
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, 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 or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

DISCLOSEABLE AND CONNECTED TRANSACTION

Granting of an option to NTT Com Asia Limited to require the Group to sell its interests in APT Satellite Telecommunications Limited

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

Hercules
Hercules Capital Limited

A letter from the Board is set out on pages 1 to 10 of this circular.

A letter from the Independent Board Committee is set out on page 11 of this circular.

A letter from Hercules Capital Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 12 to 18 of this circular.

A notice convening the 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 20 November 2007 at 11:00 a.m. is set out on page 32 of this circular. Whether or not you are able to attend the Special General Meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the Special General Meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Special General Meeting or any adjourned meeting should you so wish.

23 October 2007

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LETTER FROM THE BOARD



(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

Zhao Liqiang

Yong Foo Chong

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:

Huan Guocang

Lui King Man

Lam Sek Kong

Cui Ligu

23 October 2007

To: All shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

Granting of an option to NTT Com Asia Limited to require the Group to sell its interests in APT Satellite Telecommunications Limited

INTRODUCTION

The board of directors (the "Board") of APT Satellite Holdings Limited (the "Company") is pleased to announce that Skywork Corporation ("Skywork"), a wholly-owned subsidiary of the Company, and SingaSat Private Limited ("SingaSat"), the joint venture partner of APT Satellite Telecommunications Limited ("APT Telecom"), entered into the Option Agreement with NTT Com Asia Limited (the "Licensee") pursuant to which an option is granted with option expiry date on 31 December 2008, whereby SingaSat and Skywork shall grant a call option to the Licensee to purchase from them all the equity interests in APT Telecom and a right of first refusal in respect of any offer to purchase equity interests in APT

LETTER FROM THE BOARD

Telecom granted to the Licensee during the period from 1 January 2009 to 31 December 2010 in relation to offers made by parties other than the Licensee, SingaSat and Skywork. On the same date, APT Telecom entered into:

- a. the Licence Agreement to license the Subject Premises (as defined below) of APT Telecom to the Licensee for a term of three years from 1 October 2007 to 30 September 2010; and
- b. the Renewal Supplement with the Licensee to renew the license on substantially the same terms, subject to licence fee review, and undertook to apply for consent from Hong Kong Industrial Estates Corporation (now known as Hong Kong Science and Technology Parks Corporation) (the “Science Parks”) for renewal, so that the last renewed period shall expire on or before 30 September 2022.

Set out below the salient terms of the agreements:

(I) License Agreement dated 2 October 2007

Licensor: APT Telecom, a jointly controlled company owned as to 55% by Skywork, an indirect wholly owned subsidiary of the Company, and as to 45% by SingaSat

Licensee: NTT Com Asia Limited

After due and careful enquiry by the directors of the Company (the “Directors”), the Licensee and its ultimate beneficial owner are third parties independent of the Company and its subsidiaries and their connected persons

- Subject premises:
- (i) first floor of a building (“Building”) of APT Telecom situated at 2 Dai Hei Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong under the Agreement for Lease dated 12 March 2001 (for further details, please refer to the paragraph “The Premises” below) (“Portion of First Floor”), having a gross floor area of approximately 38,550 sq.ft.;
 - (ii) five visitor car parking spaces (“Car Park Spaces”) on the ground floor of the Building; and
 - (iii) a permitted plant area for the installation and operation of electronic and mechanical (“E&M”) equipment and chiller plant of the Licensee (“Permitted Plant Area”).

(the Portion of First Floor, the Car Park Spaces and the Permitted Plant Area are collectively referred to as the “Subject Premises”)

LETTER FROM THE BOARD

Licence period: 3 years from 1 October 2007 to 30 September 2010 (both dates inclusive) including a 3-month licence fee free period beginning on 1 October 2007

Licence fee: (i) initial monthly licence fee of HK\$539,700 for Portion of First Floor and Car Park Spaces; and

(ii) upon the Licensor's making available of Transformer Room 4 of the Building for use of extra power supply by the Licensee, the monthly licence fees will be increased to HK\$571,700,

payable on the first day of each calendar month.

The licence fee was determined having considered the frequency of usage of the Building in the past years and the prevailing market rental.

Assuming the use of the extra power supply from Transformer Room 4 is available simultaneously with the Subject Premises, the maximum licence fee for the first term of three years receivable by the Company and its subsidiaries (the "Group") will be HK\$18,866,000.

Other Charges: (a) Electricity charges – to be paid by the Licensee

(b) Diesel charge, chilled water charge and Air-conditioning charge – to be paid by the Licensee, based on actual cooling energy consumption and diesel consumption, at rates to be agreed by the parties

Deposit: HK\$1,619,100, being three months of the initial licence fee

Other services:

- to use the data centre on the Portion of First Floor;
- to allow access to upstream and other telecommunication service provider;
- to allow parking of motor vehicles belonging to the Licensee or motor vehicles of the Licensee's agent or invitees which are given access to the Portion of First Floor for business of the Licensee; and
- to allow installing and operation of E&M equipment and chiller plant.

LETTER FROM THE BOARD

(II) A supplemental agreement (the “Renewal Supplement”) dated 2 October 2007

Licensor: APT Telecom

Licensee: NTT Com Asia Limited

Renewal: Subject to the consent of Science Parks, APT Telecom shall upon expiration of the licence period under the License Agreement (or the expiration of the renew period(s)) (as the case may be) renew the licence period(s) of the Subject Premises for 3 years each, provided that the last renewed licence period shall expire on or before 30 September 2022, on the same terms of the Licence Agreement subject to special terms on licence fee free periods, the Licensee’s right of earlier termination and licence fee review.

Licence fees free period: On the basis that renewal terms are of 5 years,

- from 1 October 2007 to 31 December 2007 (both days inclusive) for the first licence period from 1 October 2007 to 30 September 2012; and
- from 1 October 2012 to 31 December 2012 (both days inclusive) for the second licence period from 1 October 2012 to 30 September 2017.

Early termination right: On the basis that the renewal terms are of 5 years and if the renewed licence periods extend beyond 31 December 2012 or 31 December 2017, the Licensee shall have right to terminate by service notice to the Licensor during:

- (i) 1 October 2012 to 31 December 2012 in respect of the first renewed licence period; and
- (ii) 1 October 2017 to 31 December 2017 in respect of the subsequent renewed licence period.

