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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

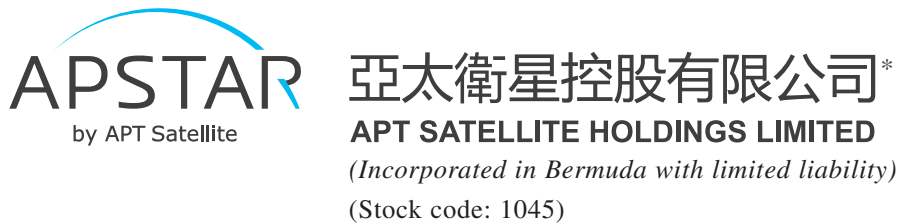
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in APT Satellite Holdings Limited, 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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**CONTINUING CONNECTED TRANSACTIONS  
AND  
PROPOSED RE-ELECTION OF RETIRING DIRECTOR**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders of APT Satellite Holdings Limited**



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A letter from the Independent Board Committee is set out on pages 17 to 18 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 19 to 40 of this circular.

A notice convening the SGM to be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 27 November 2020 at 11:00 a.m. is set out on pages 46 to 47 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 11:00 a.m. on Wednesday, 25 November 2020 (i.e. 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.

References to time and dates are to Hong Kong time and dates.

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>PRECAUTIONARY MEASURES FOR SPECIAL GENERAL MEETING</b> .....	ii
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	17
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	19
<b>APPENDIX I – GENERAL INFORMATION</b> .....	41
<b>APPENDIX II – DETAILS OF THE RETIRING DIRECTOR PROPOSED                           TO BE RE-ELECTED AT THE SGM</b> .....	45
<b>NOTICE OF THE SPECIAL GENERAL MEETING</b> .....	46

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## PRECAUTIONARY MEASURES FOR SPECIAL GENERAL MEETING

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In view of the ongoing COVID-19 pandemic, the Company will implement the following preventive measures at the special general meeting of the Company (the “SGM”) to be held on Friday, 27 November 2020 at 11:00 a.m. to protect the attending shareholders of the Company (the “Shareholders”), staff and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy and attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;
- (b) the Company requests attendees to wear surgical face masks inside the SGM venue at all times;
- (c) no refreshments or drinks will be served; and
- (d) designated seating arrangement will be made so as to ensure appropriate social distancing.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the resolutions at the SGM instead of attending the SGM in person.

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## DEFINITIONS

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

“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.9% 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;
“Caps”	the proposed annual caps of the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2023 as set out under the section headed “PROPOSED CAPS” in the Letter from the Board in this circular;
“CASC”	中國航天科技集團公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC, which holds effectively in aggregate 30.29% interests in the Company, including 27.39% indirect interests of the Company by virtue of holding 52.78% interests in APT International and 2.90% direct interests in the Company as at the Latest Practicable Date;
“CCT Agreement”	the transmission and communication services master agreement dated 29 September 2020 entered into between the Company and CSCC in respect of the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates;
“CCT Announcement”	the announcement of the Company dated 29 September 2020 in relation to the CCT Agreement;
“Company”	APT Satellite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Company’s Satellite Services”	has the meaning ascribed thereto in the section headed “THE CCT AGREEMENT” in the Letter from the Board in this circular;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;

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## DEFINITIONS

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“CSCC”	中國衛通集團股份有限公司 (China Satellite Communications Company Limited), a corporation listed on the Shanghai Stock Exchange in China effective from 28 June 2019;
“CSCC’s Satellite Services”	has the meaning ascribed thereto in the section headed “THE CCT AGREEMENT” in the Letter from the Board in this circular;
“Existing Transponder and Communication Services Master Agreement”	the transponder and communication services master agreement entered into between the Company and CSCC dated 11 September 2017 in respect of the provision of transponder services, value-added service for satellite communication and other related professional services between the Group and CSCC and/or its associates for the three years ending 31 December 2020;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, i.e. Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
“Independent Financial Adviser” or “VMS”	VMS Securities Limited, a corporation licensed under the SFO for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Caps;
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates;
“Latest Practicable Date”	3 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

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## DEFINITIONS

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“Non-exempt Continuing Connected Transactions”	the transactions in respect of the Company’s Satellite Services and the CSCC’s Satellite Services contemplated under the CCT Agreement;
“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);
“SGM”	the special general meeting of the Company to be held at the Company’s principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 27 November 2020 at 11:00 a.m. to approve (i) the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps; and (ii) re-election of retiring director, notice of which is set out on pages 46 to 47 of this circular;
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Specific Contract(s)”	the specific contract(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates) in respect of the Company’s Satellite Services or CSCC’s Satellite Services;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“%”	per cent; and
“*”	for identification purposes only.

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## LETTER FROM THE BOARD

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亞太衛星控股有限公司\*

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. Li Zhongbao (*Chairman*)

Mr. Lim Toon

Dr. Yin Yen-liang

Mr. Fu Zhiheng

Mr. Lim Kian Soon

Mr. He Xing

Mr. Tseng Ta-mon

(*Alternative Director to Dr. Yin Yen-liang*)

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head Office and Principal Place  
of Business in Hong Kong:*

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 Liguo

Dr. Meng Xingguo

6 November 2020

*To the Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### BACKGROUND

Reference is made to the CCT Announcement in relation to the CCT Agreement. The purpose of this circular is (i) to provide you with further information on the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (ii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) to set out the recommendation of the Independent Board Committee; and (iv) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 11 September 2017 and the circular dated 24 October 2017 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2020 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, as announced in the CCT Announcement, on 29 September 2020, the Company entered into the CCT Agreement with CSCC in respect of, amongst other things, the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the CCT Agreement.

### THE CCT AGREEMENT

Date: 29 September 2020

Parties: The Company  
CSCC

Duration: From 1 January 2021 to 31 December 2023, subject to renewal by negotiation between the parties

### Service Provided:

Subject to the terms and conditions of the CCT Agreement, the Company and CSCC have agreed to provide to each other the following services:

1. Based on the actual requirements of CSCC or its associates, the Company or its subsidiaries shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of the Group to CSCC or its associates: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction and services in relation to orbital position coordination and authorization services (the “**Company’s Satellite Services**”).
2. Based on the actual requirements of the Company or its subsidiaries, CSCC or its associates shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of CSCC or its associates to the Company or its subsidiaries: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction and services in relation to orbital position coordination and authorization services (the “**CSCC’s Satellite Services**”).



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## LETTER FROM THE BOARD

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The Company's Satellite Services and the CSCC's Satellite Services provided by the Company and CSCC are similar in nature. Service performance, quality and coverages are different depending on the design and orbital slot of each satellite with regards to satellite transmission service. Value-added service and other related professional and management services are different in terms of service scope, such as co-location service, satellite project management and consultancy service provided by the Company and system integration service provided by CSCC.

The Group is providing services similar to the Company's Satellite Services to independent third parties. CSCC is also providing services similar to the CSCC's Satellite Services to independent third parties.

Generally, the Group will require the CSCC's Satellite Services where the Group's customers specifically require the Group to use the satellite resources of CSCC (or its associates) or where the Group's own satellite transponder capacity or specification is unable to meet the requirement of its customers.

There are independent third parties providing services similar to the CSCC's Satellite Services but most of them may be relatively reluctant to quote their services to their competitors in the industry. The Group had obtained such services in the past and may obtain such services in future from independent third parties but only if the Group is satisfied that the engagement of the services of such independent third parties can meet the specific requirement of the Group's customers and is in the commercial interest of the Group.

### **Service fees and pricing basis:**

Pursuant to the CCT Agreement, in respect of the Company's Satellite Services or the CSCC's Satellite Services provided by the Company (or its subsidiaries) and CSCC (or its associates) to the other party, the Company (or its subsidiaries) and/or CSCC (or its associates) shall enter into Specific Contract(s) which set out the specific terms including the technical requirements or service fees in accordance with the guidelines set out in the CCT Agreement.

Service fees payable for (a) the use of the Company's Satellite Services provided by the Company or its subsidiaries to CSCC or its associates; or (b) the use of the CSCC's Satellite Services provided by CSCC or its associates to the Company or its subsidiaries and the commercial terms in the Specific Contracts shall be determined:

- (i) based on market-oriented, fair and reasonable principles;
- (ii) based on normal commercial terms or better; and
- (iii) in accordance with the Company's or CSCC's (as the case may be) prevailing pricing policy or CSCC's or the Company's (as the case may be) prevailing procurement policy.

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## LETTER FROM THE BOARD

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The services fees for the Company's Satellite Services are determined after the parties have negotiated the terms and conditions of the Specific Contract, making reference to the market price, historical services fees of similar services provided to CSCC and the service fees of the same or similar services provided to independent third parties (if any) in the same region to ensure that the services fees offered to CSCC or its associates is no less favourable to the Group than those available to independent third parties for the same or similar services in the same region.

