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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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

MAJOR AND CONNECTED TRANSACTION

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



A letter from the Independent Board Committee is set out on page 16 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 32 of this circular.

A notice convening the SGM to be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 25 September 2012 at 11:00 a.m. is set out on pages 41 to 42 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy 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 in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

7 September 2012

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 17 August 2012;
“APSTAR 7B Satellite”	a Spacebus 4000 C2 Platform having 28 C-band transponders and 23 Ku-band transponders high power geostationary communications satellite;
“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 Latest Practicable Date;
“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;
“CSCC”	中國衛星通信集團有限公司(China Satellite Communications Company Limited) (formerly known as中國衛星通信集團公司(China Satellite Communications Corporation)), a subsidiary of CASC;
“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 Contracts are fulfilled;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent board committee of the Company comprising Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguang and Dr. Meng Xingguo to advise the Independent Shareholders in respect of the Launch Services Contract;

DEFINITIONS

“Independent Financial Adviser” or “Investec”	Investec Capital Asia Limited, being a licensed corporation to carry out types 1,4,6 and 9 (Dealing in securities, advising on securities, advising on corporate finance and asset management) of the regulated activities as set out in Schedule 5 to the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Launch Services Contract;
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC and their respective associates;
“Latest Practicable Date”	4 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“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”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“SGM”	the special general meeting of the Company to be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, New Territories, Hong Kong on Tuesday, 25 September 2012 at 11:00 a.m. to approve the Launch Services Contract and the transactions contemplated thereunder, notice of which is set out on pages 41 to 42 of this circular;
“Satellite”	the satellite to be designated and supplied by APT (HK) and to be launched aboard the Launch Vehicle;
“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“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; and
“%”	per cent.

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

LETTER FROM THE BOARD



APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

Executive Directors:

Mr. Cheng Guangren (*President*)

Mr. Qi Liang (*Vice President*)

Non-executive Directors:

Mr. Lei Fanpei (*Chairman*)

Mr. Lim Toon

Dr. Yin Yen-liang

Mr. Yong Foo Chong

Mr. Zhuo Chao

Mr. Fu Zhiheng

Mr. Tseng Ta-mon (*Alternative Director to Dr. Yin Yen-liang*)

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office and

Principal Place of Business:

22 Dai Kwai Street

Tai Po Industrial Estate

Tai Po

New Territories

Hong Kong

Independent Non-executive Directors:

Dr. Lui King Man

Dr. Lam Sek Kong

Mr. Cui Liguao

Dr. Meng Xingguo

To the Shareholders

7 September 2012

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

BACKGROUND

Reference is made to the Announcement in relation to the Launch Services Contract entered into between APT (HK) and the Launch Contractor.

The purpose of this circular is (i) to provide you with details of the Launch Services Contract; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Launch Services Contract; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of Launch Services Contract; and (iv) to give the Shareholders the notice of the SGM and other information as required by the Listing Rules.

LETTER FROM THE BOARD

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 the Satellite on the Launch Vehicle at the Launch Site 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.

LETTER FROM THE BOARD

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 a 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.

The discounted price was the outcome of the negotiation between the parties by reference to the market prevailing interest rates and the Company’s borrowing interest rate. For reference of the market prevailing interest rates, the range of LIBOR rate of 3 months during May 2012 and June 2012 was from 0.46060% to 0.46785% per annum (source: Bloomberg). The effective interest rate of APT (HK) as at 30 June 2012 on the borrowings was approximately 2.23% per annum.

LETTER FROM THE BOARD

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 thereunder 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).

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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 auxiliary 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 auxiliary 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.

LETTER FROM THE BOARD

- (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 of the Company 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 new satellite or replacement satellite needs.

As at the Latest Practicable Date, APT (HK) does not have any committed plan in relation to the replacements of its in-orbit satellites, APSTAR 5 and APSTAR 6. The Standard Services may be applied for the replacements of APSTAR 5 or APSTAR 6. It is expected that the launch of replacement satellite for APSTAR 5 or APSTAR 6, the names of which have yet to be confirmed, will be approximately in the year of 2015/2016 and 2016/2017 respectively.

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 (including the independent non-executive Directors) are of the view that the transactions contemplated under the Launch Services Contract will be entered into in the ordinary and usual course of business of the Group and will be on normal commercial terms and the terms of the Launch Services Contract are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Launch Services Contract and the transactions contemplated thereunder.

LETTER FROM THE BOARD

FINANCIAL EFFECT OF THE TRANSACTION

The contract price payable under the Launch Services Contract will be treated as a prepayment in the accounts of APT (HK) and therefore will not have any effect on the earnings of the Company. The prepayment will be transferred as construction in progress under the property, plant and equipment in the accounts when a replacement satellite or a new satellite is committed with this launch service.

In the event that APT (HK) selects the option of paying the price for the Standard Services by 10 installments, APT (HK) has no obligation to pay until it has notified and confirmed with the Launch Contractor the Launch Period. A down payment of US\$3,250,000.00 (equivalent to approximately HK\$25,350,000.00) will be paid within ten (10) days after confirmation of the Launch Period by the Launch Contractor and APT (HK). The price for the Standard Services, which is US\$65,000,000.00, (equivalent to approximately HK\$507,000,000.00) will be funded by internal resources. As a result, there will be an increase of HK\$507,000,000.00 in the Group's prepayment and such sum of prepayment will be transferred as construction in progress under the property, plant and equipment in the accounts of APT (HK) when a replacement satellite or a new satellite is committed with this launch service. The Group's cash position will correspondingly decrease by the same amount as the sum APT (HK) actually paid by installments.

