (a) APT (HK) fails to make any undisputed payment to the Contractor within 45 days after such payment has become due and payable;

LETTER FROM THE BOARD

- (b) if APT (HK) fails to perform any of its material obligations under the Satellite Contract, and has not rectified such failure within 45 days after receipt from the Contractor of a written notice of such default; or
- (c) APT (HK) becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filling thereof.

Upon such work stoppage, APT (HK) shall not be entitled to any refund of any amounts paid and any amounts then due to be paid to the Contractor shall continue to be payable by APT (HK), and APT (HK) shall indemnify the Contractor against all reasonable costs and expenses, including such interests, reasonably and properly incurred by the Contractor in respect of such stoppage and any subsequent resumption of the work, provided that the Contractor shall take all reasonable steps to minimise the occurrence of such costs and expenses.

Indemnity:

Each party shall indemnify and hold harmless the other party, its officers, employees, agents, assignees or successors or any of them (the “**Indemnitees**”), from any loss, damage, liability or expense, resulting from any loss or damage to property or injury, or death to persons, arising from any occurrence in the performance of the Satellite Contract until the transfer of title of the APSTAR 9 Satellite to APT (HK) in accordance with the provisions of the Satellite Contract, except to the extent caused by the gross negligence or wilful misconduct of the Indemnitees who suffered the damage.

After Launch, the Contractor shall indemnify and hold harmless APT (HK) and its employees and/or representatives from any and all liabilities which may arise from losses or damages of any kind suffered by third parties including but not limited to those suffered by employees, and representatives of such third parties and the customers of APT (HK) arising out of the Launch and the operation of the APSTAR 9 Satellite, provided that such losses or damages are not caused by gross negligence or wilful misconduct of APT (HK). The third party insurance taken by the Contractor to cover its exposure shall include a waiver of subrogation against APT (HK), its employees and/or representatives and insurance companies.

The Contractor shall indemnify and hold harmless APT (HK), its directors, officers, shareholders, employees, agents, and consultants from and against any liability, expense or legal and similar costs as a result of any threatened or actual claim or action alleging the infringement of any patent, copyright, or industrial design, mask work, trademark, or any other intellectual property right, or alleging unauthorised use or disclosure of any proprietary technical data and information in respect of the APSTAR 9 Satellite or any other item delivered or used under or in respect of all activities and services to be performed by the Contractor under the Satellite Contract.

LETTER FROM THE BOARD

Guarantee:

14A.59(12)
14.58(9)

The Contractor shall arrange the issuance of a parent company guarantee of up to 100% of the Contract Baseline Price by CGWIC, which is the holding company of the Contractor, the supplier and the designated launch agency of the APSTAR 9 Satellite, in favour of APT (HK) in respect of the due performance by the Contractor of the Satellite Contract including the refund of any amount paid by APT (HK) under the Satellite Contract or payment of any indemnity payment or liquidated damage payment under certain circumstances. The obligation of the parent company guarantee shall be valid from the Effective Date up to the expiration of the Service Life of the APSTAR 9 Satellite, or the date on which the Satellite Contract is terminated under the provisions of the Satellite Contract, whichever comes earlier.

Satellite lease option and transponder repurchase option

Within 6 months after the Effective Date or such extension as mutually agreed by the parties, APT (HK) may exercise an option to lease, pursuant to which APT (HK) may, instead of procurement of the APSTAR 9 Satellite and the Deliverable Items, switch to a life-long leasehold interest arrangement (the “Lease”). The Lease shall include but not limited to the exclusive right of use and possession, the absolute right to sub-let or sub-license the Deliverable Items (including the APSTAR 9 Satellite) over the period from the date of final acceptance to the expiry of the Service Life, by spreading the then outstanding payment over certain number of equal yearly installments over a number of years from the date of final acceptance. The parties shall negotiate in good faith for the terms and conditions of the Lease within 2 months after the date of exercise of the Lease option by APT (HK) (or such extension as mutually agreed by the parties). If the parties are unable to conclude and sign an agreement for the Lease within the above agreed discussion period, the Lease option shall lapse but all other terms and conditions of the Satellite Contract shall remain valid and effective unless otherwise mutually agreed by the parties.

Within 6 months after the Effective Date or other extended period of time as mutually agreed by the parties, the Contractor may exercise an option to repurchase from APT (HK) (the “Repurchase”) the ownership of the life-long leasehold interest of certain number but not more than 35% of transponders of the APSTAR 9 Satellite (the “Repurchased Transponders”), which shall include but not limited to the exclusive right of use and possession, and the absolute right to sub-let or sub-license the Repurchased Transponders over the lifetime of the APSTAR 9 Satellite. The parties shall negotiate in good faith for the terms and conditions of the Repurchase within 2 months after the date of exercise of the Repurchase option by the Contractor (or such extension as mutually agreed by the parties). If the parties are unable to conclude and sign an agreement for the Repurchase within the above agreed discussion period, the Repurchase option shall lapse but all other terms and conditions of the Satellite Contract shall remain valid and effective unless otherwise mutually agreed by the parties.

The exercise of the satellite lease option and the transponder repurchase option is subject to future compliance of the Listing Rules.

Basis of consideration and funding of APSTAR 9 Satellite

14.58(5)

The contract price and the terms of the Satellite Contract have been negotiated on an arm’s length basis having regard to the value of similar assets and services in the market. The contract price will be funded by internal resources of the Company and/or bank loan, if necessary.

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTION

14.58(8)
14A.58(1)
14A.59(13)

The Group is engaged in the provision of satellite transponder capacity and related service. Its strategy is to become one of the leading regional providers of satellite transponder capacity and related services in the Asia Pacific Region.

By developing and launching the APSTAR 9 Satellite, a new satellite, into the designated orbital position, the Group will be able to further expand its satellite transponder capacities and services in the region whereby satisfying the market demands in the transponder capacities of broadcasters and telecommunication operators in the region. Further to the existing APSTAR 5 satellite, APSTAR 6 satellite and APSTAR 7 satellite, the launch of this new satellite to the designated orbital position is in line with the corporate strategies of the Group for expansion and growth and will help achieve various synergies including economies of scale and the formation of cooperation alliance with customers for business development. With reference to the continuing connected transaction as disclosed in the circular of the Company dated 24 November 2011, based on the transponder and communication services master agreement dated 3 November 2011 entered into between the Company and CSCC, the Group is in a position to lease certain transponder capacities from CSCC for the development of customer base progressively in designated orbital position for the APSTAR 9 Satellite during its construction period so as to ensure a reasonably high filled up rate for the APSTAR 9 Satellite when it is launched. The Directors believe that the launch and operation of the APSTAR 9 Satellite will bring forth new growth momentum in revenue and profit to the Group.

The Directors (including the independent non-executive Directors) believe that the terms of the Satellite Contract are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Satellite Contract and the transactions contemplated thereunder.

14.63(2)(c)

FINANCIAL EFFECT OF THE TRANSACTION

14.66(5)

The Contract Baseline Price under the Satellite Contract will be treated as a construction in progress in the accounts of APT (HK) and therefore will not have any immediate effect on the earnings of the Company until the APSTAR 9 Satellite starts to generate revenue and depreciates after In-Orbit Delivery. APT (HK) shall pay the Contractor a 5% of Contract Baseline Price equivalent to US\$10,560,000 (approximately HK\$82,368,000) within 15 days after the Effective Date of the Satellite Contract. 15% of the Contract Baseline Price equivalent to US\$31,680,000 (approximately HK\$247,104,000) will be paid during the satellite construction period upon the completion of each applicable milestone. The remaining balance (80%) of Contract Baseline Price will be paid after the occurrence of the In-Orbit Delivery. Such sum will be funded by internal resources and/or bank loan, if necessary. The Group's cash position will correspondingly decrease by the same amount with the sum which APT (HK) will actually pay for the milestone payment.