Early termination charge: Early termination charge payable by the Licensee to the Licensor upon early termination

$$= 3 \times A \times B / 1,825$$

where

LETTER FROM THE BOARD

A = amount of monthly licence fees immediately before termination;
and

B = number of days from the termination date to the expiry date to the 5
years' renewed term

Licence fees review: If the Licensee's occupation of the Subject Premises continue for period(s) of over 5 years and on the basis that renewal terms are of 5 years, the licence fees shall be reviewed every 5 years with reference to the licence fee payable immediately prior to the period under review and the rate of change of rent of industrial/office building in Kowloon and New Territories during the preceding period to be agreed by the parties, if no rate is agreed, an expert will be appointed to decide on the applicable rate, subject to a maximum upward or downward adjustment of 25% of the preceding licence fee.

Indemnity on sale of premises: Sale of the whole Building or sale of the Subject Premises by the Licensor shall be subject to the Licence Agreement and the Renewal Supplement.

Consideration for granting the option: Mutual agreement to enter into the Renewal Supplement.

APT Telecom and NTT Com Asia Limited are desirous to enter into a longer licence term. However, given the restrictions imposed under the Agreement for Lease and the present consent from Science Parks is just for a term of three years, the Parties entered into the Renewal Supplement to record their agreements in respect of future renewals.

Assuming the maximum 25% upward revision is agreed by the Parties, the aggregate licence fee for the second term of three years will be HK\$20,152,000.

(III) An option agreement (the "Option Agreement") dated 2 October 2007

Licensor: APT Telecom

Licensee: NTT Com Asia Limited

Licensor's Shareholders: Skywork and SingaSat

Singasat, a company incorporated in Singapore with limited liability which, as at the date of this announcement, holds approximately 5.52% of the Company's issued share capital and 28.57% of the issued share capital of APT Satellite International Company Limited, which in turn holds approximately 51.83% of the issued share capital of the Company.

LETTER FROM THE BOARD

Condition: Subject to the approval by the independent shareholders of the Company.

Option: In consideration of the Licensee's entering into of the License Agreement with the Licensor,

- the Licensee shall have a call option to purchase all equity interests in the Licensor from the Licensor's Shareholders at HK\$161,000,000, exercisable by the Licensee on or before 31 December 2008.

The exercise price of HK\$161,000,000 was arrived at after arm's length negotiation between the parties having regard to a valuation of the Building at HK\$137,000,000 as at 30 June 2007 and references to the prevailing market rate of industrial building available for rent in Hong Kong (according to a quarterly research report prepared by an independent property agency). The exercise price shall be payable as to HK\$88.5 million to Skywork and HK\$72.5 million to SingaSat on completion of the sale and purchase pursuant to the exercise of the option.

- the Licensee shall have a first right of refusal in respect of offers made by parties other than itself and the Licensor's Shareholders to purchase the equity interests in the Licensor, provided that the Licensor's Shareholders and the Licensor shall within 14 days of receipt of such offer, notify the Licensee the details of such offer and the Licensee shall have 3 weeks to exercise its first right of refusal. The period of first right of refusal shall commence from 1 January 2009 and expire on 31 December 2010 (both days inclusive).

Obligations of Licensor and Licensor's Shareholders: includes:

- to comply with all regulatory authority's requirements, and obtain approval from the independent shareholders of the Company within 60 calendar days from the date of the Option Agreement;
- at completion, Licensor's Shareholders shall settle all liabilities and waive all loans outstanding from the Licensor but the Licensee will reimburse the Licensor of all outgoing charges, if any; and
- not to change control of the Licensor's shareholding except amongst the Licensor's shareholders, and not to encumber such interests, without the prior written approval of the Licensee.

LETTER FROM THE BOARD

Completion Completion in respect of the granting of call option shall take place on or before the expiry of a period of 10 weeks after the date of receipt by the Licensor of a call option notice, in respect of the Licensee's exercise of the call option, to be issued and served by the Licensee.

Completion in respect of the first right of refusal shall take place on or before the date of completion agreed under the sale and purchase agreement between the Licensee and the Licensor's Shareholders.

The Premises

The licensed property forms part of the premises of APT Telecom at Tai Po, Hong Kong, which is currently vacant. The lease of the Building was granted to APT Telecom by the Science Parks in March 2001 for the residue of the term from the date of possession given to APT Telecom to 27 June 2047 pursuant to an Agreement for Lease dated 12 March 2001 between the Science Parks as Landlord (as the grantor) and APT Telecom (as the grantee) of the land known as the Remaining Portion of Section E of Tai Po Town Lot No. 13 and the Extension Thereto. The Building was established in 2003 for the provision of data centre and value-added telecommunication services.

Reference is made on an independent valuation of the premises commissioned by APT Telecom on 30 June 2007 which valued the premises at HK\$137 million.

For the year ended 31 December 2005, the net loss before and after taxation of APT Telecom were HK\$13,589,000 and HK\$13,589,000, respectively. For the year ended 31 December 2006, the net profits before and after taxation of APT Telecom were HK\$3,966,000 and HK\$3,966,000, respectively. The book value of the Company's interests in APT Telecom was HK\$3,863,000, as at 30 June 2007. As at 30 June 2007, the outstanding shareholder's loan due from APT Telecom to Skywork amounted to HK\$67,138,000. The total assets value and the net asset of APT Telecom as at 30 June 2007 were HK\$138.7 million and HK\$7.0 million, respectively. Given the premises has been vacant, there was no net profit attributable recorded for the two financial years preceding the transaction.

Reason and Benefit of Entering into the Agreements

The major assets of APT Telecom is the Building. The Building has been vacant and not occupied by the Group. In order to maximise the return of the Group and to minimise the cash outflow in respect of the operating activities of APT Telecom, the Company has decided to license the Subject Premises to the Licensee.

In the event the Licensor exercises the call option or the first right of refusal, it is expected that, based solely on the carrying values of the 55% interest of the Group in APT Telecom as at 30 June 2007, barring any unforeseen circumstances affecting the book value of APT Telecom, a gain on disposal (before taxation) of approximately HK\$5.9 million will be recognised by the Group. It is intended that the net proceeds of such disposal will amount to HK\$88.5 million and will be used as working capital of the Group. Upon completion of the disposal, the Company will hold no interests in APT Telecom and SingaSat and its associates will cease to be connected persons of the Company. The Company will make

LETTER FROM THE BOARD

announcement on the completion of the transfer when the Licensee exercise the option or the first right of refusal. With the disposal of APT Telecom, the Group can divest from the business of APT Telecom and focus on the development of the core business of the Group in transponder services, telecommunication services and broadcasting services.