In the event that APT (HK) selects the arrangement for the payment of the price for the Standard Services by a one-off payment, APT (HK) shall pay the Launch Contractor a sum of US\$58,000,000.00 (equivalent to approximately HK\$452,400,000.00) within 15 days after the Effective Date of the Launch Services Contract. As a result, there will be an increase of HK\$452,400,000.00 in the Group's prepayment which will be transferred as construction in progress under the property, plant and equipment in the accounts of APT (HK) when a replacement satellite or a new satellite is committed with this launch service. The one-off payment under the Launch Services Contract will be funded by internal resources and the Group's cash position will decrease by the same amount of HK\$452,400,000.00 for this one-off payment.

In the event that the Optional Services are ordered, which shall be subject to the sole discretion of APT (HK), payment for such services will also be funded by internal resources which will be payable by APT (HK) 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). The amount payable for the Optional Services, subject to a maximum of US\$2,000,000.00 (equivalent to approximately HK\$15,600,000.00) will also be recorded as a prepayment which will be transferred as construction in progress under the property, plant and equipment in the accounts of APT (HK) when a replacement satellite or a new satellite is committed with this launch service. As a result, the Group's cash position will decrease by the same amount as the sum APT(HK) paid for the Optional Services.

LETTER FROM THE BOARD

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.

IMPLICATIONS OF THE LISTING RULES

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 57.14% 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 Latest Practicable Date. 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 Latest Practicable Date. 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 the SGM. In view of interests of the Launch Contractor in the transactions contemplated under the Launch Services Contract, APT International, CASC and their respective associates will be required to abstain from voting at the SGM in respect of the resolution to approve the Launch Services Contract and the transactions contemplated thereunder. As at the Latest Practicable Date, APT International, CASC and their respective associates were interested in, controlled and were entitled to exercise control over 386,100,000 Shares, representing approximately 62.09% of the issued share capital of the Company.

LETTER FROM THE BOARD

As (i) Mr. Fu Zhiheng, a non-executive Director, is also concurrently the vice-president of the Launch Contractor, (ii) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, is also concurrently the deputy general manager of CASC, (iii) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a non-executive director of CSCC; (iv) Mr. Qi Liang, an executive Director, is also the Deputy Chief Accountant for CSCC; and (v) Mr. Zhuo Chao, a non-executive Director, is also concurrently a director and the president of CSCC; they have abstained from voting on the relevant board resolution(s) for approving the Launch Services Contract and the transactions contemplated thereunder to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Launch Services Contract and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

SGM

There is set out on pages 41 to 42 of this circular a notice convening the SGM to be held at its principal place of business, at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 25 September 2012 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll the Launch Services Contract and the transactions contemplated thereunder.

Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of Launch Services Contract and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

Under the bye-laws of the Company, a poll can be demanded at the SGM by:-

- (a) the chairman of the SGM; or
- (b) at least three members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy for the time being entitled to vote at the SGM; or
- (c) a member or members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the SGM; or

LETTER FROM THE BOARD

- (d) a member or members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy and holding shares in the Company conferring a right to vote at the SGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The Company will procure the chairman of the SGM to demand for voting on poll and Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Launch Services Contract and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Launch Services Contract and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on pages 16 and 17 to 32 of this circular. Additional information is also set out in the appendices of this circular for your information.

By Order of the Board
APT Satellite Holdings Limited
Lei Fanpei
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

7 September 2012

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 7 September 2012 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Launch Services Contract and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Investec Capital Asia Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATION

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 15 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of Launch Services Contract and the transactions contemplated thereunder as set out on pages 17 to 32 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the Launch Services Contract and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Launch Services Contract and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

APT Satellite Holdings Limited

Independent Board Committee

Lui King Man

Independent

Non-executive Director

Lam Sek Kong

Independent

Non-executive Director

Cui Ligu

Independent

Non-executive Director

Meng Xingquo

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Investec to the Independent Board Committee and the Independent Shareholders prepared for the purpose of incorporation in this circular.



Investec Capital Asia Limited
3609, 36/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong
香港中環金融街8號國際金融中心二期36樓3609室
Tel/電話: (852) 3187 5000
Fax/傳真: (852) 2501 0171
www.investec.com

7 September 2012

*To: the Independent Board Committee and
the Independent Shareholders of APT Satellite Holdings Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE LAUNCH SERVICES CONTRACT

I. INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Launch Services Contract, details of which are set out in the letter from the Board of Directors (the “**Letter from the Board**”) contained in the circular dated 7 September 2012 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning in this letter.

