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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your 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 the transfer was effected for transmission to the purchaser or transferee.



CONTINUING CONNECTED TRANSACTIONS

**Independent financial adviser to the independent board committee and
independent shareholders of APT Satellite Holdings Limited**

Hercules
Hercules Capital Limited

A letter from the board of directors of APT Satellite Holdings Limited (the “Company”) is set out on pages 3 to 10 of this circular. A letter from the independent board committee of the Company is set out on page 11 of this circular. A letter from Hercules Capital Limited containing its advice and recommendation to the independent board committee and the independent shareholders of the Company is set out on pages 12 to 23 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 Thursday, 17 December 2009 at 11 a.m. is enclosed with this circular. A form of proxy for use at the special general meeting is also enclosed. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the special general meeting or any adjournment thereof if you so wish.

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DEFINITIONS

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

“April Announcement”	the announcement of the Company dated 16 April 2009 in relation to, among other things, the Merger
“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.83% of the issued share capital of the Company as at the date of this circular
“Associate(s)”	has the same meaning as defined in the Listing Rules
“Board”	the Board of Directors
“Cap(s)”	the maximum aggregate annual value(s) of the transaction amount for each of the three financial years referred to in the section headed “Proposed Caps” in the letter from the Board contained in this circular
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation)
“Company”	APT Satellite Holdings Limited
“CSCC”	中國衛星通信集團公司 (China Satellite Communications Corporation)
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Transponder Service Master Agreement is approved by the Independent Shareholders at the SGM
“Group”	the Company and its subsidiaries
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps
“Independent Financial Advisor”	Hercules Capital Limited, a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity
“Independent Shareholders”	Shareholders, other than APT International, CSCC and CASC and their respective Associates
“Latest Practicable Date”	24 November 2009, being the latest practicable date for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mainland China”	the People’s Republic of China
“Merger”	the merger of CSCC into CASC as its wholly-owned subsidiary, details of which were described in the April Announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among others, the Transponder Service Master Agreement and the transactions contemplated thereunder and the proposed Caps
“Share(s)”	share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 less than 25%
“Transponder Service Master Agreement”	the agreement entered into between the Company and CSCC dated 10 November 2009 in relation to, among other things, the provision of satellite transponder service
“US\$”	United States dollars, the lawful currency of the United States of America

LETTER FROM THE BOARD



Executive Directors:

Cheng Guangren (*President*)

Qi Liang (*Vice President*)

Non-Executive Directors:

Rui Xiaowu (*Chairman*)

Lim Toon

Yin Yen-liang

Wu Zhen Mu

Yong Foo Chong

Wu Jinfeng

Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-Executive Directors:

Huan Guocang

Lui King Man

Lam Sek Kong

Cui Ligu

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

27 November 2009

To the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the April Announcement in relation to, among other things, the Merger. Upon completion of the Merger on 14 September 2009 as announced by the Company on 15 September 2009, CSCC has become a connected person of the Company under the Listing Rules.

The Group has entered, and will continue to enter, into transactions with CSCC or its Associates from time to time in the ordinary and usual course of business of the Group. Such transactions become continuing connected transactions of the Company under the Listing Rules since completion of the Merger on 14 September 2009.

On 10 November 2009, the Board announced that for the purpose of compliance with Chapter 14A of the Listing Rules in respect of continuing connected transactions, the Company has entered into the Transponder Service Master Agreement with CSCC on 10 November 2009.

LETTER FROM THE BOARD

This circular gives you further information in relation to the transactions contemplated under the Transponder Service Master Agreement and contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transponder Service Master Agreement and the proposed Caps.

TRANSPONDER SERVICE MASTER AGREEMENT

Date:	10 November 2009
Parties:	The Company; and CSCC
Validity of the agreement:	From the Effective Date to 31 December 2011, subject to renewal by negotiation between the parties

Services provided

Subject to the terms and condition of the Transponder Service Master Agreement, the Company and CSCC have agreed to provide to each other (including their respective Associates) services as follows:

1. In the Mainland China market, when the Company is by itself unable to meet the requirements of its customers due to its operating conditions (for instance, in fulfilling market and industry practices in China), the Company shall provide its satellite transponder capacity on a preferential basis to CSCC, which will then sell and supply to the Company's end-user customers (the "Service In Mainland China"). In this regard, the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC for the provision of satellite transponder capacity to CSCC.
2. In markets outside Mainland China, when either the Company's or CSCC's own satellite transponder capacity and/or specification is unable to meet the requirements of its end-user customers, it shall give preference to exploit the available satellite transponder of the other party for provision of service to the end-user customers (the "Service Outside Mainland China"). In this regard, the party which provides the satellite transponder shall undertake the obligation to provide satellite transponder technical support to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC when it provides the Service Outside Mainland China to CSCC. Likewise, the Company shall pay service fee to CSCC when it procures the Service Outside Mainland China from CSCC.

Any agreements in relation to satellite transponder service which were signed between the Company (or its Associates) and its customers, or between CSCC (or its Associates) and its customers, prior to the date of signing of the Transponder Service Master Agreement and which remain legally binding during the term of the Transponder Service Master Agreement shall not be bound by the Transponder Service Master Agreement.