The Directors (including the independent non executive Directors) are of the view that the terms of the transaction are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

The Business of the Company

The Group is principally engaged in the provision of satellite transponder services for the broadcasting and telecommunications sectors in the Asia Pacific Region.

The Business of APT Telecom

APT Telecom holds the Building mainly for property leasing and related facilities management services.

The Business of the Licensee

The Licensee principally engages in the provision of global voice, data, IP, and IT management service to multinational corporations around the world.

The Business of SingaSat

SingaSat is an investment holding company of Singapore Telecommunications Limited, holding investments including approximately 5.52% of the Company's issued share capital and 28.57% of the issued share capital of APT Satellite International Company Limited, which in turn holds approximately 51.83% of the issued share capital of the Company.

The Business of Skywork

Skywork is a wholly-owned subsidiary of the Company and principally is an investment holding company.

Listing Rules Implications

The transactions contemplated under the Licence Agreement and the Renewal Supplement do not constitute a notifiable transaction given they are of the nature of operating lease and do not have a significant impact on the operations of the Company on an annualised basis and that none of the percentage ratios exceed 200%.

LETTER FROM THE BOARD

Given SingaSat is holding 45% of APT Telecom (a jointly controlled entity in which the Group holds 55%), SingaSat is therefore considered connected persons of the Company under Chapter 14A of the Listing Rules, the granting of the option and first right of refusal and the proposed disposal of the entire interests in APT Telecom under the Option Agreement entered into between Skywork, SingaSat and the Licensee constitutes a discloseable and connected transaction of the Company, which is subject to disclosure and independent shareholders' approval pursuant to Chapters 14 and 14A of the Listing Rules. APT Satellite International Company Limited, which holds 51.83% interest in the capital of the Company, has irrevocably undertaken that it would vote in favour of the transaction contemplated under the Option Agreement.

Financial Effects of the Transaction

Effect on the earnings

In the event the Licensee exercises the call option or the first right of refusal, assuming the disposal of the interests in APT Telecom had been completed on 30 June 2007, the Group expects that, based solely on the carrying values of the 55% interest of the Group in APT Telecom as at 30 June 2007 (the date of the latest unaudited published financial statements of the Group), barring any unforeseen circumstances affecting the book value of APT Telecom, a gain on disposal (before taxation) of approximately HK\$5.9 million will be recognised by the Group.

Effect on assets and liabilities

In the event the Licensee exercises the call option or the first right of refusal, assuming the disposal of the interests in APT Telecom had been completed on 30 June 2007, the Group expects that the total assets of the Group will increase approximately HK\$5.9 million, while there is no material impact on the Group's liabilities.

Special General Meeting

A special general meeting of 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 20 November 2007 at 11:00 a.m. for the purpose of considering, and if thought fit, approving the entering into of the Option Agreement between Skywork, SingaSat and the Licensee (the "Special General Meeting"). A notice of the Special General Meeting is set out on page 32 of this circular.

A form of proxy is enclosed with this document for use at the Special General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the meeting. Completion of a form of proxy will not preclude you from attending and voting at the Special General Meeting in person if you so wish.

In view of SingaSat's interests in APT Telecom, SingaSat and its associates (as defined under the Listing Rules) shall abstain from voting at the Special General Meeting. The votes of the shareholders of the Company other than SingaSat and its associates (the "Independent Shareholders") at the Special General Meeting will be taken by poll.

LETTER FROM THE BOARD

Recommendation

The directors are of the opinion that the terms of the Option Agreement are on normal commercial terms, and fair and reasonable so far as the shareholders of the Company as a whole is concerned and the transactions contemplated thereunder are in the best interests of the Company and the shareholders of the Company as a whole and recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the forthcoming Special General Meeting.

Your attention is drawn to the letter from the Independent Board Committee (being a committee comprising all the independent non-executive Directors appointed by the Board to advise the Independent Shareholders in respect of the Option Agreement) set out on page 11 of this circular and the letter from the Independent Financial Adviser (being Hercules Capital Limited, an independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the discloseable and connected transaction contemplated under the Option Agreement) set out on pages 12 to 18 of this circular concerning their respective advice and recommendation to the Independent Shareholders as to how to vote at the Special General Meeting with regard to the Option Agreement.

Further Information

Your attention is also drawn to the additional information set out in the Letter from the Independent Financial Adviser, the Valuation Report and 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 Option Agreement for inclusion in this circular.



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

23 October 2007

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

Granting of an option to NTT Com Asia Limited to require the Group to sell its interests in APT Satellite Telecommunications Limited

We have been appointed as the Independent Board Committee to advise you in connection with the Option Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders of the Company dated 23 October 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.

Hercules Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders on the terms of the Option Agreement.

We wish to draw your attention to the letter from the Board on pages 1 to 10 of the Circular, which sets out information in connection with the discloseable and connected transaction contemplated under the Option Agreement. We also wish to draw your attention to the letter from Hercules Capital (an independent financial adviser) to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Option Agreement set out on pages 12 to 18 of the Circular.

Having taken into account the principal factors and reasons considered by Hercules Capital Limited, its conclusion and recommendation, we concur with the view of Hercules Capital Limited and consider that the terms of the Option Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the Special General Meeting to approve the Option Agreement.

Yours faithfully,

For and on behalf of

Independent Board Committee

Huan Guocang

Independent

non-executive Director

Lui King Man

Independent

non-executive Director

Lam Sek Kong

Independent

non-executive Director

Cui Ligu

Independent

non-executive Director

LETTER FROM HERCULES CAPITAL

The following is the text of the letter of advice prepared by Hercules Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Option Agreement for incorporation in this circular:

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

23 October 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

Granting of an option to NTT Com Asia Limited to require the Group to sell its interests in APT Satellite Telecommunications Limited

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Option Agreement and the transactions which it contemplates, details of which are set out in the letter from the Board contained in the circular dated 23 October 2007 to the Shareholders (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined elsewhere in the Circular.

On 2 October 2007, the Board announced, *inter alia*, that Skywork, a wholly-owned subsidiary of the Company, and SingaSat, the joint venture partner of APT Telecom, had entered into the Option Agreement with the Licensee pursuant to which the Licensee is granted the right to exercise (i) a call option to purchase from Skywork and SingaSat the equity interests in APT Telecom on or before the option expiry date on 31 December 2008; and (ii) a right of first refusal in respect of any offer to purchase equity interest in APT Telecom during the period from 1 January 2009 to 31 December 2010 in respect of offers made by parties other than the Licensee and the Licensor’s Shareholders. As SingaSat holds 45% of APT Telecom (a jointly controlled entity in which the Group holds 55%), SingaSat is therefore considered connected person of the Company under Chapter 14A of the Listing Rules, the granting of the option and the first right of refusal and the proposed disposal of the entire interest in APT Telecom under the Option Agreement constitute a discloseable and connected transaction for the Company under the Listing Rules and is subject to approval by the Independent Shareholders, by way of poll, at the Special General Meeting. APT Satellite International Company Limited, which holds approximately 51.83% interest in the capital of the Company, has irrevocably undertaken that it would vote in favour of the transactions contemplated under the Option Agreement.