In the event that the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015, APT (HK) will pay for the specific incentive of US\$1,500,000 (approximately HK\$11,700,000) within 30 days after the In-Orbit Delivery. The payment will be funded by internal resources and will be recorded as the property, plant and equipment in the accounts of APT (HK). The Group's cash position will be decreased by HK\$11,700,000.

LETTER FROM THE BOARD

If the approval of the Independent Shareholders is obtained, the first payment of the drifting fee equivalent to US\$2,320,000 (approximately HK\$18,096,000) will be paid within 15 days after obtaining the Independent Shareholders' approval of the Satellite Contract. The remaining balance of US\$700,000 (approximately HK\$5,460,000) will be payable when the Other Satellite can be maintained in the designated position for 3 months and will also be funded by internal resources. As a result, there will be a decrease of the Group's cash position and an increase of US\$3,020,000 (equivalent to HK\$23,556,000) in the Group's expenses in the accounts of APT (HK).

INFORMATION ON THE COMPANY AND THE PARTIES TO THE SATELLITE CONTRACT

14A.59(2)(a)
14A.59(2)(d)
14.58(2)

The Company

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 related services.

The Contractor

The Contractor is a company incorporated in Hong Kong and a wholly-owned subsidiary of CGWIC. The Contractor is specialised in providing design, manufacturing, launch and delivery of satellite system in orbit. CGWIC is a company registered under the laws of PRC and a subsidiary of CASC. CGWIC provides launch and associated services utilizing launch vehicles of the Long March series at the Xichang Satellite Launch Center in the PRC to government and private entities.

APT (HK)

APT (HK) is principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other related services.

LISTING RULES IMPLICATIONS

As the percentage ratios in respect of the transactions contemplated under the Satellite Contract exceed 25% but are less than 100%, the Satellite Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 57% equity interest 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. In addition to the shareholding held by APT International, CASC and its associates (including the Contractor) are also interested in an aggregate of another approximately 2.90% (as at 22 November 2013, 3.33%) of the issued share capital of the Company as at the Latest Practicable Date. The Contractor, being an indirectly-owned subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Satellite Contract and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

14.58(3)
14A.59(2)(d)
14A.59(2)(e)
14A.59(2)(f)

LETTER FROM THE BOARD

As such, the Satellite Contract and the transactions contemplated thereunder are subject to Independent Shareholders' approval at the SGM. APT International, CASC and their associates will be required to abstain from voting at the SGM in respect of the resolution approving the Satellite Contract and the transactions contemplated thereunder. As at the Latest Practicable Date, APT International, CASC and their respective associates are interested in, control and are entitled to exercise control over 339,300,000 (as at 22 November 2013, 341,979,500) Shares, representing approximately 54.57% (as at 22 November 2013, 55%) of the issued share capital of the Company.

2.17(1)
14A.59(5)
14.63(2)(d)
14.66(13)

As (i) Mr. Fu Zhiheng, a non-executive Director, is also concurrently the vice-president of CGWIC; (ii) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, is also concurrently a director and general manager of CASC; (iii) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently the non-executive director of CSCC; (iv) Mr. Qi Liang, an executive Director, is also concurrently the deputy chief accountant for CSCC; and (v) Mr. Zhuo Chao, a non-executive Director, is also concurrently a director and general manager of CSCC; they have abstained from voting on the relevant board resolution(s) for approving the Satellite Contract 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 Satellite Contract and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

14A.59(18)

SGM

There is set out on pages 46 to 47 of this circular a notice convening the SGM to be held at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 9 January 2014 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll the Satellite Contract and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM in person, you are requested to complete 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 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 Satellite Contract and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

Under the bye-laws of the Company, a poll can be demanded at the SGM by:-

- (a) the chairman of the SGM; or
- (b) at least three members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy for the time being entitled to vote at the SGM; or

LETTER FROM THE BOARD

- (c) a member or members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the SGM; or
- (d) a member or members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy and holding shares in the Company conferring a right to vote at the SGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

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.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Satellite Contract and the transactions contemplated thereunder 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 Satellite Contract and the transactions contemplated thereunder.

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 pages 16 and 17 to 37 of this circular. Additional information is also set out in the appendices of this circular for your information.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

14A.58(3)(c)
14A.59(7)

20 December 2013

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 20 December 2013 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 Satellite Contract and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. Investec 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 15 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 Satellite Contract and the transactions contemplated thereunder as set out on pages 17 to 37 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 Satellite Contract and the transactions contemplated thereunder 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 Satellite Contract and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

APT Satellite Holdings Limited
Independent Board Committee

Lui King Man <i>Independent</i> <i>Non-executive Director</i>	Lam Sek Kong <i>Independent</i> <i>Non-executive Director</i>	Cui Ligu <i>Independent</i> <i>Non-executive Director</i>	Meng Xingguo <i>Independent</i> <i>Non-executive Director</i>
--	--	--	--

The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.



Investec Capital Asia Limited
3609, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

20 December 2013

*To: the Independent Board Committee and
the Independent Shareholders of APT Satellite Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE SATELLITE CONTRACT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Satellite Contract, details of which are set out in the letter from the Board of Directors (the “**Letter from the Board**”) contained in the circular dated 20 December 2013 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning in this letter.

On 22 November 2013, the Company announced that APT (HK), a wholly-owned subsidiary of the Company, entered into the Satellite Contract with the Contractor pursuant to which the Contractor shall provide APT (HK) the services of manufacturing, delivery, testing and launching of the APSTAR 9 Satellite, a DFH-4 series platform having 32 C-band (39.5 x 36 MHz equivalent) transponders and 14 Ku-band (21 x 36 MHz equivalent) transponders high power geostationary communications satellite, in accordance with the delivery schedule as set out in the Satellite Contract at an agreed Contract Baseline Price of US\$211.2 million. In addition, pursuant to the Satellite Contract, provide drifting of an in-orbit satellite to be operated by APT (HK) at the designated orbital position for the purposes of operation and bring into use ITU filings of the designated orbital position. The Company may, before the Launch, terminate the Satellite Contract in whole or in part at its convenience or for default by written notice to the Contractor.

As the percentage ratios in respect of the transactions contemplated under the Satellite Contract exceed 25% but are less than 100%, the Satellite Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 57% equity interest 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. In addition to the shareholding held by APT International, CASC and its associates (including the Contractor) are also interested in an aggregate of another approximately 2.90% (as at 22 November 2013, 3.33%) of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, APT International, CASC and their respective associates are interested in, controlled and entitled to exercise control over 339,300,000 (as at 22 November 2013, 341,979,500) Shares, representing approximately 54.57% (as at 22 November 2013, 55%) of the issued share capital of the Company. The Contractor, being an indirectly-owned subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Satellite Contract and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As such, the Satellite Contract and the transactions contemplated thereunder are subject to Independent Shareholders' approval at a special general meeting of the Company. APT International, CASC and their associates will be required to abstain from voting in respect of the resolution approving the Satellite Contract and the transactions contemplated thereunder.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the transactions contemplated under the Satellite Contract have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution to approve the Satellite Contract.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of thirteen Directors, with Mr. Cheng Guangren (President) and Mr. Qi Liang (Vice President) as executive Directors; Mr. Lei Fanpei (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Tseng Ta-mon (Alternate Director to Dr. Yin Yen-liang) as non-executive Directors; and Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Ligu and Dr. Meng Xingguo as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors, namely, Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Ligu and Dr. Meng Xingguo, has been established to advise the Independent Shareholders, and Investec has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether, the Satellite Contract was entered into on normal commercial terms, and the terms and conditions thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff (the “**Management**”) and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or the Management and/or the Directors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group is principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services. Set out below is a summary of the published financial results of the Group for each of the three years ended 31 December 2010, 2011 and 2012 which are extracted from the Company's annual reports for 2010, 2011 and 2012.