LETTER FROM THE BOARD

Transaction amounts, pricing basis and settlement

Pursuant to the Transponder Service Master Agreement, the Company and CSCC shall enter into specific contracts, orders or confirmation documents which set out the specific terms including the satellite specifications and other technical requirements, or specific service standards for satisfying the end-user customers' requirements, and such terms must be based on the principle of fairness and reasonableness and must not contravene the terms of the Transponder Service Master Agreement.

Under the Transponder Service Master Agreement, the service fees for the use of satellite transponder shall be determined based on market-oriented, fair and reasonable principles and by mutual agreement between the two parties in accordance with the Company's prevailing pricing policy and procurement policy, and shall be settled in cash.

If at the time of signing the Transponder Service Master Agreement, the Company has already signed satellite transponder capacity contracts or related service contracts with its customers and cannot continue its contractual obligations due to any change in operating conditions as aforesaid and CSCC agrees to continue to provide the service to such customers on behalf of the Company on the same terms (including the service fees) in accordance with the signed contracts, the Company shall pay CSCC customer maintenance fee. Such customer maintenance fee shall be agreed between the Company and CSCC based on the specific terms of the relevant contracts but shall not exceed 4% of the remaining value of the relevant contracts. Such customer maintenance fee, together with the related tax levy in China arising from CSCC continuing to provide service to the end-user customers on behalf of the Company, shall be deducted from the relevant transponder service fee payable by CSCC to the Company under the Transponder Service Master Agreement. Based on estimates by the Company and CSCC, the total amount of customer maintenance fee payable by the Company to CSCC on an annual basis is expected to be approximately US\$61,000, US\$62,000 and US\$30,000 (equivalent to approximately HK\$476,000, HK\$484,000 and HK\$234,000) for each of the years 2009, 2010 and 2011, respectively. As the applicable percentage ratios (as defined under the Listing Rules) in respect of the amount of such customer maintenance fee on an annual basis is expected to be either less than 0.1% or less than 2.5% and HK\$1,000,000, the transactions in respect of such customer maintenance arrangement are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Payment for services rendered under the Transponder Service Master Agreement shall be settled on normal commercial terms which may include monthly, quarterly or annual payments or lump-sum payment arrangements.

Based on estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Service In Mainland China rendered under the Transponder Service Master Agreement for the years 2009, 2010 and 2011 shall be US\$25,000,000, US\$28,500,000 and US\$29,500,000, respectively; (ii) the aggregate transaction amounts in respect of the Service Outside Mainland China rendered by the Company to CSCC under the Transponder Service Master Agreement for the years 2009, 2010 and 2011 shall be US\$600,000, US\$1,800,000 and US\$2,400,000, respectively; and (iii) the aggregate transaction amounts in respect of the Service Outside Mainland China rendered by CSCC to the Company under the Transponder Service Master Agreement for the years 2009, 2010 and 2011 shall be US\$900,000, US\$3,400,000 and US\$3,400,000, respectively.

LETTER FROM THE BOARD

Condition and other principal terms

The Transponder Service Master Agreement shall take effect after approval by the Independent Shareholders at the SGM and will expire on 31 December 2011, subject to negotiation for renewal by both parties.

Both parties have warranted (i) to provide services to the other party and/or its Associates; and (ii) to pay the other party and/or its Associates the transponder service fees, customer maintenance fees and tax levy in accordance with the terms of the Transponder Service Master Agreement.

Both parties have also undertaken to provide service assurance to the end-user customers in respect of the relevant satellite transponder technology and to indemnify each other for any compensation (including, but not limited to, compensation for interruption, default or other duty), responsibility and expenses arising from the other party's failure to perform its obligation to provide satellite transponder technical support to the end-user customers or any other obligations under the Transponder Service Master Agreement. The specific provisions in respect of the undertaking will be set out in the specific service contracts, orders or confirmation documents which shall be based on the principle of fairness and reasonableness and on normal commercial terms.

PROPOSED CAPS

The Board proposes to set the Caps, i.e. the maximum annual aggregate value, in respect of the provision of the Service In Mainland China pursuant to the Transponder Service Master Agreement for the years 2009, 2010 and 2011 as follows:

	2009	2010	2011
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Aggregate transaction amount in respect of the provision of the Service In Mainland China by the Group to CSCC (or its Associates)	25,000	28,500	29,500
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed Caps (Based on US\$1=HK\$7.80 for reference purpose)	195,000	222,300	230,100

The above proposed Caps are determined by the Board by reference to (i) the historical transaction amount of the relevant service, including the assignment of satellite transponder agreements as a result of the termination of APSTAR 2R in July 2009; (ii) the value of contracts on hand; and (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China.

LETTER FROM THE BOARD

For the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, the actual aggregate transaction amounts in respect of the provision of the Service in Mainland China by the Group to CSCC (or its Associates) were approximately HK\$16,309,000, HK\$12,471,000, HK\$11,432,000 and HK\$26,029,000 (unaudited), respectively. Based on existing customer contracts on hand, the Company estimates that, subject to Independent Shareholders' approval of the Transponder Service Master Agreement, the total value of existing customer contracts that shall be transferred to CSCC due to change in operating conditions (for instance, in fulfilling market and industry practices in Mainland China) and be continued by CSCC on behalf of the Company before the end of 2009 shall be approximately US\$20.6 million (approximately HK\$161 million). CSCC shall receive customer maintenance fee from the Company for continuation of these contracts, details of which are described under the sub-section headed "Transaction amounts, pricing basis and settlement" above.

