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.

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

APSTAR by APT Satellite 亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

CONTINUING CONNECTED TRANSACTIONS

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

Investec

A letter from the Independent Board Committee is set out on page 14 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Shareholders is set out on pages 15 to 34 of this circular.

A notice convening the SGM to be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 5 December 2014 at 11:00 a.m. is set out on pages 39 to 40 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, 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.

* *For identification purpose only*

17 November 2014

CONTENTS

DEFINITIONS

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

"Agreement"	the transponder and communication services master agreement dated 27 October 2014 entered into between the Company and CSCC in respect of, among other things, the provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates;
"Announcement"	the announcement of the Company dated 27 October 2014 in relation to the Agreement;
"APT International"	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the Latest Practicable Date;
"associate(s)"	the meaning ascribed to it in the Listing Rules;
"Board" or "Director(s)"	the board of directors of the Company;
"Caps"	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2017 as set out under the sub-section headed "Proposed Caps" in the section headed "Letter from the Board" in this circular;
"CASC"	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC, which holds effectively in aggregate 32.37% interests in the Company, including 29.47% indirect interest of the Company by virtue of holding 57.04% interest in APT International and 2.90% direct interest in the Company;
"Company"	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
"connected person(s)"	the meaning ascribed to it in the Listing Rules;
"CSCC"	中國衛通集團有限公司 (China Satellite Communications Co. Ltd.);

"Existing Transponder and Communication Services Master Agreement"	the transponder and communication services master agreement entered into between the Company and CSCC dated 3 November 2011 in respect of the provision of transponder services, value-added service for satellite communication and other professional services between the Group and CSCC and/or its associates for the three years ending 31 December 2014;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent board committee of the Company comprising Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo to advise the Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
"Independent Financial Adviser" or "Investec"	Investec Capital Asia Limited, a corporation licensed 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 to the Independent Board Committee and the Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
"Latest Practicable Date"	13 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Non-exempt Continuing Connected Transactions"	the transactions in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service and the Related Services contemplated under the Agreement;
"PRC"	the People's Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);

"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 5 December 2014 at 11:00 a.m. to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps, notice of which is set out on pages 39 to 40 of this circular;
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company;
"Shareholder(s)"	the holder(s) of the Shares;
"Specific Contract(s)"	the specific contract(s), order(s) or confirmatory document(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service and the Related Services;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"substantial shareholder"	the meaning ascribed to it in the Listing Rules;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong; and
"%"	per cent.

亞太衛星控股有限公司*
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. Zhuo Chao
Mr. Fu Zhiheng
Mr. Lim Kian Soon
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 HM 11
Bermuda

Head Office and Principal Place of Business:
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

17 November 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

BACKGROUND

Reference is made to the announcement dated 3 November 2011 and the circular dated 24 November 2011 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2014 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, as announced in the Announcement, on 27 October 2014, the Company entered into the Agreement with CSCC.

* *For identification purpose only*

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

THE AGREEMENT

Date: 27 October 2014

Parties: The Company
CSCC

Duration: From 1 January 2015 to 31 December 2017, subject to renewal by negotiation between the parties

Service Provided:

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

1. In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall provide its satellite transponder capacity on a preferential basis to CSCC for provision of service to the end-user customers (the "**Transponder Service in Mainland China**"). In this regard, the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC for the provision of Transponder Service in Mainland China to CSCC.

2. In regions or markets outside Mainland China, when either the Company's or CSCC's own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall exploit on a preferential basis (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the "**Transponder Service outside Mainland China**"), (ii) the value-added services for satellite telecommunication provided by the available telecommunication facilities of the other party for provision of service to the end-user customers ("**Telecommunication Value-added Service**") and (iii) other related professional services ("**Related Services**") provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related professional services shall undertake the obligation to provide the necessary technical support in respect of such service to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services to CSCC. Likewise, the Company shall pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC.

Transaction amounts, pricing basis and settlement:

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

Service fees payable for the use of Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services shall be determined based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy and shall be on normal commercial terms or on terms which are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

The Company's prevailing pricing policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of Transponder Service in Mainland China and Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

The Company, taking into account prevailing market price for such relevant service and the service fees of the contracts of the Group then in force, derives an average standard unit price per standard bandwidth transponder per month (the "**Unit Price**") for each of the operating satellite of the Group on a regular basis and applies the Unit Price as a reference in determining the service fees for provision of all kinds of transponder services, telecommunication value-added services, and related services (regardless of whether the customer is a connected party or not).

Prior to the entering into of any contract for provision of transponder services, telecommunication value-added services, and related services (including any Specific Contract), approvals have to be obtained from the technical support department, engineering and technical department, the finance department and the legal (compliance) department of the Group.

The project team of the Company in charge shall submit confirmation as to whether the counter-party of the proposed transaction is a connected party or an independent third party. If the counter-party is a connected party of the Group, additional evidence will be submitted by such project team in charge to show such proposed transaction are in normal and ordinary course of business of the Group and the terms thereof (including the prices and fees) are fair or for the benefit of the Group and no less favourable to the Group than those available from independent third parties.

The Company's prevailing procurement policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the procurement of Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group from CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

Prior to the entering into of any contract for procurement of transponder services, telecommunication value-added services, and related services (including any Specific Contract), approvals have to be obtained from the technical support department, engineering and technical department, the finance department and the legal (compliance) department of the Group.

The project team of the Company in charge who proposes to procure any of the transponder services, telecommunication value-added services, and related services (whether from CSCC and/or its associates or independent third party) is responsible to compile a case document of the proposed transaction for the approval by the aforesaid departments of the Group which will set out certain criteria of the supplier(s), including (a) quality of the services or goods and the impacts to the Group's business; (b) prices or fees proposed compared to the respective budget of the Group; (c) reputation; (d) experience; (e) financial soundness; and (f) after-sale services or supports provided. Such project team in charge will also submit sufficient supporting evidence to the aforementioned and, whenever possible in the circumstances, obtain at least one quotation from another supplier for consideration and comparison. In addition, such project team in charge shall also submit confirmation as to whether the counter-party of the proposed transaction is a connected party or an independent third party. If the counter-party is a connected party of the Group, additional evidence will be submitted by such project in-charge team to show such proposed transaction are in normal and ordinary course of business of the Group and the terms thereof (including the prices or fees) are fair or for the benefit of the Group and no less favourable to the Group than those available from independent third parties.

