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## **APT SATELLITE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 1045)

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF 5% EQUITY INTEREST IN XINHUA TV ASIA-PACIFIC OPERATING CO. LIMITED**

The Board is pleased to announce that on 6 September 2011, APT TV, a wholly-owned subsidiary of the Company, the Other Vendors and the Purchaser entered into the Agreement pursuant to which, amongst other things, APT TV has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 5% of the entire issued share capital of Xinhua, at the consideration of approximately HK\$35 million, which shall be satisfied by the Purchaser issuing the Convertible Bonds in the principal amount of approximately HK\$35 million to APT TV. The Disposal is subject to the fulfillment of a number of conditions precedent stated in this announcement below.

As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

#### **BACKGROUND**

On 6 September 2011, APT TV, the Other Vendors and the Purchaser entered into the Agreement pursuant to which, among other things, APT TV and the Other Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued share capital of Xinhua at a total consideration of HK\$700 million, of which approximately HK\$93 million will be settled by the allotment and issue of the Consideration Shares by the Purchaser to China Xinhua NNC and approximately HK\$607 million will be settled by the issuance of the Convertible Bonds by the Purchaser to APT TV and the Other Vendors.

APT TV is currently holding 5% shareholding interest in Xinhua. Under the Agreement, APT TV has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares, representing 5% of the entire issued share capital of Xinhua, at the consideration of approximately HK\$35 million, which shall be satisfied by the Purchaser issuing the Convertible Bonds in the principal amount of approximately HK\$35 million to APT TV.

## **THE AGREEMENT**

Date: 6 September 2011

Vendors: (1) China Xinhua NNC  
(2) Proud Glory  
(3) APT TV

Purchaser: Tsun Yip Holdings Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Other Vendors, the Purchaser and their respective ultimate beneficial owners are third parties independent of the Company and are not connected persons of the Company.

### **Assets to be disposed of**

The assets to be disposed of are the Sale Shares (including all rights to any dividend or distribution declared, made or paid after the date of the Agreement), representing 5% of the issued share capital of Xinhua.

### **Consideration**

The total consideration for the entire issued share capital of Xinhua is HK\$700 million, which shall be satisfied by the Purchaser in the following manner:

- (a) as to approximately HK\$93 million to be settled by the Purchaser allotting and issuing the Consideration Shares credited as fully paid up at HK\$0.196 each in favour of China Xinhua NNC upon Completion; and
- (b) as to approximately HK\$607 million to be settled by the Purchaser issuing the Convertible Bonds in favour of APT TV and the Other Vendors upon Completion. Details of the terms and conditions of the Convertible Bonds are stated below.

As the Sale Shares to be sold by APT TV only represent 5% of the entire issued share capital of Xinhua, the consideration for the disposal by APT TV of the Sale Shares is approximately HK\$35 million only, which shall be satisfied by the Purchaser issuing the Convertible Bonds in the principal amount of approximately HK\$35 million to APT TV.

The consideration for the Sale Shares has been determined based on normal commercial terms and arrived at after arm's length negotiations between the parties to the Agreement with reference to, among other things, (i) the potential of the profitability of the Television Broadcasting Right granted by Xinhua News Agency (新華社) to the Disposal Group; and (ii) the preliminary valuation on the Disposal Group, being not less than HK\$700 million, as valued by an independent valuer.

Based on the current conversion price of HK\$0.196 for each Conversion Share upon the conversion of the Convertible Bonds, if APT TV fully exercises the conversion rights under the Convertible Bonds in the principal amount of approximately HK\$35 million to be issued to it upon Completion, APT TV will obtain a total of 178,571,429 Conversion Shares, representing approximately 15% of the existing issued share capital of the Purchaser and approximately 3.75% of the issued share capital of the Purchaser as enlarged by the issue of (a) the Consideration Shares to China Xinhua NNC and (b) the 3,097,092,908 Conversion Shares upon full conversion of the Convertible Bonds in the principal amount of approximately HK\$607 million.

### **Conditions Precedent**

Completion shall be subject to the satisfaction of the following conditions precedent:

- (i) the Purchaser and the Vendors being reasonably satisfied with the results of the due diligence review to be conducted on each other;
- (ii) the board of directors of China Xinhua News Network Co. Limited (中國新華新聞電視網有限公司), being a company established in the PRC and the immediate holding company of China Xinhua NNC, approving in writing the Agreement and the transfer of shares in Xinhua contemplated thereunder;
- (iii) the Purchaser Shareholders having approved the Agreement and the transactions contemplated thereunder, and the issue of the Consideration Shares and the Conversion Shares;
- (iv) all necessary consents and approvals required under the GEM Listing Rules and the Takeovers Code or required by the Stock Exchange and the SFC in relation to the Agreement and the transactions contemplated thereunder having been obtained; and
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Consideration Shares and Conversion Shares.