LETTER FROM HERCULES CAPITAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Huan Guocang, Dr. Lui King Man, Dr. Lam Sek Kong and Mr. Cui Liguu, has been formed to advise the Independent Shareholders as to whether the transactions contemplated by the Option Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We have been engaged to advise the Independent Board Committee and the Independent Shareholders in these regards.

In formulating our recommendations, we have reviewed, inter alia, (i) the Option Agreement; (ii) the Licence Agreement; (iii) the Renewal Supplement; and (iv) the valuation of the Building as at 30 June 2007 and 2 October 2007. We have considered such other information, analyses and market data which we deemed relevant. We have also conducted verbal discussions with American Appraisal China Limited regarding the methodology, bases and assumptions employed in the valuation. We have assumed that such information, and any representations made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon on them in formulating our opinion. We have also assumed that all information, opinions and representations contained or referred to in the Circular are true, accurate and complete in all material respects as at the date of the Circular, and will continue as such at the date of the Special General Meeting, and that they may be relied upon in formulating our opinion. The Directors have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group.

PRINCIPAL FACTORS CONSIDERED

The principal factors that we have taken into consideration in arriving at our opinion are set out below. In reaching our conclusion, we have considered all the factors and analyses in light of each other and ultimately reached our opinion based on the results of all the analyses taken as a whole.

A. Background and rationale

The Group is principally engaged in the provision of satellite transponder services for the broadcasting and telecommunications sectors in the Asia Pacific Region.

On 2 October 2007, APT Telecom entered into the Licence Agreement to license the Subject Premises of APT Telecom to the Licensee for a term of three years from 1 October 2007 to 30 September 2010. On the same date, APT Telecom also entered into the Renewal Supplement with the Licensee to renew the licence on substantially the same terms, subject to licence fee review, and undertook to apply for consent from Science Parks for renewal, so that the last renewed period shall expire on or before 30 September 2022. In consideration of the Licensee's entering into of the License Agreement with the Licensor, the Licensee is granted (i) a call option to purchase from Skywork and Singasat all their equity interests in APT Telecom on or before the option expiry date on 31 December 2008; and (ii) a right of

LETTER FROM HERCULES CAPITAL

first refusal in respect of any offer to purchase equity interest in APT Telecom during the period from 1 January 2009 to 31 December 2010 in respect of offers made by parties other than the Licensee and the Licensor's Shareholders.

The major asset of APT Telecom is the Building. The Subject Premises form part of the premises of APT Telecom at Tai Po, Hong Kong, which is currently vacant. In order to maximise the return of the Group, the Company has decided to license the Subject Premises to the Licensee.

According to the management of the Company, the Building is substantially vacant in the past years. In addition, the arrangements under the Option Agreement are meant to ensure continuity of usage of the Subject Premises by the Licensee (subject to the approval of Science Parks). In the event that the option is exercised by the Licensee, the Group can divest from the business of APT Telecom to its core business and minimise its net cash outflow in respect of the operating activities of APT Telecom. As stated in the letter from the Board, the net proceeds from the disposal of APT Telecom of HK\$88.5 million is intended to be used as working capital of the Group.

B. Information on APT Telecom

The major asset of APT Telecom is the Building. APT Telecom holds the Building mainly for property leasing and related facilities management services.

For the year ended 31 December 2005, the net loss before and after taxation of APT Telecom were HK\$13,589,000 and HK\$13,589,000, respectively. For the year ended 31 December 2006, the net profits before and after taxation of APT Telecom were HK\$3,966,000 and HK\$3,966,000, respectively. According to the management of the Company, the improvement was due to no further revaluation surplus/deficit of the Building for the year ended 31 December 2006 as compared to 2005. Revaluation deficit of the Building of HK\$13,000,000 was recognised in the income statement for the year ended 31 December 2005.

As at 30 June 2007, the unaudited book value of the Company's interests in APT Telecom was HK\$3,863,000 and the outstanding shareholder's loan due from APT Telecom to Skywork amounted to HK\$67,138,000. The total assets and net assets of APT Telecom as at 30 June 2007 were HK\$138.7 million and HK\$7.0 million, respectively.

C. Information on the Building

The Subject Premises is currently vacant and form part of the Building. The lease of the Building was granted to APT Telecom by Science Parks in March 2001 for the residual of the term from the date of possession given to APT Telecom to 27 June 2047 pursuant to an Agreement for Lease dated 12 March 2001 between the Science Parks (as the grantor) and APT Telecom (as the grantee) of the land known as the Remaining Portion of Section E of Tai Po Town Lot No. 13 and the Extension Thereto. The Building was established in 2003 for the provision of data centre and value-added telecommunication services. According to the management of the Company, the Building is of industrial/office nature.

LETTER FROM HERCULES CAPITAL

D. Basis of the exercise price

The exercise price of the option of HK\$161,000,000 was negotiated between the parties at arm's length by reference to a valuation of the Building at HK\$137 million as at 30 June 2007 and 2 October 2007 and references to the prevailing market rate of industrial building available for rent in Hong Kong (according to a quarterly research report prepared by an independent property agency). The exercise price shall be payable as to HK\$88.5 million to Skywork and HK\$72.5 million to SingaSat on completion of the sale and purchase pursuant to the exercise of the option.

