

---

**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 licensed securities dealer, 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 and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

---



## **APT SATELLITE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1045)

### **CONTINUING CONNECTED TRANSACTIONS**

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

**ALTUS CAPITAL LIMITED**

---

A letter from the board of directors of APT Satellite Holdings Limited is set out on pages 5 to 10 of this circular.

A letter from the independent board committee containing its recommendation to the independent shareholders of APT Satellite Holdings Limited is set out on page 11 of this circular.

A letter from Altus Capital Limited containing its advice to the independent board committee and the independent shareholders of APT Satellite Holdings Limited is set out on pages 12 to 16 of this circular.

A notice convening a special general meeting of the Company to be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 13 February 2007 at 11:00 a.m. is set out on page 22 of this circular. Whether or not you intend to attend such meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjourned meeting should you so wish.

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from the Independent Financial Adviser</b> .....	12
<b>Appendix – General information</b> .....	17
<b>Notice of the SGM</b> .....	22

---

## DEFINITIONS

---

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

“2004 Announcement”	the announcement of the Company dated 2 December 2004 in relation to the Continuing Connected Transactions
“2004 Circular”	the circular of the Company dated 13 December 2004 in relation to the Continuing Connected Transactions
“Altus” or the “Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the New Caps
“APT International”	APT Satellite International Company Limited, a company incorporated in the British Virgin Islands on 4 October 1996 and is interested in approximately 51.83% of the Company as at the date hereof. It is owned as to approximately 28.57% by SingaSat and the remaining 71.43% by four other parties (namely, approximately 28.57% by China Telecommunications Broadcast Satellite Corporation and approximately 14.29% by each of China Aerospace Science & Technology Corporation, CASIL Satellite Holdings Limited, and Kwang Hua Development and Investment Limited) who are independent of and not connected with the SingTel Group or its Associates
“APT Telecom”	APT Satellite Telecommunications Limited, an indirect 55% owned subsidiary of the Company incorporated in Hong Kong on 9 February 2000 with limited liability and a jointly controlled entity formed in June 2000 under 55:45 equity ratio between the Group and SingaSat respectively
“APTTS”	APT Telecom Services Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability
“Associate(s)”	the same meaning as defined in the Listing Rules
“Board”	the board of Directors
“Company”	APT Satellite Holdings Limited, a company incorporated in Bermuda with limited liability and its shares are listed on the main board of the Stock Exchange

---

## DEFINITIONS

---

“Continuing Connected Transactions”	the transactions contemplated under the Master Agreement and as supplemented by the Supplemental Agreement
“Director(s)”	the director(s) of the Company
“Existing Cap(s)”	the maximum aggregate annual value(s) for each of the Transponder Transactions and the Telecom Transactions for each of the three financial years ended 31 December 2006 as set out in the 2004 Announcement and approved by the Independent Shareholders at the special general meeting of the Company on 30 December 2004
“Fixed Carrier Licence”	the Fixed Carrier Licence Number 21 issued on 2 June 2003 by the Office of the Telecommunications Authority of Hong Kong (“OFTA”) (converted from the Fixed Telecommunications Network Services Licence dated 19 June 2000 issued by OFTA to APT Telecom as amended on 18 December 2001)
“Group”	the Company and/or any of its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee comprising all the independent non-executive Directors appointed by the Board to advise the Independent Shareholders in respect of the Supplemental Agreement and the New Caps
“Independent Shareholders”	the shareholders of the Company other than SingaSat and its Associates
“Latest Practicable Date”	17 January 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Agreement”	the agreement dated 1 December 2004 entered into between the Company and SingTel in relation to the provision of satellite transponder and any other satellite related services and telecommunications related services by the Group to SingTel and Singapore Telecom Hong Kong Limited, or vice versa

