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APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

MAJOR AND CONNECTED TRANSACTION Launch Services Contract

On 17 August 2012, APT (HK), a wholly-owned subsidiary of the Company, entered into the Launch Services Contract with the Launch Contractor in respect of the provision of launch and associated services for a satellite to be designated and supplied by APT (HK) on Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC and other launch-related optional services.

As the applicable percentage ratios in respect of the transactions contemplated under the Launch Services Contract exceed 25% but are less than 100%, the Launch Services Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 57% equity interest in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement. In addition to the shareholding held by APT International, CASC and its associates (including the Launch Contractor) are also interested in an aggregate of another approximately 10.42% of the issued share capital of the Company as at the date of this announcement. The Launch Contractor, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Launch Services Contract and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Launch Services Contract and the transactions contemplated thereunder are subject to Independent Shareholders' approval at a special general meeting of the Company. APT International, CASC and their associates will be required to abstain from voting in respect of the resolution approving the Launch Services Contract and the transactions contemplated thereunder.

An Independent Board Committee will be formed to consider the terms of the Launch Services Contract and advise the Independent Shareholders as to whether the transactions contemplated under the Launch Services Contract have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) details of the Launch Services Contract; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Launch Services Contract; (iii) the recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Launch Services Contract; (iv) a notice of the special general meeting of the Company; and (v) other information as required by the Listing Rules is expected to be despatched to the Shareholders on or about 7 September 2012.

THE LAUNCH SERVICES CONTRACT

On 17 August 2012, APT (HK) entered into the Launch Services Contract with the Launch Contractor in respect of, inter alia, the provision of launch and associated services for a satellite to be designated and supplied by APT (HK) on Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC and other launch-related optional services on terms and conditions stipulated in the Launch Services Contract. The major terms and conditions of the Launch Services Contract are as follows:

Date: 17 August 2012

Parties: (1) APT (HK)
(2) Launch Contractor

Term:

3 years from the Effective Date, save and except that APT (HK) is entitled to extend the expiry date of the term for another 2 years by serving a written notice to the Launch Contractor no later than 3 months before the expiry date of the Launch Services Contract.

In the event that the Launch Period is confirmed during the aforesaid term, the Launch Services Contract shall remain valid until the services have been provided and all obligations of the parties under the Launch Services Contract are fulfilled.

Subject matter:

- (1) The Launch Contractor shall provide the launch and associated services for the Satellite (the “**Standard Services**”) on the Launch Vehicle at the Launch Site within the Launch Period as the parties may agree within the term of the Launch Services Contract.

APT (HK) is entitled to serve a written notice to the Launch Contractor within the term of the Launch Services Contract advising the Launch Period which shall be fixed by mutual agreement between the parties. Such notice shall be served no later than 18 months in advance of the first day of the Launch Period.

- (2) The Launch Contractor agrees to provide certain other launch-related services (the “**Optional Services**”), which includes without limitation, services relating to the launch vehicle and mission analysis, lease of international communication lines, medical services, transportation services and other auxiliary services as provided in the Launch Services Contract, upon the order of APT (HK). The items of the Optional Services to be ordered by APT (HK) shall be subject to the election of the satellite manufacturer.

Consideration:

The price for the provision of the Standard Services is US\$65,000,000.00 (equivalent to approximately HK\$507,000,000.00), subject to the adjustment mentioned below (“**Price Adjustment**”).

The total price for the provision of the Optional Services in aggregate shall be subject to a cap of US\$2,000,000.00 (equivalent to approximately HK\$15,600,000.00). The consideration for each of the Optional Services is pre-determined in the Launch Services Contract.

If within 36 months from the Effective Date, the Launch Contractor offers similar launch services using Long March 3B enhanced version launch vehicle to any third parties but with better or more favourable prices as compared to that offered to APT (HK) in the Launch Services Contract, the Launch Contractor shall forthwith upon request of APT (HK) offer the same price to APT (HK) as that to the third parties by adjusting the price for the Standard Services downwards on a dollar-to-dollar basis for the difference between the price for the Standard Services and the price offered to such third party (the “**Adjusted Price**”). Any excessive amount between the price for the Standard Services of US\$65,000,000.00 and the Adjusted Price shall be refunded by the Launch Contractor to APT (HK) within 1 month after the said adjustment.