Consolidated Income Statements

	For the year ended 31 December		
	2010	2011	2012
<i>(Amount in HK\$'000)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Turnover	719,435	758,317	900,611
Cost of services	(369,359)	(362,038)	(372,363)
	<u>719,435</u>	<u>758,317</u>	<u>900,611</u>
Gross profit	350,076	396,279	528,248
Other net income	5,242	15,652	25,515
Administrative expenses	(76,788)	(94,643)	(114,779)
Impairment loss recognised in respect of property, plant and equipment	–	(36,660)	–
Valuation gains on investment property	233	230	896
	<u>278,763</u>	<u>280,858</u>	<u>439,880</u>
Profit from operations	278,763	280,858	439,880
Gain on disposal of available-for-sale financial asset	–	111,413	–
Fair value changes on financial instrument designated at fair value through profit or loss	–	(9,989)	(34,211)
Finance costs	(6,330)	(21,941)	(21,250)
	<u>272,433</u>	<u>360,341</u>	<u>384,419</u>
Profit before taxation	272,433	360,341	384,419
Income tax	(73,934)	(79,418)	(29,984)
	<u>198,499</u>	<u>280,923</u>	<u>354,435</u>
Profit for the year	<u><u>198,499</u></u>	<u><u>280,923</u></u>	<u><u>354,435</u></u>

Consolidated Balance Sheets

	As at 31 December		
	2010	2011	2012
<i>(Amount in HK\$'000)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Non-current assets	3,526,767	4,340,315	4,125,925
Current assets	276,215	428,130	902,023
Total assets	3,802,982	4,768,445	5,027,948
Current liabilities	(476,910)	(423,758)	(175,578)
Non-current liabilities	(838,510)	(1,586,606)	(1,765,795)
Net assets	2,487,562	2,758,081	3,086,575

As noted in the table above, the Group recorded revenue, primarily derived from the provision of satellite transponder capacity and related services, of approximately HK\$900.6 million for the year ended 31 December 2012, which represents an increase of approximately 18.8% from approximately HK\$758.3 million for the year ended 31 December 2011. Furthermore, profit for the year increased by approximately 26.2% from approximately HK\$280.9 million in 2011 to approximately HK\$354.4 million for the year ended 31 December 2012. As mentioned in the annual report of the Company for the year ended 31 December 2012, the increases in revenue was mainly due to the successful launch of APSTAR 7 for the replacement of APSTAR 2R of the Group and some new utilisation contracts for APSTAR 7 while the increase in profit for the year was due to the net effect of: (i) an increase in other net income mainly attributed to interest income generated from the Renminbi bank deposit; (ii) a fair value loss on of convertible bonds of approximately HK\$34.2 million; and (iii) a decrease of income tax of approximately HK\$49.4 million from 2011 mainly attributed to the reversal of certain provision for withholding taxes in respect of prior years.

In addition, the consolidated net assets of the Group increased by approximately 11.9% from approximately HK\$2,758.1 million as at 31 December 2011 to approximately HK\$3,086.6 million as at 31 December 2012. The gearing ratio (total liabilities over total assets) decreased to 38.6% as at 31 December 2012 from 42.2% as at 31 December 2011. It was 34.6% as at 31 December 2010.

2. Principal terms of the Satellite Contract

Set out below is a summary of the principal terms of the Satellite Contract:

Date : 22 November 2013

Parties : (1) APT (HK); and
(2) the Contractor

Subject matter : The Contractor will (a) manufacture, deliver, and launch the APSTAR 9 Satellite to APT (HK) in accordance with the delivery schedule as set out in the Satellite Contract, including, inter alia, (i) the design, manufacture and testing of the APSTAR 9 Satellite; (ii) the launch of the APSTAR 9 Satellite using the Launch Vehicle at the launch site; (iii) launch and early orbit phase, operation and positioning of the APSTAR 9 Satellite and in-orbit tests; and (iv) the delivery, installation and commissioning of the APSTAR 9 Satellite and other Deliverable Items necessary for the proper operations of the APSTAR 9 Satellite, including but not limited to dynamic satellite simulator, base band subsystem and satellite control centre software; (b) online support for in-orbit operations throughout the Service Life of the APSTAR 9 Satellite; (c) on site support; and (d) the procurement of launch and on-orbit insurance for the APSTAR 9 Satellite which commences at the point in time during the launch countdown when the engine start command is sent to the Launch Vehicle for the purpose of Launch until the end of the first year period after the Launch.

The Contractor undertakes to perform the technical interface between the APSTAR 9 Satellite and the designated launch vehicle ensuring full compatibility between the APSTAR 9 Satellite and the designated launch vehicle according to its interface manual.

The Contractor will provide drifting of an in-orbit satellite (the “**Other Satellite**”) to be operated by APT (HK) at the designated orbital position for the purposes of operation and bring into use ITU filings of the designated orbital position.

APT (HK) may also order the Optional Services or Items from the Contractor.

Contract price : The total contract price under the Satellite Contract comprises:

- (i) the Contract Baseline Price of US\$211,200,000 for the in-orbit delivery of the APSTAR 9 Satellite and the performance of the services by the Contractor under the Satellite Contract (the “**In-Orbit Delivery Services**”);
- (ii) the drifting fee of the Other Satellite (the “**Drifting Fee**”) of US\$3,020,000 and the use by the Contractor or the Contractor’s designated party non-contiguous 36 MHz Extended C-band transponder capacity for a total of 24 months (which is equivalent to US\$1,500,000); and
- (iii) in the event that the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015, APT (HK) will pay to the Contractor for the specific incentive payment of US\$1,500,000 (the “**Specific Incentive Payment**”) within 30 days after the In-Orbit Delivery.

Payment terms : *For Contract Baseline Price & Drifting Fee*

APT (HK) shall pay 20% of the Contract Baseline Price during the satellite construction period upon completion of each applicable milestone, the first payment (being 5% of the Contract Baseline Price) to be paid within 15 days from the Effective Date. The remaining 80% of the Contract Baseline Price shall be paid after the occurrence of the In-Orbit Delivery.

APT (HK) may make early payment, at its sole discretion, for part or all of the Contract Baseline Price. Such early payment shall be derived by discounting at the then prevailing market interest rate to be mutually agreed by the parties.

APT (HK) shall pay the drifting fee of US\$2,320,000 within 15 days from the Effective Date and US\$700,000 within 15 days from the fulfilment of the precondition that the Other Satellite can be operated in the designated position for 3 months. The 36 MHz Extended C-band transponder capacity shall be assigned by APT (HK) to the Contractor or the Contractor’s designated party within 15 days from the Effective Date.

The Contractor shall put at risk a total sum of US\$11,500,000 (the “**Performance Incentive**”) out of the Contract Baseline Price as certain performance incentive of the APSTAR 9 Satellite. In the event that the Contractor fails to earn any part of such incentive as determined by reference to the criteria and formulae set out in the Satellite Contract, the amount of the delivery performance incentive not so earned will be deducted from the Contract Baseline Price and the amount of the orbital performance incentive not so earned will be refunded to APT (HK) on a half-yearly basis.

For Optional Services or Items

In the event that APT (HK) orders any Optional Services or Items under the Satellite Contract, APT (HK) shall pay to the Contractor for the Optional Services or Items in accordance with the price list in the Satellite Contract within 15 days after the delivery of such Optional Services or Items.

Major conditions : The approval of the Satellite Contract and the transactions contemplated thereunder by Independent Shareholders in a special general meeting of the Company but within 50 days after the signing date of the Satellite Contract, or the Satellite Contract shall be deemed terminated.