If the above conditions precedent have not been satisfied on or before 12:00 p.m. on the Long Stop Date or such later date as the Purchaser and the Vendors may agree, the Agreement shall cease to have effect and neither party shall have any obligations and liabilities towards each other thereunder save for antecedent breaches of terms of the Agreement.

## **Completion**

Upon fulfillment of the conditions precedent set out in the Agreement, Completion shall take place on the Completion Date.

The Vendors have the right to nominate four persons for appointment as the directors of the Purchaser to be effective as from Completion, of whom three shall be executive directors of the Purchaser and one shall be a non-executive director of the Purchaser.

## **Lock-up undertaking**

Pursuant to the terms of the Agreement, the Vendors shall not dispose of any of the Consideration Shares and the Convertible Bonds (including the Conversion Shares) within six months from the Completion Date.

## **CONVERTIBLE BONDS**

Upon Completion, the Convertible Bonds in the total principal amount of approximately HK\$607 million will be issued by the Purchaser to APT TV and the Other Vendors, approximately HK\$35 million of which principal amount is attributable to APT TV. The principal terms of the Convertible Bonds are as follows:

Issuer:	The Purchaser
Holders of the Convertible Bonds:	APT TV and the Other Vendors
Interest:	5% per annum
Date of issue:	The Completion Date
Conversion Rights:	The Convertible Bonds are convertible into the Conversion Shares at any time, and from time to time, prior to their maturity at the option of the holders of the Convertible Bonds, subject to compliance with the Takeovers Code and the GEM Listing Rules.
Conversion Shares:	3,097,092,908 Conversion Shares will be issued on full conversion of the Convertible Bonds based on the principal amount of approximately HK\$607 million and based on the current conversion price of HK\$0.196 for each Conversion Share.  Based on the current conversion price of HK\$0.196 for each Conversion Share upon the conversion of the Convertible Bonds, if APT TV fully exercises the conversion rights under

the Convertible Bonds in the principal amount of approximately HK\$35 million to be issued to it upon Completion, APT TV will obtain a total of 178,571,429 Conversion Shares, representing approximately 15% of the existing issued share capital of the Purchaser and approximately 3.75% of the issued share capital of the Purchaser as enlarged by the issue of (a) the Consideration Shares to China Xinhua NNC and (b) the 3,097,092,908 Conversion Shares upon full conversion of the Convertible Bonds in the principal amount of approximately HK\$607 million.

Conversion Price:

HK\$0.196 (subject to adjustments under the Convertible Bonds), which represents (i) a discount of approximately 59.6% to the closing price of HK\$0.485 per Purchaser Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of 58.7% to the average of the closing prices of approximately HK\$0.475 per Purchaser Share for the last 5 consecutive trading days up to and including the Last Trading Day; and (iii) a discount of approximately 56.3% to the average of the closing price of approximately HK\$0.448 per Purchaser Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Maturity:

The third anniversary of the date of the issue of the Convertible Bonds. To the extent that the Convertible Bonds have not been previously converted, the Purchaser shall repay the outstanding principal amount of the Convertible Bonds on the maturity date to the holder of the Convertible Bonds.

Transferability:

Subject to compliance with the GEM Listing Rules and the Takeovers Code and any other statutory and regulatory requirements, the Convertible Bonds are transferable, provided that none of the Convertible Bonds may be transferred to any connected person of the Purchaser except with the prior consent of the Purchaser.

Limitations on conversion:	In the event that the conversion triggers a mandatory general offer obligation under the Takeovers Code, the relevant approval or waiver from the SFC shall be obtained prior to such conversion.
Ranking:	The Conversion Shares, when allotted and issued, will rank <i>pari passu</i> in all respects with all Purchaser Shares in issue on the date when the relevant holder of the Convertible Bond issues a conversion notice.
Voting rights:	Holders of the Convertible Bonds will not be permitted to attend or vote at meetings of the Purchaser.
Application for listing:	No application will be made by the Purchaser to the Listing Committee of the Stock Exchange for the listing of the Convertible Bonds.