The Company's prevailing pricing policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of the Company's Satellite Services by the Group to CSCC or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms must be in accordance with normal commercial terms or better and are no less favourable to the relevant member(s) of the Group than those available to independent third parties.

The basis for formulating pricing policy of the Company derives from considering market trends and current average price of the satellite service gathered from different market channels including end-users, exhibitions and related vendors from satellite industry as well as sales department of the Company. The Company, taking into account prevailing market price for such relevant service, the historical prices of similar services provided by the Company and the service fees of the contracts of the Group then in force, derives an average standard unit price per month (the "Unit Price") for each of the applicable service of the Group on a regular basis and applies the Unit Price as a reference in determining the service fees for provision of all kinds of satellite transmission services, telecommunication value-added services, and related services (regardless of whether the customer is a connected party or not).

The Unit Price is regulated by the pricing policy of the Company. The pricing policy is reviewed annually by the Company. For each year, the staff in-charge from the business support department of the Group will calculate an average standard unit price per month and submit a preliminary proposal of Unit Price with reference to the previous pricing policy and the market conditions to the Company for review and approval. The Company will have meeting in each year to analyse and discuss the proposed pricing policy prepared by the business support department, based on certain evaluation criteria including the regional market conditions, the business trend and the development strategy plan of the Company. After the Unit Price is approved by the Company, the new pricing policy with new Unit Price will be released and applied within the Company. The staff in charge from the business support department is responsible for checking whether the Unit Price has been properly adhered to for each contract the Company intends to sign. In case where any contract unit price is lower than the pre-approved range under the pricing policy, pursuant to delegation of authority adopted by the Company, the contract will be examined and approved by the corresponding persons in charge.

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## LETTER FROM THE BOARD

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When CSCC's Satellite Services are procured by the Group, under normal circumstances, it is difficult to obtain quotations from other satellite service providers for comparison because the technical specification prescribed by the Group's customers will largely restrict the choices of alternative service providers and other satellite service providers may be relatively reluctant to provide fee quotations to their competitors in the industry. In many cases the use of CSCC's satellite resources is even designated by the Group's customers. Further, in order to obtain quotations from satellite services providers, the Group is required to provide specific information of the Group's customers. Since the Group has to secure its customer base as well as protecting its own interest, it is difficult for the Group to obtain quotations from other independent third parties.

If CSCC is the only qualified service provider which can meet the requirements of the Group's customers, the prices of the CSCC's Satellite Services will be determined on arm's length negotiation by the parties and generally subject to a profit margin of not less than 4%. There may be rare cases where the particular importance of securing the underlying customer's contract to the Group (taking into account the value of the underlying customer's contract, the market strategy of the Group, the maintenance of future business relationship with the customer, the profit which can be derived by the Group from the underlying customer's contract by providing its own satellite resources and/or services in conjunction with those of CSCC and/or other relevant commercial factors) may justify the procurement of CSCC's Satellite Services even though only a lower profit margin can be achieved. In those special cases, the head of the business support department will be responsible for reviewing and submitting to the executive vice president or president for approval based on the profit level. The above procurement policy and procedures also apply in projects where satellite services are procured from independent third party service providers.

The Company has adopted the following internal procedures to ensure the procurement contracts are properly reviewed and approved:

- i. the staff in-charge is required to ensure that the proposed procurement of services and goods meet the technical specifications of the Company's customer and, whenever possible, provide at least one supplemental supplier for consideration and comparison;
- ii. the responsible manager of the finance department is responsible for reviewing the payment terms of the procurement contract and prices or fees proposed compared to the respective budget of the Company;
- iii. the responsible manager of the legal department is responsible for reviewing the procurement contract;
- iv. the head of business support department is responsible for reviewing the terms and conditions of the procurement contract to ensure that the same are in line with normal market practices and the standard terms are no less favourable to the Company than those available from independent suppliers, based on certain evaluation criteria of supplier(s), including quality of the services or goods, the prices, reputation, experience, financial soundness, and post-sale services or support provided; and

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## LETTER FROM THE BOARD

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- v. the procurement contract will be finally reviewed and approved by the head of the department which requires the procurement and jointly approved by the executive vice president of the department and president in the event that the procurement amount has exceeded specified amount (the “**Specified Amount**”). In case when the procurement amount is below the Specified Amount, the procurement contract will only be examined and approved by the head of the department which requires the procurement. The Specified Amount of the procurement is regulated by the current authority of delegation policy of the Company as approved by the Board.

Under normal circumstances, the parties shall also agree the payment terms based on the principle of fairness and reasonableness and on normal commercial terms in the Specific Contract(s). Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

The payment terms (including the mode of payment and credit terms) will be negotiated between the parties before signing the Specific Contract, provided that the payment terms shall be no less favourable to the Group than the terms offered by independent third parties for providing the same or similar services to the Group of the period. The head of business support department is responsible for reviewing the payment terms to ensure that payment terms in the Specific Contract are determined on the above basis.

All factors including payment terms, contract price, technical requirements, and specific provisions will be taken into consideration integrally for determining the commercial terms of the Specific Contract which will be reviewed separately. In practice, payment terms in mainland China is generally on semi-annual or annual basis.

The same pricing policy, procurement policy and internal control procedures are applicable to the sale or purchase to or from independent third parties.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Company’s Satellite Services provided by the Company or its subsidiaries to CSCC or its associates under the CCT Agreement for each of the three financial years ending 31 December 2023 will be HK\$530 million, HK\$530 million and HK\$530 million respectively; and (ii) the aggregate transaction amounts in respect of the CSCC’s Satellite Services provided by CSCC or its associates to the Company or its subsidiaries under the CCT Agreement for each of the three financial years ending 31 December 2023 will be HK\$210 million, HK\$260 million and HK\$310 million respectively.

**Condition:**

The CCT Agreement is conditional upon the approval by the Independent Shareholders at the SGM. It will take effect as from 1 January 2021 and will expire on 31 December 2023, subject to negotiation for renewal by both parties.

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## LETTER FROM THE BOARD

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### **Other terms and undertaking:**

Both parties have warranted (i) to provide services to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC); and (ii) to pay on time to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC) the satellite transmission service fees, satellite communication value-added service fees, related service fees and tax levy in accordance with the terms of the CCT Agreement.

Both parties have also undertaken to be responsible for any compensation (including, but not limited to, compensation for interruption) to be made to the end-user customers by the other party as a result of such party's failure to provide the Company's Satellite Services or CSCC's Satellite Services (as the case may be) in accordance with the quality standard as undertaken in the Specific Contracts. The specific provisions in respect of the undertaking will be agreed based on the principle of fairness and reasonableness and on normal commercial terms and will be set out in the Specific Contracts. The terms regarding the specific provisions, service interruption and compensation for such interruption provided by the Company under the Specific Contracts are similar to the terms under similar contracts with other third parties. The head of business support department is responsible for reviewing those specific provisions to ensure that they are agreed on the above basis.

The Board considers that all the daily credit allowance for the compensation of interruption (the "**Daily Credit Allowance**"), which is included in the specific provisions, provided by independent third parties to the Group and the Daily Credit Allowance provided by the CSCC Group to the Group are similar. The Board also considers that the Daily Credit Allowance provided by the Group to the CSCC Group was no more favourable than those provided by the Group to independent third parties.

If the parties fail to agree on price, payment terms or the specific provisions of the undertaking under the Specific Contracts, the transaction could not proceed and the Group will have to find other customers or services providers for the relevant services. In certain cases where the end-user has designated to use the CSCC's Satellite Service provided by CSCC or its associates because of the coverage of satellite transmission service, the Group will not be able to accept the order of such customers.

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## LETTER FROM THE BOARD

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### PROPOSED CAPS

#### Caps in respect of the provision of the Company's Satellite Services and CSCC's Satellite Services

The Board proposes to set the Caps in respect of the provision of the Company's Satellite Services and CSCC's Satellite Services pursuant to the CCT Agreement for the three financial years ending 31 December 2023 as follows:

	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Company's Satellite Services by the Group or its subsidiaries to CSCC and/or its associates			
<b>Caps</b>	530,000	530,000	530,000
Aggregate transaction amount in respect of the provision of the CSCC's Satellite Services by CSCC and/or its associates to the Group			
<b>Caps</b>	210,000	260,000	310,000

#### *Basis of determination of such Caps:*

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand (being approximately HK\$267 million (unaudited estimated amount calculated as at 30 September 2020); (iii) the estimates on service contract value and on the potential growth in demand for satellite transmission services and telecommunication services by the Group's end-user customers with (a) the estimated maximum amount of growth in demand of the Company's Satellite Services from CSCC or its associates, as compared to the value of contracts on hand for 2020, of approximately HK\$260 million, HK\$260 million and HK\$260 million respectively in the next three years, and (b) the estimated maximum amount of growth in demand of the CSCC's Satellite Services from the Group, as compared to the value of contracts on hand for 2020, of approximately HK\$200 million, HK\$250 million and HK\$300 million respectively in the next three years; (iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services; (v) the business plan of the Group, in particular, its intention to expand satellite-based mobile communication markets and businesses, as well as its potential new satellite; and (vi) potential new projects in Indonesia and Shenzhen which are expected to launch in the first half of 2021.