---

## DEFINITIONS

---

“New Cap(s)”	the proposed maximum aggregate annual value(s) for each of the Transponder Transactions and the Telecom Transactions for each of three financial years ending 31 December 2007, 2008 and 2009
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held to consider and approve the Supplemental Agreement and the New Caps
“Shareholders”	the shareholders of the Company
“SingaSat”	SingaSat Private Limited, a company incorporated in Singapore on 7 July 1994 with limited liability which, as at the date of this circular, holds approximately 5.52% of the Company’s issued share capital and 28.57% of the issued share capital of APT International (which in turn holds approximately 51.83% of the issued share capital of the Company)
“SingTel”	Singapore Telecommunications Limited, a company incorporated in Singapore with limited liability and is the holding company of SingaSat
“SingTel Group”	SingTel and/or any of its subsidiaries including, where applicable, their Associates
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	the same meaning as defined in the Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 28 December 2006 entered into between the Company and SingTel for the purposes of extending the term of the Master Agreement to 31 December 2009
“Telecom Transactions”	the transactions entered into between the Group and the SingTel Group from time to time in relation to the provision and procurement of telecommunication services
“Threshold”	being 2.5% when the relevant amount on an annual basis is expressed in terms of the percentage ratios (as defined in Chapter 14A of the Listing Rules), or HK\$10,000,000 provided that each of such percentage ratios is on an annual basis equal to or more than 2.5% but less than 25%

---

## DEFINITIONS

---

“Transponder Transactions”	the transactions entered into between the Group and the SingTel Group from time to time in relation to the provision and procurement of transponder services
“HK\$”	Hong Kong dollars

---

## LETTER FROM THE BOARD

---



### APT SATELLITE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1045)

*Executive Directors:*

NI Yifeng (*President*)

TONG Xudong (*Vice President*)

*Non-executive Directors:*

RUI Xiaowu (*Chairman*)

LIM Toon

YIN Yen-liang

WU Zhen Mu

HO Siaw Hong

ZHAO Liqiang

TSENG Ta-mon (*Alternate Director to YIN Yen-liang*)

*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

*Independent Non-executive Directors:*

YUEN Pak Yiu, Philip

HUAN Guocang

LUI King Man

18 January 2007

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

The Board announced on 28 December 2006 that the Company entered into the Supplemental Agreement with SingTel for the purposes of extending the term of the Master Agreement to 31 December 2009 thereby enabling the governance of the Continuing Connected Transactions and ensuring compliance with Chapter 14A of the Listing Rules. The purpose of this circular is to provide you with further information on the particulars of the Master Agreement as supplemented by the Supplemental Agreement, the Continuing Connected Transactions and the proposed New Caps, the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the New Caps, the recommendation of the Independent Board Committee, the SGM Notice and other information as required under the Listing Rules.

---

## LETTER FROM THE BOARD

---

### BACKGROUND

Reference is made to the 2004 Announcement and the 2004 Circular in relation to, among other things, the Continuing Connected Transactions. The Group has entered, and will from time to time enter, into various transactions with the SingTel Group in respect of the provision as well as procurement of satellite transponder capacity (i.e. the Transponder Transactions) and of telecommunications services (i.e. the Telecom Transactions). The services provided under the Telecom Transactions by the Group to the SingTel Group mainly include VSAT (Very Small Aperture Terminal) and wholesale voice services, while those procured by the Group from the SingTel Group mainly include data signal transmission services, wholesale voice services and leasing of cable circuits. For the purposes of governing the Continuing Connected Transactions and ensuring compliance with Chapter 14A of the Listing Rules, the Company had entered into the Master Agreement with SingTel on 1 December 2004 and the Continuing Connected Transactions under the Master Agreement were approved by the then independent shareholders of the Company at the special general meeting of the Company held on 30 December 2004.

The Master Agreement had expired on 31 December 2006. As the Directors expect that the Continuing Connected Transactions will continue in the ordinary and usual course of business of the Group, the Company entered into the Supplemental Agreement on 28 December 2006 to extend the term of the Master Agreement for a further three years to 31 December 2009.