On 17 August 2012, the Company announced that APT (HK), a wholly-owned subsidiary of the Company, had, on even date, entered into the Launch Services Contract with the Launch Contractor pursuant to which the Launch Contractor shall provide the Company with the standard launch service to utilise a Long March 3B enhanced version (LM-3B/E) launch vehicle at Xichang Satellite Launch Centre at Xichang in Sichuan Province, China, at an agreed price of US\$65.0 million. The launch schedule is not defined in the Launch Services Contract and it is at the Company’s discretion to give notice of the launch within the term of the Launch Services Contract. Upon signing of the Launch Services Contract and the approval of the Launch Services Contract and the transactions contemplated thereunder by the Independent Shareholders at the SGM, the Launch Services Contract shall remain valid for three years (extendable for another two years for the same terms and conditions by the sole discretion of the Company) and the Company has the right to assign the Launch Services Contract to any third party.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Launch Contractor is a subsidiary of China Aerospace Science & Technology Corporation (“CASC”) which directly or indirectly controls in aggregate 62.09% of the Company’s issued share capital as at the Latest Practicable Date. Accordingly, the Launch Contractor is a connected person of the Company within the meaning of the Listing Rules, and the Launch Services Contract and the transactions contemplated thereunder constitute a connected transaction pursuant to Chapter 14A of the Listing Rules and is subject to, among others, the approval of the Independent Shareholders at a special general meeting of the Company.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Launch Services Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolution to approve the Launch Services Contract.

II. THE INDEPENDENT BOARD COMMITTEE

The Board currently consists of thirteen Directors, with Mr. Cheng Guangren (President) and Mr. Qi Liang (Vice President) as executive Directors; Mr. Lei Fanpei (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Tseng Ta-mon (Alternate Director to Dr. Yin Yen-liang) as non-executive Directors; and Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Ligu and Dr. Meng Xingguo as independent non-executive Directors.

The Independent Board Committee comprising all the independent non-executive Directors, namely, Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Ligu and Dr. Meng Xingguo, has been established to advise the Independent Shareholders, and Investec has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether, the Launch Services Contract was entered into on normal commercial terms, and the terms and conditions thereof are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. BASIS AND ASSUMPTIONS OF THE ADVICE

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff (the “**Management**”) and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all information and documents which are made available to us to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or the Management and/or the Directors or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

IV. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background information on the Group

The Group is principally engaged in the maintenance, operation, provision of satellite transponder capacity and related services; satellite-based broadcasting and telecommunications services; and other services. Set out below is a summary of the published financial results of the Group for each of the three years ended 31 December 2011 which are extracted from the Company's annual reports for 2009, 2010 and 2011.

Income Statements

(Amount in HK\$'000)

	For the year ended 31 December		
	2009	2010	2011
Turnover	578,115	719,435	758,317
Cost of services	(322,049)	(369,359)	(362,038)
	<hr/>	<hr/>	<hr/>
Gross profit	256,066	350,076	398,279
Other net income	35,535	5,242	15,652
Administrative expenses	(80,680)	(76,788)	(94,643)
Valuation (losses)/gains on investment properties	(295)	233	230
Impairment loss recognised in respect of property, plant and equipment	–	–	(36,660)
	<hr/>	<hr/>	<hr/>
Profit from operations	210,626	278,763	280,858
Finance cost	(4,868)	(6,330)	(21,941)
Gain from liquidation of a subsidiary	6,146	–	–
Gain on disposal of available-for-sale financial asset	–	–	111,413
Fair value changes on financial instrument designated at fair value through profit or loss	–	–	(9,989)
	<hr/>	<hr/>	<hr/>
Profit before taxation	211,904	272,433	360,341
Income tax credit/(expense)	42,180	(73,934)	(79,418)
	<hr/>	<hr/>	<hr/>
Profit for the year	<u>254,084</u>	<u>198,499</u>	<u>280,923</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Balance Sheets

(Amount in HK\$'000)

	As at 31 December		
	2009	2010	2011
Non-current assets	2,705,554	3,526,767	4,340,315
Current assets	413,025	276,215	428,130
Current liabilities	(424,957)	(476,910)	(423,758)
Non-current liabilities	(404,465)	(838,510)	(1,586,606)
Net assets	2,289,157	2,487,562	2,758,081

As noted in the table above, the Group recorded revenue of approximately HK\$758.3 million for the year ended 31 December 2011, which represents an increase of approximately 5.4% from approximately HK\$719.4 million for the year ended 31 December 2010. Furthermore, profit for the year increased by approximately 41.5% from approximately HK\$198.5 million in 2010 to approximately HK\$280.9 million for the year ended 31 December 2011. As mentioned in the annual report of the Company for the year ended 31 December 2011 (the “**Annual Report**”), the increases in revenue was mainly due to increase of income from satellite transponder capacity and related services while the increase in profit for the year was due to: (i) an increase in income from satellite transponder capacity and related services; (ii) an increase of approximately 199% in other net income as a result of an exchange gain on Renminbi appreciation; and (iii) a gain on disposal of approximately HK\$111.4 million in relation to the disposal of 5% of the issued share capital of Xinhua TV Asia-Pacific Operating Co. Limited by APT Satellite TV Development Limited, a wholly-owned subsidiary of the Company, to CNC Holdings Limited. The Group also recorded an impairment loss in property, plant and equipment of approximately HK\$36.7 million for the year ended 31 December 2011 as the recoverable amount of APSTAR 2R was less than its carrying value.