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## LETTER FROM THE BOARD

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### *Historical amounts:*

For the two financial years ended 31 December 2019 and the eight months ended 31 August 2020, the actual aggregate transactions amounts in respect of the provision of the satellite transponder service, telecommunication value-added service and related services by the Group to CSCC and/or its associates under the Existing Transponder and Communication Services Master Agreement were approximately HK\$198,762,000, HK\$217,937,000 and HK\$171,262,000 (unaudited) respectively.

For the two financial years ended 31 December 2019 and the eight months ended 31 August 2020, the actual aggregate transactions amounts in respect of the provision of the satellite transponder service, telecommunication value-added service and related services by CSCC and/or its associates to the Group under the Existing Transponder and Communication Services Master Agreement were approximately HK\$40,328,000, HK\$14,620,000 and HK\$1,596,000 (unaudited) respectively.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

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

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

Telecommunication value-added service and other related professional and management services are essential value-added telecommunication services which can help the Group and CSCC to provide solution-based services to their respective end-user customers thereby increasing the competitive edges and synergic effect for both the Group and CSCC in market competition.

If the resolution in respect of the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps is not approved by the Independent Shareholders, insofar as CSCC Satellite Services are concerned, the Group will have to source other suppliers in the market who provide similar services and can meet the specific requirement of the Group's customers. However, it is expected that in many cases the use of CSCC's satellite resources are designated by the Group's customers and thus the Group will no longer be able to accept the relevant orders from such customers and the scope of services which the Group can offer to its customers will be reduced. Further, the Group will no longer receive revenue from the provision of the Company's Satellite Services to CSCC. As a result, the operating performance of the Group will be adversely affected.

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## LETTER FROM THE BOARD

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The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the CCT Agreement 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 thereof and the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### INFORMATION OF THE GROUP AND CSCC

#### *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.

#### *CSCC*

CSCC is a company which is owned as to 89.82% by CASC. CASC is a state-owned corporation and is a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

### IMPLICATIONS OF THE LISTING RULES

CASC and its associates are interested in aggregate approximately 52.78% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the Latest Practicable Date. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date.

CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Caps are more than 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of CSCC's interests in the transactions contemplated under the CCT Agreement, APT International, CASC, CSCC and their respective associates will abstain from voting at the SGM in respect of the resolution to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps. As at the Latest Practicable Date, APT International, CASC, CSCC and their respective associates were interested in, controlled and were entitled to exercise control over 508,950,000 Shares, representing approximately 54.81% of the issued share capital of the Company.



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## LETTER FROM THE BOARD

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As (i) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, is also concurrently the deputy officer of the science committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and the chairman of the Company, is also concurrently the chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, is also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules); and (v) Mr. He Xing, a non-executive Director, is also concurrently a director of CSCC, they have abstained from voting on the relevant board resolution(s) for approving the CCT Agreement 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 CCT Agreement and the transactions contemplated thereunder and none of them is required to abstain from voting on the relevant board resolutions.

The SGM will be convened for the Independent Shareholders to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps by poll.

The Independent Board Committee comprising four independent non-executive Directors has been appointed to advise the Independent Shareholders on whether the Non-exempt Continuing Connected Transactions and the Caps are in the interest of the Company and the Shareholders as a whole and whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Financial Adviser, VMS, has also been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions and the Caps.

### **PROPOSED RE-ELECTION OF RETIRING DIRECTOR**

In accordance with code provision A.4.2 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Mr. He Xing who was appointed by the Board on 29 July 2020 shall retire and being eligible, will offer himself for re-election at the SGM.

Details of Mr. He Xing is set out in Appendix II to this circular.

### **SGM**

There is set out on pages 46 to 47 of this circular a notice convening the SGM to be held at the Company's principal place of business at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday 27 November 2020 at 11:00 a.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders by poll the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps and for approval by the Shareholder by poll the re-election of Director.

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## LETTER FROM THE BOARD

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Whether or not you are able to attend the SGM in person, you are requested to complete and sign the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 11:00 a.m. on Wednesday, 25 November 2020 (i.e. 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 the resolutions proposed for approval of the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps and the re-election of director 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
- (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.

For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive), during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 20 November 2020 will be entitled to attend and vote at the SGM. In order to be entitled to attend and vote at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 November 2020.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

The Directors recommend the Shareholders to vote in favour of the resolution to be proposed in the SGM regarding the re-election of retiring Director.

### 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 17 to 18 and 19 to 40 of this circular. Additional information is also set out in the Appendix of this circular for your information.

By Order of the Board  
**APT Satellite Holdings Limited**  
**Li Zhongbao**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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亞太衛星控股有限公司\*  
APT SATELLITE HOLDINGS LIMITED  
(Incorporated in Bermuda with limited liability)  
(Stock code: 1045)

6 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 6 November 2020 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 Non-Exempt Continuing Connected Transactions and the Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, VMS, 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 16 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 the Non-exempt Continuing Connected Transactions and the Caps as set out on pages 19 to 40 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 CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

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 Xingguo**

*Independent*

*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of the letter of advice from VMS Securities Limited to the Independent Board Committee and the Independent Shareholders prepared for inclusion in this Circular.*



**VMS Securities Limited**  
49/F, One Exchange Square  
8 Connaught Place, Central  
Hong Kong

6 November 2020

*To: The Independent Board Committee and  
The Independent Shareholders*

Dear Sirs and Madams,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the CCT Agreement and the Caps, in respect of which the Independent Shareholders' approval will be sought at the SGM. Details of the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps are set out in the "Letter from the Board" (the "**Letter**") contained in the circular of the Company dated 6 November 2020 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2020 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 29 September 2020, the Company entered into the CCT Agreement with CSCC in respect of, amongst other things, the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the CCT Agreement.

CASC and its associates are interested in aggregate approximately 52.78% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the Latest Practicable Date. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the applicable percentage ratios in respect of the Caps are more than 5%, the Non-exempt Continuing Connected Transactions and the Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, APT International, CASC, CSCC and their respective associates were interested in, controlled and were entitled to exercise control over 508,950,000 Shares, representing approximately 54.81% of the issued share capital of the Company. In view of CSCC's interests in the transactions contemplated under the CCT Agreement, APT International, CASC, CSCC and their respective associates will be required to abstain from voting at the SGM in respect of the resolution(s) to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

As (i) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, is also concurrently the deputy officer of Science Committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and chairman of the Company, is also concurrently the Chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, is also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules), and (v) Mr. He Xing, a non-executive Director, is also concurrently a Director of CSCC, they have abstained from voting on the relevant board resolution(s) for approving the CCT Agreement 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 CCT Agreement and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

The independent board committee comprising all the independent non-executive Directors, namely Lui King Man, Lam Sek Kong, Cui Liguang and Meng Xingguo, has been appointed to advise the Independent Shareholders on (i) whether the Non-exempt Continuing Connected Transactions and the Caps are in the interest of the Company and the Shareholders as a whole and (ii) whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Shareholders regarding the CCT Agreement and the transaction contemplated thereunder of the Company. No arrangement exists whereby affects our independence in relation to our appointment as the Independent Financial Adviser.

This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to (i) whether the Non-exempt Continuing Connected Transactions and the Caps are in the interest of the Company and the Shareholders as a whole; (ii) whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) advise the Independent Shareholders on how to vote in relation to (i) and (ii) above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our advice, we have relied solely on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Group 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 Group and/or the Directors and/or its senior management staff (the “**Management**”) 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 date of the Circular. 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 Directors and/or the Management 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 Group and/or the Directors and/or the Management and their respective advisers 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, CASC and CSCC or their respective associated persons.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS CONSIDERED

In formulating our opinion regarding the CCT Agreement, we have taken into consideration the following principal factors:

#### I. Background information and reasons for and benefits of entering into the CCT Agreement

##### *Information on the Group*

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

Set out below is a summary of the Group's consolidated operating results as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report") and the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"):

	For the year ended 31 December		For the six months ended 30 June	
	2018	2019	2019	2020
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(HK\$ Million)	(HK\$ Million)	(HK\$ Million)	(HK\$ Million)
<b>Revenue</b>				
Hong Kong	116.6	96.8	51.2	66.9
Greater China*	353.0	397.0	206.8	173.1
Southeast Asia	583.2	409.3	225.0	138.3
Other Regions	184.9	159.5	82.0	77.9
<b>Total revenue</b>	<b>1,237.7</b>	<b>1,062.6</b>	<b>565.0</b>	<b>456.2</b>
<b>Gross profit</b>	<b>736.1</b>	<b>536.1</b>	<b>303.1</b>	<b>192.2</b>
<b>Profit from operations</b>	<b>628.3</b>	<b>462.3</b>	<b>287.2</b>	<b>108.8</b>
<b>Profit for the year/period attributable to the shareholders of the Company</b>	<b>507.0</b>	<b>362.3</b>	<b>234.7</b>	<b>79.6</b>

\* Greater China includes Mainland China, Taiwan and Macau but excludes Hong Kong.