The Contractor shall apply for and seek the approval or ratification of the Satellite Contract by the relevant PRC governmental authority as soon as possible and within 1 year from the date on which the Satellite Contract is entered into between the parties (or such extension as mutually agreed by the parties). If the Contractor shall fail to obtain such approval or ratification of the Satellite Contract within the said period of time, the Contractor shall, within 2 months after such failure, refund to APT (HK) all amounts of the Contract Baseline Price received by the Contractor and thereafter the Satellite Contract shall be deemed to be terminated by the parties and without prejudice to other rights and claims accrued to the parties including but not limited to interests prior to the termination of the Satellite Contract.

Delivery : The Contractor shall deliver the satellite control centre, base band subsystem and dynamic satellite simulator in accordance with the delivery schedule in the Satellite Contract and procure the Launch of the APSTAR 9 Satellite on or before 15 October 2015 and the In-Orbit Delivery of the Satellite on or before 30 November 2015.

Liquidation Damages

If the APSTAR 9 Satellite is not delivered for Ground Delivery upon the delivery date in accordance with the delivery schedule or such other date as may be adjusted under the Satellite Contract, the Contractor agrees to pay to APT (HK) as liquidated damages in the range from US\$50,000 to US\$90,000 for each day of delay progressively within the first 90 days, and US\$120,000 for each day of delay commencing from the 91st day of delay.

If the In-Orbit Delivery of the APSTAR 9 Satellite is delayed in excess of the total cumulative days delayed for the Ground Delivery, the Contractor agrees to pay to APT (HK) US\$135,000 as liquidated damages for each excess day of delay.

The maximum liquidated damages for late delivery of the APSTAR 9 Satellite payable by the Contractor to APT (HK) is US\$8,000,000.

Guarantee : The Contractor shall arrange the issuance of a guarantee of up to 100% of the Contract Baseline Price (the “**Guarantee**”) by CGWIC, which is the holding company of the Contractor, the supplier and the designated launch agency of the APSTAR 9 Satellite, in favour of APT (HK) in respect of the due performance by the Contractor of the Satellite Contract including the refund of any amount paid by APT (HK) under the Satellite Contract or payment of any indemnity payment or liquidated damage payment under certain circumstances. The Guarantee shall be valid from the Effective Date up to the expiration of the Service Life of the APSTAR 9 Satellite or the date on which the Satellite Contract is terminated under the provisions of the Satellite Contract, whichever earlier.

Satellite lease option : Within 6 months after the Effective Date or other agreed period
and transponder of time as mutually agreed by the parties, a) APT (HK) may exercise
repurchase option an option to lease (instead of procurement) the APSTAR 9 Satellite
and the Deliverable Items and switch to a life-long leasehold
interest arrangement (the “Lease”), of which the outstanding
payment shall be installed equally over an agreed period; or b) the
Contractor may exercise an option to repurchase from APT (HK)
(the “Repurchase”) the ownership of the life-long leasehold
interest of certain number but not more than 35% of transponders
of the APSTAR 9 Satellite.

The parties shall negotiate in good faith for the terms and conditions of the Lease or the Repurchase within 2 months after the date of exercise of the relevant option by APT (HK) or the Contractor (or such extension as mutually agreed by the parties). If the parties are unable to conclude and sign an agreement for the Lease or the Repurchase within the above agreed discussion period, the Lease or Repurchase option shall lapse but all other terms and conditions of the Satellite Contract shall remain valid and effective unless otherwise mutually agreed by the parties.

Other principal terms : *Title and risk*
and conditions

Title and ownership of all Deliverable Items including the APSTAR 9 Satellite together with their respective control and possession, among others, shall be transferred from the Contractor to APT (HK) upon the In-Orbit Delivery of the APSTAR 9 Satellite which shall take place at the same time of final acceptance of the APSTAR 9 Satellite on the Transfer Date.

All risks of loss, defect, malfunctioning, failure or damage to all the Deliverable Items including the APSTAR 9 Satellite shall pass from the Contractor to APT (HK) upon the transfer of the title and ownership of the APSTAR 9 Satellite.

Termination

(i) Termination for convenience

APT (HK) may, before the Launch (but not after the Launch), by written notice to the Contractor, terminate the Satellite Contract in whole or in part, for its convenience. The Contractor shall take such action as may be necessary or as APT (HK) may direct for the protection and preservation of the APSTAR 9 Satellite or other Deliverable Items or any part thereof which is in possession of the Contractor or any subcontractor and in which APT (HK) has or may acquire an interest, in which APT (HK) shall pay the termination charges applicable to any portion of the work under the Satellite Contract plus a 6% charges on such. The obligations of APT (HK) to pay the above termination charges shall replace APT (HK)'s obligations to pay the Contract Baseline Price (or in case of termination in part, the Contract Baseline Price for the terminated portion of the Satellite Contract) and any payment of the Contract Baseline Price previously paid by APT (HK) shall be treated as payment of the termination charges and the Contractor shall refund any surplus to APT (HK) within 30 days after termination.

(ii) Termination for default

APT (HK) may terminate the Satellite Contract in whole or in part by written notice of default in the events that the Contractor defaults as described under the section "Termination for default" in the Letter from the Board.

Upon such partial or complete termination, the Contractor shall, within 2 months, reimburse to APT (HK) any amount paid to the Contractor by APT (HK) under the Satellite Contract up to the date of termination less the liquidated damages already paid by the Contractor plus 6% of such amount.

After the Launch of the APSTAR 9 Satellite, APT (HK) is not entitled to exercise its contract termination rights except in the event that the Contractor fails to deliver the Satellite to APT (HK) for any reason other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract. In this event, APT (HK) may subject to its sole discretion either to a) terminate the Satellite Contract, to which the Contractor shall make an reimbursement to APT (HK) in a manner as abovementioned; or b) apply to the court for specific performance enforcing the Contractor to deliver the APSTAR 9 Satellite and such other Deliverable Items which have not been delivered by the Contractor to APT (HK).

In the events that APT (HK) defaults as described in the section “Termination for default” in the Letter from the Board, the Contractor will be entitled, after providing written notice to APT (HK), to stop all or part of the work, upon which APT (HK) shall not be entitled to any refund of any amounts paid and any amounts then due to be paid to the Contractor shall continue to be payable by APT (HK) and APT (HK) shall indemnify the Contractor against all reasonable costs and expenses.

Details to terms and conditions of the Satellite Contract, please refer to the section headed “The Satellite Contract” in the Letter from the Board.

3. Analysis of the principal terms of the Satellite Contract

We have reviewed the terms under the Satellite Contract and set out hereafter, our analysis of the principal terms of the Satellite Contract.

Contract Price:

Pursuant to the Satellite Contract, the total contract price comprises of three components, namely i) the Contract Baseline Price of US\$211,200,000 for the In-Orbit Delivery Services, which the Performance Incentive of US\$11,500,000 forms a part; ii) the Drifting Fee of US\$3,020,000 and the use by the Contractor or the Contractor's designated party non-contagious 36 MHz Extended C-band transponder capacity for a total of 24 months (which is equivalent to US\$1,500,000) for the use of Other Satellite; and iii) the Specific Incentive Payment of US\$1,500,000 if the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015.

i. Contract Baseline Price and Specific Incentive Payment

We note that the Performance Incentive of US\$11,500,000 is a part of the Contract Baseline Price and deductible from the Contract Baseline Price in case the Contractor fails to earn any part of such incentive.

Furthermore, we note from the Management that the Contract Baseline Price for the In-Orbit Delivery Services includes the standard costs, namely i) the satellite costs, ii) launch services and iii) other associated costs, and the insurance premiums associated with the In-Orbit Delivery Services (the "**Insurance Premiums**"). In the event that the Contractor is able to deliver the APSTAR 9 Satellite to the launch site on or before 10 September 2015, the Company would pay in total of US\$212,700,000 (the "**Standard Service Price**"), being the sum of the Contract Baseline Price of US\$211,200,000 and the Specific Incentives of US\$1,500,000, as a maximum aggregate for the In-Orbit Delivery Services of the APSTAR 9 Satellite.