### THE MASTER AGREEMENT AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT

Subject to the approval by the Independent Shareholders and the early termination by the parties to the agreement, the Master Agreement shall be extended and remain in force for a further three years from 1 January 2007 to 31 December 2009, while all other terms of the Master Agreement remain unchanged. The principal terms of the Master Agreement are as follows:

Parties:	the Company and SingTel
Services to be transacted:	the satellite transponder and any other satellite related services and telecommunications related services provided by the Group to the SingTel Group, or vice versa
Terms:	on normal commercial terms having regard to the particulars, quantity and duration of the services and other relevant conditions prevailing at the time of the transactions

All the Continuing Connected Transactions have been and will continue to be supported by written contracts between the relevant members of the Group and members of the SingTel Group, and the terms of which have been and will continue to be made in accordance with the Group's pricing policy and negotiated on an arm's length basis and on normal commercial terms between the Group and the SingTel Group or on terms no less favorable to the Group than terms available from independent third parties. In particular, the prices for the Transponder Transactions will continue to be arrived at after considering the market rate for the particular bandwidth (in terms of MHz) of satellite transponder to be utilised and the duration of such utilisation. As regards the Telecom Transactions, the prices will continue to be arrived at after considering the complexity of the services, the capacity and duration of the usage and the level of



---

## LETTER FROM THE BOARD

---

the technical support. Pursuant to the Master Agreement as supplemented by the Supplemental Agreement, the detailed terms set out in the business contracts shall not be inconsistent with the terms of the Master Agreement.

### THE EXISTING CAPS

The table below summarises the Existing Caps for the three years ended 31 December 2006 for the Transponder Transactions and the Telecom Transactions:

	<b>2004</b>	<b>2005</b>	<b>2006</b>
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
<b>Existing Caps</b>			
Transponder Transactions	15	18	32
Telecom Transactions	2	9	11

The table below summarises the actual transaction amounts involved for the two years ended 31 December 2005 (audited) and for the ten months ended 31 October 2006 (unaudited) for the Transponder Transactions and the Telecom Transactions:

	<b>1 January – 31 December 2004</b>	<b>1 January – 31 December 2005</b>	<b>1 January – 31 October 2006</b>
	<i>HK\$' million (Audited)</i>	<i>HK\$' million (Audited)</i>	<i>HK\$' million (Unaudited)</i>
<b>Actual transaction amounts</b>			
Transponder Transactions	14.5	1.4	5.8
Telecom Transactions	0.2	2.1	0.7

For each of the two financial years ended 31 December 2005 and the ten months ended 31 October 2006, the actual value of the Transponder Transactions was approximately HK\$14.5 million, HK\$1.4 million and HK\$5.8 million respectively, and in the case of the Telecom Transactions, the actual value was approximately HK\$0.2 million, HK\$2.1 million and HK\$0.7 million, respectively. The aggregate values of the Transponder Transactions and the Telecom Transactions for each of the two years ended 31 December 2005 and 2006 have been significantly lower than the relevant Existing Caps. When the Existing Caps were originally formulated at the end of 2004, the Company had expected that the telecommunications market in the Asia Pacific Region would recover shortly after the downturn caused by the over-investments in the market as well as the sudden collapse of certain major global telecommunications companies. However, the actual pace of the recovery of the telecommunications industry in the region had been substantially slower than the Company's expectation. In addition, due to the increasingly fierce competition amongst telecommunications carriers in the region, the price of the telecommunications services had dropped substantially during the relevant period. As a result, the actual values of the Transponder Transactions and the Telecom Transactions during the relevant period have been substantially lower than the previous estimates.

---

## LETTER FROM THE BOARD

---

### THE NEW CAPS

For each of the three financial years ending 31 December 2007, 2008 and 2009, the proposed maximum aggregate value (i.e. the New Caps) for each of the Transponder Transactions and the Telecom Transactions is as follows:

	2007	2008	2009
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>
<b>New Caps</b>			
Transponder Transactions	9.5	11.5	13.2
Telecom Transactions	1.2	1.3	1.3