Independent professional valuation of the Premises

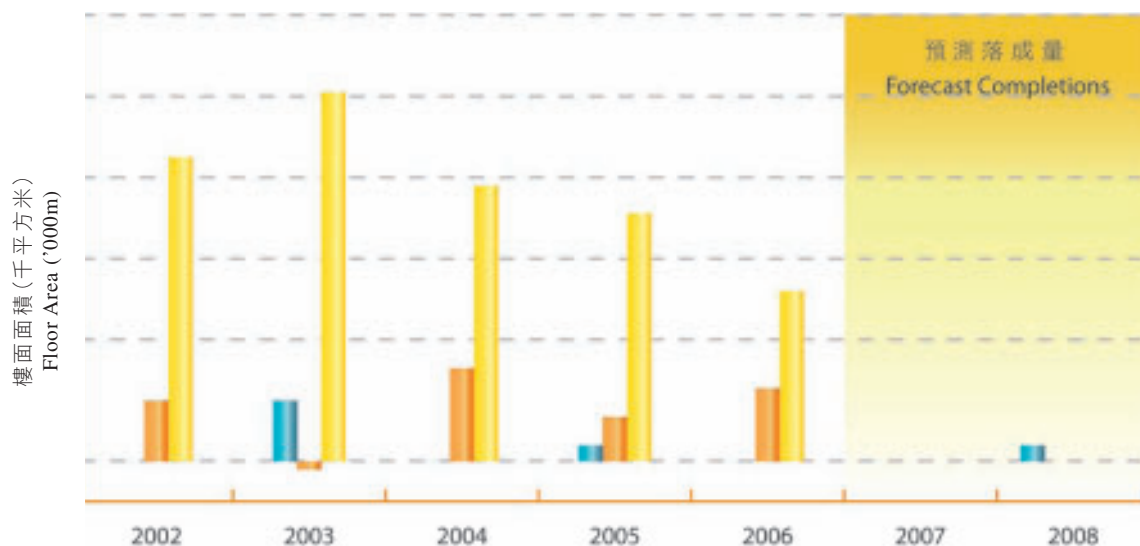
The fair market value of the Building was valued by American Appraisal China Limited, an independent professional valuer, as of 30 June 2007 and 2 October 2007 at HK\$137 million.

To assess the fairness and reasonableness of the valuation report, we have discussed with American Appraisal China Limited and reviewed the methodology, bases and key assumptions employed in the valuation. We understand that American Appraisal China Limited has (i) taken into account the surrender provisions in the lease agreement dated 12 March 2001 that APT Telecom should first by notice in writing to the Science Parks offer to surrender the lease free from encumbrances and with vacant possession of the Building at a consideration calculated as per the formula stated therein, which is also reproduced in the valuation report; and (ii) conducted research on recent market transactions and made comparison to changes to the market level from their last valuation to that of the period around the valuation date. Based on our discussions with American Appraisal China Limited and review of the valuation report, we consider that the methodology applied is consistent with market practice and overall the bases and assumptions used are fair, reasonable and complete, and therefore the valuation is fair and reasonable. On the basis of the valuation and our assessment of it, we consider the exercise price of the option of HK\$161,000,000 to be fair and reasonable so far as the Shareholders are concerned.

Prevailing market condition for industrial building in Hong Kong

According to the 2007 Hong Kong Property Review published by the Rating and Valuation Department of The Government of Hong Kong Special Administrative Region in April 2007, the 2006 year-end stock for the private industrial/office building in Hong Kong stood at 612,800 meter square, widely distributed throughout the territory. The districts of Sham Shui Po, Kwun Tong and Kwai Tsing accounted for more than 70% of the total space. There were no new completions in 2006, but with a take-up of 18,200 meter square, vacant floor space reduced to a record low of 42,400 meter square, or 6.9% of total stock. About 80% of the vacant space was located in the Eastern District of Hong Kong Island, Sham Shui Po, Kwun Tong and Kwai Tsing. While there would be no new supply in 2007, new completions of 4,300 meter square in Kwun Tong are forecast in 2008.

Completions, Take-up and Vacancy



	2002	2003	2004	2005	2006	2007	2008
落成量 Completions	0	15	0	4	0	0 [#]	4 [#]
使用量 Take-up	15	-2	23	11	18		
空置量 Vacancy	75	91	68	61	42		
% ⁺	12.5	14.8	11.1	9.8	6.9		
+ 年底空置量佔總存量的百分率。 Vacancy at the end of the year as a percentage of stock.							
# 預測數字 Forecast figures							

Source: Rating and Valuation Department of The Government of Hong Kong Special Administrative Region

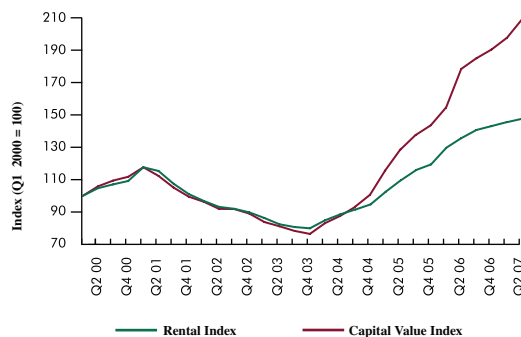
Based on the Hong Kong Property Market Overview published by Colliers International (Hong Kong) Limited in April 2007, rentals in the industrial-office buildings sector in February 2007 increased 1.6% quarter-on-quarter to HK\$12.39 per square feet per month whereas their average prices increased by 2.5% quarter-on-quarter to HK\$2,205 per square feet as at the end of February 2007. The yield therefore decreased from 6.9% in February 2006 to 6.7% in February 2007.

As noted from the news released by Jones Lang LaSalle on 2 May 2007, during the first quarter of 2007, the capital value of industrial/office in Hong Kong decreased by 0.3% quarter-on-quarter whereas the rental value increased by 2.1% quarter-on-quarter.

LETTER FROM HERCULES CAPITAL

CB Richard Ellis, Inc. revealed in its 2007 Second Quarter Hong Kong Industrial Market View that driven by the recently enthusiastic strata-title transactions, an upward price trend was observed in the industrial/office sub-sector. Capital values of industrial/office properties surged 5.8% in the three month period ended 30 June 2007, while rents registered comparatively moderate quarter-on-quarter growth of 1.4%. In addition, rents in new offices were set at competitive rates to secure commitments from industrial tenants.

Industrial/office rental and capital Value Indices



Source: CB Richard Ellis, Inc.

Notwithstanding the rising occupancy rate of the industrial/office building in Hong Kong, we note that the yield, in general, is declining. In view of the above and having considered that (i) the Building achieved low occupancy rate in the past as a result of its specific nature; (ii) not all the premises of the Building is occupied by the Group and the Building is infrequently used by the Group; (iii) a gain on disposal (before taxation) of approximately HK\$5.9 million will be recognised by the Group; and (iv) the exercise price of the option was negotiated between the parties at arm's length, we are of the view that the exercise price is fair and reasonable insofar as the Shareholders are concerned.

E. Obligations of Licensor and Licensor's Shareholders

Pursuant to the Option Agreement, (i) at completion, the Licensor's Shareholders shall settle all liabilities and waive all loans outstanding from the Licensor but the Licensee will reimburse the Licensor of all outgoing charges, if any; and (ii) the Licensor shall not change control of the Licensor's shareholding except amongst the Licensor's shareholders, and not to encumber such interests, without the prior written approval of the Licensee before the expiry of the right of first refusal.