The Board proposes to set the Caps in respect of the provision of the Service Outside Mainland China pursuant to the Transponder Service Master Agreement for the years 2009, 2010 and 2011 as follows:

	2009	2010	2011
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Aggregate transaction amount in respect of the provision of the Service Outside Mainland China by the Group to CSCC (or its Associates)	600	1,800	2,400
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed Caps (Based on US\$1=HK\$7.80 for reference purpose and rounded up to the nearest HK\$100,000)	4,700	14,100	18,800
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Aggregate transaction amount in respect of the provision of the Service Outside Mainland China by CSCC (or its Associates) to the Group	900	3,400	3,400
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed Caps (Based on US\$1=HK\$7.80 for reference purpose and rounded up to the nearest HK\$100,000)	7,100	26,600	26,600

The above proposed Caps are determined by the Board by reference to (i) the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in markets outside Mainland China; (ii) the satellite transponder capacity of the Group for its international business; and (iii) the satellite transponder capacity of CSCC in markets outside Mainland China.

LETTER FROM THE BOARD

For the three years ended 31 December 2006, 2007 and 2008 and the six months ended 30 June 2009, there had not been any transactions in respect of the provision of the Service Outside Mainland China between the Company and CSCC (and their respective Associates). Based on discussion between the Company and CSCC, it is expected that the provision of the Service Outside Mainland China by CSCC to the Company, or vice versa, may commence by the end of 2009.

INFORMATION ON THE GROUP

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

INFORMATION ON CSCC

Upon completion of the Merger on 14 September 2009, CSCC has become a wholly-owned subsidiary of CASC, which is a State-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

The transactions between the Group and CSCC (and its Associates) have been, and are expected to be, conducted in the ordinary and usual course of business of the Group and on normal commercial terms.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Following completion of the Merger on 14 September 2009, CSCC has become a connected person of the Company under the Listing Rules and the transactions between the Company and CSCC on an ongoing basis constitute continuing connected transactions under the Listing Rules. For the purpose of compliance with Chapter 14A of the Listing Rules in respect of continuing connected transactions, the Company has entered into the Transponder Service Master Agreement with CSCC on 10 November 2009. As the proposed Caps for the transactions contemplated under the Transponder Service Master Agreement for the years 2009, 2010 and 2011 exceed the Threshold, these transactions constitute non-exempt continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting, annual review and independent shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, CASC controlled more than 50% of the issued share capital of APT International, which held approximately 51.83% of the issued share capital of the Company. CASC and its Associates and a subsidiary of CSCC were also interested in an aggregate of approximately 10.45% of the total issued share capital of the Company as at the Latest Practicable Date. CSCC is a wholly-owned subsidiary of CASC. In view of CSCC's interest in the transactions contemplated under the Transponder Service Master Agreement, APT International, CASC, CSCC and their respective Associates will be required to abstain from voting at the SGM in respect of the resolution to approve the Transponder Service Master Agreement and the proposed Caps.

SGM

The SGM will be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Thursday, 17 December 2009 at 11 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution to approve, among others, the Transponder Service Master Agreement and the transactions contemplated thereunder and the proposed Caps. A notice convening the SGM is enclosed with this circular.

In view of the anticipated interest of CSCC in APT International as aforesaid and CSCC's interest in the transactions contemplated under the Transponder Service Master Agreement, APT International, CSCC and CASC and their respective Associates will be required to abstain from voting in respect of the resolution for approval of the Transponder Service Master Agreement and the proposed Caps. As at the Latest Practicable Date, APT International held approximately 51.83%, and CASC and its Associates and a subsidiary of CSCC held in aggregate approximately 10.45%, of the total issued share capital of the Company. The ordinary resolution put to vote at the SGM will be decided by way of a poll as required by the Listing Rules.

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

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee comprising the independent non-executive Directors (namely, Messrs. Huan Guocang, Lui King Man, Lam Sek Kong and Cui Liguo) has been established to consider the terms of the Transponder Service Master Agreement and the proposed Caps. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the same. Your attention is drawn to (i) the letter from the Independent Board Committee to the Independent Shareholders, and (ii) the letter from the Independent Financial Adviser setting out its advice and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps.

Having considered the reasons set out in the section headed “Reasons for and benefits of the continuing connected transactions” above, the Directors, including the independent non-executive Directors (who have also considered the advice and recommendation of the Independent Financial Adviser), are of the opinion that the transactions contemplated under the Transponder Service Master Agreement are in the interest of the Company and the Shareholders as a whole, in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms of which and the proposed Caps are fair and reasonable. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution number 2 as set out in the SGM notice for approval of the Transponder Service Master Agreement and the transactions contemplated thereunder and the proposed Caps.

GENERAL

Your attention is drawn to the further information contained in the appendix to this circular.

By Order of the Board

Rui Xiaowu

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps.



27 November 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular headed “Continuing Connected Transactions” dated 27 November 2009 to the shareholders of the APT Satellite Holdings Limited (the “Circular”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps, details of which are set out in the “Letter from the Board” contained in the Circular. Hercules Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps.

Your attention is drawn to the “Letter from the Board”, the advice and recommendation of the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” contained in the Circular, as well as other additional information set out in the appendix to the Circular.