The services fees payable by or to the Group under the Agreement shall be settled in cash. Under normal circumstances, the parties shall also agree the payment terms based on the principle of fairness and reasonableness and on normal commercial terms in the Specific Contracts. Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Transponder Service in Mainland China rendered under the Agreement for each of the three financial years ending 31 December 2017 will be HK$250,000,000, HK$295,000,000 and HK$345,000,000 respectively; (ii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by the Company to CSCC under the Agreement for each of the three financial years ending 31 December 2017 will be HK$18,000,000, HK$22,000,000 and HK$25,000,000 respectively; (iii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by CSCC to the Company under the Agreement for each of the three financial years ending 31 December 2017 will be HK$260,000,000, HK$200,000,000 and HK$220,000,000 respectively.

Condition and other principal terms:

The Agreement is conditional upon the approval by the Shareholders at the SGM. It will take effect as from 1 January 2015 and will expire on 31 December 2017, subject to negotiation for renewal by both parties.

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

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

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

PROPOSED CAPS

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

The Board proposes to set the Caps in respect of the provision of the Transponder Service in Mainland China pursuant to the Agreement for the three financial years ending 31 December 2017 as follows:

	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Aggregate transaction amount in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	250,000	295,000	345,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand (being HK$139,470,000 (unaudited estimate)); (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China with the estimated percentages of such growth, on a year-to-year basis, of approximately -0.15%, 44.81% and 7.74% in the next three years; and (iv) the significant increase in satellite transponder capacities of the Group which will be available following the commencement of APSTAR 9 (which possesses 32 C-band transponders (or 39.5 x 36 MHz equivalent transponders) and 14 Ku-band transponders), which is expected to replace APSTAR 9A (which is utilized for 18 C-band transponders) in the fourth quarter of 2015.

Historical amounts:

For the two financial years ended 31 December 2013 and the nine months ended 30 September 2014, the actual aggregate transactions amounts in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) were approximately HK$122,135,000, HK$150,527,000 and HK$106,083,000 (unaudited), respectively.

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

The Board proposes to set the Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services pursuant to the Agreement for the three financial years ending 31 December 2017 as follows:

	2015 *HK$'000*	**2016** *HK$'000*	**2017** *HK$'000*
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	18,000	22,000	25,000
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group			
Caps	260,000	200,000	220,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the estimate on the potential growth in demand for satellite broadcasting services, telecommunication services and related service in markets outside Mainland China with (a) the estimated percentages of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC and/or its associates, on a year-to-year basis, of approximately 78.29% (taking into account the commencement of provision of new transponder and telecommunication services by the Group in 2015 under a new Unified Carrier Licence for Non-Cable Based Fixed External Telecommunication Services, which is expected to be issued by the Government of Hong Kong around the end of 2014.), 24.36% and 13.06% in the next three years and (b) the estimated percentages of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from the Group, on a year-to-year basis, of approximately 32.95%, -30.09% (taking into account the commencement of APSTAR 9 in 2015 reducing the Group's need to procure services from CSCC and/or its associates and the procurement of services provided by CSCC and/or its associates through CHINASAT 5A (APSTAR 9A) terminating by the end of 2015) and 28.57% in the next three years; (iii) the existing transponder capacities and the increase in transponder capacities of the Group in markets outside Mainland China as a result of the commencement of APSTAR 9 (which possesses 32 C-band transponders (or 39.5 x 36 MHz equivalent transponders) and 14 Ku-band transponders), which is expected to replace APSTAR 9A (which is utilized for 18 C-band transponders) in the fourth quarter in 2015; and (iv) the existing transponder capacities of CSCC including CHINASAT 5A (APSTAR 9A) and CHINASAT 12 (APSTAR 7B).

Historical amounts:

For the two financial years ended 31 December 2013 and the nine months ended 30 September 2014, the actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) were approximately HK$2,865,000, HK$6,126,000 and HK$5,142,000 (unaudited), respectively.

For the two financial years ended 31 December 2013 and the nine months ended 30 September 2014, the actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group were approximately HK$2,125,000, HK$30,498,000 and HK$86,005,000 (unaudited), respectively.

INFORMATION OF THE GROUP AND CSCC

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

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

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

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

IMPLICATIONS OF THE LISTING RULES

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the Latest Practicable Date. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

In view of CSCC's interests in the transactions contemplated under the Agreement, APT International, CASC, CSCC and their respective associates will be required to abstain from voting at the SGM in respect of the resolution(s) to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps. As at the Latest Practicable Date, APT International, CASC, CSCC and their respective associates were interested in, controlled and were entitled to exercise control over 339,300,000 Shares, representing approximately 54.57% of the issued share capital of the Company.

As (i) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a non-executive director of CSCC, (ii) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, is also concurrently the chairman of the board of CASC (iii) Mr. Qi Liang, an executive Director, is also concurrently the deputy chief accountant for CSCC; and (iv) 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 Agreement and the transactions contemplated thereunder to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Agreement and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

SGM

There is set out on pages 39 to 40 of this circular a notice convening the SGM to be held at the Company's principal place of business at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 5 December 2014 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval by the Shareholders by poll the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

Whether or not you are able to attend the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

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

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

(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 Non-exempt Continuing Connected Transactions and the Caps are on normal commercial terms and in the ordinary course of business of the Group and are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. The Independent Board Committee therefore recommends the Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on pages 14 and 15 to 34 of this circular. Additional information is also set out in the Appendix of this circular for your information.

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

亞太衛星控股有限公司*
APT SATELLITE HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock code: 1045)

17 November 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 17 November 2014 issued by the Company (the "**Circular**") of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

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

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 13 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Caps as set out on pages 15 to 34 of the Circular.

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

Yours faithfully,
For and on behalf of
APT Satellite Holdings Limited
Independent Board Committee

Lui King Man	**Lam Sek Kong**	**Cui Liguo**	**Meng Xingguo**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

* *For identification purpose only*

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

Investec

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17 November 2014

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Agreement entered into with CSCC, details of which are set out in the circular to the Shareholders dated 17 November 2014 (the "**Circular**"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Shareholders in respect of the Agreement. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2014, the Group entered into the Agreement with CSCC on 27 October 2014 in respect of, amongst other things, the provision of transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the next three years ending 31 December 2017 on terms and conditions stipulated in the Agreement for maintaining the provision of services to its customers and strengthening the benefits of synergy between the parties.