As advised by the Management, it was the first time the Company has ordered in-orbit delivery services and the technical and pricing details of satellites comparable to the APSTAR 9 Satellite are not publicly available. Therefore, we are of the view that using the Company's own satellite transactions which are supplied by various contractors should provide the appropriate transparency and criteria for comparability and the price could be made reference to the sum of parts of the pricing the Company paid for the most recent satellite transactions, i.e. APSTAR 7 (a project in which the Contractor is not the sole contractor but being one of the contractors).

Moreover, we note from the Management that the Insurance Premiums, being integral parts of the Contract Baseline Price, cannot be individually identified but can be made reference with the market price which ranges from 10% to 20% of the contract price.

Taking the lower bound of the market insurance premiums range, i.e. 10%, we derive the higher implied Standard Services Price net of Insurance Premiums (the “**Standard Costs**”) payable by the Company to US\$191,430,000.

We have obtained the relevant data of APSTAR 7 from the Management (which is not supplied by the Contractor) and summarise the comparison in the following table:

Satellites	Standard Costs (higher implied) (US\$ million, approximately)	C- band	Ku- band	Aggregate no. of transponders	Aggregate no. of transponders (36 MHz equivalent)	Standard Costs per transponder (US\$ million, approximately)	Standard Costs per 36 MHz equivalent transponder (US\$ million, approximately)
		<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>		
APSTAR 9 Satellite (142.0°E)	191.4	32	14	46	60.5	4.2	3.2
APSTAR 7 satellite (76.5°E)	243.7	28	28	56	63.8	4.4	3.8

Notes:

- (1) C-band: in satellite communications (fixed satellite services), is used to refer to downlink frequencies between 3.4 GHz and 4.2 GHz and uplink frequencies between 5.85 GHz and 7.075 GHz. Often referred to as 4/6 GHz.
- (2) Ku-band: in satellite communications (fixed satellite services), is used to refer to downlink frequencies between 10.7 GHz and 12.75 GHz and uplink frequencies between 13.75 GHz and 14.8 GHz. Often referred to as 11.14 or 12/14 GHz.
- (3) Aggregate number of transponders is calculated as the sum of C-band and Ku-band transponders, without taking the respective bandwidth into the consideration.
- (4) Aggregate number of transponders – 36 MHz equivalent is calculated as to convert the bandwidth of C-band and Ku-band (which vary between 36MHz and 72MHz) into full 36MHz standard bandwidth, multiply by the number of the respective transponders and sum the product. In another word, the number of 36 MHz equivalent transponders takes the bandwidth of the transponders into the account for the calculation and can be used to compare different satellite with different types of transponders on an equivalent basis.

As noted from the table above, the higher implied Standard Costs for the APSTAR 9 Satellite are approximately US\$4.2 million per transponders and US\$3.2 million per 36 MHz equivalent transponder, lower than the Standard Costs for APSTAR 7 of approximately US\$4.4 million per transponders and US\$3.8 million per 36 MHz equivalent transponder.

Furthermore, we also note from the data provided by the Management that the launch insurance for APSTAR 7 of approximately US\$29.2 million was approximately 10.7% of the sum of the standard costs and the launch insurance of approximately US\$273.0 million. We consider applying 10% of the Standard Services Price as the Insurance Premiums for our calculation above is fair and reasonable.

In addition, we have sought for similar recent transactions from other listed companies on the main board of the Stock Exchange that are engaged in the similar principal activities in the similar geography as the Company or similar recent transactions that are publicly available. In this connection, we have found an exhaustive list of three similar satellite transactions between 2009 and the Latest Practicable Date, namely, Asiasat 6, 7 and 8 satellites (the “**Market Comparables**”), announced by Asia Satellite Telecommunications Holdings Limited (“**AST**”). AST is listed on the main board of the Stock Exchange and principally engaged in the operation, maintenance and provision of satellite telecommunication systems for broadcasting and telecommunications, provision of broadband access services, provision of direct-to-home satellite television service primarily in Asia Pacific Region.

We summarise the comparison of the Market Comparables with the APSTAR 9 Satellite in the following:

Satellites	Date of Launch Service Announcement	C- band	Ku- band	Ka- band	Aggregate no. of transponders	Satellite Costs <i>(US\$ million, approximately)</i>	Launch Service <i>(US\$ million, approximately)</i>	Satellite costs+ Launch Service per transponders	
								costs+ Service <i>(US\$ million, approximately)</i>	Launch Service <i>(US\$ million, approximately)</i>
		<i>Note (1)</i>	<i>Note (2)</i>	<i>Note (3)</i>	<i>Note (4)</i>	<i>Note (5)</i>	<i>Note (5)</i>	<i>Note (5)</i>	
Asiasat 6 (120°E)	8 February 2012	28 @ 36 MHz	-	-	28	114.5	52.2	166.7	6.0
Asiasat 7 (105.5°E)	5 October 2010	28 @ 36 MHz	17 @ 54 MHz	A regional beam	55	98.4	101.0	199.4	3.6
Asiasat 8 (105.5°E)	8 February 2012	-	24 @ 54 MHz	A regional beam	34	118.5	52.2	170.7	5.0
APSTAR 9 Satellite (142.0°E)	22 November 2013	39.5 @ 36 MHz	14 @ 54 MHz	-	53.5	-	-	191.4	3.6

Notes:

- (1) C-band: in satellite communications (fixed satellite services), is used to refer to downlink frequencies between 3.4 GHz and 4.2 GHz and uplink frequencies between 5.85 GHz and 7.075 GHz. Often referred to as 4/6 GHz.
- (2) Ku-band: in satellite communications (fixed satellite services), is used to refer to downlink frequencies between 10.7 GHz and 12.75 GHz and uplink frequencies between 13.75 GHz and 14.8 GHz. Often referred to as 11.14 or 12/14 GHz.
- (3) Ka-band: in satellite communication (fixed satellite services), is used to refer to downlink frequencies between 18.6 GHz and 21.2 GHz and uplink frequencies between 27 GHz and 31 GHz. Often referred to as 20/30 GHz. For the purpose of this letter, it is assumed that a Ka regional beam stands for 10 transponders.
- (4) Aggregate number of transponders is calculated as the sum of C-band, Ku-band and Ka-band transponders.
- (5) The satellite costs and the launch service announced for the Market Comparables included the other costs associated with the contracts, i.e. comparable with the Standard Costs of the APSTAR 9 Satellite.

We note that the Standard Costs per transponder for the APSTAR 9 Satellite are within the range of those for the Market Comparables of approximately US\$3.6 million and US\$6.0 million, in particular lower than respective costs per transponder of Asiasat 6 and 8 of approximately US\$6.0 million and US\$5.0 million in the most recent transactions.