Having taken into account the principal factors and reasons considered by, and the advice and recommendation of, the Independent Financial Adviser in relation to the Transponder Service Master Agreement and the proposed Caps as stated in its letter, we consider that the transactions contemplated under the Transponder Service Master Agreement are in the interests of the Company and the Shareholders as a whole and the terms of which and the proposed Caps are fair and reasonable. We therefore recommend that you vote in favour of the ordinary resolution number 2 to be proposed at the SGM to approve the Transponder Service Master Agreement and the transactions contemplated thereunder and the proposed Caps.

Yours faithfully,

The Independent Board Committee
APT Satellite Holdings Limited

Huan Guocan	Lui King Man	Lam Sek Kong	Cui Ligu
<i>Independent</i>	<i>Independent</i>	<i>Independent</i>	<i>Independent</i>
<i>Non-Executive Director</i>	<i>Non-Executive Director</i>	<i>Non-Executive Director</i>	<i>Non-Executive Director</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter dated 27 November 2009 from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transponder Service Master Agreement and the proposed Caps, prepared for the purpose of inclusion in this circular.

Hercules **Hercules Capital Limited**

1503 Ruttonjee House
11 Duddell Street
Central
Hong Kong

27 November 2009

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Transponder Service Master Agreement (the “Continuing Connected Transactions”) and their respective proposed Caps, details of which are set out in the letter from the Board contained in the circular of the Company dated 27 November 2009 to the Shareholders (the “Circular”), of which this letter forms part. Terms used in this letter have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 10 November 2009, the Company entered into the Transponder Service Master Agreement with CSCC in relation to, among other things, on a preferential basis, the mutual provision of satellite transponder capacity between the Company, CSCC and their respective Associates. Since CSCC has become a connected person of the Company under the Listing Rules upon completion of the Merger on 14 September 2009, details of the Merger were set out in the April Announcement and the announcement of the Company dated 15 September 2009, the transactions contemplated under the Transponder Service Master Agreement shall constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the proposed Caps for the transactions contemplated under the Transponder Service Master Agreement for each of the three years ending 31 December 2011 exceeds the Threshold, these transactions and their respective Caps are subject to announcement, reporting, annual review and independent shareholders’ approval requirements under the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, CASC controlled more than 50% of the issued share capital of APT International, which held approximately 51.83% of the issued share capital of the Company. Furthermore, CASC, its Associates and a subsidiary of CSCC, a wholly-owned subsidiary of CASC, were interested in an aggregate of approximately 10.45% of the total issued share capital of the Company as at the Latest Practicable Date. Given the interest of CSCC in the transactions contemplated under the Transponder Service Master Agreement, APT International, CASC, CSCC and their respective Associates are required to abstain from voting at the SGM in respect of the resolution to approve, among others, the Transponder Service Master Agreement and the proposed Caps.

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

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and representations supplied, and the opinions expressed, by the Directors and management of the Company and have assumed that such information and statements, and representations made to us or referred to in the Circular are true, accurate and complete in all material respects as of the date hereof. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular. The Directors have also confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reasons to suspect that any material information has been withheld by the Directors or the management of the Company, or is misleading, untrue or inaccurate, and consider that they may be relied upon in formulating our opinion.

We 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 not, however, for the purpose of this exercise, conducted any independent investigation or audit into the businesses or affairs or future prospects of the Group and the related subject of and parties to the agreement of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background to and reasons for entering into the Transponder Service Master Agreement

The Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation and provision of satellite transponder capacity and related services, satellite-based broadcasting and telecommunication services and other services. CSCC is a renowned satellite operator in Mainland China providing satellite communication services, including satellite transponder services. Both the Group and CSCC possess their own satellites fleet and they have different footprint coverage and transponder specifications.

Due to the operating conditions relating to communication and satellite related business in Mainland China, there are situations where the Group, by itself, may not be able to satisfy its customers' requirements or fulfill market and industry practices in Mainland China. On the other hand, CSCC, being a renowned satellite operator in Mainland China, is able to facilitate the Group in satisfying its customers' requirements and the required operating conditions in Mainland China. Therefore, the Group could provide satellite transponder services to its customers in Mainland China through CSCC and its Associates (the "CSCC Group") by selling the Group's satellite transponder capacity in Mainland China to the CSCC Group which will then supply to the Company's end-user customers. The Group and the CSCC Group have long been in business relationship in light of mutual commercial benefit for over a decade while CSCC was independent from the Group. The Board considers that such arrangement is beneficial to the Group as it empowers the Group to fulfill its customers' needs which, for the above-mentioned reasons, the Group may not be able to satisfy by its own in the absence of the facilitation from the CSCC Group. In view of the long-term positive business relationship between the Group and the CSCC Group, both parties intend to continue such arrangement in the future even when CSCC becomes a connected person of the Company upon completion of the Merger.

The Group and the CSCC Group would also like to further extend their cooperation to overseas markets so that either party can, from time to time when their respective satellite transponder capacity and/or specification is unable to meet the requirements of their respective end-user customers in the markets outside Mainland China, exploit the available satellite transponder of the other party for the provision of satellite transponder services to their respective customers in markets outside Mainland China. As each of the Group and the CSCC Group has its own satellites fleet with different footprint coverage and transponder specification, the provision of satellite transponder services by the CSCC Group to the Group shall enable the Group to expand its revenue stream and flexibility by providing satellite transponder services to end-user customers who require footprint coverage or specification other than those provided by the Group. Meanwhile, the provision of satellite transponder services by the Group to the CSCC Group shall also provide an additional revenue source to the Group.