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the Latest Practicable Date. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Caps are more than 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to the reporting, announcement, annual review and shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

As (i) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, is also concurrently the chairman of the Board of CASC; (ii) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a non-executive director of CSCC; (iii) Mr. Qi Liang, an executive Director and Vice President of the Company, is also concurrently the deputy chief accountant for CSCC; and (iv) 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 Agreement and the transactions contemplated thereunder to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Agreement and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

The Independent Board Committee comprising the four independent non-executive Directors, namely, Mr. Lui King Man, Mr. Lam Sek Kong, Mr. Cui Liguo and Mr. Meng Xingguo, has been established to advise the Shareholders on whether the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole and whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Shareholders are concerned. As the Independent Financial Adviser to the Independent Board Committee and the Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Shareholders as to (i) whether the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole; (ii) whether the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Company and the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned; and (iii) how the Shareholders should vote on the resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Shareholders regarding the Agreement and the transaction contemplated thereunder of the Company. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group 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 Group and/or the Directors and/or its senior management staff (the "**Management**") 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 date of the Circular. 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 Directors and/or the Management 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 Group and/or the Directors and/or the Management and their respective advisers 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, CASC and CSCC or their respective associated persons.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the Agreement, we have taken into consideration the following principal factors:

I. Background information and reasons for and benefits of entering into the Agreement

1. Information on the Group

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.

Set out below is a summary of the Group's consolidated operating results and financial position as extracted from the Company's annual report for the year ended 31 December 2013 (the "**2013 Annual Report**") and the Company's interim report for the six months ended 30 June 2014 (the "**2014 Interim Report**"):

	For the year ended 31 December		**For the six months ended 30 June**	
	2012	**2013**	**2013**	**2014**
In Hong Kong dollar million, approximately	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Turnover				
Greater China*	234.4	282.9	139.1	141.9
Outside China	666.2	855.1	420.0	486.0
Total turnover	900.6	1,138.0	559.1	627.9
Gross profit	528.2	730.0	375.5	395.8
Profit from operations	439.9	641.1	342.0	364.3
Profit for the year/period attributable to the shareholders of the Company	354.4	545.5	279.0	260.4

* *Greater China includes Mainland China, Taiwan and Macau but excludes Hong Kong. Hong Kong is included in Outside China.*

	As at 31 December		**As at 30 June**
	2012	**2013**	**2014**
In Hong Kong dollar million, approximately	(Audited)	(Audited)	(Unaudited)
Non-current assets	4,125.9	3,788.4	4,116.1
Current assets	902.0	1,757.9	1,583.5
Non-current liabilities	1,765.8	1,637.0	1,574.3
Current liabilities	175.6	332.9	332.0
Total equity	3,086.6	3,576.4	3,793.2

For the year ended 31 December 2013, the Group recorded an audited turnover of approximately HK$1,138.0 million (representing an increase of approximately 26.4% from the turnover of approximately HK$900.6 million for the preceding year) and a net profit of approximately HK$545.5 million (representing an increase of approximately 53.9% from the net profit of approximately HK$354.4 million for the preceding year). As noted in the 2013 Annual Report, increase in turnover was mainly attributed to the result of recognising a full year of income generated from some new utilisation contracts for APSTAR 7 which commenced to operate from 1 June 2012. In this period, the region of both Greater China and Outside China had recorded turnover growth of approximately 20.7% and 28.4%, respectively, to a turnover of approximately HK$282.9 million and HK$855.1 million for the year ended 31 December 2013. As stated in the 2013 Annual Report, approximately 24.9% of the Group's turnover was derived from the Greater China (excluding Hong Kong) markets and the rest was derived from overseas markets for the year ended 31 December 2013. The revenue share attributed by the Greater China (excluding Hong Kong) markets declined slightly from approximately 26.0% and that attributed by the overseas markets increased slightly from 74.0%, comparing the same period in 2012 and 2013. The increase in the profit attributable to shareholders was attributed to, among others, the increase in other net income by approximately HK$17.6 million (which is mainly due to the interest income generated from the Renminbi bank deposit and foreign currencies exchange gain) and the fair value gain of the convertible bonds of approximately HK$34.5 million recognised in profit or loss for the year ended 31 December 2013.

The Group recorded an unaudited turnover of approximately HK$627.9 million for the six months ended 30 June 2014, representing an increase of approximately 12.3% from the unaudited turnover of approximately HK$559.1 million for the corresponding period in 2013. The Group's unaudited net profit attributable to the equity holders of the Company for the six months ended 30 June 2014 of approximately HK$260.4 million represents a decrease of approximately 6.7% from the unaudited net profit attributable to the equity holders of the Company of approximately HK$279.0 million for the corresponding period in 2013. As noted in the 2014 Interim Report, the increase in turnover was mainly due to the higher income generating from the new utilisation contracts for APSTAR 9A. The region of both Greater China and Outside China had recorded turnover of approximately HK$141.9 million and HK$486.0 million, respectively, for the six months ended 30 June 2014, representing an increase of approximately 2.0% and 15.7%, respectively, as compared to the same period in 2013. The decrease in the profit attributable to shareholders was mainly attributed to fair value loss of approximately HK$66.7 million realised upon conversion of the convertible bonds into shares of CNC Holdings Limited in May 2014. If the fair value loss were to be excluded, the profit attributable to shareholders for the six months ended 30 June 2014 would have recorded an increase as comparing to the same period of 2013.

As noted from the Interim Report, currently the Group has four in-orbit satellites, namely, APSTAR 7 at 76.5 degree East with 28 C-band transponders and 28 Ku-band transponders, APSTAR 6 at 134 degree East with 38 C-band transponders and 12 Ku-band transponders, APSTAR 5 at 138 degree East with 20 C-band transponders and 9 Ku-band transponders and APSTAR 9A at 142 degree East with 18 C-band transponders, with aggregate footprints covering more than 75% of the world's population in Asia, Australia, Middle East, Africa, Europe, and the Asia Pacific region and the total transponder utilization rate of the Group's satellites was approximately 79.9% as at 30 June 2014. The Group also expects to launch a new satellite APSTAR9 Satellite in the fourth quarter of 2015 which would replace APSTAR 9A Satellite leased from CSCC. The Group believes APSTAR 9 would further enhance the Group's capability of transponder services, broadcasting services and telecommunication services in Asia Pacific Region so as to expand the customer base and increase the business revenue and profit.