Mode of payment:

APT (HK) may choose any one of the following arrangements for payment of the price for the Standard Services:

- (1) by 10 installments of the specified portion of the price (subject to the Price Adjustment) in accordance with the payment schedule as provided in the Launch Services Contract, pursuant to which the first installment (being 5% of the price) is to be paid by APT (HK) to the Launch Contractor within 10 days after the confirmation of the Launch Period by the parties and the last installment (being the remaining 5% of the price) is to be paid by APT (HK) to the Launch Contractor on or before the date which is 2 months after the first day of the Launch Period or one month after the launch (whichever is later); or
- (2) by an one off payment of US\$58,000,000.00 (equivalent to approximately HK\$452,400,000.00) within 15 days after the Effective Date, in which case, such payment shall be deemed to be full payment of the price for the Standard Services.

APT (HK) shall pay for the price for the Optional Services within 30 days after its receipt of a notification for payment from the Launch Contractor which shall only be given by the Launch Contractor after the receipt of the written confirmation from APT (HK).

All payments made by APT (HK) to the Launch Contractor under the Launch Services Contract shall be made in US dollars by way of telegraphic transfer to the account of the Launch Contractor.

Any default in payment, which is un-remedied within 30 days after notice of such failure to make payment has been given by the Launch Contractor, or the number of days which remains before the launch, whichever is less, shall be charged with an interest from the original due date until actual payment, at the rate of the then current 6-month rate for call deposits of US dollars as quoted by HSBC Bank, Hong Kong as prevailing on each date for which the default in payment continues plus 1% per annum on the default payment which remains unpaid.

Conditions precedent:

The Effective Date shall be the date when the following conditions have been fulfilled:

- (a) signing of the Launch Services Contract by both parties; and
- (b) the approval of the Launch Services Contract and the transactions contemplated hereunder by Independent Shareholders in a Shareholders' meeting of the Company.

If the above conditions are not fulfilled by 31 December 2012, unless otherwise extended by both parties, the Launch Services Contract shall be null and void and shall not have any effect and neither party shall have any right or obligation thereunder.

Termination:

Before confirmation of the Launch Period

- 1) In the event that APT (HK), during the term of the Launch Services Contract, does not advise the Launch Period and terminates the Launch Services Contract for convenience, the Launch Contractor shall, within 30 days of the date of termination, refund to APT (HK) any and all payments paid by APT (HK) to the Launch Contractor under the Launch Services Contract prior to the date of termination, plus the interest at the rate of 3.5% per annum so accrued over the period in which the payments have been made by APT (HK) to the Launch Contractor.
- 2) In the event that the Launch Contractor has not received any written notice in respect of the Launch Period from APT (HK) within the term of the Launch Services Contract, the Launch Services Contract shall expire (unless otherwise extended) and the Launch Contractor shall refund to APT (HK) within 30 days after the termination as follows:
 - (a) If the price for the Standard Services has been paid by APT (HK) by installments as mentioned above, the Launch Contractor shall refund the full amount of all such payments paid by APT (HK) to the Launch Contractor pursuant to the payment schedule as set forth in the Launch Services Contract prior to the termination of the Launch Services Contract plus interest at the rate of 3.5% per annum so accrued over the period in which the payments have been paid by APT (HK) to the Launch Contractor.
 - (b) If the price for the Standard Services has been paid by APT (HK) by one-off payment at a discount, the Launch Contractor shall refund 100% of the price for the Standard Services, being US\$65,000,000.00 to APT (HK).

After confirmation of the Launch Period

Termination by APT (HK):

- 1) APT (HK) is entitled to terminate the Launch Services Contract at any time upon giving written notification to the Launch Contractor. Upon termination, which will take effect 30 days after receipt of the notification by the Launch Contractor, the Launch Contractor shall be entitled to a termination fee as follows:
 - (a) 100% of the payments made or due to be made by APT (HK) on or before the termination date, up to 20% of the price for the Standard Services (where applicable, subject to the Price Adjustment); plus

- (b) 50% of any payments made or due to be made by APT (HK) on or before the termination date in excess of the first 20% of the price for the Standard Services (where applicable, subject to the Price Adjustment); plus
- (c) 100% of the payments for all Optional Services actually performed on or before the date of termination.

Any payments received by the Launch Contractor from APT (HK) in excess of the termination fees shall be refunded to APT (HK) within 30 days upon the effectiveness of the termination.

- 2) If postponement requested by the Launch Contractor or any material failure by the Launch Contractor to perform its obligations in a timely manner results in delaying the launch for a period of 9 months or more beyond the end of the relevant Launch Period (other than as a result of certain reasons specified in the Launch Services Contract which shall not be included in calculating the period of delay), APT (HK) shall have the right to terminate the Launch Services Contract, in which event, the Launch Contractor shall refund to APT (HK) 100% of all payments made by APT (HK) for the launch prior to the date of termination within 30 days upon the effectiveness of the termination.
- 3) If the launch is delayed by 6 months or more beyond the end of the previously established Launch Period due to a force majeure event, APT (HK) shall have the right to terminate the Launch Services Contract, in which event the Launch Contractor shall retain 50% of all payments made or due for the launch prior to the date of such termination by APT (HK) for the Standard Services, and the Launch Contractor shall refund the excess to APT (HK) within 30 days upon the effectiveness of the termination.

