

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

The Board is pleased to announce that the Company entered into the Investors' Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin on 23 July 2016 for the establishment of the Joint Venture.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5% but are less than 25%, the formation of the Joint Venture and the transaction contemplated under the Investors' Agreement constitute a discloseable transaction and are subject to reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that the Company entered into the Investors' Agreement with Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin on 23 July 2016 for the establishment of the Joint Venture. The principal terms of the Investors' Agreement are set out below.

FORMATION OF JOINT VENTURE

Date

23 July 2016

Parties

- (1) The Company;
- (2) Beijing Shipping;
- (3) Guo Xin (Shenzhen);
- (4) Shenzhen Hao Chuang; and
- (5) Mr. Pang Lixin

* *For identification purpose only*

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin (as well as their respective ultimate beneficial owners) are third parties independent of the Company and its connected person.

As at the date of this announcement, APT (Shenzhen) is a wholly-owned subsidiary of the Company. After the signing of the Investors' Agreement, the Company has assigned and transferred and APT (Shenzhen) has assumed all the equity, rights and obligations of the Company under this Investors' Agreement by a separate assignment and assumption agreement entered into between the Company and APT (Shenzhen) on 23 July 2016. APT (Shenzhen) will be the company within the Group to be responsible specifically for the investment and development of the Joint Venture.

Scope of business

The scope of business of the Joint Venture includes construction and operation of satellite communication system, satellite space segment services, satellite fixed and mobile telecommunication services, internet access, integration of networks and systems and technical consultancy services etc.

Capital contribution

The total registered capital of the Joint Venture will be RMB1,420 million, which will be contributed by the Parties in cash as follows:

- (i) RMB600 million by the Company (or APT (Shenzhen) after the said assignment and assumption between the Company and APT (Shenzhen)), (representing approximately 42.3% of the equity interest in the Joint Venture);
- (ii) RMB340 million by Beijing Shipping (representing approximately 23.9% of the equity interest in the Joint Venture);
- (iii) RMB200 million by Guo Xin (Shenzhen) (representing approximately 14.1% of the equity interest in the Joint Venture);
- (iv) RMB200 million by Shenzhen Hao Chuang (representing approximately 14.1% of the equity interest in the Joint Venture); and
- (v) RMB80 million by Mr. Pang Lixin (representing approximately 5.6% of the equity interest in the Joint Venture).

Except with the approval of the board of directors of the Joint Venture, the Parties shall pay by instalments their respective capital contribution in the following manner:

- (i) upon the establishment of the Joint Venture, 5% of the capital contribution from each Party; and

- (ii) the remaining portion of capital contribution shall be made by the Parties in accordance with the following schedule:
 - (a) the remaining portion of capital contribution shall be made by the Parties (except the Party who will make investment as described in (b)) within the initial two years after the formation of the Joint Venture and at such date(s) (the “**Contribution Date(s)**”) and such amount as the Board of Directors of the Joint Venture shall determine from time to time with reference to the establishment and actual operating conditions of the Joint Venture provided that 20 working days notice will be given to the Parties in advance;
 - (b) the remaining portion of capital contribution shall be made by Mr. Pang Lixin within the initial five years after the formation of the Joint Venture.

The amount of capital contribution to be made by the Parties was arrived at after arm’s length negotiations between the Parties with reference to the expected capital requirements of the Joint Venture. The total capital contribution of RMB1,420 million will be used to satisfy the working capital and capital expenditures of the Joint Venture.

Upon establishment of the Joint Venture, the Company will be interested in approximately 42.3% of the equity interest in the Joint Venture.

Sharing of profits

Each Party shall be entitled to dividends to be declared by the Joint Venture in accordance with the percentage of contribution made by each Party and the Articles of Association of the Joint Venture. Each Party agrees that the Joint Venture shall, as far as possible and depending on the actual operating situation of the Joint Venture, apply the undistributed profits for dividends to the shareholders of the Joint Venture.

Restriction on equity transfer

Unless with the prior written consent of all other shareholders of the Joint Venture, (i) the Company shall not within 10 years after the establishment of the Joint Venture; and (ii) each of Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin shall not within 5 years after the establishment of the Joint Venture (such 10-year or 5-year period hereinafter referred to as the “**Prohibition Period**”) transfer or sell its equity in the Joint Venture to the other shareholder of the Joint Venture or any other third party. The said restriction on equity transfer will not be applicable in case of substantial merger and acquisition in relation to the Joint Venture.