2. Information on CSCC

CSCC is a company which is owned as to 99.75% by CASC. CASC is a state-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. We understand from the Company that CSCC is the only licensed satellite operator in Mainland China providing satellite communication services with various in-orbit satellites currently in operation, including CHINASAT 12 (APSTAR 7B) and APSTAR 9A, covering mainly Mainland China and Asia Pacific region.

3. Reasons for and benefits of entering into the Agreement

Details of the reasons for and benefits of benefits of entering into the Agreement are referred to the section headed "Reasons for and benefits of entering into the continuing connected transactions" in the letter from the Board (the "**Letter from the Board**").

From the discussion with the Directors we understand that (i) the Company and CSCC (or its associates (other than the Company or its subsidiaries)) (the "**CSCC Group**") (including the predecessor and one of the founding shareholders of the Group, China Telecommunications Broadcast Satellite Corporation) have maintained a long-term positive business relationship with each other, among others, including over 20 years of engaging in the provision of certain transponder, telecommunication value-added and/or related service in Mainland China and elsewhere; (ii) the scope of the cooperation between the Group and the CSCC Group has been gradually expanded over the years (for instance, the Group has been providing transponder and telecommunication services to the CSCC Group since the Group launched its first satellite and has started providing the complementary services to the CSCC Group from being a receiver of the services provided by the CSCC Group in respect of the provision of transponder, satellite telecommunication valued added services outside Mainland China), generating thereby accumulating mutual benefits to both parties; and (iii) the CSCC Group has available satellite transponder capacity and complementary capabilities which covers Mainland China and Asia Pacific region.

Having discussed with the Directors and considered (i) the CSCC Group with available satellite transponder capacity and capabilities being able to facilitate the Group in satisfying its customers' requirements so as to help the Group to strengthen its business relationship with its customers and pursue new business opportunities as a result of expanding the availability of satellite transponders in and outside Mainland China; (ii) the complementary capabilities (in terms of satellite transponder footprint coverage and transponder specification) of the Group and the CSCC Group in providing not only transponder service in and outside Mainland China but also telecommunication value-added and related services as solution-based services to their respective end-user customers in the regions or markets outside Mainland China which would increase the competitive edges and synergic effect for both the Group and the CSCC Group in market competition; (iii) the available transponder capacity of the Group and expected commencement of the new satellite APSTAR9 Satellite in the fourth quarter of 2015; and (iv) the long-term, positive and mutually beneficial business relationship between the Group and the CSCC Group in providing transponder, telecommunication value-added and related services in Mainland China and elsewhere, we concur with the view of the Directors that the transactions contemplated under the Agreement will maintain the provision of services to its customers and strengthen the benefits of synergy between the parties, and are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

II. Terms of the Agreement

Pursuant to the Agreement dated 27 October 2014, the Company and CSCC have agreed to, amongst other things, to provide transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates from 1 January 2015 to 31 December 2017 (the "**Agreement Term**"), subject to renewal by negotiation between the parties, on terms and conditions stipulated in the Agreement. The key terms are summarised in the following.

1. Services provided

Under the Agreement, the Company and CSCC have agreed to provide to each other the following services subject to the terms and conditions of the Agreement:

1) Transponder Service in Mainland China

In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall provide its satellite transponder capacity on a preferential basis to CSCC for provision of service to the end-user customers (the "**Transponder Service in Mainland China**"), which the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support.

The Company shall receive service fee from CSCC for the provision of the Transponder Service in Mainland China to CSCC.

2) Transponder, Telecommunication Value-added and Related Services outside Mainland China

In regions or markets outside Mainland China, when either the Company's or CSCC's own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall exploit on a preferential basis (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the "**Transponder Service outside Mainland China**"); (ii) the value-added services for satellite telecommunication provided by the available telecommunication facilities of the other party for provision of service to the end-user customers ("**Telecommunication Value-added Service**"); and (iii) other related professional services ("**Related Services**") provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related professional services shall undertake the obligation to provide the necessary technical support in respect of such services to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support.

The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services to CSCC and pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC.

2. *Transaction amounts, pricing basis and settlement*

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

Service fees payable for the use of the Services shall be (i) determined based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy, which will be reviewed regularly and if necessary by the Company to ensure that they are consistent with market-oriented, fair and reasonable principles and compliant with the internal control procedures of the Company; (ii) on normal commercial terms or on terms which are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties; and (iii) settled in cash.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Transponder Service in Mainland China rendered under the Agreement for each of the three financial years ending 31 December 2017 will be HK$250 million, HK$295 million and HK$345 million respectively; (ii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by the Company to CSCC under the Agreement for each of the three financial years ending 31 December 2017 will be HK$18 million, HK$22 million and HK$25 million respectively; and (iii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service rendered by CSCC to the Company under the Agreement for each of the three financial years ending 31 December 2017 will be HK$260 million, HK$200 million and HK$220 million, respectively.

3. Conditions and other principal terms

Pursuant to the Agreement, the Company can authorise its subsidiaries, and CSCC can authorise its associates (excluding the Company and its subsidiaries), to perform the Agreement, undertake the corresponding obligations and enjoy the corresponding rights, and Specific Contracts may be entered into between such companies, which are agreed based on the principle of fairness and reasonableness and on normal commercial terms.

Both parties have undertaken to provide service assurance to the end-user customers in respect of the technical aspects of the relevant satellite for Transponder Service, Telecommunication Value-added Service and Related Services, and to be responsible for any compensation (including, but not limited to, compensation for interruption, default or other duty) arising from such party's obligation to provide technical support in respect of satellite transponder service and value-added service for satellite communication and related services to the end-user customers or any other responsibility or expenses caused to the other party by such party's failure to perform its obligations.

Details of the conditions and principal terms of the Agreement are referred to the section heading "The Agreement" in the Letter from the Board.