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$1,062.6 million, representing a decrease of approximately 14.2% from approximately HK\$1,237.7 million for the preceding year, which was mainly due to non-renewal of contract by a main customer of the Group as a result of the said customer's own business re-alignment.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The gross profit of the Group decreased approximately 27.2% or HK\$200.0 million, from HK\$736.1 million for the year ended 31 December 2018 to approximately HK\$536.1 million for the year ended 31 December 2019, which was mainly due to the increase in satellite depreciation and in orbit insurance premiums of the replacement satellites.

The profit from operation of the Group decreased approximately 26.4% or HK\$166.0 million, from HK\$628.3 million for the year ended 31 December 2018 to approximately HK\$462.3 million for the year ended 31 December 2019, which was in line with the decrease in the Group's gross profit for the same year.

The net profit of the Group decreased approximately 28.5% or HK\$144.7 million, from HK\$507.0 million for the year ended 31 December 2018 to approximately HK\$362.3 million for the year ended 31 December 2019, which was in line with the decrease in the Group's profit from operation for the same year.

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$456.2 million, representing a decrease of approximately 19.3% from approximately HK\$565.0 million for the corresponding period in 2019, which was mainly due to the impact of COVID-19 pandemic on the market environment leading to the decrease in the usage and price of transponder compared with same period in 2019.

The gross profit of the Group decreased approximately 36.6% or HK\$110.9 million, from HK\$303.1 million for the six months ended 30 June 2019 to approximately HK\$192.2 million for the six months ended 30 June 2020, which was mainly due to the decrease in the demand in satellite services and the downward adjustments of regional prices, resulted from the outbreak of COVID-19.

The profit from operation of the Group decreased approximately 62.1% or HK\$178.4 million, from HK\$287.2 million for the six months ended 30 June 2019 to approximately HK\$108.8 million for the six months ended 30 June 2020, which was due to the decrease in the Group's revenue and the increase in its administrative expense resulted from the increase in the provision of bad debt.

The net profit of the Group decreased approximately 66.1% or HK\$155.1 million, from HK\$234.7 million for the six months ended 30 June 2019 to approximately HK\$79.6 million for the six months ended 30 June 2020, which was in line with the decrease in the Group's profit from operation for the same period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below is a summary of the Group's consolidated operating results as extracted from the 2019 Annual Report and the 2020 Interim Report:

	As at 31 December		As at 30 June
	2018	2019	2020
	(Audited)	(Audited)	(Unaudited)
	(HK\$ Million)	(HK\$ Million)	(HK\$ Million)
Non-current assets	6,147.6	5,981.2	5,811.0
Current assets	1,006.9	1,102.6	1,213.1
Non-current liabilities	1,061.9	982.3	975.7
Current liabilities	445.1	248.3	277.7
Total equity	5,647.5	5,853.2	5,770.7

As at 31 December 2019, the Group recorded current liabilities of approximately HK\$248.3 million, representing a decrease of approximately 44.2% from approximately HK\$445.1 million as at 31 December 2018, which was mainly due to the full repayment of bank borrowings.

As at 30 June 2020, the Group recorded current liabilities of approximately HK\$277.7 million, representing an increase of approximately 11.8% from approximately HK\$248.3 million as at 31 December 2019, which was mainly due to the increase of current taxation liabilities.

### *Information on CSCC*

CSCC is a company which is owned as to 89.82% by CASC. CASC is a state-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

## **II. Reasons for and benefits of entering into the CCT Agreement**

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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

Telecommunication Value-added Service and Related Services are essential value-added telecommunication services which can help the Group and CSCC to provide solution-based services to their respective end-user customers thereby increasing the competitive edges and synergic effect for both the Group and CSCC in market competition.

If the resolution in respect of the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps is not approved by the Independent Shareholders, insofar as CSCC Satellite Services are concerned, the Group will have to source other suppliers in the market who provide similar services and can meet the specific requirement of the Group's customers. However, it is expected that in many cases the use of CSCC's satellite resources are designated by the Group's customers and thus the Group will no longer be able to accept the relevant orders from such customers and the scope of services which the Group can offer to its customers will be reduced. Further, the Group will no longer receive revenue from the provision of the Company's Satellite Services to CSCC, as a result, the operating performance of the Group will be adversely affected.

We understand from the Management that (i) the Company and CSCC (or its associates (other than the Company or its subsidiaries)) (the "**CSCC Group**") have maintained a long-term positive business relationship with each other, among others, including over 20 years of engaging in the provision of certain transponder, telecommunication value-added and/or related service in Mainland China and elsewhere; (ii) the scope of the cooperation between the Group and the CSCC Group will be gradually expanded in the coming years, generating thereby accumulating mutual benefits to both parties; and (iii) the CSCC Group has available satellite transponder capacity and complementary capabilities which covers Mainland China and Asia Pacific region.

We have reviewed the 2019 Annual Report and the 2020 Interim Report and note that the Group's revenue was mainly generated from its provision of satellite services for each of the two years ended 31 December 2019 and the six months ended 30 June 2020. According to the 2020 Interim Report, with the in-depth development of APSTAR-5C's HTS resources business, and the subsequent operation of APSTAR-6D, while expanding its traditional satellite resources leasing business through APSTAR-5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime shipborne and airborne on a larger scale. Meanwhile, on the basis of further strengthening internal management and cost control, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the CSCC Group with available satellite transponder capacity and capabilities being able to facilitate the Group in satisfying its customers' requirements so as to help the Group to strengthen its business relationship with its customers and pursue new business opportunities as a result of expanding the availability of satellite transponders in and outside Mainland China; (ii) the complementary capabilities (in terms of satellite transponder footprint coverage and transponder specification) of the Group and the CSCC Group in providing not only transponder service in and outside Mainland China but also telecommunication value-added and related services as solution-based services to their respective end-user customers in the regions or markets in and outside Mainland China which would increase the competitive edges and synergic effect for both the Group and the CSCC Group in market competition; (iii) the business plan of the Group, in particular, its intention to expand satellite-based mobile communication markets and businesses, as well as its potential new satellite; (iv) the long-term, positive and mutually beneficial business relationship between the Group and the CSCC Group in providing transponder, telecommunication value-added and related services in Mainland China and elsewhere; (v) operating performance of the Group being adversely in case of the absent of the Non-exempt Continuing Connected Transactions, we concur with the view of the Directors that the transactions contemplated under the CCT Agreement will maintain the provision of services to its customers and strengthen the benefits of synergy between the parties, and are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### III. Terms of the CCT Agreement

Set out below is a summary of the principal terms of the CCT Agreement. Details of the conditions and principal terms of the CCT Agreement are referred to the section heading "The CCT Agreement" in the Letter.

<b>Date:</b>	29 September 2020
<b>Parties:</b>	(1) The Company (2) CSCC
<b>Duration:</b>	From 1 January 2021 to 31 December 2023, subject to renewal by negotiation between the parties
<b>Services provided:</b>	(1) Company's Satellite Services

Based on the actual requirements of CSCC or its associates, the Company or its subsidiaries shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of the Group to CSCC or its associates: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction and services in relation to orbital position coordination and authorization services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(2) CSCC's Satellite Services

Based on the actual requirements of the Company or its subsidiaries, CSCC or its associates shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of CSCC or its associates to the Company or its subsidiaries: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction and services in relation to orbital position coordination and authorization services.

**Service fees and pricing basis:**

The Company (or its subsidiaries) and/or CSCC (or its associates) shall enter into Specific Contracts which set out the specific terms including the technical requirements or service fees in accordance with the guidelines set out in the CCT Agreement.

Service fees payable for the use of the Company's Satellite Services provided by the Company or its subsidiaries to CSCC or its associates and the commercial terms in the Specific Contracts shall be determined:

- (1) based on market-oriented, fair and reasonable principles;
- (2) based on normal commercial terms or better;
- (3) in accordance with the Company's prevailing pricing policy or CSCC's prevailing procurement policy.