F. Other considerations

As the Option Agreement is incidental to the Licence Agreement and the Renewal Supplement, we are of the view that the arrangements under the Option Agreement are normal commercial arrangements for the Licensee to ensure continuity of usage of the Subject Premises (subject to the approval of Science Parks). In addition, the one-year exercise period of the option and the two-year period for the exercise of the right of first refusal in respect of any offer to purchase equity interests in APT Telecom following the option expiry date represent reasonable time frame for the Licensee to assess the suitability of the Subject Premises.

LETTER FROM HERCULES CAPITAL

The Option Agreement also provides an exit mechanism for Skywork to sell its interest in APT Telecom, the business of which does not form the core business of the Group. Based on the above analysis, we are of the view that the terms of the Option Agreement are fair and reasonable and in the interests of the Company as a whole insofar as the Shareholders are concerned.

G. Financial effect of the disposal on the Group

Earnings

As noted in the letter from the Board, the disposal of the interest in APT Telecom is expected to be earnings accretive. Based solely on the carrying values of the 55% interest of the Group in APT Telecom as at 30 June 2007, barring any unforeseen circumstances affecting the book value of APT Telecom, a gain on disposal (before taxation) of approximately HK\$5.9 million will be recognised by the Group.

Net asset value

The unaudited consolidated net assets of the Group as at 30 June 2007 was approximately HK\$2.0 billion or HK\$4.80 per Share (based on 413,265,000 Shares in issue as at 30 June 2007). As the Group would recognise a gain on disposal of the interest in APT Telecom of approximately HK\$5.9 million, the consolidated net asset value of the Group will also be increased by the same amount.

We consider the positive effects of the disposal of the interest in APT Telecom on the earnings and net asset value of the Group to be in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the transactions contemplated by the Option Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable insofar as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Shareholders, as well as the Independent Board Committee to advise the Shareholders, to vote in favour of the ordinary resolution to approve the Option Agreement at the upcoming Special General Meeting.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo
Managing Director

VALUATION REPORT

The following is the text to the letter and the related valuation certificate prepared for the purpose of incorporation into this circular, received from American Appraisal China Limited, an independent property valuer, in connection with its valuation as at 30 June 2007 and 2 October 2007.

American Appraisal China Limited

1506 Dah Sing Financial Centre
108 Gloucester Road / Wanchai / Hong Kong
美國評值有限公司
香港灣仔告士打道108號大新金融中心1506室
Tel: +852 2511 5200 / Fax: +852 2511 9626



Leading / Thinking / Performing

23 October 2007

The Directors
APT Satellite Holdings Limited
22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po, New Territories
Hong Kong

Dear Sirs,

With reference to your instruction for us to carry out valuation of the property held by APT Satellite Telecommunications Limited (“APT Telecom”), which is located at the Remaining Portion of Section E of Tai Po Town Lot No. 13 and Extension, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (the “Property”), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of such property interests as at 30th June 2007 and 2nd October 2007 (the “valuation date”).

This letter which forms part of our valuation report explains the basis and methodology of valuation, and clarifies our assumptions made, titleship of the Property and the limiting conditions.

The appraisal report comprises:

- this letter, identifying the property, describing the nature and extent of the investigation, and presenting the conclusion of value;
- a valuation certificate providing detailed description of the real property and the valuation methodology adopted in arriving at the conclusion;

Excluded from this investigation were equipment, furniture and fixture, supplies, inventories, materials on hand and all other tangible assets of current nature and intangible assets that might exist.

VALUATION REPORT

BASIS OF VALUATION

Our valuation of the Property is our opinion of the market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.”

VALUATION METHODOLOGY

APT Telecom has entered into a land lease agreement (the “Lease Agreement”) with the Hong Kong Science & Technology Parks Corporation (Formally known as Hong Kong Industrial Estates Corporation) (the “Corporation”) for the subject land of the Property on 12th March 2001.

To develop our opinion of value for the Property, we have taken into account the surrender provisions as set out in Clause B (11) (a) and (b) of the Second Schedule of the Lease Agreement. Under such clause, APT Telecom should first by notice in writing to the Corporation offer to surrender the aforesaid Lease free from encumbrances and with vacant possession of the Property at one of the following two considerations payable by the Corporation whichever shall be the lesser:

- (A) The total of the following two amounts reduced by ten percent:
 - (i) in respect of the said land, a sum equivalent to the fraction of $1/t$ (one over “t”) of eighty percent (80%) of the premium referred to in the Particulars of Land multiplied by the number of complete years in the portion of the term hereby demised unexpired at the dated of completion of the surrender and for the purposes of this sub-paragraph and also sub-paragraph (d)(iii) hereunder the symbol “t” means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and
 - (ii) in respect of any building (including any fixtures and fittings therein) constructed or erected in accordance with the provisions of the said Agreement for Lease or this Lease, the replacement cost thereof as at the date of the Corporation’s acceptance of the surrender (if accepted) and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event of redevelopment whereby all the building(s) on the said land has been replaced by new building(s), the first new building on the said land pursuant to such redevelopment.
OR
- (B) in respect of both such land and such building (including any fixtures and fittings therein), the market value thereof as at the date of the Corporation’s acceptance of the surrender (if accepted) hereto but reduced by ten percent.

VALUATION REPORT

INVESTIGATION & ASSUMPTIONS

During the course of our valuation, we have conducted research on recent market transactions and made comparison to changes to the market level from our last valuation to that of the period around the valuation date.

As the Property is subject to the Lease Agreement, our valuation has been made on the assumption that the owner sells the Property according to the surrender provisions set out in the Lease Agreement

No allowance has been made in our valuation for any charges, mortgages or amounts owing on any of the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that all the interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation certificate. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the Property described and that no encroachment or trespass exists unless noted in the valuation certificate.

Other special assumptions and qualifications for the property interests, if any, have been state in the footnotes of the valuation certificate for the respective property interests.

TITLESHP INVESTIGATION

We have been provided with copies of land lease by APT Telecom and have caused searches to be made at the appropriate Land Registry in Hong Kong. However, we have not scrutinised the original documents to verify ownership or to verify any lease amendment which may not appear on the copies handed to us.

All legal documents disclosed in this letter and valuation certificate are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the Property set out in this letter and the attached valuation certificate.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by APT Telecom on such matters as statutory notices, easements, tenure, occupancy, floor area and all other relevant matters. Dimensions and areas included in the attached valuation certificate are based on information contained in the documents provided to us and are only approximations.