The Agreement will continue to serve as a master agreement in respect of the Services during the term of the Agreement. We understand from the Company that other than extending the term of the Agreement for a further term of three years, all the other terms of the Agreement, including the governing mechanism, remain the same as the original terms of the Existing Transponder and Communication Services Master Agreement approved by the then independent Shareholders in December 2011.

In respect of the preferential basis to be exploited for the Services provision, we have discussed with the Directors and understand that, provided the services fees are determined and paid based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy, both parties consider it helpful in securing the resources and cooperation to each party due to their long-term cooperation and mutual understanding in the operation, technical capabilities and facilities.

We have reviewed the prevailing pricing policy and procurement policy and also discussed with the Directors the internal control procedures and mechanism of the Company.

Based on our discussion with the Directors, we understand that on a regular basis the Company derives an average standard unit price per standard bandwidth transponder per month (the "**Unit Price**") for each of the operating satellite from the service fees of the currently valid contracts of the Company (which can be used to compare with the prevailing price in the market) and applies the Unit Price as a reference in determining the service fees for the provision of all kinds of transponder, telecommunication value added, and related services in the new contracts of the Company, regardless whether the contractual counter-party is a connected party or not.

In respect of the procurement policy of the Group, we understand from the Directors that it provides, among others, the approval procedure and process for any procurement contract in relation to all such transponder services, telecommunication value-added services, and related services, including any Specific Contract to be entered into under the Non-exempt Continuing Connected Transactions. Pursuant to the procurement policy, the Group shall only procure services and goods from those suppliers which are approved by the Group and registered under the list of qualified suppliers (subject to regular review and update from time to time), and any transaction shall be subject to the approval process and compliant to the internal control process prior to the signing by the Group, i.e. an approval must be given by the financial, technical support, engineering and technical department and legal (compliance) departments. The respective project in-charge team that proposes to procure the services or goods and is responsible for compiling the case document of a transaction for the approval shall consider certain criteria of the supplier(s), including (a) quality of the services or goods and the impacts to the Group's business offered; (b) prices or fees proposed compared to the respective budget of the Group; (c) reputation; (d) experience; (e) financial soundness; and (f) after-sale services or support provided, and submit sufficient supporting evidence to the aforementioned and, whenever possible, at least one supplemental supplier for consideration and comparison. In addition, the respective project in-charge team shall also submit whether the counter-party of a transaction is a connected party or an independent third party, and additional evidence that the terms (including the prices or fees) of such a transaction are in normal and ordinary course of business of the Group, fair or for the benefit of the Group and no less favourable to the Group than those available from independent third parties should the counter-party be a connected party of the Group.

In respect of the internal control system of the Group, we understand from the Directors that the Group has implemented and maintains an internal control system based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework and principles, the effectiveness of which is reviewed by the Directors at least annually to ensure the internal control system of the Group is in line with the requirements under the C.2 Internal Control of Appendix 14 of the Listing Rules. It covers the financial reporting, operational and compliance functions of the Group, overseeing the entering into any service agreements with customers or the procurement of any services in relation to Transponder Services, Telecommunication Value-added Service, and Related Services within the Group. Each transaction, including those under the scope of the Non-exempt Continuing Connected Transactions requires the approval by all the financial, technical support, engineering and technical and legal (compliance) departments of the Group with segregated duties before entering into by the Group and the relevant terms and conditions (including the respective prices or fees) of the respective transaction are audited by the internal auditors on an annual basis, ensuring (a) the transaction entered into by the Group and the fees paid are consistent with the Group's prevailing pricing and procurement policy based on market-oriented, fair and reasonable principles; and (b) the terms (including the prices or fees) of a transaction are on normal commercial terms and no less favourable to the Company than terms available to or from (as appropriate) independent third parties in case any counter-party of a transaction is a connected party.

As such, we concur with the view of the Directors' that prevailing pricing policy and procurement policy are consistent with market-oriented, fair and reasonable principles and the internal control procedures and mechanism of the Company are adequate.

We understand from the Directors that, the Group has engaged other independent third parties in respect of the provision of the Services and will continue the practice. We have compared the past sample Specific Contracts entered into between the Group and the CSCC Group and those between the Group and independent third parties for the comparable Services (the "**Comparable Contracts**"), which, based on our understanding, contained the terms (including the prices) arrived at after arm's length negotiations between the parties by reference to the prevailing market conditions. We note that the principal terms under the Comparable Contracts were similar and the service fees under the Comparable Contracts (a) paid by the Group to CSCC Group were no more favourable than those to the independent third parties; and (b) received by the Group from CSCC Group were no less favourable than those to the independent third parties.

We also note from the annual reports of the Company in 2012 and 2013, that the independent non-executive Directors of the Company (the "**Independent Non-executive Directors**") had reviewed the Continuing Connected Transactions and confirmed in both years that:

i) the Continuing Connected Transactions have been entered into under the usual and ordinary course of business of the Group;

ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available from independent third parties; and

iii) the Continuing Connected Transactions have been entered into in accordance with the Existing Master Agreement governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Moreover, we note from these annual reports that in both years the Directors had received a letter by KPMG ("**KPMG**") which was engaged to report on the Group's Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. KPMG had issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which has been provided by the Company to the Stock Exchange in accordance with Rule 14A.38 of the Listing Rules where confirming the Continuing Connected Transactions:

i) have received the approval of the Board of Directors;

ii) are in accordance with the pricing policies of the Group;

iii) have been entered into in accordance with the relevant agreement governing the Continuing Connected Transactions; and

iv) have not exceeded the respective Caps set out above for the respective financial year.