Service fees payable for the use of the CSCC's Satellite Services provided by CSCC or its associates to the Company or its subsidiaries and the commercial terms in the Specific Contracts shall be determined:

- (1) based on market-oriented, fair and reasonable principles;
- (2) based on normal commercial terms or better;
- (3) in accordance with the CSCC's prevailing pricing policy or Company's prevailing procurement policy.

**Condition and other principal terms:**

The CCT Agreement is conditional upon the approval by the Independent Shareholders at the SGM. It will take effect as from 1 January 2021 and will expire on 31 December 2023, subject to negotiation for renewal by both parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Both parties have warranted (i) to provide services to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC); and (ii) to pay on time to the other party and/or its subsidiaries (in the case of the Company) or its associates (in the case of CSCC) the satellite transmission service fees, satellite communication value-added service fees, related service fees and tax levy in accordance with the terms of the CCT Agreement.

Both parties have also undertaken to be responsible for any compensation (including, but not limited to, compensation for interruption) to be made to the end-user customers by the other party as a result of such party's failure to provide the Company's Satellite Services or CSCC's Satellite Services (as the case may be) in accordance with the quality standard as undertaken in the Specific Contracts. The specific provisions in respect of the undertaking will be agreed based on the principle of fairness and reasonableness and on normal commercial terms and will be set out in the Specific Contracts.

### *Our view*

The CCT Agreement will continue to serve as a master agreement in respect of the Company's and CSCC's Satellite Services during the term of the CCT Agreement. We have compared the CCT Agreement with the Existing Transponder and Communication Services Master Agreement and note that other than extending the term of the CCT Agreement for a further term of three years, all the other terms of the CCT Agreement, including the governing mechanism, remain similar to the original terms of the Existing Transponder and Communication Services Master Agreement.

We have discussed with the Management and understand that, provided the services fees are determined and paid based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy, both parties consider it helpful in securing the resources and cooperation to each party due to their long-term cooperation and mutual understanding in the operation, technical capabilities and facilities.

We understand from the Management that the Group has engaged other independent third parties in respect of the provision of the satellite services and will continue the practice. We have compared the past sample Specific Contracts entered into between the Group and the CSCC Group and those between the Group and independent third parties for the comparable Services (the "**Comparable Contracts**"), which, based on our understanding, contained the terms (including the prices) arrived at after arm's length negotiations between the parties by reference to the prevailing market conditions. We note that the principal terms under the Comparable Contracts were similar and the service fees under the Comparable Contracts (a) paid by the Group to CSCC Group were no more favourable than those to the independent third parties; and (b) received by the Group from CSCC Group were no less favourable than those to the independent third parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Management, despite the Group may not be able to obtain quotations from other independent third parties (as explained in section “IV. Internal Control Measures” below), under certain circumstances when the Group’s customers requested the services provided by independent third parties, the Group would follow the preference of its customers and engage independent third parties. For the service fee and specific provisions under the Comparable Contracts paid by the Group to independent third parties (the “**Procurement Contracts with Other Satellite Operators**”), we have obtained and reviewed three contracts available for review. We understand from the Management that the Company, as a provider of satellite transponder capacity itself, would only in exceptional circumstances have the need to procure satellite transponder capacity from other satellite operators. We note that although under the Procurement Contracts with Other Satellite Operators, service term and the transponder segment are not identical, the principal terms (including specific provisions) under the Procurement Contracts with Other Satellite Operator were similar and the monthly service fee per unit paid by the Group to the CSCC Group was no more favourable than those to the independent third parties. The Daily Credit Allowance for the compensation of interruption, which is included in the specific provisions, provided by independent third parties to the Group was calculated on time basis, whereas the Daily Credit Allowance provided by the CSCC Group to the Group ranged from 0% to 100% (in proportion to time of interruption). We are of the view that the Daily Credit Allowance provided by the GSCC Group and the independent third parties are similar.

For the service fee and specific provisions under the Comparable Contracts received by the Group from independent third parties (the “**Sales Contracts with Other Satellite Operators**”), we have obtained and reviewed the five largest contracts entered into between the Group and CSCC Group and five largest Sales Contracts with Other Satellite Operators for each of the two years ended 31 December 2019 and the eight months ended 31 August 2020. Besides, we have, on a sampling basis, obtained and reviewed 18 samples in addition to the aforesaid Sales Contracts with Other Satellite Operators covering each of the operating satellites of the Group, namely APSTAR-5, APSTAR-5C, APSTAR-6, APSTAR-6C, APSTAR-7 and APSTAR-9. The criteria of selection is the same serving satellite with equivalent bandwidth and similar service level as the service provided to the CSCC Group in the past three years. By comparison, we note that (i) although the service term and the transponder segment of each sample are not identical, the principal terms, including the specific provisions, under the Comparable Contracts were similar; and (ii) the Daily Credit Allowance provided by the Group to independent third parties ranged from 0% to 150%, whereas the Daily Credit Allowance provided by the Group to the CSCC Group ranged from 0% to 100%, hence, the Daily Credit Allowance provided by the Group to the CSCC Group was no more favourable than those from the independent third parties. We also note from the Management that the monthly/yearly service fee per unit received in some regions may be different due to the market conditions in those specific regions. Except for the fact that in some regions where the CSCC Group has not requested the Group to provide the service and therefore the monthly or yearly service fee per unit cannot be comparable, the monthly/yearly service fee per unit received by the Group from the CSCC Group was no less favourable than those from the independent third parties.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter, the payment terms (including the mode of payment and credit terms) will be negotiated between the parties before signing the Specific Contract at arm's length basis. The head of business support department is responsible for reviewing the payment terms to ensure that payment terms in the Specific Contract are determined on the above basis.

In respect of the payment terms under the sales contracts, we have discussed with the Management and understand that the payment terms for international customers and PRC customers are usually under monthly payment arrangement and semi-annual payment arrangement, respectively. However, the Group's customers might request other payment terms, which could match the preferences of their end customers. We were also advised by the Management that payment terms for the customers shall not be longer than an annual payment arrangement. We note from the Comparable Contracts that (i) the payment terms under the Sales Contracts with Other Satellite Operators ranged from monthly payment arrangement to annual payment arrangement (including lump-sum payment arrangement); and (ii) the payment terms under the Comparable Contracts in relation to the Company's Satellite Services provided to the CSCC Group were no longer than annual payment arrangement (including lump-sum payment arrangement). We have obtained and reviewed the internal approval records in relation to the Comparable Contracts between the Group and the CSCC Group and note that each of the aforesaid contracts were reviewed and approved by, among others, the responsible manager of the finance department, the responsible manager of the legal department, the head of business support department.

In respect of the payment terms under the procurement contracts, we have discussed with the Management and understand that the payment terms were negotiated on a case-by-case basis. We note from the Comparable Contracts that (i) the payment terms under the Procurement Contracts with Other Satellite Operators ranged from monthly payment arrangement to quarterly payment arrangement (including lump sum payment arrangement); and (ii) the payment terms under most of the Comparable Contracts in relation to the CSCC's Satellite Services provided to the Group were lump-sum arrangement after end of the service term (except those for the satellite services in Lao, which were arranged monthly).

In light of the above, we are of the view that the terms in relation to specific provisions and the payment terms are normal.

#### **IV. Internal control measures**

As stated in the Letter, the prevailing pricing policy and procurement policy of the Company will be reviewed regularly by the respective party and if necessary, to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of the Company's Satellite Services or the CSCC's Satellite Services by the Company or CSCC to the other party shall comply with the internal control procedures of the respective party to ensure that the agreed price and the terms must be in accordance with normal commercial terms or better.

The Company, taking into account prevailing market price for such relevant service and the service fees of the contracts of the Group then in force, derives the Unit Price for each of the applicable service of the Group on a regular basis and applies the Unit Price as a reference in determining the service fees for provision of all kinds of satellite transmission services, telecommunication value-added services, and related services (regardless of whether the customer is a connected party or not).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Unit Price is regulated by the pricing policy of the Company. The pricing policy is reviewed annually by the Company. For each year, the staff in-charge from the business support department of the Group will calculate an average standard unit price per month and submit a preliminary proposal of Unit Price with reference to the previous pricing policy and the market conditions to the Company for review and approval. The Company will have meeting in each year to analyse and discuss the proposed pricing policy prepared by the business support department, based on certain evaluation criteria including the regional market conditions, the business trend and the development strategy plan of the Company. After the Unit Price is approved by the Company, the new pricing policy with new Unit Price will be released and applied. The staff in-charge from the business support department is responsible for checking whether the Unit Price has been properly adhered to for each contract the Company intends to sign. In case where any contract unit price is lower than the pre-approved range under the pricing policy, pursuant to the authority of delegation policy of the Company, the contract will be examined and approved by the corresponding persons in-charge.