We have no reason to doubt the truth and accuracy of the information as provided to us by APT Telecom. We were also informed that no material facts have been omitted from the information so supplied. We consider we have been provided with sufficient information to reach an informed view.

VALUATION REPORT

We have not carried out detailed site measurements to verify the correctness of the respective areas in respect of the Property but have assumed that the area shown in the documents and official floor plans handed to us are correct. Based on our experience of valuation of similar properties in Hong Kong, we consider the assumptions so made to be reasonable. All documents and contracts have been used as reference only and all dimensions, measurements and area are approximations. No on-site measurement has been taken.

No structural survey has been made and we are therefore unable to report as to whether the Property is or is not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the RICS Appraisal and Valuation Standards (5th Edition May 2003) published by the Royal Institute of Chartered Surveyors and the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Chartered Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Chartered Surveyors.

We hereby certify that we have neither a present nor a prospective interest in the property or the value reported.

We enclose herewith the valuation certificate.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED
Calvin K.C. Chan
MRICS, MHKIS, CREA, CFA
Vice President

Note: Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has extensive experience in valuation of properties in Hong Kong.

VALUATION REPORT

VALUATION CERTIFICATE

Property	Description and Tenure	Particulars of Occupancy	Capital value in existing state as at 30th June 2007 and 2nd October 2007																						
Land and Building of the Remaining Portion of Section E of Tai Po Town Lot No. 13 and Extension Tai Po Industrial Estate Tai Po New Territories Hong Kong	<p>The property comprises a 7-storey building erected on a rectangular shape site with a site area of approximately 6,903.29 square meters completed in 2003.</p> <p>The property contains industrial spaces and open car parking spaces with a total gross floor area of approximately 16,894 square meters for use as data centre, details of which are summarized as follows:</p> <table border="0" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Floor</th> <th style="text-align: right;">Gross Floor Area (square meters)</th> </tr> </thead> <tbody> <tr><td>Ground Floor</td><td style="text-align: right;">2,758.732</td></tr> <tr><td>1st Floor</td><td style="text-align: right;">3,582.732</td></tr> <tr><td>2nd Floor</td><td style="text-align: right;">2,811.595</td></tr> <tr><td>3rd Floor</td><td style="text-align: right;">2,242.417</td></tr> <tr><td>4th Floor</td><td style="text-align: right;">2,230.675</td></tr> <tr><td>5th Floor</td><td style="text-align: right;">2,199.779</td></tr> <tr><td>Roof</td><td style="text-align: right;">1,055.312</td></tr> <tr><td>Upper Roof</td><td style="text-align: right;">12.96</td></tr> <tr><td colspan="2"><hr/></td></tr> <tr><td>Total</td><td style="text-align: right;"><u>16,893.842</u></td></tr> </tbody> </table>	Floor	Gross Floor Area (square meters)	Ground Floor	2,758.732	1st Floor	3,582.732	2nd Floor	2,811.595	3rd Floor	2,242.417	4th Floor	2,230.675	5th Floor	2,199.779	Roof	1,055.312	Upper Roof	12.96	<hr/>		Total	<u>16,893.842</u>	<p>A part of the 1st Floor of approximately 3,581 sq. m. and 5 visitor car parking spaces of the property are licensed to NTT Com Asia Limited for a term of three years commencing from 1st October, 2007</p> <p>The remaining portions of the property of approximately 13,313 sq. m. are currently vacant.</p>	HK\$137,000,000
Floor	Gross Floor Area (square meters)																								
Ground Floor	2,758.732																								
1st Floor	3,582.732																								
2nd Floor	2,811.595																								
3rd Floor	2,242.417																								
4th Floor	2,230.675																								
5th Floor	2,199.779																								
Roof	1,055.312																								
Upper Roof	12.96																								
<hr/>																									
Total	<u>16,893.842</u>																								
	<p>The annual government rent is equal to 3% of the rateable value of the subject land.</p>																								

VALUATION REPORT

Notes:

1. The property is registered in Tai Po Land Registry as Remaining Portion of Section E of Tai Po Town Lot No. 13 and Extensions thereto and is held by The Hong Kong Industrial Estate Corporation (HKIEC) under a New Grant No. 11981.
2. The property is subject to the Agreement for Lease entered into between Hong Kong Science & Technology Parks Corporation (Formally known as Hong Kong Industrial Estates Corporation) and the APT Telecom on 12th March 2001, under which upon completion of building works and compliance with other conditions set out in Clause D of the Agreement for Lease, it will be granted to the APT Telecom together with the completely finished building thereon, under a sublease of New Grant No. 11981 for a term commencing on the date of issuing the sublease and expiring on 27 June 2047. The total premium payable by the APT Telecom was HK\$13,116,251.
3. The salient development and surrender conditions contained in the Agreement of lease are set out below:

Purpose of Grant and Nature of Building	The subject site was granted for the construction of a data center and other structures for ancillary offices, the necessary storage space(s) and watchman/caretakers' quarter(s) for installation of equipment as specified in the Grantee's Proposal Form dated 12th March 2001
Plot Ratio	Any building(s) erected on the subject site shall not exceed a plot ratio of 2.5 calculated on the area of the site.
Minimum Site Coverage	Not less than 30%
Setback Area	Shall not erect, install or store or permit any building, structure or equipment, etc. on the pink hatched black area.
Redevelopment	No demolition or redevelopment will be allowed without prior written consent from the HKIEC.
Restrictions on Alienations	<p>If the Lessee is desirous of assigning the property, the Lessee has to inform the HKIEC of his intention (the lessee to offer to surrender before assignment) and the HKIEC has the right to request the surrender of the property by the Lessee.</p> <p>In the event that the HKIEC rejects the offer to surrender, the Lessee has the right to assign the property freely in the market subject to a payment of a fee to HKIEC and such assignment shall relate to the whole lot but not a part.</p>
Lessee to offer to surrender before assignment	In the event that the Lessee is desirous of assigning the said premises at any time during the term hereby demised, the Lessee shall first by notice in writing to the Corporation offer to surrender this Lease (Provided That if any such notice of surrender is served during the currency of the Corporation's notice, if any, of its intention to reenter the said premises under Clause B(15) hereof such notice of surrender shall be null and void) free from encumbrances and with vacant possession of the said premises at one of the following two considerations payable by the Corporation whichever shall be the lesser:
Surrender Consideration	<p>(A) The total of the following two amounts reduced by ten percent:-</p> <p>(I) in respect of the said land, a sum equivalent to the fraction of $1/t$ (one over "t") of eighty percent (80%) of the premium referred to in the Particulars of Land multiplied by the number of complete years in the portion of the term hereby demised unexpired at the dated of completion of the surrender and for the purposes of this sub-paragraph and also sub-paragraph (d)(iii) hereunder the symbol "t" means or represents the number of complete year or years and any fraction thereof, comprised in the period from the commencement date to the 27th day of June 2047, which fraction of a year shall be deemed to be a complete year, and</p>