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

2. Principal terms of the Transponder Service Master Agreement

Pursuant to the Transponder Service Master Agreement, the Company agreed to (i) provide its satellite transponder capacity on a preferential basis to the CSCC Group, which will then sell and supply to the Company's end-user customers in the event that the Company, by itself, is unable to meet the requirements of its customers due to its operating conditions such as fulfilling market and industry practices in the Mainland China market; (ii) provide its satellite transponder capacity on a preferential basis to the CSCC Group in the event that the satellite transponder capacity and/or specification of the CSCC Group is unable to meet the requirements of its end-user customers in markets outside Mainland China; and (iii) give preference to exploit the available satellite transponder of the CSCC Group for the provision of services to the end-user customers of the Company in the event that the Company's own satellite transponder capacity and/or specification is unable to meet the requirements of its end-user customers in markets outside Mainland China, with effect from the Effective Date to 31 December 2011, subject to renewal by negotiation between the parties.

The Company has undertaken (i) the obligation to provide satellite transponder technical support to the end-user customers in relation to provision of satellite transponder services by the Group to the CSCC Group; and (ii) all obligations in respect of customer maintenance other than the technical support in relation to provision of satellite transponder services by the CSCC Group in overseas markets. CSCC has undertaken (i) the obligation to provide satellite transponder technical support to the end-user customers in relation to provision of satellite transponder services by the CSCC Group in overseas markets; and (ii) all obligations in respect of customer maintenance other than the technical support in relation to provision of satellite transponder services by the Group to the CSCC Group. Both parties have also undertaken to provide service assurance to the end-user customers in respect of the relevant satellite transponder technology and to indemnify each other for any compensation including, but not limited to, compensation for interruption, default or other duties, responsibility and expenses arising from the other party's failure to perform its obligation to

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provide satellite transponder technical support to the end-user customers or any other obligations under the Transponder Service Master Agreement. Both parties have warranted (i) to provide services to the other party and/or its Associates; and (ii) to pay the other party and/or its Associates the relevant fees in accordance with the terms of the Transponder Service Master Agreement.

The Transponder Service Master Agreement is a framework agreement which sets out the principles upon which detailed terms of the transactions are to be determined between the parties. The Company and CSCC shall enter into definitive contract, order or confirmation document which specifies the terms for each transaction including, but not limited to, the satellite specifications, other technical requirements, specific service standards for satisfying the end-user customers' requirements and specific provisions in respect of undertaking.

Under the Transponder Service Master Agreement, the Company and CSCC agreed that the terms of each individual contract would be determined based on the principle of fairness and reasonableness and would not contravene the terms of the Transponder Service Master Agreement, in particular, the service fees for the use of satellite transponder would be determined based on market-oriented, fair and reasonable principles and by mutual agreement between the parties in accordance with the Company's prevailing pricing policy and procurement policy.

If at the time of signing the Transponder Service Master Agreement the Company has already signed the satellite transponder capacity contracts or related service contracts with its end-user customers (the "Existing Contracts") and cannot continue its contractual obligations due to any change in operating conditions in Mainland China and CSCC agrees to continue to provide the services to such customers on behalf of the Company on the same terms (including the service fees) in accordance with the Existing Contracts, the Company shall pay CSCC a customer maintenance fee. Such customer maintenance fee shall be agreed between the parties based on the specific terms of the relevant agreements but shall not exceed 4% of the remaining value of the relevant contracts. The customer maintenance fee, together with the related tax levy in Mainland China arising from CSCC continuing to provide services to the end-user customers on behalf of the Company, shall be deducted from the relevant transponder service fee payable by CSCC to the Company under the Transponder Service Master Agreement. The payment for services rendered under the Transponder Service Master Agreement shall be settled in cash and on normal commercial terms which may include monthly, quarterly or annual payments or lump-sum payment arrangements.

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

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We were advised by the management of the Company that apart from the satellite transponder service agreements entered into between the Company and the CSCC Group in respect of the provision of satellite transponder services by the Group to the CSCC Group in Mainland China, the Group has not entered into any agreement of similar nature with other independent third parties. As such, we were unable to compare the terms of the Transponder Service Master Agreement with those of agreements entered into between the Group and other independent third parties. However, the management of the Company confirmed that the price and terms in respect of the mutual supply of satellite transponder services between the Group and the CSCC Group will be on normal commercial terms, or if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms fair and reasonable to the Company.

We also understand from the management of the Company that certain existing satellite transponder services provided by the Company to its end-user customers in Mainland China will be rearranged such that the Company will continue to provide the satellite transponder services to its end-user customers in Mainland China through CSCC. Definitive agreements shall be entered into between CSCC and the Group's end-user customers at the same price and terms as those agreed by the Group and its end-user customers, whose are third parties independent of the Group, under the Existing Contracts. Meanwhile, the Company and CSCC shall also enter into definitive agreements in relation to the provision of satellite transponder services by the Company to CSCC at the same price and terms as those entered into between CSCC and the Group's end-user customers. Given that CSCC will be charged by the Group for the provision of satellite transponder services in Mainland China at the same price and terms as those to be received by it as a service provider from the Group's end-user customers, we consider that it is fair and reasonable for CSCC to receive a customer maintenance fee for the continued provision of satellite transponder services to the Group's end-user customers. The management of the Company informed us that such customer maintenance fee shall be determined by the Company and CSCC on a case-by-case basis and with reference to the satellite transponder services fee agreed under the Existing Contracts and the then market price of the satellite transponder services. We were also advised by the management of the Company that the ceiling of the customer maintenance fee of 4% of the remaining value of the relevant contracts was arrived at after arm's length negotiations between the Company and CSCC by reference to the anticipated costs for the provision of the customer maintenance services as if they were provided by the Group. Given that the customer maintenance fee will be determined based on the price of the underlying customer contract and the ceiling shall enable the Group to control the customer maintenance fee to be paid to CSCC at a reasonable level, we consider that the setting of a ceiling for the customer maintenance fee is in the interest of the Company and its Shareholders as a whole.