The services fees for the Company's Satellite Services are determined after the negotiation of the terms and conditions of the Specific Contract by the Group and its customers, with reference to the pricing policy, market price, historical services fees of similar services provided to its customers, including both the CSCC Group and independent third parties (if any).

In light of the abovementioned, we are of the view that the procedures for determining the Unit Price is normal and the Unit Price is consistent with the market conditions. As such, we concur with the Management that using the Unit Price as a reference in determining the service fees payable for the use of the Transponder Service shall be on normal commercial terms or on terms which are no less favourable to the Group. Besides, based on our sampling results in section "III. Terms of the CCT Agreement", we are also of the view that the pricing policy as well as the internal procedures in respect of the service fee, specific provisions and the payment terms are sufficient to safeguard the Company's and the Shareholders' interest as a whole.

As stated in the Letter, the Company has adopted the following internal procedures to ensure the procurement contracts are properly reviewed and approved (the "**Procurement Policy**"):

- (i) the staff in-charge is required to ensure that the proposed procurement of services and goods meet the technical specifications of the Company's customer and, whenever possible, provide at least one supplemental supplier for consideration and comparison;
- (ii) the responsible manager of the finance department is responsible for reviewing the payment terms of the procurement contract and prices or fees proposed compared to the respective budget of the Company;
- (iii) the responsible manager of the legal department is responsible for reviewing the procurement contract;
- (iv) the head of business support department is responsible for reviewing the terms and conditions of the procurement contract to ensure that the same are in line with normal market practices and the standard terms are no less favourable to the Company than those available from independent suppliers, based on certain evaluation criteria of supplier(s), including quality of the services or goods, the prices, reputation, experience, financial soundness, and post-sale services or support provided; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the procurement contract will be finally reviewed and approved by the head of the department which requires the procurement and jointly approved by the executive vice president of the department and president in the event that the procurement amount has exceeded the Specified Amount. In case when the procurement amount is below the Specified Amount, the procurement contract will only be examined and approved by the head of the department which requires the procurement. The Specified Amount of the procurement is regulated by the current authority of delegation policy of the Company as approved by the Board.

As stated in the Letter, under normal circumstances, it is difficult to obtain quotations from other independent third parties for comparison as the technical specification prescribed by the Group's customers will largely restrict the choices of alternative service providers and most of them may be reluctant to provide fee quotations to their competitors in the industry. We have further discussed with the Management and understand that in order to obtain quotations from satellite services providers, the Group is required provide specific information of the Group's customers. Since the Group has to secure its customer base as well as protecting its own interest, it is difficult for the Group to obtain quotations from other independent third parties. If CSCC is the only qualified service provider which can meet the requirements of the Group's customers, the prices of the Company's Satellite Services will be determined on arm's length negotiation by the parties and subject to a profit margin of not less than 4%, which also applies in projects where satellite services are procured from independent third parties. There may be rare cases where the particular importance of securing the underlying customer's contract to the Group (taking into account the value of the underlying customer's contract, the market strategy of the Group, the maintenance of future business relationship with the customer, the profit which can be derived by the Group from the underlying customer's contract by providing its own satellite resources and/or services in conjunction with those of CSCC and/or other relevant commercial factors) may justify the procurement of CSCC's Satellite Services even though only a lower profit margin can be achieved. In those special cases, the head of the business support department will be responsible for reviewing and submitting to the executive vice president or president for approval based on the profit level. The above procurement policy and procedures also apply in projects where satellite services are procured from independent third party service providers.

In respect of the Procurement Policy, we understand from the Management that the respective staff in-charge that proposes to procure the services or goods and is responsible for compiling the case document of a transaction for the approval shall consider certain criteria of the supplier(s), including (a) quality of the services or goods and the impacts to the Group's business offered; (b) prices or fees proposed compared to the respective budget of the Group; (c) reputation; (d) experience; (e) financial soundness; and (f) after-sale services or support provided, and submit sufficient supporting evidence to the aforementioned and, whenever possible, at least one supplemental supplier for consideration and comparison. In addition, the respective staff in-charge shall also submit whether the counter-party of a transaction is a connected party or an independent third party, and additional evidence that the terms (including the prices or fees) of such a transaction are in normal and ordinary course of business of the Group, fair or for the benefit of the Group and no less favourable to the Group than those available from independent third parties should the counter-party be a connected party of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Procurement Policy provides, among others, the approval procedure and process for any procurement contracts in relation to all such satellite transmission services, value-added services for telecommunication, and other related services, the Group shall only procure services and goods from those suppliers which are approved by the Group and registered under the list of qualified suppliers (subject to regular review and update from time to time), and any transaction shall be subject to the approval process and compliant to the internal control process prior to the signing by the Group, i.e. the procurement transaction should be reviewed by the financial, legal, and business support departments and finally approved by head of the department. We have obtained and reviewed the Procurement Policy as well as the internal approval records in relation to the Comparable Contracts in respect of the CSCC's Satellite Services and note that the aforesaid Comparable Contracts were reviewed and approved in accordance with the Procurement Policy. Based on our sampling results in section "III. Terms of the CCT Agreement", we are also of the view that the Procurement Policy as well as the internal procedures in respect of the service fee, specific provisions and the payment terms are sufficient to safeguard the Shareholders' interest as a whole.

In respect of the internal control system of the Group, we understand from the Management that the Group has implemented and maintains an internal control system based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) framework and principles, the effectiveness of which is reviewed by the Directors at least annually to ensure the internal control system of the Group is in line with the requirements under the C.2 Internal Control of Appendix 14 of the Listing Rules. It covers the financial reporting, operational and compliance functions of the Group, overseeing the entering into any service agreements with customers or the procurement of any services in relation to Transponder Services, Telecommunication Value-added Service, and Related Services within the Group. Each transaction, including those under the scope of the Non-exempt Continuing Connected Transactions requires the approval by all the financial, business support and legal departments of the Group with segregated duties before entering into by the Group and the relevant terms and conditions (including the respective prices or fees) of the respective transaction are checked by the compliance department on a sampling basis and audited by the internal auditors on an annual basis, ensuring (a) the transaction entered into by the Group and the fees paid are consistent with the Group's prevailing pricing and procurement policy based on market-oriented, fair and reasonable principles; and (b) the terms (including the prices or fees) of a transaction are on normal commercial terms and no less favourable to the Company than terms available to or from (as appropriate) independent third parties in case any counterparty of a transaction is a connected party.

As such, we concur with the view of the Directors' that prevailing pricing policy and procurement policy are consistent with market-oriented, fair and reasonable. The internal control procedures and mechanism of the Company are adequate and fair and in the interests of the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We also note from the annual report of the Company for the year ended 2018 (the “**2018 Annual Report**”) and 2019 Annual Report that the independent non-executive Directors of the Company (the “**Independent Non-executive Directors**”) had reviewed the Continuing Connected Transactions and confirmed in both years that:

- (i) the Continuing Connected Transactions have been entered into under the usual and ordinary course of business of the Group;
- (ii) the Continuing Connected Transactions have been conducted either on normal commercial terms; or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available from independent third parties; and
- (iii) the Continuing Connected Transactions have been entered into in accordance with the Existing Transponder and Communication Services Master Agreement governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole.

Moreover, we note from these annual reports that in both years the Directors had received a letter from the auditor of the Company, namely KPMG (“**KPMG**”), which was engaged to report on the Group’s Continuing Connected Transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. KPMG had issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which has been provided by the Company to the Stock Exchange in accordance with Rule 14A.56 of the Listing Rules where confirming the Continuing Connected Transactions:

- (i) have been approved by the Board of Directors;
- (ii) were in all material respects, in accordance with the pricing policies of the Group;
- (iii) were in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and
- (iv) have not exceeded the respective Caps set out above for the respective financial year.

On the basis that (i) the CCT Agreement is an extension of the Existing Transponder and Communication Services Master Agreement for a further three years ending 31 December 2023 and has similar principal terms (save for the term of the CCT Agreement), including the governing mechanism, which were approved by the then independent Shareholders; (ii) prevailing pricing policy and Procurement Policy are consistent with market-oriented, fair and reasonable principles and the internal control procedures and mechanism of the Company are adequate; (iii) the principal terms under the Comparable Contracts were similar and the service fees under the Comparable Contracts (a) paid by the Group to CSCC Group were no more favourable than those to the independent third parties; and (b) received by the Group from CSCC Group were no less favourable than those from the independent third

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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parties; and (iv) the Independent Non-executive Directors and KPMG confirmed on the relevant compliance in respect of the Continuing Connected Transactions in the 2018 Annual Report and the 2019 Annual Report, we concur with the Directors' view that the terms of the CCT Agreement with respect to the CSCC Satellite Services are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### V. The Caps

The Non-exempt Continuing Connected Transactions will be subject to the Caps whereby the amount of the Non-exempt Continuing Connected Transactions for each of the three years ending 31 December 2023 shall not exceed the applicable annual amount stated in the Letter. In assessing the reasonableness of the Caps, we have discussed with the Management the bases and the underlying assumptions for determining the Caps.