VALUATION REPORT

- (II) in respect of any building (including any fixtures and fittings therein) constructed or erected in accordance with the provisions of the said Agreement for Lease or this Lease, the replacement cost thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined in the manner provided by the First Schedule hereto and discounted for depreciation which shall be calculated at the rate of five percent (5%) per annum or part thereof on the said replacement cost from the date of the occupation permit or temporary occupation permit (whichever shall be the earlier) for the first building on the said land or, in the event of redevelopment whereby all the building(s) on the said land has been replaced by new building(s), the first new building on the said land pursuant to such redevelopment.

OR

- (B) in respect of both such land and such building (including any fixtures and fittings therein), the market value thereof as at the date of the Corporation's acceptance of the surrender (if accepted) to be determined in the manner provided by the First Schedule hereto but reduced by ten percent.

4. The property is zoned "Order Specified Uses" annotated "Industrial Estate" on the Outline Zoning Plan No. S/TP/16.
5. According to a Licence Agreement entered into between APT Satellite Telecommunications Limited (the "Licensor") and NTT Com Asia Limited (the "Licensee") on 2nd October 2007, a part of the First Floor and five several Visitor Car Parking Spaces on the Ground Floor (the "Premises") of the Property are licensed to the Licensee for a term of 3 years commencing from 1st October 2007 to 30th September 2010 for an initial monthly license fees of HK\$539,700 and such license fees shall be increased to HK\$571,700 upon the Licensor's making available of Transformer Room 4 for the use by the Licensee.
6. According to a Supplemental Agreement entered into between APT Satellite Telecommunications Limited (the "Licensor") and NTT Com Asia Limited (the "Licensee") on 2nd October 2007, the Licensor should upon the expiration of the licence period of the aforesaid Licence Agreement (or the expiration of the renewed licence period(s)) (as the case may be) renew the licence of the aforesaid Premises for a further licence period of 3 years each (provided that the last renewed licence period shall expire on or before 30th September 2022 with licence fee review in accordance with the terms of the Supplemental Agreement).
7. According to our valuation report reference no. 07/1694 dated 31st August 2007, the capital value of the property as of 30th June 2007 is HK\$137,000,000.

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 22 October 2007, being the latest practicable date for the printing of this circular (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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 ⁽¹⁾
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	Beneficial owner	Personal	5,000	0.001%	800,000
Chen Xun <i>(Vice President)</i>	Beneficial owner	Personal	6,000 ⁽²⁾	0.001%	260,000
Yang Qing <i>(Vice President)</i>	Beneficial owner	Personal	–	–	130,000

Note: (1) 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.

(2) The capacity in which Chen Xun held 6,000 shares of the Company was being a trustee.

All the interests disclosed above represent long positions 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 <i>(Note 1)</i>	9.00
China Aerospace International Holdings Limited	Corporate	31,200,000 <i>(Note 1)</i>	7.55
Sinolike Investments Limited	Corporate	31,200,000 <i>(Note 1)</i>	7.55
Temasek Holdings (Private) Limited	Beneficial owner	22,800,000 <i>(Note 2)</i>	5.52
Singapore Telecommunications Limited	Corporate	22,800,000 <i>(Note 2)</i>	5.52
Singasat Private Limited	Corporate	22,800,000 <i>(Note 2)</i>	5.52

Note:

1. 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.
2. 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 2006, 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:

Name of Director	Name of the Companies	Principal Activities
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.

6. EXPERT'S QUALIFICATION AND CONSENT

- (a) The Independent Financial Adviser is a corporation licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO. American Appraisal China Limited is an independent property valuer.
- (b) As at the Latest Practicable Date, each of the Independent Financial Adviser and American Appraisal China Limited 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 2006, being the date to which the latest published audited financial statements of the Company were made up.
- (c) Each of the Independent Financial Adviser and American Appraisal China Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 23 October 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 2006, being the date to which the latest published audited financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or its subsidiaries.

9. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

According to 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 demand by:

- (a) the chairman of such meeting; or
- (b) at least three members (i.e. the shareholders of the Company) present in person (or in the case of a member being a corporation by its by authorized 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 member being a corporation by its duly authorized 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 authorized 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.

10. 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, who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries & Administrators of Great Britain.

- (c) The Company's Hong Kong share registrar and transfer office is Tricor 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.

11. 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 6 November 2007:

- (a) the Option 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 18 of this circular;
- (d) the letter from American Appraisal China Limited, together with the valuation certificate, the text of which is set out on pages 19 to 25 of this circular; and
- (e) the written consent of the expert referred to in paragraph 6(c) of this appendix.

NOTICE OF SPECIAL GENERAL MEETING



(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, at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday 20 November 2007 at 11:00 a.m. for the purpose of considering and, if it thought fit, passing the ordinary resolution set out as follows:

ORDINARY RESOLUTION

“THAT

- (a) (1) the option agreement entered into between Skywork Corporation (“Skywork”, a wholly-owned subsidiary of the Company), SingaSat Private Limited (“SingaSat”) and NTT Com Asia Limited (the “Licensee”) dated 2 October 2007 (the “Option Agreement”) in relation to the granting of a call option by each of Skywork and SingaSat to the Licensee for the purchase from them of all the equity interests in APT Satellite Telecommunications Limited (“APT Telecom”), with option expiry date on 31 December 2008, and the granting of a right of first refusal to the Licensee in respect of any offer to purchase equity interests in APT Telecom during the period from 1 January 2009 to 31 December 2010 made by parties other than the Licensee, Skywork and SingaSat, be and is hereby confirmed, approved and ratified, and (2) the disposal by Skywork of its interests in APT Telecom as contemplated under the Option Agreement, be and is hereby approved; and
- (b) the board of directors of the Company be and is hereby authorized to take all such actions and steps and execute all documents or deeds or it may in their absolute discretion consider necessary or desirable to give full effect to this resolution, and to implement the Option Agreement and the disposal referred to in (a)(1) and (a)(2) above, respectively.

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

Hong Kong, 23 October 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, Tricor 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) and the Company (www.apstar.com).