### **Application for listing**

Application will be made by the Purchaser to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

Based on (a) the consideration for the Sale Shares of approximately HK\$35 million, (b) the cost of the Sale Shares of HK\$500 according to certain cooperation agreements entered into with Xinhua, and (c) the current conversion price of HK\$0.196 for each Conversion Share under the Convertible Bonds, subject to Completion, a gain of approximately HK\$35 million is expected to be accounted for as a deferred revenue and amortised over the service periods as specified in the relevant cooperation agreements.

Upon Completion, the Group will receive the Convertible Bonds in the principal amount of approximately HK\$35 million and has the right to convert such bonds into Conversion Shares at any time before the maturity of the Convertible Bonds or receive the principal amount of the Convertible Bonds on the maturity date.

### **INFORMATION OF 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 telecommunication services; and other services. It currently owns and operates five in-orbit satellites, namely APSTAR 1,

APSTAR 1A, APSTAR 2R, APSTAR 5, and APSTAR 6 (“APSTAR Systems”) covering regions in Asia, Europe, Africa, and Australia approximately 75% of the world’s population and providing high quality “one-stop-shop” transponder, broadcasting and telecommunication services to broadcasters and telecommunication customers of these regions. The Group will launch APSTAR 7 in 2012, broadening and enhancing the scope of services and capability of APSTAR Systems.

## **INFORMATION OF THE OTHER VENDORS**

### ***China Xinhua NNC***

China Xinhua NNC, a wholly owned subsidiary of Xinhua News Agency, has not been engaged in any business operation since its incorporation in December 2009 save for entering into certain cooperation agreements in relation to the provision of broadcasting content and an agreement with APT HK, in relation to the provision of satellite carrier services to all clients of Xinhua TV HK. Pursuant to the Agreement, all the aforesaid agreements will be assigned by China Xinhua NNC to Xinhua at or prior to Completion.

### ***Proud Glory***

Proud Glory is a company wholly owned by Dr. Lee Yuk Lun who is the Committee member of the Chinese People’s Political Consultative Conference (CPPCC) Beijing Committee, a member of the Committee of Shunyi District, a director of Beijing Chinese Overseas Friendship Association and a director of Tung Wah Group of Hospitals.

Proud Glory is a single purpose investment holding company and its sole principle business activity is the holding of 2,500 shares in Xinhua.

## **INFORMATION OF THE PURCHASER**

### ***Principal business of the Purchaser***

The principal business activities of the Purchaser Group are provision of waterworks engineering services, road works and drainage services and site formation works for the public sector in Hong Kong.

## **INFORMATION OF THE DISPOSAL GROUP**

### ***Principal business of the Disposal Group***

Xinhua is a customer of the Group. APT TV has entered into a broadcasting and uplink service agreement with Xinhua in December 2010 in relation to the use of satellite transmission platform and broadcasting services provided by APT TV. APT HK has entered into a cooperation agreement and a satellite transponder service agreement, in August 2010 and December 2010 respectively, in relation to the use of broadcasting and transponder capacity services respectively by Xinhua.

Xinhua has been granted the Television Broadcasting Right from Xinhua News Agency (新華社). Pursuant to the Television Broadcasting Right, the Disposal Group is entitled to offer the information content owned and/or acquired by Xinhua News Agency from time to time across television channels in the Asia-Pacific market.

Xinhua has two subsidiaries, namely Xinhua TV Hong Kong and Xinhua TV Macau. As at the date of this announcement, Xinhua TV HK is a wholly owned subsidiary of Xinhua while Xinhua TV Macau is owned as to 90% by Xinhua and 10% by China Xinhua NNC. Xinhua TV Macau will become a wholly owned subsidiary of Xinhua at or prior to Completion.

***Business model of the Disposal Group***

The Disposal Group will carry out television advertising business in the Asia-Pacific market as a result of obtaining the Television Broadcasting Right of the information content owned by and/or acquired by Xinhua News Agency from time to time.

**FINANCIAL INFORMATION OF XINHUA AND ITS SUBSIDIARIES**

<b>Xinhua</b>	<b>From the period of 22 December 2009 (being the date of incorporation) to 31 December 2010 (audited)</b>	<b>For the six months ended 30 June 2011 (unaudited)</b>
Turnover	Nil	Nil
Loss before taxation	HK\$5,076,485	HK\$1,752,999
Taxation	–	–
Loss after taxation	HK\$5,076,485	HK\$1,752,999

Xinhua TV HK and Xinhua TV Macau, being subsidiaries of Xinhua, did not have any turnover from their respective dates of incorporation of 14 May 2010 and 20 May 2010 up to 30 June 2011. During the period, they both incurred certain administrative or professional expenses of a few thousand HK dollars and therefore incurred losses of similar amount (both before and after taxation).