On the basis that (i) the Agreement is an extension of the Existing Transponder and Communication Services Master Agreement for a further three years ending 31 December 2017 and has the same principal terms (save for the term of the Agreement), including the governing mechanism, which were approved by the then independent Shareholders; (ii) prevailing pricing policy and procurement policy are consistent with market-oriented, fair and reasonable principles and the internal control procedures and mechanism of the Company are adequate; (iii) the principal terms under the Comparable Contracts were similar and the service fees under the Comparable Contracts (a) paid by the Group to CSCC Group were no more favourable than those to the independent third parties; and (b) received by the Group from CSCC Group were no less favourable than those to the independent third parties; and (iv) the Independent Non-executive Directors and KPMG confirmed on the relevant compliance in respect of the Continuing Connected Transactions published in the annual reports of the Company in 2012 and 2013, we concur with the Directors' view that the terms of the Agreement with respect to the provision of Services are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

III. Rationale for determining the maximum value of the transactions contemplated under the Agreement

Set out below are the transactions amounts in respect of the provision of the Services under the Existing Transponder and Communication Services Master Agreement for each of the three years ended/ending 31 December 2012, 2013 and 2014 (the "**Historical Period**"), respectively:

	For the year ended 31 December									
	2012			2013			2014			
In HK$ million, approximately	Actual fees paid (Audited)	Historical Cap	Utilisation rate	Actual fees paid (Audited)	Historical Cap	Utilisation rate	Actual fees paid[(1)] (Unaudited)	Full year forecast fees paid[(2)] (Unaudited)	Historical Cap	Utilisation rate[(2)]
Aggregate transaction amount in respect of the provision of:										
1) Transponder Service in Mainland China by the Group to the CSCC Group	122	250	49%	151	313	48%	106	141	370	38%
2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by:										
a) the Group to the CSCC Group	3	18	16%	6	22	28%	5	7	25	27%
b) the CSCC Group to the Group	2	50	4%	30	250	12%	86	115	360	32%

Notes:

(1) For the 9 months ending 30 September 2014.

(2) Pro-rata base on the unaudited actual aggregate amount for the 9 months ending 30 September 2014.

As set out in the Letter from the Board, the Board proposes to set the Caps for the provision of the Services pursuant to the Agreement for the three financial years ending 31 December 2017 as the following:

	For the year ending 31 December		
	2015	**2016**	**2017**
Caps in respect of the provision of:	*HK$ million*	*HK$ million*	*HK$ million*
1) Transponder Service in Mainland China by the Group to the CSCC Group	250	295	345
2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by:			
a) the Group to CSCC Group	18	22	25
b) the CSCC Group to the Group	260	200	220

As set out in the Letter from the Board, the Caps set out above are primarily determined by reference to the following:

1) *Transponder Service in Mainland China by the Group to the CSCC Group*

   i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties;

   ii) the value of contracts on hand;

   iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China with the estimated percentages of such growth, on a year-to-year basis, of approximately -0.15%, 44.81% and 7.74% in the next three years; and

   iv) the significant increase in satellite transponder capacities of the Group which will be available following the commencement of APSTAR 9, which is expected to replace APSTAR 9A in the fourth quarter of 2015.

2) *Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group or by the CSCC Group to the Group*

   i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties;

   ii) the estimate on the potential growth in demand for satellite broadcasting services, telecommunication services and related service in markets outside Mainland China with (a) the estimated percentages of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from the CSCC Group, on a year-to-year basis, of approximately 78.29% (taking into account the commencement of provision of new transponder and telecommunication services by the Group in 2015 under a new Unified Carrier Licence for Non-Cable Based Fixed External Telecommunication Services, which is expected to be issued by the Government of Hong Kong around the end of 2014), 24.36% and 13.06% in the next three years and (b) the estimated percentages of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from the Group, on a year-to-year basis, of approximately 32.95%, -30.09% (taking into account the commencement of APSTAR 9 in 2015 reducing the Group's need to procure services from CSCC and/or its associates and the procurement of services provided by CSCC and/or its associates through CHINASAT 5A (APSTAR 9A) terminating by the end of 2015) and 28.57% in the next three years;

iii) the existing transponder capacities and the increase in transponder capacities of the Group in market outside Mainland China as a result of the commencement of APSTAR 9, which is expected to replace APSTAR 9A in the fourth quarter of 2015; and

iv) the existing transponder capacities of CSCC including CHINASAT 5A (APSTAR 9A) and CHINASAT 12 (APSTAR 7B).

Analysis of the Caps

1) Transponder Service in Mainland China by the Group to the CSCC Group

We note that the actual historical aggregate transaction amount (the "**Historical Amounts**") in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC Group increased from approximately HK$122 million in 2012 to approximately HK$151 million in 2013, representing an increase of approximately 24%, and would decrease to approximately HK$141 million in 2014 (if based on the fully year annualised forecast estimate), representing a decrease of approximately 7%. The utilisation rate of the historical caps (the "**Utilisation Rate**"), calculated by dividing the respective actual fees paid and the annual caps in the corresponding year, was 49%, 48% and 38% in 2012, 2013 and 2014, respectively.

The Cap in 2015 is HK$250 million, adjusted downward from HK$370 million in 2014, and represents approximately HK$109 million increase from the full year forecast actual amount of approximately HK$141 million in 2014 (if based on the annualised estimate). The growth rate of the respective Caps is approximately 18% from 2015 to 2016 and approximately 17% from 2016 to 2017.

Based on our review of the forecast aggregate transaction amounts (the "**Forecast Amounts**") for the Transponder Service in Mainland China by the Group to the CSCC Group for the coming three years ending 31 December 2017 provided by the Company, we note that the Forecast Amounts are comprised of primarily the value of contracts on hand (including those are anticipated to be renewed) by the Company in each year of the Agreement Term (the "**Contracts On Hand**") and secondarily the additional estimated value from the potential new contracts to be signed (the "**New Contracts**"). While the value of the Contracts on Hand estimated for each year during the Agreement Term (being approximately HK$139 million (unaudited estimate)) is more or less at the level of the full year annualised forecast actual amount of approximately HK$141 million in 2014, the increase in the Forecast Amounts, particularly in 2016 and 2017, is almost entirely attributed to the estimated revenue from the New Contracts to be generated by the APSTAR 9 expected to commence in the fourth quarter of 2015, without which would suggest a nearly zero growth in the Forecast Amounts for the Transponder Service in Mainland China by the Group to the CSCC Group during the Agreement Term. From our discussion with the Directors, we understand that the Directors have taken a conservative approach that a) the renewal rate taken into account for the estimation is based on the experience of the historical renewal rate which has been high in the past; and b) the assumed satellite utilisation rate (including the incremental increase rate) used in estimating the value from the New Contracts was considerably lower than that of the other satellites of the Company upon the commencement in the past. We also understand from the Directors that APSTAR 9 Satellite is a high power geostationary communication satellite based on DFH-4 series platform with 32 C-band transponders and 14 Ku-band transponders and has an expected high revenue generating capacity as a result that a substantial amount of customers and contracts have been secured or locked up for the new satellite.