In addition, consolidated audited net assets of the Group increased by approximately 10.9% from approximately HK\$2,487.6 million as at 31 December 2010 to approximately HK\$2,758.1 million as at 31 December 2011.

2. Principal terms of the Launch Services Contract

Set out below is a summary of the principal terms of the Launch Services Contract:

Date	:	17 August 2012
Parties	:	(1) APT (HK); and
		(2) the Launch Contractor

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject matter : 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.

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.

Contract price : The price for the provision of the Standard Services is US\$65.0 million (equivalent to approximately HK\$507.0 million), 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\$65.0 million and the Adjusted Price shall be refunded by the Launch Contractor to APT (HK) within 1 month after the said adjustment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment terms : *For Standard Services*

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

by an one off payment of US\$58.0 million (equivalent to approximately HK\$452.4 million) 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.

For Optional Services

Within 30 days after APT (HK)'s 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), APT (HK) shall pay for the price for the Optional Services.

Major conditions : The approval of the Launch Services Contract and the transactions contemplated thereunder by Independent Shareholders in a Shareholders' meeting of the Company on or before 31 December 2012.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- 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\$65.0 million to APT (HK).

After confirmation of the Launch Period

Termination by APT (HK):

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

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.

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);

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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.

Other terms and conditions : 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.

3. Analysis of the principal terms of the Launch Services Contract

We have reviewed the terms under the Launch Services Contract and set out hereafter, our analysis of the principal terms of the Launch Services Contract.

Consideration:

Pursuant to the Launch Services Contract, consideration for the provision of the Standard Services by the Launch Contractor is US\$65.0 million (equivalent to approximately HK\$507.0 million). An early payment discount (the “**Early Payment Discount**”) was agreed whereby that the consideration will be reduced to US\$58.0 million (equivalent to approximately HK\$452.4 million) should the Company decide to satisfy the consideration by an one-off payment within 15 days after the Effective Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparing the consideration of the Launch Services Contract to consideration for the Standard Services provided by the Launch Contractor in the past three years, we noted that the amount charged by the Launch Contractor has been consistent as set out below:

Year of entering into the relevant launch services contract	Satellite name	Consideration for the Standard Services (US\$' million)
2009	APSTAR 7	68.0
2010	APSTAR 7B	65.0

As advised by the Management, the Company has not entered into any launch contract with other launch service providers in the past three years.

We also noted that the Launch Contractor and the Turkmenistan's Ministry of Communication entered into a launch contract (the "**Turkmenistan Contract**") in November 2011 for services similar to the Standard Services, using Long March 3B standard version (instead of the more powerful Long March 3B enhanced version) with a price of US\$68 million which indicates the consideration of the Launch Services Contract is more favorable as compared to that under the Turkmenistan Contract.

In addition, the Launch Contractor has also agreed to provide the Optional Services subject to the sole discretion of the Company whereby the total price for the provision of the Optional Services in aggregate shall be subject to a cap of US\$2.0 million (equivalent to approximately HK\$15.6 million) which we understand from the Management that it is a standard arrangement and is also consistent with the previous launch services contracts with the Launch Contractor.

As advised by the Management, there are only a limited number of reliable commercial launch service providers including Arianespace ("**Ariane**"), International Launch Services ("**ILS**"), and the Launch Contractor. With reference to the most recently announced launch services provided by Ariane and ILS, contract value of the launching of the AsiaSat 7 satellite by Ariane was US\$101.0 million (announced on 5 May 2010) while contract value of the launching of the Jupiter satellite by ILS was US\$ 110.0 million (announced on 5 October 2010). Thus, the Directors considered that the consideration of the Launch Services Contract presents good value to the Company given the launch services provided by the Launch Contractor are equally reliable to that of the alternative contractors.

In addition, we noted that pursuant to the Launch Services Contract, if the Launch Contractor offers similar launch services using Long March 3B enhanced version launch vehicle to any third parties under better or more favourable prices, the Company has the right to request for adjustment to the consideration of the Launch Services Contract and is also entitled to refund of the difference between the price for the Standard Services and the price offered to such third party, i.e. the Adjusted Price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we are of the view that the consideration of the Launch Services Contract is fair and reasonable so far as the Independent Shareholders are concerned and of the interest of the Company and the Shareholders as a whole.

Termination:

Pursuant to the Launch Services Contract, there are two situations where the Company could terminate the Launch Services Contract at its discretion without exposing to any negative financial impact: (a) the Launch Period is not confirmed; or (b) after the Launch Period is confirmed, there is a postponement requested by the Launch Contractor or any material failure by the Launch Contractor to perform its obligation in a timely manner results in delaying launch for a period of nine months or more beyond the end of the relevant Launch Period.