In addition, we understand from the Management that Performance Incentive of US\$11,500,000 is approximately 10% of the satellite costs of the APSTAR 9 Satellite. We compare and summarise the findings of the Performance Incentive with that of the satellites not launched by the Contractor, namely, the Market Comparables as well as with that of the satellites launched by the Contractor, namely, the APSTAR 7 and the other four DFH-4 series projects (the “**Other DFH-4 Projects**”) involving in-orbit delivery supplied by CGWIC (the parent company of the Contractor) with the contract price above US\$250 million and launch dates between October 2008 and December 2013 provided by the Management in the table below:

Satellite	Configurates (no. of transponders)	In-Orbit Delivery	Performance Incentive as % of the respective satellite costs (approximately)
			Note (1) Note (2)
Asiasat 6 (120°E)	28	No	10%
Asiasat 7 (105.5°E)	45	No	10%
Asiasat 8 (105.5°E)	24	No	10%
APSTAR 7 satellite (76.5°E)	56	No	8%
The Other DFH-4 Projects <i>Note (3)</i>	28 – 30	Yes	5% – 8%
APSTAR 9 Satellite (142.0°E)	46	Yes	10%

Notes:

- (1) In-orbit delivery is one of the two common types of satellite contracts in the market (the other one being and on-ground delivery), and is referred to the projects that the satellite operator procures a satellite from the satellite vendor (or satellite manufacturer) who will act as the main contractor to design, manufacture, deliver and launch the satellite which will be transferred to the satellite operator after the completion of the in-orbit test or upon the occurrence of in-orbit acceptance review in the designated orbital slot instead of the intentional ignition. As such, the satellite vendor will take care of the launch and the launch insurance of the satellite and assume the responsibility or liability for the mating between satellite and launch vehicle and, most importantly, the risk of the launch process because the satellite risk will not be transferred to the customer until in-orbit delivery.
- In contrast, on-ground delivery is referred to the projects that the satellite operator procures a satellite directly from a satellite manufacturer on a contract and separately signs a satellite launch service contract with a satellite launch provider who provides the launch service for the satellite at the launch site. As such, the satellite operator will need to take care about the mating between the satellite and the launch vehicle inside the fairing and assume the responsibility to take out the launch insurance and liability to cover the risk of the loss and damage of the satellite due to the launch process which will be transferred to the satellite operator upon the point of the intention ignition during the launch.

- (2) We understand from the Management that it is the industry practice to calculate the performance incentive as a percentage of the respective satellite costs, rather than a percentage of the respective full project prices (including the satellite costs, launch services, insurance and other relevant costs). Hence comparing the performance incentive as a percentage of the respective satellite costs is not materially affected if the contract is on an in-orbit delivery or on-ground delivery.
- (3) For the Other DFH-4 Projects, the number of transponders and the performance incentive as percentage of the respective satellite costs are referred to the range of transponders of the projects and percentages given by CGWIC to the customers, respectively.

We note from the above that the Performance Incentive as a percentage of the satellite costs of the APSTAR 9 Satellite received by APT (HK) is in line with that entitled by the Market Comparables and APSTAR 7 which are not on in-orbit delivery contracts and the highest percentage given by the Contractor to its customers of the DFH-4 series satellite projects.

In terms of the payment terms, we understand from the Management that APT (HK), paying 20% of the Contract Baseline Price before the In-Orbit Delivery, receives a preferential schedule from the Contractor compared with the Other DFH-4 Projects which the Contractor collected up to 90% of the contract baseline price prior to the respective in-orbit delivery. The full payment to be collected upon the In-Orbit Delivery is consistent with the relevant arrangement of the Other DFH-4 Projects given by the Contractor. In addition, we compare the payment terms of the APSTAR 9 Satellite with those of APSTAR 7. As we have discussed with and note from the Management, the Company paid 90% of the total project costs (i.e. standard costs of satellite and launch service plus insurance premium) prior to the in-orbit delivery of APSTAR 7.

In light of the above, we concur with the Management's view that the payment terms are in favour to the Company.

ii. Drifting Fee

We understand from the Management that a drifting satellite is probable to be a satellite under inclined mode and the services fees depend on the frequencies to be involved which will be very much on case by case basis. As noted from the Management, the Drifting Fee of US\$3,020,000 payable in cash, and the use by the Contractor or the Contractor's designated party non-contiguous 36 MHz Extended C-band transponder capacity for a total of 24 months (which is equivalent to US\$1,500,000) for the drifting and operation of the Other Satellite that is important for the Company to secure the designated orbital position for the purposes of operation and ITU registration before the In-Orbit Delivery, is generally in the range of US\$5 million and 8 million according to the earlier price indication between the Company and the other service providers.

iii. Optional Services or Items

In addition, the Contractor has also agreed to provide the Optional Services or Items subject to the sole discretion of the Company whereby the amount shall be known to and confirmed by the Company before the incurrence. We understand from the Management that the Optional Services or Items, mainly related to the campaign, ground support system,

logistics and training, are standard arrangement and practices with the Contractor in relation to the launch of satellite and consistent with the market practice as set out in the exhibit of the Satellite Contract.

Based on the above, we are of the view that the contract price for the Satellite Contract is fair and reasonable so far as the Independent Shareholders are concerned and of the interest of the Company and the Shareholders as a whole.

Delivery

Pursuant to the Satellite Contract, APT (HK) is entitled to the liquidation damages compensated by the Contractor for the delay of the Ground Delivery and In-Orbit Delivery at the agree rates on a daily basis with maximum amount of US\$8,000,000.

Based on our discussion with the Management, we understand and concur with the Management's view that the terms are designed to ensure the timely delivery of the APSTAR 9 Satellite and sufficient to cover the expected financial losses of APT (HK), hence, on normal commercial term, fair and reasonable so far as the Independent Shareholders are concerned.

Guarantee

Pursuant to the Satellite Contract, the Contractor shall arrange the Guarantee by CGWIC to in favour of APT (HK) in respect of the due performance by the Contractor of the Satellite Contract, including relevant refund, indemnity or liquidated damage payments with a validity from the Effective Date up to the expiration of the Service Life of the APSTAR 9 Satellite or the date on which the Satellite Contract is terminated under the provisions of the Satellite Contract, whichever earlier.

We note from the Management that the Guarantee from CGWIC is an additional security to the Company and the duration of the Guarantee covers the foreseeable financial exposure of APT (HK) to the Contractor. Hence, it is considered in favour of the Company.

Satellite lease option and transponder repurchase option

Pursuant to the Satellite Contract, APT (HK) may agree with the Contractor to arrange the Lease and the Repurchase, which requires separate negotiations and written agreements between APT (HK) and the Contractor.

We consider the Lease and Repurchase, constituting separate transactions outside the scope of the Satellite Contract and being subject to separate reporting, announcement and/or Shareholders' approval as required by the relevant Listing Rules, provide the Company an option and a degree of flexibility for its capital management and a measure of controlling risk exposure, hence, are fair and reasonable so far as the Independent Shareholders are concerned and of the interest of the Company and the Shareholders as a whole.

Other principal terms and conditions

Pursuant to the Satellite Contract, the title and ownership of all Deliverable Items including the APSTAR 9 Satellite together with their respective control and possession, among others, shall be transferred from the Contractor to APT (HK) upon the In-Orbit Delivery of the APSTAR 9 Satellite at the same time of final acceptance of the APSTAR 9 Satellite.

Furthermore, APT (HK) could terminate the Satellite Contract in whole or in part at its discretion i) for its convenience before but not after the Launch, retaining the equitable right to acquire the APSTAR 9 Satellite or other Deliverable Items or any part thereof in possession of the Contractor or any subcontractor for the relevant protection and preservation while incurring the termination charges applicable to any portion of the work under the Satellite Contract, being the total direct costs incurred by the Contractor in the performance of the work prior to the termination of the Satellite Contract plus a 6% charges on such costs; ii) for defaults caused by the Contractor before the Launch or after the Launch in the event that the Contractor fails to deliver the Satellite to APT (HK) for any reason other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract, entitling to the reimbursement for any amount paid to the Contractor by APT (HK) under the Satellite Contract up to the date of termination less the liquidated damages already paid by the Contractor plus 6% of such amount.