Set out below are (i) the historical transaction amounts in respect of (a) the Company's Satellite Services and (b) the CSCC's Satellite Services for each of the two years ended 31 December 2019 and the eight months ended 31 August 2020; (ii) the relevant approved caps for each of the three years ended 31 December 2020 under the Existing Transponder and Communication Services Master Agreement:

#### *The Company's Satellite Services*

<i>(HK\$' million)</i>	<b>For the year ended 31 December</b>		<b>For the eight months ended 31 August</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Approved caps	375.0	375.0	375.0
Historical transaction amounts	198.8	217.9	171.3
Utilisation rate	53.0%	58.1%	45.7%

#### *The CSCC's Satellite Services*

<i>(HK\$' million)</i>	<b>For the year ended 31 December</b>		<b>For the eight months ended 31 August</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Approved caps	220.0	220.0	220.0
Historical transaction amounts	40.3	14.6	1.6
Utilisation rate	18.3%	6.6%	0.7%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set out below are the Caps for each of the three years ending 31 December 2023:

<i>(HK\$' million)</i>	<b>For the year ended 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Caps in respect of the Company's Satellite Services	530.0	530.0	530.0
Caps in respect of the CSCC's Satellite Services	210.0	260.0	310.0

As stated in the Letter, the above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand (the “**Contracts on Hand**”) (being approximately HK\$267.0 million (unaudited estimated amount calculated as at 30 September 2020)); (iii) the estimates on service contract value and on the potential growth in demand for satellite transmission services and telecommunication services by the Group's end-user customers with (a) the estimated maximum amount of growth in demand of the Company's Satellite Services from CSCC or its associates, as compared to the value of contracts on hand for 2020, of approximately HK\$260.0 million, HK\$260.0 million and HK\$260.0 million respectively in the next three years, and (b) the estimated maximum amount of growth in demand of the CSCC's Satellite Services from the Group, as compared to the value of contracts on hand for 2020, of approximately HK\$200.0 million, HK\$250.0 million and HK\$300.0 million respectively in the next three years; (iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services.

For the two years ended 31 December 2019 and the eight months ended 31 August 2020, the actual aggregate transaction amounts in respect of the Company's Satellite Services were approximately HK\$198,762,000, HK\$217,937,000 and HK\$171,262,000 respectively.

For the two years ended 31 December 2019 and the eight months ended 31 August 2020, the actual aggregate transaction amounts in respect of the CSCC's Satellite Services were approximately HK\$40,328,000, HK\$14,620,000 and HK\$1,596,000, respectively.

### *Analysis of the Caps*

#### *The Company's Satellite Services*

We note that the actual historical aggregate transaction amounts in respect of the Company's Satellite Services (the “**Historical Company's Satellite Services Amounts**”) increased from approximately HK\$198.8 million for the year ended 31 December 2018 to approximately HK\$217.9 million for corresponding period in 2019, which was mainly due to the increase in CSCC's demand in the Company's Satellite Services. The historical Company's Satellite Services Amounts increased from approximately HK\$217.9 million for the year ended 31 December 2019 to approximately HK\$171.3 million (annualised: HK\$256.8 million) for the year ending 31 December 2020, which was attributable to the increase in CSCC's demand in the Company's Satellite Services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In addition, the utilisation rate of the historical caps (the “**Utilisation Rate of the Company’s Satellite Services**”), calculated by dividing the respective actual fees paid and the annual caps in the corresponding year, was 53.0%, 58.1% and 45.7% (annualised: 68.6%) for the year ended 31 December 2018 and 2019 and the year ending 31 December 2020, respectively.

The Caps in respect of the Company’s Satellite Services are HK\$530.0 million for each of the coming three years ending 31 December 2023 which represents an increase of 41.3% compared with the previous annual Cap. Based on our review of the forecast aggregate transaction amounts for the Company’s Satellite Services (the “**Company’s Satellite Services Forecast Amounts**”) for the three years ending 31 December 2023, we note that the Company’s Satellite Services Forecast Amounts are determined based on (i) the value of the Contracts on Hand (including those are anticipated to be renewed); (ii) the additional estimated value from the potential new contracts to be signed (the “**New Contracts**”); and (iii) a buffer of HK\$107.0 million for the three years ending 31 December 2023.

Based on our review of the respective Forecast Amounts provided by the Company, we note that the value from the Contracts on Hand, which has a growth of approximately 15.0% to HK\$307.0 million when compared to the amount as at 31 August 2020 of approximately HK\$267.0 million. The Management advised that such increase was estimated based on (i) the value of the existing satellite contracts as at the Latest Practicable Date; and (ii) the estimated transaction amounts of related services which are expected to be derived from the existing satellite contracts.

Moreover, we understand from the Management that the forecast value for the New Contracts is attributed to (i) the estimated revenue from the renewal and upgrade of the existing contracts entered into between the Group and the CSCC Group would be approximately HK\$65.0 million, HK\$55.0 million and HK\$55.0 million for each of the year ending 31 December 2021, 2022 and 2023; (ii) a potential new satellite project in Indonesia, which is expected to generate revenue of HK\$49.0 million for each of the three years ending 31 December 2023; and (iii) a potential new project in Shenzhen, which is expected to generate revenue of HK\$2.2 million for each of the three years ending 31 December 2023. We have obtained and review the proposals and/or the correspondences in relation to the said new projects in Indonesia and Shenzhen (the “**New Projects**”) and understand from the management that the New Projects are expected to launch in the first half of 2021.

In respect of the buffer of HK\$107.0 million, we have discussed with the Management and understand that (i) the Group’s existing independent third party customers (amounted to contract value of approximately HK\$82.0 million) may have to procure the Group’s satellite services through contract arrangements with the CSCC Group due to the potential change in compliance environment in the PRC; and (ii) a buffer for RMB exchange rate fluctuation of HK\$25.0 million (representing approximately 5% of the total amount of the Contracts on Hand, New Contracts and the aforesaid contract arrangements) have been considered when determining the Caps.

Having considered the above, we concur with the Directors’ view that the respective Caps in respect of the Company’s Satellite Services have been arrived at on a fair and reasonable basis.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The CSCC's Satellite Services*

We note that the actual historical aggregate transaction amounts in respect of the CSCC's Satellite Services (the "**Historical CSCC's Satellite Services Amounts**") decreased from approximately HK\$40.3 million for the year ended 31 December 2018 to approximately HK\$14.6 million for the corresponding period in 2019, which was mainly due to the decrease in demand in the CSCC's Satellite Services as Group procured the satellite services from other independent third parties. The Historical CSCC's Satellite Services Amounts decreased from approximately HK\$14.6 million for the year ended 31 December 2019 to approximately HK\$1.6 million (annualised: HK\$2.4 million) for the year ending 31 December 2020, which was mainly due to the decrease in demand in the CSCC's Satellite Services as the demand of CSCC's satellite services from the customers of the Group decreased significantly during the year ended 31 December 2020.

The utilisation rate of the historical caps (the "**Utilisation Rate of the CSCC's Satellite Services**"), calculated by dividing the respective actual fees paid and the annual caps in the corresponding year, was 18.3%, 6.6% and 0.7% (annualised: 1.1%) for the year ended 31 December 2018 and 2019 and the year ending 31 December 2020, respectively. We understand from the Management that APSTAR-6D was scheduled to be launched in 2019, however, due to the outbreak of the COVID-19, it was postponed and was finally launched in the third quarter of 2020. Such delay of launch of APSTAR-6D led to the relatively lower Utilisation Rate of the CSCC's Satellite Services as the relevant procurement is expected to postpone to 2021.

The Caps in respect of the CSCC's Satellite Services of HK\$210.0 million, HK\$260.0 million and HK\$310.0 million in the years ending 31 December 2021, 2022 and 2023, respectively, representing a decrease of 4.6%, increases of 18.2% and 40.9% for the respective years. We understand from the Management that the value of the Contracts on Hand in relation to the CSCC's Satellite Services amounted to approximately HK\$6.6 million as at 31 August 2020. The Management, based on their experience, expects the increase in the transaction amounts to be approximately HK\$0.4 million for each of the three years ending 31 December 2020. As advised by the Management, the estimated transaction amounts generated from the New Contracts in relation to the CSCC's Satellite Services are approximately HK\$201.0 million, HK\$254.0 million and HK\$302.0 million for the three years ending 31 December 2023. We understand from the management that the Caps in relation to the CSCC Satellite Services were determined based on (i) the expected procurement amounts of the transponders for APSTAR-6D of approximately HK\$194 million, HK\$242 million and HK\$291 million, respectively, as APSTAR-6D was launched in the third quarter of 2020; (ii) leasing the transponders of LAOSAT-1 Satellite amounted to approximately HK\$4.6 million, HK\$9.2 million and HK\$9.2 million for the three years ending 31 December 2023, respectively, as the relevant arrangement is currently under discussion; and (iii) required positioning services amounted to approximately HK\$2.2 million for each of the years ending 31 December 2023.