After the Prohibition Period, if the sale or transfer of equity in the Joint Venture will or may cause the Company to have a lower shareholding than the other shareholders of the Joint Venture, the shareholder who intends to sell or transfer all or part of its equity (the “**Transferring Shareholder**”) shall notify the Company and Beijing Shipping in writing at least 30 days before the intended transfer. The Company and Beijing Shipping shall have equal pre-emptive right to purchase the transferring equity on proportional basis according to percentage of their respective equity interests in the Joint Venture and on the same conditions given from the Transferring Shareholder, provided that if the Company and Beijing Shipping expressly renounces the said pre-emptive right, or are deemed to have renounced the said pre-emptive right by failing to reply to the Transferring Shareholder as to whether they will exercise the said pre-emptive right within 30 days from the date of the said written notice, the Transferring Shareholder may transfer or sell its equity in accordance with the Company Law of the PRC, the Articles of Association of the Joint Venture and other relevant laws and regulations.

In the event if any one of the Company or Beijing Shipping expressly renounces the said pre-emptive right, or are deemed to have renounced the said pre-emptive right to purchase the transferring equity, the remaining party will have the sole right to purchase the equity of the Transferring Shareholder.

After the Prohibition Period, if the relevant sale or transfer of equity will not or may not cause the Company to have a lower shareholding than the other shareholders of the Joint Venture, the Transferring Shareholder may transfer or sell its equity in the Joint Venture in accordance with the Company Law of the PRC, the Articles of Association of the Joint Venture and other relevant laws and regulations.

Responsibilities of the Company

Upon the establishment of the Joint Venture, the Company shall, in accordance with the actual operational needs of the Joint Venture, enter into contract(s) with the Joint Venture for the provision of the following services and resources to the Joint Venture:

- (i) provision of its relevant geostationary orbital slot at such fee determined with reference to the market price and international practice among the industry.
- (ii) provision of one-stop shop monitoring and management services for the construction and delivery of communication satellite system at such fee determined with reference to the market price and international practice among the industry.
- (iii) provision of operation management services for its in-orbit satellite(s) at such fee determined with reference to the market price and international practice among the industry.

- (iv) provision of satellite transponders in Apstar satellite system which can be used for transmission in domestic maritime and aviation business at such fee determined with reference to the market price and international practice among the industry.
- (v) authorization to the Joint Venture, during the life span of the relevant satellites, to name its satellites with the initial “亞太” (“**APSTAR**”) for free and authorization to the Joint Venture to use, in the ordinary course of business of the Joint Venture, all trademarks related to “APSTAR” or “亞太衛星” owned by the Company or its affiliated companies for free.
- (vi) using its best endeavor to assist the Joint Venture to conduct capital utilisation, including corporate merger, custody, equity acquisition and securitisation.
- (vii) without violating the principle of confidentiality among the industry internationally and based on the actual operational needs of the Joint Venture, the Company shall share with the Joint Venture its experience in respect of technological services, business operation and internal management.
- (viii) selection of outstanding talents to take up core management roles in the Joint Venture. The general manager of the Joint Venture will be nominated by the Company and appointed by the board of directors of the Joint Venture.
- (ix) The Company undertakes that, after the establishment of the Joint Venture, it will not invest in and set up in the PRC another new company or organization which competes directly with the business of the Joint Venture.

The entering into the agreements for the above (i) to (iv) service items shall be subjected to the approval of the board of directors of the Joint Venture for which the directors nominated by the Company shall abstain from voting and at least half of the directors other than those nominated by the Company shall have granted consent.

Board composition of the Joint Venture

Shareholders will be entitled to appoint directors to the board of directors based on the principle that every 10% equity interest in the Joint Venture shall be entitled to appoint 1 director.

The core management of the Joint Venture will appoint one director to the board of directors of the Joint Venture. The employee representative of the Joint Venture will appoint one director to the board of directors of the Joint Venture.

Increase of capital of the Joint Venture

After the establishment of the Joint Venture and up to 31 December 2016, if a new investor (the “**New Shareholder**”, who is not one of the Parties and is recommended by the Company) is interested in investing in the Joint Venture, all shareholders of the Joint Venture shall consent to such investment by the New Shareholder. The registered capital of the Joint Venture shall be increased according to the contribution made by the New Shareholder. However if, at the time of the intended investment by the New Shareholder, the total registered capital of the Joint Venture is RMB2 billion or more or the New Shareholder intends to join after 31 December 2016, the shareholders of the Joint Venture may oppose the intended investment to be made by the New Shareholder.

Apart from the above, if the Joint Venture needs to further increase its registered capital, each Party shall have priority in subscribing the additional registered capital in accordance with the percentage of contribution made by each Party at the relevant time.