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We noted that the tax levy in Mainland China arising from CSCC continuing to provide services to the end-user customers on behalf of the Company on the same price and terms as those under the Existing Contracts shall be deducted from the relevant transponder service fee payable by CSCC to the Company under the Transponder Service Master Agreement. Given that save for the contemplated customer maintenance fee CSCC shall not enjoy any additional profit by entering into service agreements with the same terms as those of the Existing Contracts with the Group's end-user customers, we consider the assumption of tax levy in Mainland China by the Group is commercially justifiable.

Having considered that (i) both the Company and CSCC have agreed to determine the terms of the Continuing Connected Transactions on a fair and reasonable basis; (ii) the principles and practices for contract terms determination in respect of the provision of satellite transponder services by the Group to the CSCC Group in Mainland China under the Transponder Service Master Agreement have been adopted by the Group and the CSCC Group even when the CSCC Group was an independent third party of the Group and such practices shall continue to be applied consistently for all future satellite transponder services under the Transponder Service Master Agreement; and (iii) the contract terms to be entered into between the Company and CSCC in respect of the provision of satellite transponder services by the Group to the CSCC Group in Mainland China would be the same as those under the Existing Contracts entered into between the Company and its end-user customers and a ceiling has been set to limit the customer maintenance fee at a reasonable level, we consider that the terms of the Transponder Service Master Agreement are in the interest of the Company and on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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3. Bases of the annual Caps

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

	Historical Transaction Amounts				Annual Caps		
	For the year ended			For	For the year ending		
	31 December			the six	31 December		
	2006	2007	2008	months	2009	2010	2011
HK\$'000	HK\$'000	HK\$'000	ended	HK\$'000	HK\$'000	HK\$'000	
			30 June				
			2009				
			HK\$'000				
Aggregate transaction amount payable by the CSCC Group to the Group in respect of provision of satellite transponder services in Mainland China	16,309	12,471	11,432	26,029	195,000	222,300	230,100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aggregate transaction amount payable by the CSCC Group to the Group in respect of provision of satellite transponder services outside Mainland China	–	–	–	–	4,700	14,100	18,800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aggregate transaction amount payable by the Group to the CSCC Group in respect of provision of satellite transponder services outside Mainland China	–	–	–	–	7,100	26,600	26,600
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: The proposed Caps are presented based on US\$1=HK\$7.8 for reference purpose and rounded up to the nearest HK\$100,000.

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

As stated in the letter from the Board, the proposed annual Caps for the provision of satellite transponder services by the Group to the CSCC Group in Mainland China were determined by the Board, with reference to (i) the historical transaction amount of the relevant services, including the assignment of satellite transponder agreements as a result of the termination of APSTAR 2R in July 2009; (ii) the value of contracts on hand; and (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China.

We noted that the proposed Cap for the year ending 31 December 2009 of HK\$195.0 million is approximately 16.1 times higher than the actual transaction amount of approximately HK\$11.4 million for the year ended 31 December 2008. We have reviewed and discussed with the management of the Company in relation to the basis and assumptions made in determining the proposed Cap for the year ending 31 December 2009 and are satisfied that such proposed Cap is fair and reasonable after taking into consideration (i) the existing contracts on hand and new contracts expected to be entered into between the Group and the CSCC Group; and (ii) the Group's estimation on the total value of the Existing Contracts, including the satellite transponder agreements assigned to the Group as a result of the termination of the leasing agreement of APSTAR 2R in July 2009, which shall be transferred to the CSCC Group due to change in operating conditions and be continued by the CSCC Group on behalf of the Group before the end of 2009.

Furthermore, the Group expected that all satellite transponder agreements would be renewed upon expiry during the three years ending 31 December 2011 and there would be a compound annual growth rate of approximately 8.6% in satellite transponder service fees for the three years ending 31 December 2011.

According to the "State of the Satellite Industry Report" issued by Satellite Industry Association and Futron Corporation in June 2009, the worldwide revenue from transponder agreements has been increasing from approximately US\$7.0 billion in 2004 to approximately US\$10.2 billion in 2008, representing a compound annual increase of approximately 9.9%. Furthermore, the worldwide revenue from broadcasting and mobile sections also increased by 17.0% and 4.8% respectively in 2008 as compared to 2007. The "Satellite Communications & Broadcasting Markets Survey, Forecasts to 2018" published by Euroconsult in August 2009 also indicated that the global demand on, and overall revenues from, satellite transponders showed a growth of approximately 9% and 10.7% respectively in 2008 as compared to 2007. However, owing to the international financial crisis in late 2008, it was expected that the growth in global satellite transponder demand would decrease to approximately 7% in 2009 and approximately 5% in 2010 and the growth in average revenue for global regular satellite transponder capacity leasing would be maintained at approximately 5% for the next five years, with a much stronger growth in emerging markets than established markets. Moreover, it was anticipated that the communications and

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broadcasting services from the geostationary orbit would still be the primary applications for the commercial satellites and the commercial satellite market would grow by one-third in terms of number of satellites and market value over the next ten years.