Having considered the above, we concur with the Directors' view that the respective Caps have been arrived at on a fair and reasonable basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### VI. Conditions of the Non-exempt Continuing Connected Transaction

In compliance with the Listing Rules, the Non-exempt Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the Caps for the Non-exempt Continuing Connected Transactions for each of the three years ending 31 December 2023 will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Non-exempt Continuing Connected Transactions and confirm in the Company's annual report whether the Non-exempt Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, report on the Non-exempt Continuing Connected Transactions annually and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company) whether anything has come to their attention that causes them to believe that the Non-exempt Continuing Connected Transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the Non-exempt Continuing Connected Transactions; and
  - (d) have exceeded the Caps with respect to the Non-exempt Continuing Connected Transactions;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters set out in the points (ii) and/or (iii) above respectively;
- (v) the Company must allow and ensure that CSCC allows the auditors of the Company sufficient access to their records for the purpose of the auditors' reporting on the Non-exempt Continuing Connected Transactions. The Company must state in the annual report whether the auditors of the Company have confirmed the matters stated in Rule 14A.56 of the Listing Rules; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Non-exempt Continuing Connected Transactions exceeds the Caps, or that there is any material amendment to the terms of the CCT Agreement.

In light of the conditions imposed on the Non-exempt Continuing Connected Transactions Continuing Connected Transactions, in particular, (a) the limit of the value of the Non-exempt Continuing Connected Transactions by way of the Caps; (b) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Non-exempt Continuing Connected Transactions; and (c) the aforesaid ongoing review by the auditors of the Company regarding the Caps, we are of the view that appropriate measures has been and continue to be in place to govern the conduct of the Non-exempt Continuing Connected Transactions and safeguard the interests of the Independent Shareholders

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Non-exempt Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole; (ii) the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Company; and (iii) the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps at the upcoming SGM.

Yours faithfully,  
For and on behalf of  
**VMS Securities Limited**  
**Anderson Wong**  
*Managing Director*  
*Corporate Finance*

*Mr. Anderson Wong is a licensed person and a responsible officer of VMS Securities Limited registered with the Securities and Future Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has over ten years of experience in the corporate finance industry.*

## 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	<i>Note</i>	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 (“ <b>Dr. Meng</b> ”)	Interest of spouse	1	438,000	0.05%

*Note:*

1. Dr. Meng’s wife held 438,000 Shares. 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 he was taken or deemed to have under such provisions of the SFO), or 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:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and
- (b) 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 2019, the date up to which the latest published audited consolidated financial statements of the Group were made.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save and except that (i) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, was also concurrently the deputy officer of the Science Committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and chairman of the Company, was also concurrently the chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, was also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules); and (v) Mr. He Xing, a non-executive Director, was also concurrently a director of CSCC.

### **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, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. MATERIAL ADVERSE CHANGE

Save for the matters disclosed in the announcement of the Company dated 15 June 2020 in respect of profit warning and in the interim report for the period ended 30 June 2020, 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 2019, being the date to which the latest published audited consolidated financial statements of the Group were made.

## 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:

<b>Name</b>	<b>Qualification</b>
VMS	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under 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 which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, 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 6 November 2020 for incorporation in this circular.

**7. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**8. 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 CCT Agreement;
- (ii) the Existing Transponder and Communication Services Master Agreement;
- (iii) letter from the Independent Board Committee dated 6 November 2020, the text of which is set out on pages 17 to 18 of this circular;
- (iv) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 6 November 2020, the text of which is set out on pages 19 to 40 of this circular;
- (v) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed “Expert’s qualifications and consent” in this appendix; and
- (vi) this circular.

The following are details of the Director who will retire and being eligible, offer themselves for re-election at the SGM.

**Mr. He Xing**, aged 57, was appointed as a non-executive director on 29 July 2020. He graduated from Beijing Polytechnic University with Bachelor of Engineering degree in solid rocket engine in 1984. He then obtained his Master of Business Administration degree from Beijing University Guanghua School of Management in 2003. Since 1984, Mr. He had worked consecutively as Engineer for the Institution of China Academy of Space Technology, a Deputy Director, a Deputy General Manager and General Manager of the Space Department of China Great Wall Industry Corporation; an Assistant to the President, Vice President and Researcher of China Great Wall Industry Corporation. Mr. He is currently a Director of China Lucky Group Corporation and a Director of CSCC. Mr. He has also been appointed as a Director of APT Satellite Company Limited, which is a subsidiary of the Company and a Director of APT International, the substantial shareholder of the Company.

Save as disclosed above, Mr. He does not hold any other position with the Company and other members of the Group, nor has any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. He has no relationship with any directors, senior management, substantial shareholder or controlling shareholder of the Company and does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. He has not entered into any service contract with the Company, nor is appointed for specific term. His only emolument is annual director's fee of HK\$100,000. He confirms that he will waive the receipt of the director's fee. The emolument of Mr. He is to be reviewed annually according to the recommendation to the Board of Directors provided by the Company's Remuneration Committee to the Board in accordance with its Terms of Reference after taking into account of certain determining factors, including the Company's operation objective and development plan; the managerial organization structure; the financial budget of the Company; the performance and expectation of the relevant person; and the supply and demand situation of the human resources market.

Mr. He shall retire his directorship pursuant to code provision A4.2 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules and be eligible for re-election at the SGM in accordance with the Bye-laws of the Company.

Save as disclosed above, there is no other information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matters which need to be brought to the attention of Shareholders of the Company.



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## NOTICE OF THE SPECIAL GENERAL MEETING

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亞太衛星控股有限公司\*

APT SATELLITE HOLDINGS LIMITED

(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 in Hong Kong, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Friday, 27 November 2020, at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, each as an ordinary resolution of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT**
  - (a) the transponder and communication services master agreement dated 29 September 2020 (the “**CCT Agreement**”) entered into between the Company and 中國衛通集團股份有限公司 (China Satellite Communications Company Limited) (“**CSCC**”) in respect of the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Company and/or its subsidiaries and CSCC and/or its associates, as defined and described in the circular of the Company dated 6 November 2020 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the CCT Agreement marked “**B**” being tabled before the meeting and initialled 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;
  - (b) the Caps (as defined in the Circular) for each of the three financial years ending 31 December 2023 as contemplated under the CCT Agreement be and are hereby approved; and
  - (c) the directors of the Company be and are hereby authorised to do all such further 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 CCT Agreement and the transactions contemplated thereunder.”
2. **THAT** Mr. He Xing be re-elected as a non-executive director of the Company.

By Order of the Board  
**APT Satellite Holdings Limited**  
**Lau Tsui Ling Shirley**  
*Company Secretary*

Hong Kong, 6 November 2020

\* For identification purpose only

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## NOTICE OF THE SPECIAL GENERAL MEETING

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*Registered office:*

Clarendon House  
2 Church Street  
Hamilton, HM 11  
Bermuda

*Head office and principal place of business in Hong Kong:*

22 Dai Kwai Street  
Tai Po Industrial Estate  
Tai Po  
New Territories  
Hong Kong

*Notes:*

1. The ordinary resolutions to be considered at the special general meeting will be determined by poll pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. On voting by poll, each member shall have one vote for each share held in the Company. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://www.apstar.com)) respectively.
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](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 11:00 a.m. on Wednesday, 25 November 2020 (i.e. 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof) and in default thereof the form of proxy shall not be treated as valid.
5. For the purpose of determining the entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive), during which period no transfer of shares will be effected. Members of the Company whose names appear on the register of members of the Company at the close of business on Friday, 20 November 2020 will be entitled to attend and vote at the special general meeting. In order to be entitled to attend and vote at the special general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 20 November 2020.
6. 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.
7. As at the date of this notice, the board of the Company are Mr. Cheng Guangren (President) and Mr. Qi Liang (Vice President) as Executive Directors; Mr. Li Zhongbao (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Fu Zhiheng, Mr. Lim Kian Soon, Mr. He Xing 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 Liguang and Dr. Meng Xingguo as Independent Non-executive Directors.
8. If tropical cyclone warning signal number 8 or above, or a black rainstorm warning signal is in effect any time and remains in force 2 hours before the time of the special general meeting on the date of the special general meeting, the special general meeting will be postponed. The Company will publish an announcement on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://www.apstar.com)) respectively to notify the shareholders of the Company of the date, time and place of the rescheduled meeting.
9. References to time and dates are to Hong Kong time and dates.