The Board proposes that the aggregate value of the Transponder Transactions for each of the three financial years ending 31 December 2007, 2008 and 2009 shall not exceed HK\$9.5 million, HK\$11.5 million and HK\$13.2 million, respectively, and in the case of the Telecom Transactions for the same period, such aggregate value shall not exceed HK\$1.2 million, HK\$1.3 million and HK\$1.3 million, respectively. The New Caps for each of the Transponder Transactions and the Telecom Transactions are determined by reference to (i) the historical value of the relevant transactions; (ii) the value of the relevant business contracts on hand; and (iii) the estimated demand for satellite broadcasting services and telecommunications services related to the Group's business. As regards the reference to historical value, the Board has noted that while the actual value of Transponder Transactions for the year 2004 amounted to approximately HK\$14.5 million, the value of Transponder Transactions for the year 2005 and the ten months ended 31 October 2006 had dropped significantly as a result of the exceptionally unfavourable market conditions. The Board also noted that the proposed New Cap for the Transponder Transactions for the year 2007 appears to represent a significant growth as compared to the actual value of the Transponder Transactions for 2006. Nevertheless, having taken into account the estimated demand in the region for the related services in the coming years which is based on, among other things, the expected transponder capacity required by the SingTel Group over the relevant period, the Board considers that the proposed New Caps, including that for the year 2007, have been determined on a prudent and reasonable basis.

### REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the provision of satellite transponder services for the broadcasting and telecommunications sectors in the Asia Pacific Region, whereas SingTel is principally engaged in the operation and provision of telecommunication systems and services and investment holding. The principal businesses of both the Group and the SingTel Group include the provision of satellite transponder services and they each possess its own satellite transponder capacity. However, the footprint and capacities as well as other specifications of the satellite transponders of them may be different from each other. Therefore, the Group and the SingTel Group may from time to time be required to utilise the satellite transponders of each other in the ordinary course of their businesses.

As regards the telecommunications services, APTTS, a wholly-owned subsidiary of the Company, is principally engaged in the business of the satellite-based external telecommunications services such as VSAT, wholesale voice services under the Fixed Carrier Licence and its operations frequently require the utilisation of satellite transponder services and cable network services. Given the fact that the SingTel

---

## LETTER FROM THE BOARD

---

Group is one of the major providers of telecommunications services in the Asia Pacific region and has an extensive cable network, the Group, either through APTTS or other members of the Group, will occasionally be required to purchase cable network services from the SingTel Group in its ordinary course of business. On the other hand, the SingTel Group may from time to time be required in its ordinary course of business to purchase from APTTS the satellite-based external telecommunications services such as VSAT, wholesale voice services under the Fixed Carrier Licence.

The Continuing Connected Transactions have been and are expected to be conducted in the ordinary and usual course of business of the Group and on normal commercial terms. The Supplemental Agreement was entered into between the Company and SingTel for the purposes of extending the term of the Master Agreement which governs the Continuing Connected Transactions. The Board is of the view that the Supplemental Agreement is in the interests of the Company and its shareholders as a whole and the terms of the Supplemental Agreement as well as the New Caps are fair and reasonable as far as the Company and its shareholders are concerned.

### LISTING RULES REQUIREMENTS

SingaSat, a wholly-owned subsidiary of SingTel, is a 45% shareholder of a non-wholly owned subsidiary of the Company, namely APT Telecom. Under Chapter 14A of the Listing Rules, members of the SingTel Group are therefore considered connected persons of the Company and the transactions conducted between the Group and the SingTel Group constitute connected transactions of the Company.

As the estimated aggregate value of the Continuing Connected Transactions for the financial year ending 31 December 2007 is expected to exceed the Threshold, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules. The Supplemental Agreement and the New Caps are therefore subject to Independent Shareholders' approval under Rule 14A.35(4), the annual review requirement under Rules 14A.37 to 14A.41 and the reporting requirements under Rules 14A.45 and 14A.46 of the Listing Rules, respectively.

In view of SingaSat's interests in the Company, SingaSat and its associates will abstain from voting at the SGM.

### SGM AND PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

A notice convening the SGM to be held at the principal place of business of the Company, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong at 11:00 a.m. on Tuesday, 13 February 2007 is set out on page 22 of this circular. At the SGM, an ordinary resolution will be proposed for the Independent Shareholders to consider, and if thought fit, to approve, among other things, the Supplemental Agreement and the New Caps.