We note that the abovementioned provisions are similar to those relevant terms under the relevant contracts in connection to APSTAR 7 as published in the announcement of the Company dated 30 September 2009 and APSTAR 7B as published in the circular of the Company dated 17 May 2010, which would help the Company to secure its entitlement and control to the APSTAR 9 Satellite and limit the risk and financial exposure in exchange for the payment made. The Management has advised the event that the Company would terminate the Satellite Contract for convenience immediately prior to the Launch is highly unlikely as the satellite would only be able to generate revenues upon the In-Orbit Delivery. Hence, to the extent that these termination options provide the Company with flexibility and assured entitlement to the APSTAR 9 Satellite in the events of termination set out in the Satellite Contract for whatever reason, we concur with the Directors' view that the abovementioned provisions are in the interest of the Company and the Shareholder as a whole.

Having considered the principal terms under the Satellite Contract, we concur with the Director's view that the terms of the Satellite Contract are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. Reasons and benefits for entering into the Satellite Contract

As stated in the Letter from the Board, by developing and launching the APSTAR 9 Satellite, a new satellite, into the designated orbital position, the Group will be able to further expand its satellite transponder capacities and services in the region whereby satisfying the market demands in the transponder capacities of broadcasters and telecommunication operators in the region. Further to the existing APSTAR 5, APSTAR 6 and APSTAR 7, the launch of this new satellite to the designated orbital position is in line with the corporate strategies of the Group for expansion and growth and will help achieve various synergies including economies of scale and the formation of cooperation alliance with customers for business development. With reference to the continuing connected transaction as disclosed in the circular of the Company dated 24 November 2011, based on the transponder and communication services master agreement dated 3 November 2011 entered into between the Company and CSCC, the Group is in a position to lease certain transponder capacities from CSCC for the development of customer base progressively in designated orbital position for the APSTAR 9 Satellite during its construction period so as to ensure a reasonably high filled up rate for the APSTAR 9 Satellite when it is launched. The Directors believe that the launch and operation of the APSTAR 9 Satellite will bring forth new growth momentum in revenue and profit to the Group.

We understand from the Management that the orbit slot of the APSTAR 9 Satellite is 142E. Featuring with both fixed and steerable coverage with an expected propellant life of 15 years, the APSTAR 9 Satellite is intended to replace and follow on certain leased capacities at 142E and continue covering extensive regions such as China, South East Asia, South Asia, South Korea, Japan, Guam, Australia, New Zealand, Pacific Islands and Hawaii. As such, we concur with the Director's view that the Company would be able to continue securing and expanding the customer base in these regions, reduce the operating costs and enhance the operating margin by using the APSTAR 9 Satellite.

The Directors have also taken into account of the credential of the Contractor. The Contractor, specialises in providing design, manufacturing, launch and delivery of satellite system in orbit, is the sole organization authorised by the PRC government to provide satellite in-orbit delivery services, commercial launch services and aerospace technology applications. According to the Directors' information, the worldwide fleet of expendable launch vehicles which are available for commercial launch of medium and heavy payloads into space is limited to a small number of providers. The Contractor has long term successful co-operation experience with the Company and an excellent track record in in-orbit delivery services, having successfully delivered eight other DFH-4 satellite projects (including the Other DFH-4 Projects which are on commercial contracts and the other four projects which are on non-commercial contracts) prior to the APSTAR 9 Satellite. As such, given the reliability of the in-orbit delivery services provided by the Contractor and its experience in co-operation with the Company and satellite contractors, particularly in all relevant technical aspects in relation to the launch of the Group's satellites, the Board considers that it is in the interests of the Company to utilise the services of the Contractor for the in-orbit delivery of the Company's future satellite.

In light of the above, we concur with the Directors' view that, given the limited number of reliable in-orbit delivery service providers, the track record of the Contractor and the successful previous cooperation between the Company and the Contractor, the selection of the Contractor for the launch of the Company's future satellite pursuant to the Launch Services Contract is acceptable and in the interests of the Company and the Shareholders as a whole.

Having considered the above factors, we concur with the Directors' view that the Satellite Contract has been entered in the ordinary course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

5. Funding of the Satellite Contract

As stated in the Letter from the Board, the contract price (estimated aggregate of US\$215,720,000, including the relevant incentives but before the Optional Services and Items) under the Satellite Contract will be funded by internal resources of the Company and/or bank loan, if necessary. As noted in the section "Financial Effect of the Transaction" set out in the Letter from the Board, the Company shall pay US\$10,560,000 (approximately HK\$82,368,000) within 15 days after the Effective Date of the Satellite Contract and US\$2,320,000 (approximately HK\$18,096,000) is paid within 15 days after obtaining the Independent Shareholders' approval of the Satellite Contract, i.e. the relevant cash obligations in the coming three months by the Company are estimated to be in aggregate US\$12,880,000 (approximately HK\$100,464,000).

As discussed with the Directors, we understand that the Group has sufficient internal resources. Furthermore, in view of the Group's sound gearing ratio in the past three years as set out under the paragraph headed "Background information on the Group", we concur with the Directors' view that the Company does not expect any difficulty in securing adequate bank loan, when necessary, to satisfy the near future obligations as well as the contract price in full.

V. RECOMMENDATION

Having considered the factors outlined in this letter, we are of the opinion that the terms of the Satellite Contract are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Furthermore, given the factors mentioned above, we are of the view that the Satellite Contract has been made on normal commercial terms and in the ordinary and usual course of business. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to approve the Satellite Contract at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited

Alexander Tai
Managing Director
Head of Corporate Finance

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2010, 2011 AND 2012

APP1B31(3)

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual reports for the last financial year of the Group.

The audited consolidated financial statements of the Group prepared in accordance with all applicable International Financial Reporting Standards and Hong Kong Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Institute of Certified Public Accountants respectively for the years ended 31 December 2010, 2011 and 2012 together with the relevant notes thereto can be found from pages 47 to 121 of the annual report of the Company for the year ended 31 December 2010, pages 45 to 121 of the annual report of the Company for the year ended 31 December 2011 and pages 47 to 129 of the annual report of the Company for the year ended 31 December 2012, respectively.

Each set of the said audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011 and 2012 is incorporated by reference into this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at www.apstar.com and the website of the Stock Exchange at www.hkexnews.hk.

Please also see below quick links to the annual reports of the Company:

Annual Report 2012:

http://www.apstar.com/apt_investor/pdf/2013/AR2012E.pdf

Annual Report 2011:

http://www.apstar.com/apt_investor/pdf/2012/AR2011E.pdf

Annual Report 2010:

http://www.apstar.com/apt_investor/pdf/2011/AR2010E.pdf

2. INDEBTEDNESS OF THE GROUP

Borrowings

APP1B28(1)(2)

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank borrowings of HK\$1,241,146,000. Such sum of outstanding secured bank borrowings forms part of APT (HK)'s term loan facility up to a maximum loan amount of US\$200,000,000 which bears an interest of 1,2,3 or 6 month(s) LIBOR plus 1.8% per annum. The said term loan facility is secured by the assignment of the construction and the termination payments under construction, launching and related equipment contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7.

Charge on the Group's assets

APP1B28(3)

As at the close of business on 31 October 2013, the abovementioned term loan facility up to a maximum loan amount of US\$200,000,000 is secured by the assignment of the construction and the termination payments under construction, launching and related equipment contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7.

As at 31 October 2013, the Group's pledged bank deposits of HK\$11,337,000 are related to certain commercial arrangements and banking facilities.

As at 31 October 2013, a letter of guarantee issued by a bank to a subsidiary of the Group is secured by the Group's land and buildings with a net book value of approximately HK\$3,859,000.

Contingent liabilities

APP1B28(4)

As at 31 October 2013, the Company has given guarantees to bank in respect of the banking facilities granted to its subsidiary. The extent of such banking facilities utilised by the subsidiary as at 31 October 2013 amounted to HK\$1,248,000,000.