**REASONS FOR THE DISPOSAL**

The Board considers that, since the Group’s interest in the shareholding of Xinhua is only 5%, the investment in the business of Xinhua is not the Group’s core investment. The Board believes that the Disposal will result in a positive effect on the Group’s profit or loss and will further strengthen the Group’s financial position.

The Board is of the view that the terms of the Agreement are fair and reasonable and the Agreement was entered into on normal commercial and in the interest of the Company and the Shareholders as a whole.



## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under the Listing Rules) for the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirement under the Listing Rules.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 6 September 2011 made between the Vendors and the Purchaser in relation to the Disposal;
“APT HK”	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“APT TV”	APT Satellite TV Development Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday, Sunday or a public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
“China Xinhua NNC”	China Xinhua News Network Company Limited (中國新華新聞電視網有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of Xinhua News Agency (新華社), being one of the vendors under the Agreement with 70% shareholding in Xinhua;
“Company”	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Agreement;

“Completion Date”	the date falling the second Business Day after all the conditions precedent to the Agreement have been fulfilled or waived or such other date as the Purchaser and the Vendors may agree;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“Consideration Shares”	the 474,335,664 new Purchaser Shares to be allotted and issued by the Purchaser to China Xinhua NNC as part of the consideration for the disposal by China Xinhua NNC of its 70% shareholding in Xinhua under the Agreement;
“Convertible Bonds”	the convertible bonds in total principal amount of approximately HK\$607 million to be issued by the Purchaser to APT TV and the Other Vendors upon Completion;
“Conversion Shares”	the new Purchaser Shares to be allotted and issued by the Purchaser upon conversion of the Convertible Bonds;
“Directors”	directors of the Company;
“Disposal”	the proposed disposal of the Sale Shares by APT TV to the Purchaser pursuant to the terms and subject to the conditions of the Agreement;
“Disposal Group”	Xinhua, Xinhua TV HK and Xinhua TV Macau;
“GEM”	The Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Last Trading Day”	5 September 2011, being the last trading day of the Purchaser Shares before the issue of this announcement by the Company;

“Long Stop Date”	31 March 2012 or such other date as may be agreed by the Purchaser and the Vendors;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Other Vendors”	China Xinhua NNC and Proud Glory;
“PRC”	The People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Proud Glory”	Proud Glory Investments Limited, a company incorporated in the British Virgin Islands, being one of the vendors under the Agreement with 25% shareholding in Xinhua;
“Purchaser”	Tsun Yip Holdings Limited, a company incorporated in the Cayman Islands with limited liability the issued shares of which are listed on GEM (Stock Code: 8356), being the purchaser under the Agreement;
“Purchaser Group”	the Purchaser and its subsidiaries;
“Purchaser Share(s)”	ordinary shares of HK\$0.001 each in the share capital of the Purchaser;
“Purchaser Shareholder(s)”	holder(s) of the Purchaser Shares;
“Sale Shares”	500 shares of HK\$1.00 each in the issued capital of Xinhua owned by APT TV, representing 5% of the issued share capital of Xinhua;
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers;
“SFC”	the Securities and Futures Commission of Hong Kong;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Television Broadcasting Right”	the broadcasting right of the information content owned and/or acquired by Xinhua News Agency (新華社) on television channels in Asia-Pacific;
“Vendors”	China Xinhua NNC, APT TV and Proud Glory, being all the vendors under the Agreement;
“Xinhua”	Xinhua TV Asia-Pacific Operating Co. Limited, a company incorporated in Hong Kong;
“Xinhua TV HK”	Xinhua TV Hong Kong Operating Co. Limited (新華電視香港台運營有限公司), a company incorporated in Hong Kong and a wholly owned subsidiary of Xinhua;
“Xinhua TV Macau”	Xinhua TV Macau Operating Co. Limited (新華電視澳門台運營有限公司), a company incorporated in Macau which is currently owned as to 90% by Xinhua and 10% by China Xinhua NNC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

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

Hong Kong, 9 September 2011

The Directors as at the date of this announcement are as follows:

*Executive Directors:*

Cheng Guangren (President) and Qi Liang (Vice President)

*Non-executive Directors:*

Lei Fanpei (Chairman), Lim Toon, Yin Yen-liang, Wu Zhen Mu, Yong Foo Chong, Zhuo Chao and Tseng Ta-mon (Alternate Director to Yin Yen-liang)

*Independent Non-executive Directors:*

Lui King Man, Lam Sek Kong and Cui Ligu