A form of proxy for use at the SGM is enclosed. Whether or not the Independent Shareholders are able to attend the SGM, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Independent Shareholders from attending and voting at the SGM or any adjournment thereof should they so wish.

---

## LETTER FROM THE BOARD

---

According to the Bye-law 66 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the Chairman of such meeting; or
- (b) at least three Members (i.e. the Shareholders) present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) a Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy holding shares in the Company conferring a right to vote at the meeting 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.

Pursuant to Rule 14.52 of the Listing Rules, the votes of the Independent Shareholders at the SGM will be taken by poll.

### RECOMMENDATION

The Board considers that the Supplemental Agreement and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the terms of the Supplemental Agreement as well as the New Caps are fair and reasonable. Accordingly, the Board recommends all Independent Shareholders to attend and vote at the SGM in favour of the ordinary resolution set out in the notice of the SGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular and the letter from the Independent Financial Adviser set out on pages 12 to 16 of this circular containing their respective advice and recommendation to the Independent Shareholders as to how to vote at the SGM with regard to the Supplemental Agreement and the New Caps.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
By Order of the Board  
**APT Satellite Holdings Limited**  
**Rui Xiaowu**  
*Chairman*

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

*The following is the full text of the letter from the Independent Board Committee to the Independent Shareholders in connection with the Supplemental Agreement and the New Caps for inclusion in this circular.*



### **APT SATELLITE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1045)

18 January 2007

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as the Independent Board Committee to advise you in connection with the Supplemental Agreement and the New Caps, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 18 January 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the terms of the Supplemental Agreement and the New Caps.

We wish to draw your attention to the letter from the Board on pages 5 to 10 of the Circular, which sets out information in connection with the Continuing Connected Transactions. We also wish to draw your attention to the letter from Altus to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Supplemental Agreement and the proposed New Caps set out on pages 12 to 16 of the Circular.

Having taken into account the principal factors and reasons considered by Altus, its conclusion and recommendation, we concur with the view of Altus and consider that the terms of the Supplemental Agreement and the New Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Supplemental Agreement and the New Caps.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Yuen Pak Yiu, Philip**

*Independent  
non-executive Director*

**Huan Guocang**

*Independent  
non-executive Director*

**Lui King Man**

*Independent  
non-executive Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*Set out below is the full text of the letter from Altus to the Independent Board Committee and the Independent Shareholders in connection with the Supplemental Agreement and the New Caps for inclusion in this Circular.*

### **ALTUS CAPITAL LIMITED**

8/F Hong Kong Diamond Exchange Building  
8 Duddell Street, Central  
Hong Kong

18 January 2007

*The Independent Board Committee and the Independent Shareholders*

### **APT Satellite Holdings Limited**

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

Dear Sirs,

## **CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our appointment as independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Continuing Connected Transactions. Details of the Continuing Connected Transactions, including the terms and conditions of the Supplemental Agreement and the New Caps are set out in the Letter from the Board (“**Letter**”) contained in the circular of the Company dated 18 January 2007 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

SingaSat, a wholly-owned subsidiary of SingTel, is a 45% shareholder of APT Telecom, a non-wholly owned subsidiary of the Company. As such, members of the SingTel Group are regarded as connected persons of the Company under Chapter 14A of the Listing Rules. The Continuing Connected Transactions, which are conducted between the Group and SingTel Group, are therefore connected transactions of the Company.