Termination by the Launch Contractor:

The Launch Contractor shall be entitled to terminate the Launch Services Contract by giving written notice to APT (HK) if APT (HK) fails to effect any non-disputed payment on the due date or otherwise fails to meet its material obligations under the Launch Services Contract which APT (HK) fails to remedy within 90 days of its receipt of a notice from the Launch Contractor. Within 30 days upon the effectiveness of the termination, the Launch Contractor shall refund to APT (HK) the relevant percentage of the amounts already paid by APT (HK) for the Standard Services before the termination becomes effective as follows:

- (a) if less than or equivalent to 20% of the price for the Standard Services (where applicable, subject to the Price Adjustment) is received by the Launch Contractor prior to the date of such termination, no payment shall be refunded to APT (HK);

- (b) if more than 20% of the price for the Standard Services (where applicable, subject to the Price Adjustment) is received by the Launch Contractor prior to the date of such termination, a 50% of the amount received by the Launch Contractor beyond the 20% of the price for the Standard Services shall be refunded to APT (HK).

In the event of any termination as mentioned above, the Launch Contractor shall be entitled to retain or to receive the payments made by or the amounts due from APT (HK) for the Optional Services, provided that such service has been completed.

Allocation of liabilities and Indemnities:

- (1) Each party shall bear any and all loss or damage to property or for bodily injury, including death, and all financial and other consequences of such direct or indirect loss, damage or bodily injury, including death, which it or its associates may sustain in connection with or arising out of or resulting from any and all activities carried out under or in connection with the Launch Services Contract.

Each party agrees to absorb the financial and any other consequences of such loss, damage or bodily injury, including death, on the principle of no-fault, no subrogation and no-recourse against the other and agrees that it shall not, through any means whatsoever, make or bring a claim against or sue the other party or its associates for such loss, damage or bodily injury, including death, or any and all consequences thereof.

If any party or its associates who makes any claim or demand or instigates any proceeding (whether administrative, arbitral, judicial or otherwise) against the other party or its associates for any loss, damage or bodily injury, including death, or for any consequences thereof, the first party shall indemnify and hold the other party and its associates harmless from any loss, damage, liability or expense, including reasonable attorney's fees, and shall defend the other party and its associates from, such claim, demand or proceeding.

- (2) APT (HK) shall indemnify and hold the Launch Contractor and its associates harmless from any liability resulting from an infringement of any intellectual property rights of APT (HK), its associates or any third party arising from the Satellite or any other property of APT (HK), or the proper use thereof by the Launch Contractor with respect to the performance of the Launch Services Contract.
- (3) The Launch Contractor shall indemnify and hold APT (HK) and its associates harmless from any liability resulting from an infringement of any intellectual property rights of the Launch Contractor, its associates or any third party arising from APT (HK)'s proper use of the Launch Contractor's facilities, technical literature, equipment and services with respect to the performance of the Launch Services Contract.

Other terms and conditions:

- (1) In the event that the launch of the Satellite is not successful, or the flight mission assigned to the Launch Vehicle or mission assigned to the Satellite after its separation from the Launch Vehicle is not accomplished for any reason whatsoever, the sole recourse for APT (HK) to the Launch Contractor shall in the event of a launch failure as specified in the Launch Services Contract be through the provisions for a replacement launch as mentioned below.

APT (HK) shall be entitled to have a replacement launch provided that a written request has been presented by APT (HK) to the Launch Contractor within 6 months after the launch in question. The replacement launch shall form the subject of a separate contract drawn up between the parties substantially upon the same terms and conditions of the Launch Services Contract amended as appropriate and the remuneration for the provision of the Standard Services and the Optional Services by the Launch Contractor for the replacement launch shall be a favored price to be mutually agreed between the parties.

- (2) The Launch Contractor shall be responsible for obtaining all necessary licences, permits, approvals, authorizations or notices of non-opposition from the PRC government regarding the transfer of the Satellite and any auxillary equipment from its country of origin to the Launch Site.

APT (HK) shall be responsible for obtaining all necessary licences, permits, approvals, authorizations or notices of non-opposition from the relevant authorities outside the PRC in connection with the mission assigned to the Satellite by APT (HK) including without limitation, the shipment of the Satellite and any auxillary equipment from the country of origin to the Launch Site.

Each party shall be responsible for any expenses incurred in obtaining such licences, permits, approvals, authorizations or notices of non-opposition.