Having considered the above factors, we consider that the material increment of the proposed Cap for the year ending 31 December 2009 as compared to the actual transaction amount for the year ended 31 December 2008 and the compound annual growth rate of the proposed Caps for the three years ending 31 December 2011 of approximately 8.6% are reasonable.

b. Mutual provision of satellite transponder services between the Group and the CSCC Group in the markets outside Mainland China

According to the management of the Company, the mutual provision of satellite transponder services between the Group and the CSCC Group in overseas markets shall commence by the end of 2009. As stated in the letter from the Board, the proposed annual Caps for the mutual provision of satellite transponder services in overseas markets between the Group and the CSCC Group were determined by the Board, with reference to (i) the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in markets outside Mainland China; (ii) the satellite transponder capacity of the Group for its international business; and (iii) the satellite transponder capacity of CSCC in markets outside Mainland China. We have reviewed and discussed with the management of the Company in relation to the basis and assumptions made in determining the proposed Caps for the mutual provision of satellite transponder services between the Group and the CSCC Group and the key assumptions made by the Company are set out below:

(i) Provision of satellite transponder services by the Group to the CSCC Group in the markets outside Mainland China

We were advised by the management of the Company that the proposed Caps for the provision of satellite transponder services by the Group to the CSCC Group were determined based on CSCC's anticipated demand on the satellite transponder services to be provided by the Group. It is expected that CSCC's demand on C-band transponders of APSTAR 2R will be 20 megahertz ("MHz"), 68 MHz and 90 MHz for the year ending 31 December 2009, 2010 and 2011 respectively, representing a compound annual increase of approximately 112.1%, taking into account the future business development of the CSCC Group, in particular, the VSAT (Very Small Aperture Telecommunication) business to be carried out in Africa and Middle East. Having considered the development plan of the CSCC Group, especially the VSAT business in Africa and Middle East would increase the demand on the satellite transponder services to be required by the CSCC Group, we are of the view that the proposed Caps for the three years ending 31 December 2011 in connection with the provision of satellite transponder services by the Group to the CSCC Group in the markets outside Mainland China are fair and reasonable.

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- (ii) *Provision of satellite transponder services by the CSCC Group to the Group in the markets outside Mainland China*

We understand from the management of the Company that the Group is in negotiation with a potential overseas end-user customer for the provision of satellite transponder services to the end-user customer by using the CSCC Group's satellite transponders. It is expected that the provision of satellite transponder services by the CSCC Group to the Group may commence by the end of 2009 when such negotiation is finalized and the estimated satellite transponder fee payable to the CSCC Group in connection with such customer for each of the year ending 31 December 2009, 2010 and 2011 is approximately HK\$3.7 million. In addition, the Company anticipated that additional satellite transponder agreements of approximately HK\$3.4 million would be entered into between the Group and the CSCC Group in 2009 and such transaction amount would further increase to HK\$22.9 million for each of the two years ending 31 December 2011. According to the management of the Company, such increment was mainly attributable to (i) the use of 3 additional transponders of the CSCC Group by the end of 2009 and 1.5 additional transponders in 2010 by the Group; and (ii) the anticipated increase in demand of satellite transponder services to be provided by the Group through the CSCC Group in overseas markets for the two years ending 31 December 2011.

In view of the above, we consider that the Caps proposed by the Directors are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

ANNUAL REVIEW OF THE CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Continuing Connected Transactions are conducted in the ordinary and usual course of business and on normal commercial terms; and (ii) the terms of the Continuing Connected Transactions (and the annual Caps thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the resolution number 2 to approve the Continuing Connected Transactions at the upcoming SGM.

Yours faithfully,
For and on behalf of
Hercules Capital Limited
Louis Koo **Amilia Tsang**
Managing Director *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 Group. 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, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at the Latest Practicable Date, the interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) of the Directors and the chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 to the Listing Rules, were as follows:

Name	Nature of interests	Number of Shares	Number of share option ⁽¹⁾	Approximate percentage of shareholding (%)
Lo Kin Hang, Brian <i>(Vice President and Company Secretary)</i>	Personal	5,000	800,000	0.20
Chen Xun <i>(Vice President)</i>	Personal	6,000 ⁽²⁾	260,000	0.06
Yang Qing <i>(Vice President)</i>	Personal	–	130,000	0.03

⁽¹⁾ The share options were granted on 19 June 2001 under the share option scheme adopted at the annual general meeting of the Company held on 22 May 2001 and all the above share options have an exercise price of HK\$2.765 per Share and are exercisable within the period from 22 May 2003 to 21 May 2011.