The estimated aggregate value of the Continuing Connected Transactions for the financial year ending 31 December 2007 is expected to exceed the Threshold. Hence, the Continuing Connected Transactions constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules and the Supplemental Agreement and the New Caps are subject to the Independent Shareholders’ approval under Rule 14A.35(4), the annual review requirement under Rules 14A.37 to 14A.41 and the reporting requirements under Rules 14A.45 and 14A.46 of the Listing Rules respectively.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Independent Board Committee, which comprises the independent non-executive Directors namely Messrs. Yuen Pak Yiu, Philip, Huan Guocang and Lui King Man, has been established to give advice and recommendation to the Independent Shareholders in relation to the Continuing Connected Transactions. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether Continuing Connected Transactions, including the terms and conditions of the Supplemental Agreement and the proposed New Caps, are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the Independent Board Committee for their consideration in making a recommendation to the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, we have relied, to a considerable extent, on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have relied on certain publicly available information and we have assumed such information to be accurate and reliable, and we have not carried out any independent verification on the accuracy of such information.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy such information and the information contained in the Circular to provide a reasonable basis for our opinions. We have no reason to suspect that any material facts or information (which is known to the Company, its representatives and the Directors) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information, facts, and representation provided, or the reasonableness of the opinions expressed by the Company, its representatives and the Directors. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, assets and liabilities, and the prospects of the Group.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### **1. Background and reasons for the Continuing Connected Transactions**

The Group is principally engaged in the provision of satellite transponder services for the broadcasting and communication sectors in the Asia Pacific region. SingTel Group is principally engaged in the operation and provision of telecommunication systems and services and investment holding. It is one of the major providers of telecommunication services in the Asia Pacific region.

The Group and SingTel Group are both involved in the provision of satellite transponder services and they each possess its own satellite transponder capacity. As there are differences in the footprint and capacities as well as other specifications among their satellite transponder, the Group and SingTel Group may from time to time utilize each others satellite transponder, giving rise to the Transponder Transactions.

The Group, through APTTS, is also involved in the business of satellite-based external telecommunication services such as VSAT, wholesale voice services under the Fixed Carrier Licence. Such services frequently require cable network services which the Group does not have its own cable capacity. As a result, the Group may from time to time purchase cable network services from SingTel Group, which has an extensive cable network. At the same time, SingTel Group occasionally purchases from APTTS certain satellite-based external telecommunication services to meet its requirements. The above transactions represent the Telecom Transactions.

We understand from the Group's management that the selection of satellite transponder services and telecommunication services from outsiders are typically influenced by the Group's customers' needs such as technical specifications, efficiency of routing as well as availability.

The Transponder Transactions and Telecom Transactions are conducted in the Group's ordinary course of business and are on normal commercial terms negotiated on an arm's length basis. We are of the view that it is in the interests of the Group and the Shareholders to have in place such arrangement as it provides flexibility during instances when the Group does not have its own resources to meet customers' demand or when it is efficient to do so. It is also in the interests of the Group to, where necessary, leverage on the infrastructure of SingTel Group, which is one of the major providers of telecommunication services in the Asia Pacific region. For these reasons, we believe that it is reasonable and in the interests of the Group to continue with the Continuing Connected Transactions.

The Supplemental Agreement was entered into between the Company and SingTel for the purposes of extending the terms of the Master Agreement which governs the Continuing Connected Transactions. Save for the extension of the term and the proposed New Caps, there is no material change to the terms of the Master Agreement.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### 2. Principal terms and proposed New Caps

#### 1. Principal terms

All the Continuing Connected Transactions have been and will continue to be supported by written contracts between the relevant members of the Group and members of the SingTel Group and their terms will be negotiated on an arm's length basis and on normal commercial terms. The pricing for services provided by the Group to SingTel Group will be in accordance with the Group's customer pricing policy. For services procured by the Group from SingTel Group, the pricing and terms shall be no less favourable to the Group than terms available from independent third parties.

As references, the prices for Transponder Transactions will be based on market rate for the particular bandwidth (in terms of MHz) of the satellite transponder to be utilized and the duration of such utilization. For Telecom Transactions, prices will be based on complexity of the services, capacity and duration of the usage and level of the technical support.

We have reviewed sample invoices of past Transponder Transactions and Telecom Transactions and found that (i) prices paid by SingTel Group for services provided by the Group to SingTel Group are comparable to prices charged by the Group to independent third party customers for similar services; and (ii) prices paid by the Group to SingTel Group for services received by the Group from SingTel Group are comparable to prices paid by the Group to independent third party providers for similar services.