In addition, we understand from the discussion with the Directors that the Directors have also taken a buffer into account in determining the Caps given the fluctuation of the actual fees paid in the past. This was the same practice as in determining the historical caps, which was partially attributed to the Utilisation Rate of approximately 49%, 48% and 38% (if based on the full year annualised forecast estimate) in the Historical Period. Moreover, the lower Utilisation Rate in the Historical Period was also due to the delay in utilising APSTAR 7B, eventually launched in the end of 2013, thereby generating less revenue than expected in the Historical Period.

We have reviewed the historical aggregate amounts in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC Group since 2008 disclosed in the circular of the Company dated 24 November 2011 in respect of the relevant continuing connected transactions and note that the respective historical aggregate amounts generally exhibited an upward trend with various annual growth rate. We understand from the Directors' that ramping up a new satellite utilisation upon its launch usually attributes to the spike of the growth rate. For instance, the growth rate of approximately 24% was attributed to the full year income recognition of APSTAR 7 in 2013.

The historical aggregate transaction amount in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC 2008 – 2014f

HK$ million, approximately	**2008** (Audited)	**2009** (Audited)	**2010** (Audited)	**2011** (Audited)	**2012** (Audited)	**2013** (Audited)	**2014f** (Unaudited)
The aggregate transaction amount	11	57	118	125	122	151	141
Growth rate		418%	107%	6%	–2%	24%	–7%

Having considered the above, we concur with the Directors' view that the respective Caps in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC Group have been arrived at on a fair and reasonable basis.

2) *Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services*

a) by the Group to the CSCC Group

We note that the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group doubled from approximately HK$3 million in 2012 to approximately HK$6 million in 2013 and would further increase to approximately HK$7 million in 2014 (if based on the full year annualised forecast estimate), representing a further increase of approximately 12%. The respective Utilisation Rate was 16%, 28% and 27% (if based on the full year annualised forecast estimate) in 2012, 2013 and 2014, respectively. We understand from the Directors that the progress of the demand on the Group's Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group have been slow in 2012, 2013 and 2014 since the CSCC Group has been focusing on the business development in Mainland China.

The respective Cap in 2015 has been adjusted downward to HK$18 million from HK$25 million in 2014, which is due to the respective Utilisation Rate in the Historical Period under this service scope based on our understanding from the discussion with the Directors. We note that the Cap of HK$18 million in 2015 is approximately 1.6 times higher than the full year annualised forecast estimate of HK$7 million in 2014. The growth rate of the respective Caps is approximately 22% from 2015 to 2016 and approximately 14% from 2016 to 2017, remaining the same as that in the Historical Period.

Similar to those for the Transponder Service in Mainland China by the Group to the CSCC Group during the Agreement Term, the Forecast Amounts for the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group are comprised of the value from the Contracts On Hand and the additional estimated value from the New Contracts under this respective service scope. Based on our review of the respective Forecast Amounts provided by the Company, we note that the value from the Contracts On Hand, which is more or less at the same level of the full year annualised forecast estimate of HK$7 million in 2014, and the additional estimated value from the New Contracts more or less will contribute equally to the Forecast Amounts for the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group. The forecast estimate value from the New Contracts is almost entirely attributed to Telecommunication Value-added Service by the Group to the CSCC Group. From our discussion the Directors have advised that the renewal rate taken into account for the estimation is based on the experience of the historical renewal rate which has been high in the past. Moreover, the increase in the value contributed by the Telecommunication Value-added Service is primarily driven by a new satellite-based fixed external telecommunication service (other than land mobile service) under unified carrier services license expected to be received by the Group which allows the Group to serve offshore mobile customers for connectivity for maritime vessels or inflight airplanes in addition to the existing fixed external telecommunication services.

b) by the CSCC Group to the Group

We note that the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group to the Group increased substantially from approximately HK$2 million in 2012 to approximately HK$30 million in 2013 and would further increase by more than threefold to approximately HK$115 million in 2014 (if based on the annualised forecast estimate). The respective Utilisation Rate was 4%, 12% and 32% (if based on the full year annualised forecast estimate) in Historical Period, respectively.

The respective Cap in 2015 has been adjusted downward to HK$260 million from HK$360 million in 2014, which is due to the respective Utilisation Rate in the Historical Period under this service scope based on our understanding from the discussion with the Directors. It is approximately HK$145 million higher than the full year annualised forecast estimate of HK$115 million in 2014. The respective Caps decrease by approximately 23% from 2015 to 2016 and increase by approximately 10% from 2016 to 2017.

Based on our review of the respective Forecast Amounts provided by the Company, we note that the Forecast Amounts for the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group to the Group are comprised of primarily the additional estimated value from the New Contracts related to Transponder Service outside Mainland China and negligibly the value from the Contracts On Hand under this respective service scope. The decrease of the Caps of approximately 23% from 2015 to 2016 is primarily due to the estimated reduction in the transaction amount from the Transponder Service outside Mainland China as APSTAR 9 is expected to replace APSAR 9A upon its expected commencement in the fourth quarter of 2015. On the other hand, CHINASAT 12 (APSTAR 7B) which was transferred to the CSCC Group from the Group and started the leasing cooperation in the second half of 2013 for certain of its transponder capacities to provide transponder services to the market of Asia Pacific Region, Middle East and Africa regions, has contributed significantly to the increase in the value from the New Contracts during the Agreement Term. From the discussion with the Directors, we understand that the Group plans to exploit the competitive edge arising from the Group's coverage of the world's population from currently approximately 75% through incrementally adding the available transponder capacities from CHINASAT 12 thereby enhancing the Group's services to customers in the region. We also understand that the Directors have taken a conservative approach that the assumed number of the leased transponders (including the incremental increase rate) used in estimating the value from the New Contracts represented only a reasonable part of the total transponders available for the Company's lease and the overall satellite utilisation rate applied was much lower than the average satellite utilisation rate.

In addition, in determining the Caps, we understand from the discussion with the Directors that the Directors have taken a prudent approach and also taken into account a buffer given the fluctuation of the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group or by the CSCC Group to the Group in the Historical Period.