Save as disclosed above or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables, the Group did not, at the close of business on 31 October 2013, have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

APP1B(30)

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds, the Group has sufficient working capital to meet its present requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

APP1B29(1)(b)

The Group's turnover for the six month period ended 30 June 2013 amounted to HK\$559,091,000, representing an increase of approximately 39.0% as compared to the same period in 2012. Gross profit for the six month period ended 30 June 2013 increased by 76.0%, as compared to the same period in 2012, to HK\$375,509,000. The profit attributable to equity shareholders was HK\$278,960,000, representing an increase of approximately 166.4% as compared to the same period in 2012. The EBITDA Margin is 84.8%, which maintains at high level in the industry.

The Group is engaged in the provision of satellite transponder capacity and related services. Its strategy is to become one of the leading regional satellite service providers for satellite transponder capacity and related services in the Asia Pacific Region.

The Group's in-orbit satellites, APSTAR 7, APSTAR 6 and APSTAR 5, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa, Europe, and Asia Pacific Region, covering up to 75% of the world's population.

APSTAR 7 is based on SB4000 C2 model with 28 C-band transponders and 28 Ku-band transponders and is the replacement satellite of APSTAR 2R at the orbital slot 76.5 degree East. 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. The Ku-band transponders of APSTAR 7 Satellite are built with China Beam, Middle East and North Africa Beam, African Beam, and Steerable Beam, so as to further expand the satellite capacity and coverage of the Group to the above said regions. As of 30 June 2013, its utilization rate was 75.08%.

The two other operating satellites, APSTAR 6 and APSTAR 5, are based on SB4100 C1 and FS1300 models respectively. APSTAR 6 was launched in April 2005 and is one of the latest advanced high power satellites in the region with 38 C-band transponders and 12 Ku-band transponders. APSTAR 5 was launched in June 2004 and is also one of the latest advanced high power satellites in the region. As at the Latest Practicable Date, the Group has interests in APSTAR 5 20 C-band transponders and 9 Ku-band transponders. As of 30 June 2013, both APSTAR 6 and APSTAR 5 have maintained high utilization rates, which are 87.24% and 82.33% respectively.

The Group will continue to strive for business growth and synergic effect from various value-added services in broadcasting, telecommunication and data centre for maximizing profit and future business growth.

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 contained herein or this circular misleading.

APP1B(2)

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, 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) of the Directors and chief executive of the Company 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 which 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 (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

APP1B(38)(1)
8(1A)

Name of Director/chief executive of the Company	Nature of Interest	Note	Total number of Shares interested as at the Latest Practicable Date	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
Dr. Meng Xingguo	Interest of spouse	1	292,000	0.05%

Note:

1. Dr. Meng’s wife held 292,000 Shares. Pursuant to the SFO, Dr. Meng was deemed to be interested in the same parcel of shares held by his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares and debentures of the Company and 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 they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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; App1B40(2)
- (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 2012, the date up to which the latest published audited consolidated financial statements of the Group were made; App1B40(1)
- (iii) (aa) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a non-executive director of CSCC and a director of APT International; (bb) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, was also concurrently a director and general manager of CASC and the chairman of the board of director of APT International; (cc) Mr. Zhuo Chao, a non-executive Director, was also concurrently a director and general manager of CSCC and a director of APT International; (dd) Mr. Fu Zhiheng, a non-executive Director, was also concurrently the vice president of CGWIC and a director of APT International; (ee) Mr. Qi Liang, an executive Director, was also concurrently the deputy chief accountant for CSCC and the director of APT International; and (ff) Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, non-executive Directors and Mr. Tseng Ta-mon (alternate Director to Dr. Yin Yen-liang), were also concurrently directors of APT International; and App1B(34)
- (iv) Mr. Yong Foo Chong, a non-executive Director, was also a director of SingaSat Private Limited. 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, SingaSat Private Limited holds 34,200,000 Shares (approximately 5.50% of the issued share capital of the Company).

3. DIRECTORS' SERVICE CONTRACTS

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.

14.66(7)
App1B(39)

APPENDIX II**GENERAL INFORMATION****4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, 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 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

App1B(32)

6. EXPERT'S QUALIFICATIONS 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	
Investec Capital Asia Limited	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO	App1B 5(1)

As at the Latest Practicable Date, Investec:

- (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; App1B 5(1)
- (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 2012, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and App1B 40(1)
- (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 and letter in the form and context in which they respectively appear. App1B 5(2)

The letter of advice given by Investec to the Independent Board Committee and the Independent Shareholders was made on 20 December 2013 for incorporation in this circular.

App1B 5(3)

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

App1B(33)

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

App1B(42)

- (i) the assignment agreement dated 29 June 2012 entered into between APT (HK), Thales Alenia Space France and CSCC in relation to the assignment of a Spacebus 4000 C2 Platform having 28 C-band transponders and 23 Ku-band transponders high power geostationary communications satellite (“**APSTAR 7B Satellite**”);
- (ii) the assignment agreement dated 4 July 2012 entered into between APT (HK), CGWIC and CSCC in relation to the assignment of the launch service of APSTAR 7B Satellite for a consideration of US\$3,350,000;
- (iii) the launch services contract dated 17 August 2012 entered into between APT (HK) and CGWIC in respect of the provision of launch and associated services for a satellite to be designated and supplied by APT (HK) on Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC and other launch-related optional services; and
- (iv) the Satellite Contract.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company’s head office and principal place of business in Hong Kong is situated at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Dr. Lo Kin Hang Brian, DBA, MSCIT, MBA, MPA, LLB (Hon.), FCIS, FCS, CEng, MIET.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

App1B(36)

App1B(35)

10. 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:

App1B(43)

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the Satellite Contract;
- (iii) the material contracts as referred to in the paragraph headed “Material contracts” in this appendix;
- (iv) letter from the Independent Board Committee to the Independent Shareholders dated 20 December 2013, the text of which is set out on page 16 of this circular;
- (v) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 20 December 2013, the text of which is set out on pages 17 to 37 of this circular ;
- (vi) the annual reports and consolidated audited accounts of the Company for the years ended 31 December 2010, 31 December 2011 and 31 December 2012;
- (vii) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed “Expert’s qualifications and consent” in this appendix; and
- (viii) this circular.

NOTICE OF THE SPECIAL GENERAL MEETING



(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, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 9 January 2014, at 11:00 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 satellite contract (the “**Satellite Contract**”) entered into on 22 November 2013 between APT Satellite Company Limited, a wholly-owned subsidiary of the Company, and China Great Wall Industry (Hong Kong) Corp. Limited in respect of the manufacturing, delivery and launching of a DFH-4 series platform having 32 C-band (39.5 x 36 MHz equivalent) transponders and 14 Ku-band (21 x 36 MHz equivalent) transponders high power geostationary communications satellite, as defined and described in the circular of the Company dated 20 December 2013 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Satellite Contract marked “**B**” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to do all such 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 for the purposes of and in connection with the implementation and/or give full effect to any matters relating to the Satellite Contract and the transactions contemplated thereunder.”

By order of the board
APT Satellite Holdings Limited
Dr. Brian Lo
Company Secretary

Hong Kong, 20 December 2013

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 SPECIAL GENERAL MEETING

Notes:

1. The ordinary resolution to be considered at the special general meeting will be determined by poll pursuant to the Listing Rules. On voting by poll, each member shall have one vote for each share held in the Company. The results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited and the Company respectively.
2. A member of the Company who is entitled to attend and vote at the special general meeting 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 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 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof (as the case maybe) and in default thereof the form of proxy shall not be treated as valid.
5. Completion and return of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the special general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. As at the date of this notice, the directors of the Company are Mr. Cheng Guangren (President) and Mr. Qi Liang (Vice President) as Executive Directors; Mr. Lei Fanpei (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Tseng Ta-mon (Alternate Director to Dr. Yin Yen-liang) as Non-executive Directors and Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguao and Dr. Meng Xingguo as Independent Non-executive Directors.