- (3) The Launch Contractor shall be responsible for payment of all taxes (other than income taxes imposed on APT (HK) or its associates), including import taxes and duties, that may be imposed by the PRC government or by any local government authorities in the PRC for the importation into the PRC and the shipment of the Satellite and any equipment ancillary thereto to the Launch Site and the performance of the services under the Launch Services Contract.
- (4) The Launch Contractor shall, at no cost to APT (HK), procure and maintain an insurance policy against liability for bodily injury, including death, and loss of or damage to the property of third parties arising out of or resulting from the launch of the Satellite or resulting from the operation of the Satellite after the launch in accordance with the terms of the Launch Services Contract. APT (HK) and the Launch Contractor shall each carry insurance for such risks as either may be required to be insured against pursuant to any applicable laws.

(5) The Launch Services Contract is governed by the laws of the PRC.

BASIS OF CONSIDERATION

The consideration and the terms of the Launch Services Contract have been negotiated on an arm's length basis having regard to the value of similar services in the market and the historical amount of the consideration for similar transaction with the Launch Contractor. The consideration will be funded by the internal resources of the Company.

REASONS AND BENEFITS FOR ENTERING INTO THE TRANSACTION

The Group is engaged in the provision of satellite transponder capacity and related services. Its strategy is to become one of the leading regional providers of satellite transponder capacity and related services in the Asia Pacific Region.

It is in line with the Company's strategic plan to secure launch service opportunity at reasonable price for its future satellite replacement needs.

The Directors believe that the Company will benefit from securing the satellite launch service at such price which will further enhance the growth potential and business continuity for long-term development of the Group.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after reviewing the advice of the independent financial adviser) believe that the terms of the Launch Services Contract are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PARTIES TO THE LAUNCH SERVICES CONTRACT

The Company

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

The Launch Contractor

The Launch Contractor is a company registered under the laws of the PRC and a subsidiary of CASC. The Launch Contractor provides launch and associated services utilizing launch vehicles of the Long March series at the Xichang Satellite Launch Center in the PRC to government and private entities.

APT (HK)

APT (HK) is principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other related services.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the transactions contemplated under the Launch Services Contract exceed 25% but are less than 100%, the Launch Services Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 57% equity interest in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement. In addition to the shareholding held by APT International, CASC and its associates (including the Launch Contractor) are also interested in an aggregate of another approximately 10.42% of the issued share capital of the Company as at the date of this announcement. The Launch Contractor, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Launch Services Contract and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Launch Services Contract and the transactions contemplated thereunder are subject to Independent Shareholders' approval at a special general meeting of the Company. APT International, CASC and their respective associates will be required to abstain from voting in respect of the resolution approving the Launch Services Contract and the transactions contemplated thereunder.

GENERAL

An Independent Board Committee will be formed to consider the terms of the Launch Services Contract and advise the Independent Shareholders as to whether the transactions contemplated under the Launch Services Contract have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed in due course to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing (i) details of the Launch Services Contract; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Launch Services Contract; (iii) the recommendation from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Launch Services Contract; (iv) a notice of the special general meeting of the Company; and (v) other information as required by the Listing Rules is expected to be despatched to the Shareholders on or about 7 September 2012.

DEFINITIONS

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

“APT (HK)”	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.67% of the issued share capital of the Company as at the date of this announcement
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board” or “Director(s)”	the board of directors of the Company
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC
“Company”	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“Effective Date”	the date on which the conditions precedent provided in the Launch Services Contract are fulfilled
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“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 Launch Services Contract
“Independent Shareholders”	Shareholders other than APT International, CASC and their respective associates

“Launch Contractor”	China Great Wall Industry Corporation, a company registered under the laws of the PRC and a subsidiary of CASC
“Launch Period”	a period of 90 consecutive calendar days during which a launch of the Satellite is scheduled to take place pursuant to the terms of the Launch Services Contract
“Launch Services Contract”	the Launch Services Contract dated 17 August 2012 entered into between APT (HK) and the Launch Contractor in respect of the provision of launch and associated services for the Satellite at the Launch Site and other launch-related optional services
“Launch Site”	Xichang Satellite Launch Centre at Xichang in Sichuan Province, the PRC
“Launch Vehicle”	a Long March 3B enhanced version (LM-3B/E) launch vehicle designated by the Launch Contractor
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Satellite”	the satellite to be designated and supplied by APT (HK) and to be launched aboard the Launch Vehicle
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, the exchange rate of US\$1 to HK\$7.8 is used for reference only.

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

Hong Kong, 17 August 2012

List of all directors of the Company as of the time issuing this announcement:–

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

Lui King Man, Lam Sek Kong, Cui Liguang and Meng Xingguo