We also note that the turnover from outside Mainland China (including Hong Kong) grew from approximately HK$239 million for the year ending 31 December 2008 to approximately HK$855 million for the year ending 31 December 2013, representing a CAGR of approximately 29%. According to the "State of the Satellite Industry Report" from the Satellite Industry Association prepared by the Tauri Group dated September 2014, the global satellite industry revenues increased approximately from US$144.4 billion in 2008 to US$195.2 billion in 2013, representing an CAGR of approximately 6.2%. Global satellite services revenues, representing over 50% of the total revenues in the global satellite industry, grew from approximately US$84.1 billion in 2008 to approximately US$118.6 billion in 2013 or at approximately 7.1% per annum on average during the period and outpaced the growth of the overall industry. Global satellite services revenue growth was primarily driven by consumer services (such as increasing offering and subscription of high definition television which require more satellite bandwidth to transmit than do standard television channels) and remote sensing revenues. Having discussed with the Directors, the Company advised that it had achieved the highest growth rate in the industry and outperformed the majority of its competitors in the recent past years.

Having considered the above, we concur with the Directors' view that the respective Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to CSCC Group or by the CSCC Group to the Group have been arrived at on a fair and reasonable basis.

IV. Conditions of the annual caps under the Agreement

There are certain conditions of the annual cap pursuant to the Listing Rules, in particular, the restriction of the value of the transactions contemplated under the Agreement by way of the annual cap for each of the relevant financial years and the annual review by the independent non-executive Directors of the terms of such transactions and the relevant annual caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. Also, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the Agreement are conducted in accordance with the terms of the relevant Agreement and that the relevant annual caps not being exceeded. In addition, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual caps not being exceeded.

As discussed above, the Company has published in its annual reports in the recent years (including in 2012 and 2013) that the Independent Non-executive Directors had confirmed their review the Continuing Connected Transactions and the relevant compliance and KPMG had issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which had been provided by the Company to the Stock Exchange in accordance with Listing Rules 14A.38. The Company confirms that it will continue complying with the internal control procedure and relevant Listing Rules during the term of the Agreement, in particular:

a) each year the Independent Non-executive Directors will review the Non-exempt Continuing Connected Transactions and confirm in the annual report of the Company whether such transactions have been entered into:

   i. in the ordinary and usual course of business of the Company;

   ii. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

   iii. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

b) each year the auditor of the Company will provide a letter to the Board (with a copy of it provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming whether the Non-exempt Continuing Connected Transactions:

   i. have received the approval of the Board;

   ii. have been entered into in accordance with the pricing policy of the Group; have been entered into in accordance with the terms of the Agreement; and

   iii. have not exceeded the annual Caps as disclosed;

c) the Board will also state in the annual report of the Company whether its auditor has confirmed the matters as referred to in paragraph (b) above;

d) the annual Caps for the Non-exempt Continuing Connected Transactions shall not be exceeded in the respective financial year; and

e) upon any revision or renewal of the Agreement, the Company will comply in full with all applicable reporting, disclosure and shareholders' approval requirements of Chapter 14A of the Listing Rules.

Considering the above, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the Agreement and safeguard the interests of the Shareholders.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Company; and (iii) the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned.

Accordingly, we would advise the Independent Board Committee and the Shareholders that the Shareholders should vote in favour of the ordinary resolutions to approve the Agreement at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Managing Director
Head of Corporate Finance

Mr. Alexander Tai of Investec is a responsible officer of 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. He has been active in the field of corporate finance advisory for over 20 years, involved in and completed various corporate finance advisory transactions.

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.

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:

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 he was taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be 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:

(a) 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;

(b) 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 2013, the date up to which the latest published audited consolidated financial statements of the Group were made; and

(c) (i) 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; (ii) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, was also concurrently the chairman of the board of CASC and the chairman of the board of director of APT International; (iii) Mr. Zhuo Chao, a non-executive Director, was also concurrently a director and general manager of CSCC and a director of APT International; (iv) Mr. Fu Zhiheng, a non-executive Director, was also concurrently a director of APT International; (v) Mr. Qi Liang, an executive Director and Vice President of the Company, was also concurrently the deputy chief accountant for CSCC and a director of APT International; and (vi) Mr. Lim Toon, Mr. Lim Kian Soon and Dr. Yin Yen-liang, non-executive Directors, and Mr. Tseng Ta-mon (alternative Director to Dr. Yin Yen-liang), were also concurrently directors of APT International.

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.

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 close 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 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

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

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;

(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 which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and

(c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by Investec to the Independent Board Committee and the Shareholders was made on 17 November 2014 for incorporation in this circular.

7. MISCELLANEOUS

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

(i) the Agreement;

(ii) the Existing Transponder and Communication Services Master Agreement;

(iii) letter from the Independent Board Committee dated 17 November 2014, the text of which is set out on page 14 of this circular;

(iv) letter from the Independent Financial Adviser to the Independent Board Committee and the Shareholders dated 17 November 2014, the text of which is set out on pages 15 to 34 of this circular;

(v) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed “Expert’s qualifications and consent” in this appendix; and

(vi) this circular.

亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(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 Friday, 5 December 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 transponder and communication services master agreement dated 27 October 2014 (the "**Agreement**") entered into between the Company and 中國衛通集團有限公司 (China Satellite Communications Co. Ltd.) ("**CSCC**") in respect of, among other things, the provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Company and/or its subsidiaries and CSCC and/or its associates, as defined and described in the circular of the Company dated 17 November 2014 (the "**Circular**"), a copy of the Circular marked "**A**" together with a copy of the Agreement marked "**B**" being tabled before the meeting and initialled by the chairman of the meeting for identification purpose, and 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 further acts and things and sign, seal, execute, perfect and deliver all such documents on behalf of the Company as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of and in connection with the implementation and/or give full effect to any matters relating to the Agreement and the transactions contemplated thereunder."

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

Hong Kong, 17 November 2014

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

* *For identification purpose only*

Notes:

1. The ordinary resolution to be considered at the special general meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively.

2. Any member of the Company who is eligible 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. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

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 Level 22, Hopewell Centre, 183 Queen's Road East, 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 board 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. Zhuo Chao, Mr. Fu Zhiheng, Mr. Lim Kian Soon 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 Liguo and Dr. Meng Xingguo as Independent Non-executive Directors.