⁽²⁾ The capacity in which Chen Xun held 6,000 Shares was being a trustee.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Other disclosure under the SFO and substantial shareholders' interests

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, being the date to which the latest audited consolidated accounts of the Group were made up) or had any option of such capital:

Name of shareholder	Note	Number of Shares interested	Approximate percentage of issued share capital
China Aerospace Science & Technology Corporation	1	257,400,000	62.28%
APT Satellite International Company Limited		214,200,000	51.83%
China Aerospace International Holdings Limited	1(c)	31,200,000	7.55%
Temasek Holdings (Private) Limited	2	22,800,000	5.52%

Notes:

1. China Aerospace Science & Technology Corporation ("CASC") was deemed to be interested in the Shares by virtue of:
 - (a) CASC's beneficial interests in 6,000,000 Shares;
 - (b) CASC's interests through its controlled corporation being APT Satellite International Company Limited (being CASC's 14.29% direct interest and 28.58% indirect interest by virtue of its 100% shareholding in China Satellite Communications Corporation (中國衛星通信集團公司) ("CSCC"), which was deemed to be interested in the Shares by virtue of CSCC's 100% shareholding in China Telecommunications Broadcast Satellite Corporation (中國通信廣播衛星公司); and
 - (c) CASC's interests through its controlled corporation being China Aerospace International Holdings Limited ("CASIL") (being CASC's 44.47% shareholding in CASIL, which was deemed to be interested in the Shares by virtue of CASIL's 100% shareholding in Sinolike Investments Limited, which holds 16,800,000 Shares and which was deemed to be interested in the Shares by virtue of its 100% shareholding in CASIL Satellite Holdings Limited which holds 14,400,000 Shares.
2. Temasek Holdings (Private) Limited ("Temasek") was deemed to be interested in the Shares by virtue of its interests through its controlled corporation (being Temasek's 54.99% shareholding in Singapore Telecommunications Limited ("SingTel"), which was deemed to be interested in the Shares by virtue of SingTel's 100% shareholding in Singasat Private Limited).

Save as disclosed above, as at the Latest Practicable Date, so far as known to the Directors and the chief executive of the Company, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares and the 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 was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, being the date to which the latest audited consolidated account of the Group were made up) or had any option of such capital.

(c) Particulars of Directors' service contracts

Save as disclosed below, no Director entered into service contract with the Company or any of its subsidiaries:

Each of Mr. Cheng Guangren (Executive Director and President) and Mr. Qi Liang (Executive Director and Vice President) has entered into a service contract with the Company, respectively, for an initial term of three years, commencing on 20 June 2008, and continuing thereafter until terminated by either party giving to the other not less than six months' notice but not more than one year or to pay compensation or make other payments equivalent to more than one year's emoluments (other than statutory compensation).

Pursuant to their respective service contracts as both adjusted with effect from 1 May 2009, Mr. Cheng Guangren is entitled to an annual salary of HK\$1,800,000 payable monthly in 12 equal installments in arrears and a monthly housing allowance of HK\$30,000; and Mr. Qi Liang is entitled to an annual salary of HK\$1,260,000 payable monthly in 12 equal installments in arrears and a monthly housing allowance of HK\$20,000. Mr. Cheng and Mr. Qi will be entitled to an incentive payment in respect of each financial year of the Company in an amount to be determined by the Board after taking into account their respective performance and the results of the Group.

(d) Miscellaneous

As at the Latest Practicable Date,

- (i) none of the Directors or experts named in the section headed "Expert's qualifications and consents" in this appendix had any direct or indirect interests in any assets which had been, since 31 December 2008, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008, or were proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008); and

- (ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008 which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group (including any company which will become subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2008.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of Director	Name of the company	Principal activities
Yong Foo Chong	SingTelSat Pte Ltd	Provision of satellite capacity for telecommunication and video broadcasting services

Save as disclosed above, to the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Company.

4. MATERIAL CONTRACTS

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

- (a) the lease termination agreement dated 1 June 2009 between the Company, APT Satellite Company Limited, Telesat Canada and Telesat Asia Pacific Satellite (HK) Limited in relation to the termination and cancellation of the Lease Agreement dated 18 August 1999 (as amended and supplemented) and the ancillary satellite service agreement in respect of APSTAR 2R/Telstar 10 pursuant to which APT Satellite Company Limited shall refund US\$69,500,000, subject to such adjustment amount of 100% of transferred revenue for services rendered on 1 July 2009 and 2 July 2009, the portion of the lease payments paid in advance by Telesat Asia Pacific Satellite (HK) Limited in respect of the leasing of substantially all of the transponders of APSTAR-2R/Telstar 10 with respect to the remaining unexpired lease period from July 2009 to September 2012;
- (b) the contract for the procurement of APSTAR 7 Satellite dated 29 September 2009 between APT Satellite Company Limited, and Thales Alenia Space France, in respect of the manufacturing and delivering on ground the APSTAR 7 Satellite by Thales Alenia Space France to APT Satellite Company Limited for the total contract price of Euro 128,500,000 (approximately HK\$1,453,000,000);

- (c) the launch services contract dated 8 November 2009 between APT Satellite Company Limited and China Great Wall Industry Corporation for the launch and associated services of the APSTAR 7 Satellite for the total contract price of US\$68,000,000 (approximately HK\$530,400,000); and
- (d) the Transponder Service Master Agreement.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest audited consolidated financial statements of the Group were made up.

6. LITIGATION

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

7. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

Name	Qualification
Hercules Capital Limited	A licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. GENERAL

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

- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office of the Company at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong up to and including the date of the SGM on 17 December 2009:

- (a) the Transponder Service Master Agreement;
- (b) service contracts as referred to in the paragraph headed “Particulars of Directors’ service contracts” in this appendix;
- (c) the written consent from the Independent Financial Adviser referred to in the paragraph headed “Expert’s qualification and consent” in this appendix;
- (d) the letter from the Independent Board Committee contained in this circular; and
- (e) the letter from the Independent Financial Adviser contained in this circular.