We also noted that if the launch is delayed by six months or more beyond the end of the previously establish Launch period due to a force majeure event (“**Delay Due to Force Majeure Event**”) (which is defined as any event which occurs after the signature of the Launch Services Contract and is beyond the reasonable control of the party being affected and which cannot be foreseen, including but not limited to, war, flood, fire, typhoon, earthquake, riots, insurrections or civil commotion, strikes or labor disturbances, acts of government whether in its contractual or sovereign capacity, as well as any other event beyond the contracting parties’ reasonable control), the Company has the right to terminate the Launch Services Contract whereby the Launch Contractor is entitled to retain 50% of all payments made or due for the launch prior to the date of the termination by the Company. In other words, this means there is a risk that the Company would lose 50% of the capital invested should it decide to terminate the Launch Services Contract in case of a Delay Due to Force Majeure Event. However, having reviewed the past launch contracts entered into between the Company and the Launch Contractor and based on our discussion with the Management, we understand that the said provision in relation to Delay Due to Force Majeure Event is a common arrangement in the industry and we concur with the Management’s view that based on the long term launch service relationship with the Launch Contractor and past experiences, the risk of the abovementioned Delay Due to Force Majeure Event is very remote and it is on normal commercial term, fair and reasonable so far as the Independent Shareholders are concerned.

Other terms and conditions:

We also noted that pursuant to the Launch Services Contract, 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 (“**Launch Failure**”), the Company is entitled to have a replacement launch under a separate contract drawn up with a more competitive price for the Standard Services and under the terms and conditions substantially the same to that of the Launch Services Contract, subject to a written request issued by the Company to the Launch Contractor within six months after the launch in question.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are of the view that the abovementioned provision would help to ensure the Company in securing the necessary launch service for a new launch with a more competitive price in the event of a Launch Failure which is in the interest of the Company and the Shareholder as a whole.

Having considered the principal terms under the Launch Services Contract, we concur with the Director's view that the terms of the Launch Services Contract are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

4. Reasons and benefits for entering into the Launch Services Contract

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 have also taken into account of (i) consideration for the provision of the Standard Services by the Launch Contractor pursuant to the Launch Services Contract; (ii) credential of the Launch Contractor; (iii) usage and flexibility of the Launch Services Contract; and (iv) the rate of return of capital invested in the Launch Services Contract.

i. Consideration for the provision of the Standard Services by the Launch Contractor pursuant to the Launch Services Contract

As mentioned in the section headed "Analysis of the principal terms of the Launch Services Contract" above, the consideration of the Launch Services Contract is in line with the previous launch service provided by the Launch Contractor and lower than the fee charged by alternative contractors such as Ariane and ILS for their respective most recent launch.

Based on the above, we concur with the Directors' view that the consideration of the Launch Services Contract is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

ii. Credential of the Launch Contractor

According to the Directors' information, the worldwide fleet of expendable launch vehicles which are available for commercial launch of medium and heavy payloads into space is limited to a small number of providers. The Launch Contractor is the sole organization authorised by the PRC government to provide satellite in-orbit delivery services, commercial launch services and aerospace technology applications. The Launch Contractor also has an excellent track record in successful launches spanning over 30 years and has already successfully launched five of the Group's seven satellites and only recorded one failed launch in 1995 of APSTAR 2. As such, given the reliability of the launch services provided by the Launch Contractor and its experience in co-operation with the Company and satellite contractors in all relevant technical aspects in relation to the launch of the Group's satellites, the Board considers that it is in the interests of the Company to utilise the services of the Launch Contractor for the launch of the Company's future satellite.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we concur with the Directors' view that, given the limited number of reliable commercial launch service providers, the track record of the Launch Contractor and the successful previous cooperation between the satellite contractors and the Launch Contractor, the selection of the Launch Contractor for the launch of the Company's future satellite pursuant to the Launch Services Contract is acceptable and in the interests of the Company and the Shareholders as a whole.

iii. Usage and flexibility of the Launch Services Contract

The Directors are of the view that the Company may use this launch service for (i) its replacement satellite needs in the pipeline; or (ii) any of its new satellite projects.

We understand from the Management that the future satellite replacements will likely be replacing APSTAR 5 or APSTAR 6, which were launched in 2004 and 2005, respectively. Given the expected life-spans of APSTAR 5 and APSTAR 6 of approximately 14-15 years and it is an industry practice to have replacement satellite launched in approximately three years prior to the retirement of exiting satellites to ensure that there is enough time for the Company to procure and construct another satellite should the satellite launch fail. Thereby, the Management expects the launch of replacement satellite for APSTAR 5 and APSTAR 6 to be approximately in the year of 2015/2016 and 2016/2017, respectively.

Pursuant to the Launch Services Contract, the term of the contract is three years commencing from the Effective Date, i.e. the date on which the conditions precedent provided in the Launch Services Contract are fulfilled. Based on the assumption that the conditions precedent under the Launch Services Contract are fulfilled by the end of 2012, the contract term would span over to the year of 2015 or 2017 should the Company decide to extend the term of the Launch Services Contract by serving a written notice to the Launch Contractor no later than three months before the expiry date of the Launch Services Contract.

In addition, the Company could also utilize the launch service for the launch of its future satellite in the event if the Company plans to engage in any new satellite project in new orbital slot.