#### 2. Historical figures and proposed New Caps

The following sets out the: (i) actual transaction amounts for the two financial years ended 31 December 2004 and 2005 and the unaudited 10 months ended 31 October 2006; (ii) the Existing Caps; and (iii) the proposed New Caps:

	10 months			Proposed New Caps		
	For the year ended		ended 31	for the year ending		
	31 December	2005	October	31 December		
	2004	2005	2006	2007	2008	2009
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>			
	<i>(HK\$' million)</i>			<i>(HK\$' million)</i>		
Existing Caps						
- Transponder Transactions	15.0	18.0	32.0 <sup>(1)</sup>	9.5	11.5	13.2
- Telecom Transactions	2.0	9.0	11.0 <sup>(1)</sup>	1.2	1.3	1.3
Actual transaction amount						
- Transponder Transactions	14.5	1.4	5.8			
- Telecom Transactions	0.2	2.1	0.7			

*Note:*

(1) This represents the Existing Cap for full year ended 31 December 2006.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Based on the table above, save for the actual amount transacted for the Transponder Transactions for the year ended 31 December 2004, it is noted that the actual transacted amounts in the year ended 31 December 2005 and the 10-month period ended 31 October 2006 were significantly lower than the Existing Caps. The management of the Group informed us that the reasons for the discrepancies are due mainly to (i) the slower than expected recovery of the telecommunication industry in the region; and (ii) the continued increase in competition amongst telecommunication carriers in the region which has resulted in further decline in prices for telecommunication services during those periods.

The Company has proposed the New Caps, and to assess the fairness and reasonableness of the New Caps, we have considered the following:

- i. the proposed New Caps represent significant reductions from the Existing Caps and have been formulated with reference to the historical actual amount transacted for the Transponder Transactions and Telecom Transactions, factoring into expected increase in demand in line with the continued recovery of the industry in the region;
- ii. the proposed New Caps have made reference to the existing business contracts on hand with SingTel Group brought forward from 2006;
- iii. the proposed New Caps have made reference to the projection provided by SingTel Group of its expected demand for the Group's services under the Transponder Transactions and Telecom Transactions; and
- iv. the proposed New Caps have made reference to the projection of the Group's demand for SingTel Group's services based on increasing enquiries and demand indicated by its customers.

Based on the above, we are of the view that the terms and conditions and the proposed New Caps in relation to the Continuing Connected Transactions are fair and reasonable.

### CONCLUSION AND RECOMMENDATION

Having considered the above principal factors, we are of the view that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms. We are also of the view that the terms and conditions, and the New Caps under the Supplemental Agreement are fair and reasonable. On this basis, we believe the Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. We would therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Arnold Ip**  
*Executive Director*

**Sean Pey, Chang**  
*Executive Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and that there are no other facts the omission of which would make any statement contained herein misleading.

## 2. DISCLOSURE OF INTERESTS

### A. Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors and Chief executive	Capacity	Nature of interest	Number of Shares	Approximate percentage of share holding	Number of Share options
Lo Kin Hang, Brian (Vice President and Company Secretary)	Beneficial owner	Personal	5,000	0.001%	800,000 (Note)

*Note:* It refers to the share options granted by the Company on 19 June 2001 at an exercise price of HK\$2.765 per share with an exercisable period from 22 May 2003 to 21 May 2011.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company were, or were taken or deemed to have any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

**B. Substantial Shareholders**

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of Shareholders	Nature of interest	Number of Shares	Approximate percentage of share holding
APT Satellite International Company Limited	Beneficial owner	214,200,000	51.83
China Aerospace Science & Technology Corporation	Beneficial owner	37,200,000 (Note 1)	9.00
China Aerospace International Holdings Limited	Corporate	31,200,000 (Note 1)	7.55
Sinolike Investments Limited	Corporate	31,200,000 (Note 1)	7.55
Temasek Holdings (Private) Limited	Beneficial owner	22,800,000 (Note 2)	5.52
Singapore Telecommunications Limited	Corporate	22,800,000 (Note 2)	5.52
Singasat Private Limited	Corporate	22,800,000 (Note 2)	5.52

*Notes:*

- As at the Latest Practicable Date, China Aerospace Science & Technology Corporation was deemed to be interested in the shares of the Company by virtue of its 41.86% shareholding in China Aerospace International Holdings Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Sinolike Investments Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which held 14,400,000 shares of the Company.
- Temasek Holdings (Private) Limited was deemed to be interested in the shares of the Company by virtue of its 67.16% shareholding in Singapore Telecommunications Limited, which was deemed to be interested in the shares of the Company by virtue of its 100% shareholding in Singasat Private Limited which held 22,800,000 shares of the Company.