Furthermore, pursuant to the Launch Services Contract, the Company has the right to assign (the "**Assignment Provision**") its right, duties and obligations under the Launch Services Contract to any parties it may wish as long as it gives prior written notice to the Launch Contractor. We are of the view that the Assignment Provision provides the Company with the flexibility and option to recoup the part or all of the consideration paid by way of assigning the Launch Services Contract to an assignee in the event that the launch services specified in the Launch Services Contract would not be utilised.

iv. The rate of return of capital invested in the Launch Services Contract

As mentioned in the section headed "Analysis of the principal terms of the Launch Services Contract" above, the Early Payment Discount of US\$7.0 million means that the Company would be able to generate a return/saving of approximately 4.0% per annum over the three years term of the Launch Services Contract.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that pursuant to the Launch Services Contract, in the event that the Company decides to terminate the Launch Services Contract before the confirmation of the Launch Period, it is entitled to a full refund of any and all payments made plus an interest of 3.5% per annum.

The Management is of the view that the abovementioned returns on capital invested are superior to (a) the interest saving on repaying the Group's existing secured bank borrowings which has an effective interest rates of 2.23% per annum; or (b) the bank interest receivable by the Company of approximately 1% per annum on US\$ deposit or 3% per annum on Renminbi deposit.

Having considered the above factors, we concur with the Directors' view that the Launch Services Contract has been entered in the ordinary course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

5. Funding of the consideration of the Launch Services Contract

As stated in the Letter from the Board, the contract price of US\$65.0 million (approximately HK\$507.0 million) under the Launch Services Contract will be funded by internal resources of the Company.

We understand from the Management that pursuant to the Co-Operation Agreement entered into by the Company and China Satellite Communications Corporation (presently known as China Satellite Communications Co. Ltd.) ("**China Satcom**") on 23 April 2010, the Company is in the course of assigning all its rights under the APSTAR 7B Satellite Procurement Contract, the APSTAR 7B Satellite Launch Services Agreement and the insurance policies (if any) in respect of APSTAR 7B Satellite, on an as-is basis, to China Satcom upon the successful launch and commencement of commercial operation of APSTAR 7. Upon the completion of the said assignment, the Company is expected to receive US\$129.9 million (approximately HK\$1,013.2 million) as assignment consideration (the "**Assignment Consideration**") of which the Company has received in aggregate US\$125.3 million (approximately HK\$977.3 million) subsequent to the financial year ended 31 December 2011 while the balance of the Assignment Consideration of US\$4.6 million (approximately HK\$35.9 million) is expected to be received by the end of 2012, subject to final procedure and respective due diligence (if required).

In view of the Assignment Consideration together with the Group's reported cash and cash equivalents of approximately HK\$240.0 million as of 31 December 2011, we concur with the Directors' view that the Group has available and sufficient internal resources to satisfy the consideration in full.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

V. RECOMMENDATION

Having considered the factors outlined in this letter, we are of the opinion that the terms of the Launch Services Contract are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Furthermore, given the factors mentioned above, we are of the view that the Launch Services Contract has been made on normal commercial terms and in the ordinary and usual course of business. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to approve the Launch Services Contract at the SGM.

Yours faithfully
For and on behalf of
Investec Capital Asia Limited
Alexander Tai
Executive Director

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual report for the last financial year of the Group.

The audited consolidated financial statements of the Group prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the years ended 31 December 2009, 2010 and 2011 together with the relevant notes thereto can be found from pages 47 to 119 of the annual report of the Company for the year ended 31 December 2009, pages 47 to 121 of the annual report of the Company for the year ended 31 December 2010 and pages 45 to 121 of the annual report of the Company for the year ended 31 December 2011, respectively.

Each of the said audited consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011 is incorporated by reference into this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at www.apstar.com and the website of the Stock Exchange at www.hkexnews.hk.

Please also see below quick links to the annual reports of the Company:

Annual Report 2011:

http://www.apstar.com/apt_investor/pdf/2012/AR2011E.pdf

Annual Report 2010:

http://www.apstar.com/apt_investor/pdf/2011/AR2010E.pdf

Annual Report 2009:

http://www.apstar.com/apt_investor/pdf/2010/AR2009E.pdf

2. INDEBTEDNESS OF THE GROUP**Borrowings**

As at the close of business on 31 July 2012, being the latest practicable date for the purpose of ascertaining the information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding secured bank borrowings of HK\$1,548,719,000. Such sum of outstanding secured bank borrowings forms part of APT (HK)'s term loan facility up to a maximum loan amount of US\$200,000,000 which bears an interest of 1,2,3 or 6 month(s) LIBOR plus 1.8% per annum. The said term loan facility is secured by the assignment of the construction and the termination payments under construction, launching and related equipment contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7.

Charge on the Group's assets

As at the close of business on 31 July 2012, the abovementioned term loan facility up to a maximum loan amount of US\$200,000,000 is secured by the assignment of the construction and the termination payments under construction, launching and related equipment contracts relating to APSTAR 7, the insurance claim proceeds relating to APSTAR 5 and APSTAR 7, assignment of the proceeds of all present and future transponder utilisation agreements of APSTAR 5 and APSTAR 7 and first fixed charge over certain bank accounts which will hold receipts of the transponder income of APSTAR 5 and APSTAR 7.

As at 31 July 2012, the Group's pledged bank deposits of HK\$67,171,000 are related to certain commercial arrangements and banking facilities.

As at 31 July 2012, a letter of guarantee issued by a bank to a subsidiary of the Company is secured by the Group's land and buildings with a net book value of approximately HK\$4,005,000.

Contingent liabilities

As at 31 July 2012, the Company has given guarantees to bank in respect of the banking facilities granted to its subsidiary. The extent of such banking facilities utilised by the subsidiary at 31 July 2012 amounted to HK\$1,560,000,000.

Save as disclosed above or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables, the Group did not, at the close of business on 31 July 2012, have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its current known requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's turnover for the six month period ended 30 June 2012 amounted to HK\$402,337,000, representing an increase of approximately 8.1% as compared to the same period in 2011. Gross profit for the six month period ended 30 June 2012 increased by 11.8%, as compared to the same period in 2011, to HK\$213,412,000. The profit attributable to equity shareholders was HK\$104,712,000, representing an increase of approximately 1.5% as compared to the same period in 2011. The EBITDA Margin is 80.1%, which maintains at high level in the industry.

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 for satellite transponder capacity and related services in the Asia Pacific Region.

The Company has successfully launched APSTAR 7 on 31 March 2012. APSTAR 7 is based on SB4000 C2 model with 28 C-band transponders and 28 Ku-band transponders and is the replacement satellite of APSTAR 2R at the orbital slot 76.5 degree East. The C-band transponders of APSTAR 7 provide the same coverage as APSTAR 2R to ensure seamless services transition for customers from APSTAR 2R to APSTAR 7. The Ku-band transponders of APSTAR 7 Satellite are built with China Beam, Middle East and North Africa Beam, African Beam, and Steerable Beam, so as to further expand the satellite capacity and coverage of the Group to the above said regions. As of 30 June 2012, its utilization rate was 71.25%.

The two other operating satellites, APSTAR 6 and APSTAR 5, are based on SB4100 C1 and FS1300 models respectively. APSTAR 6 was launched in April 2005 and is one of the latest advanced high power satellites in the region with 38 C-band transponders and 12 Ku-band transponders. APSTAR 5 was launched in June 2004 and is one of also one of the latest advanced high power satellites in the region. As at the Latest Practicable Date, the Group has interests in APSTAR 5 with 20 C-band transponders and 9 Ku-band transponders. As of 30 June 2012, both APSTAR 6 and APSTAR 5 have maintained high utilization rates, which are 75.18% and 82.10% respectively.

The Group's in-orbit satellites, APSTAR 7, APSTAR 6 and APSTAR 5, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa, Europe, and Asia Pacific Region. The demand of transponder services in both broadcasting and telecommunication sectors have maintained at a high level in the first half of 2012. The high utilization rates of the Group's satellites will be maintained through the whole year of 2012.

The Group will continue to achieve growth potential and synergic effect from various value-added services in broadcasting, telecommunication and data centre for maximizing profit and future business growth.

1. RESPONSIBILITY

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and 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 he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/ chief executive of the Company	Nature of Interest	Note	Total number of Shares interested as at the Latest Practicable Date	Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date
Dr. Meng Xingguo	Interest of spouse	1	292,000	0.05%

Note:

1. Dr. Meng’s wife held 292,000 shares of the Company. Pursuant to the SFO, Dr. Meng was deemed to be interested in the same parcel of shares held by his spouse.

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.

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole;
- (ii) none of the Directors had any direct or indirect interest in any assets acquired or disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2011, the date up to which the latest published audited consolidated financial statements of the Group were made;
- (iii) (aa) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a non-executive director of CSCC and a director of APT International; (bb) Mr. Lei Fanpei, a non-executive Director and the Chairman of the Company, was also concurrently, the deputy general manager of CASC and the chairman of APT International; and (cc) Mr. Zhuo Chao, a non-executive Director, was also concurrently a director and the president of CSCC and a director of APT International; (dd) Mr. Fu Zhiheng, a non-executive Director, was also concurrently the vice-president of the Launch Contractor and a director of APT International; (ee) Mr. Qi Liang, an executive Director, was also the Deputy Chief Accountant for CSCC; (ff) Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, non-executive Directors and Mr. Tseng Ta-mon (alternate Director to Dr. Yin Yen-liang), were also concurrently directors of APT International.
- (iv) Mr. Yong Foo Chong, a non-executive Director, was also a director of SingaSat Private Limited. Based on the register of interests in shares and short positions kept by the Company under section 336 of the SFO, as at the Latest Practicable Date, SingaSat Private Limited holds 34,200,000 shares of the Company (approximately 5.50% of the issued share capital of the Company).

3. DIRECTORS' SERVICE CONTRACTS

None of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of Director	Name of the entity which competed or might compete with the Group's business	Principal activities of the entity which competed or might compete with the Group's business
Mr. Yong Foo Chong	Singapore Telecommunications Limited	Provision of satellite capacity for telecommunications and video broadcasting services

As at the Latest Practicable Date, save as disclosed herein, to the best knowledge of the Directors, none of the Directors and their respective associates had any interest in a business which competed or might compete with the business of the Group.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2011, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Investec Capital Asia Limited	a licensed corporation to carry out types 1,4,6 and 9 (Dealing in securities, advising on securities, advising on corporate finance and asset management) of the regulated activities as set out in Schedule 5 to the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2011, being the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders was made on 7 September 2012 for incorporation in this circular.