All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors or chief executive of the Company, no other person had, or was deemed or taken to have, an interest or short position in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital (including any option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation equivalent to more than one year's emolument, other than statutory compensation).

### 4. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and entered into with the Company and which was significant in relation to the business of the Group.

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, the following non-executive director of the Company was also director in other businesses, which competed or were likely to compete, either directly or indirectly, with the Group's business:

<b>Name of Director</b>	<b>Name of the Companies</b>	<b>Principal Activities</b>
Lim Toon	New Century Infocomm Tech Co. Ltd.	Provision of fixed line telecommunications services
	JSC Kazakhtelecom	Provision of fixed line telecommunications services, telegraph and telex services, data telecommunications, lease of channels, TV and radio retransmission, wire radio broadcasting and wireless communications services

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company was considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses in which (a) the Group was interested and (b) the Directors' only interests were as directors appointed to represent the interests of the Group.

#### **6. EXPERT'S QUALIFICATION AND CONSENT**

- (a) Altus, being the expert who has given opinion in this circular, is a corporation licensed to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.
- (b) As at the Latest Practicable Date, Altus did not have any shareholding in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company, nor did it have any interest, directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up.
- (c) Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 18 January 2007 as set out in this circular and references to its name in the form and context in which they appear.

#### **7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Company were made up.

#### **8. MISCELLANEOUS**

- (a) The Qualified Accountant of the Company is Ms. Lau Mei Bik who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (b) The Secretary of the Company is Dr. Lo Kin Hang, Brian, DBA, MScIT, MBA, FCIS, CEng, MIEE.
- (c) The Company's Hong Kong share registrar and transfer office is Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular has been prepared in both English and Chinese. In the case of any discrepancy, the English text shall prevail.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong during normal business hours up to and including 1 February 2007:

- (a) the Master Agreement as supplemented by the Supplemental Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 11 of this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 12 to 16 of this circular; and
- (d) the written consent of the expert referred to in paragraph 6(c) of this appendix.

---

## NOTICE OF THE SGM

---



### APT SATELLITE HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1045)

**NOTICE IS HEREBY GIVEN** that a special general meeting of the shareholders 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 Tuesday, 13 February 2007 at 11:00 a.m. for the purpose of considering and, if it thought fit, passing with or without amendments the following resolution:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the supplemental agreement dated 28 December 2006 between the Company and Singapore Telecommunications Limited (a copy of which marked “A” is produced to the meeting and signed by the chairman of the meeting for the purpose of identification) to extend the term of the Master Agreement for further three years to 31 December 2009 and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the New Caps (as defined in the circular to the shareholders of the Company dated 18 January 2007 (the “Circular”)) referred to in the section headed “The New Caps” in the “Letter from the Board” contained in the Circular be and are hereby approved; and
- (c) the directors of the Company or any one of the directors of the Company be and is hereby authorised to do all such further acts and things and sign, seal, execute and deliver all such documents and take all such actions which in their absolute discretion consider necessary, desirable or expedient to implement and/or give full effect to the agreement referred to in (a) above and the transactions contemplated thereunder and the New Caps referred to in (b) above”.

By Order of the Board  
**Dr. Lo Kin Hang, Brian**  
*Company Secretary*

Hong Kong, 18 January 2007

*Notes:*

- 1. A member entitled to attend and vote at the above meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- 2. In order to be valid, the form of proxy, must be deposited with the Company’s branch share registrar in Hong Kong, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be).
- 3. The form of proxy for use in connection with the above meeting is enclosed and such form is also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))