7. LITIGATION

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

8. MATERIAL CONTRACTS

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

- (i) the sale and purchase agreement dated 6 September 2011 entered into between APT Satellite TV Company Limited, a wholly-owned subsidiary of the Company (“**APT TV**”), China Xinhua News Network Company Limited, Proud Glory Investments Limited and Tsun Yip Holdings Limited (the “**Purchaser**”), in relation to, inter alia, the disposal of 5% of the issued share capital of Xinhua TV Asia-Pacific Operating Co. Limited by APT TV to the Purchaser for a consideration of approximately HK\$35,000,000.00 (the “**Disposal**”);
- (ii) the supplemental agreement dated 10 October 2011 entered into between APT TV, China Xinhua News Network Company Limited, Proud Glory Investments Limited and the Purchaser, in relation to, inter alia, the Disposal; and
- (iii) the second supplemental agreement dated 26 October 2011 entered into between APT TV, China Xinhua News Network Company Limited, Proud Glory Investments Limited and the Purchaser, in relation to, inter alia, the Disposal;
- (iv) the supplemental agreements dated 27 October 2011 entered into between APT (HK) and each of CSCC and China Satellite Communication (Hong Kong) Corporation Limited in respect of (a) a co-operation agreement, being an agreement dated 23 April 2010 entered into between APT (HK) and CSCC in respect of (i) the financing arrangements of and the assignment of rights and obligations of APT (HK) under a satellite procurement contract of the same date entered into between APT (HK) and Thales Alenia Space France in respect of the manufacturing of APSTAR 7B Satellite and (ii) the assignment of APT (HK)’s rights and obligations under a satellite launch services agreement of the same date entered into between APT (HK) and the Launch Contractor in respect of the launch services for APSTAR 7B Satellite (iii) the assignment of insurance policies, if any, in respect of APSTAR 7B Satellite and (b) a loan agreement dated 23 April 2010 entered into between APT (HK) and China Satellite Communications (Hong Kong) Corporation Limited for a facility of up to Euro 100,000,000.00, respectively;
- (v) the assignment agreement dated 29 June 2012 entered into between APT (HK), Thales Alenia Space France and CSCC in relation to the assignment of APSTAR 7B Satellite; and
- (vi) the assignment agreement dated 4 July 2012 entered into between APT (HK), the Launch Contractor and CSCC in relation to the assignment of the launch service of APSTAR 7B Satellite for a consideration of US\$3,350,000.00.

9. 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 branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The secretary of the Company is Dr. Lo Kin Hang Brian, DBA, MScIT, MBA, MPA, FCIS, FCS, CEng, MIET.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the following documents are available for inspection at the head office of the Company at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong, during normal business hours from the date of this circular up to and including the date of SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the Launch Services Contract;
- (iii) the materials contracts as referred to in the paragraph headed "Material contracts" in this appendix;
- (iv) letter from the Independent Board Committee to the Independent Shareholders dated 7 September 2012, the text of which is set out on page 16 of this circular;
- (v) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 7 September 2012, the text of which is set out on pages 17 to 32 of this circular;
- (vi) the annual reports and consolidated audited accounts of the Company for the years ended 31 December 2009, 31 December 2010 and 31 December 2011;
- (vii) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed "Expert's qualifications and consent" in this appendix; and
- (viii) this circular.

NOTICE OF THE SGM



(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

NOTICE IS HEREBY GIVEN that a special general meeting of APT Satellite Holdings Limited (the “**Company**”) will be held at its principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 25 September 2012 at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the launch services contract (the “**Launch Services Contract**”) entered into on 17 August 2012 between APT Satellite Company Limited (“**APT (HK)**”), a wholly-owned subsidiary of the Company and China Great Wall Industry Corporation 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 defined and described in the circular of the Company dated 7 September 2012 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Launch Services Contract marked “**B**” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified and the directors of the Company be and are hereby authorised to do all such acts and things and sign, seal, execute, perfect and deliver all such documents on behalf of the Company as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of and in connection with the implementation and/or give full effect to any matters relating to the Launch Services Contract and the transactions contemplated thereunder.”

By order of the board
APT Satellite Holdings Limited
Dr. Brian Lo
Company Secretary

Hong Kong, 7 September 2012

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

NOTICE OF THE SGM

Notes:

1. The ordinary resolution to be considered at the special general meeting will be determined by poll. On voting by poll, each member shall have one vote for each share held in the Company.
2. A member of the Company who is entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting is enclosed herewith and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at 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, not less than forty-eight (48) hours before the time appointed for holding the special general meeting or any adjourned meeting thereof (as the case maybe) and in default thereof the form of proxy shall not be treated as valid.
5. Completion and return of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the special general meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. As at the date of this notice, the board of the Company comprises thirteen directors with Mr. Cheng Guangren (President) and Mr. Qi Liang (Vice President) as executive Directors; Mr. Lei Fanpei (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Yong Foo Chong, Mr. Zhuo Chao, Mr. Fu Zhiheng and Mr. Tseng Ta-mon (Alternate Director to Dr. Yin Yen-liang) as non-executive Directors and Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguog and Dr. Meng Xingguo as independent non-executive Directors.