All Parties agree that subjected to the compliance of the relevant rules and regulations of PRC and the completion of the application process by the concerned Party, the core management is entitled to participate in the investment in the Joint Venture as included in the investment made by Mr. Pang Lixin. In the event that such investment is unable to complete the application process in accordance with the relevant rules and regulation, his equity interest in the Joint Venture will either be transferred or reduced as to the determined by the Parties through Shareholders’ meeting of the Joint Venture.

Early termination of the Investors’ Agreement

Upon occurrence of one of the followings, the Investors’ Agreement may be terminated with the written consent of the Parties:

- (i) all Parties have given their written consent for not setting up the Joint Venture;
- (ii) all Parties have a material dispute on whether to set up the Joint Venture and have failed to reach a consensus or settle such material dispute within six months after the occurrence of such material dispute;
- (iii) the setting up of the Joint Venture becomes objectively impossible as a result of earthquake, typhoon, flood, fire, warfare or other force majeure event which is unforeseeable and the occurrence and the result of which is unpreventable or unavoidable; or
- (iv) the setting up of the Joint Venture may violate any mandatory laws or regulations or due to the changes of the relevant laws, regulations or policies, rendering it impossible to set up the Joint Venture.

In the event of the early termination of the Investors’ Agreement, each Party may be refunded for its paid contribution after deducting the relevant expenses incurred as a result of the establishment of the Joint Venture.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JOINT VENTURE

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

The investment in the Joint Venture by the Group will enable the Group, through the Joint Venture, to develop the high throughput satellite (“HTS”), which by contrast to traditional satellite technology, offer many times the throughput of the conventional satellites under a new allocated orbital spectrum but at a relatively higher cost of development. The development of HTS by the Group through the Joint Venture will enable the Group, while controlling the scale of its investment, to keep abreast of the latest development in the satellite industry and hence to enhance its competitive edge in market competition over the region with both conventional and high throughput transponder capacities.

The Directors (including the independent non-executive Directors) consider that the investment in the Joint Venture by the Group and the transaction contemplated under the Investors’ Agreement have been made on normal commercial terms and that such terms are fair and reasonable so far as the Company and the Shareholders are concerned and that the Investors’ Agreement and the investment in the Joint Venture are in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 5% but are less than 25%, the formation of the Joint Venture and the transaction contemplated under the Investors’ Agreement constitute a discloseable transaction and are subject to reporting and announcement requirements, but are exempted from the circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

INFORMATION ON THE GROUP AND THE PARTIES TO THE INVESTORS’ AGREEMENT

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.

APT (Shenzhen)

A corporation established in Shenzhen under the PRC Law and is an indirectly wholly owned subsidiary of the Company.

Beijing Shipping

A subsidiary owned by China Transport Telecommunication Information Center (CTTIC), is responsible for all system in maritime satellite services in China and global all-weather Sea, Land, and Aero applications and solutions.

Guo Xin (Shenzhen)

A company incorporated in Shenzhen under the PRC Laws and is a wholly-owned subsidiary of 中國國新控股有限責任公司, mainly for investment and development in industry, equity investment and investment consultancy.

Shenzhen Hao Chuang

A conglomerate group in Shenzhen with various investments including real estate development, financial investment, internet technology, engineering and construction, hotel and catering, cultural and sport.

Mr. Pang Lixin

A citizen of PRC, an investor representing the management teams who involve in development and operation of the Joint Venture.

DEFINITIONS

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

“APT (Shenzhen)”	亞太衛星通信(深圳)有限公司, a corporation established in the PRC and a wholly-owned subsidiary of the Company
“Beijing Shipping”	Beijing Marine Communication Navigation Company 北京船舶通信導航有限公司, a company established in the PRC with limited liability
“Board”	the board of Directors
“Company”	APT Satellite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meanings ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Guo Xin (Shenzhen)”	國新(深圳)投資有限公司, a company established in the PRC with limited liability
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Investors’ Agreement”	the investors’ agreement dated 23 July 2016 entered into among the Company, Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pang Lixin in respect of the formation of the Joint Venture
“Joint Venture”	a joint venture company (tentatively to be named APT Mobile SatCom Limited (亞太衛星寬帶通信(深圳)有限公司) to be established in Shenzhen, Guangdong Province of the PRC pursuant to the Investors’ Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Investors’ Agreement, being the Company, Beijing Shipping, Guo Xin (Shenzhen), Shenzhen Hao Chuang and Mr. Pany Lixin
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holder(s) of the Share(s)
“Shares”	ordinary share(s) of HK\$0.10 each in the issued capital of the Company
“Shenzhen Hao Chuang”	深圳市昊創投資集團有限公司, a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
APT Satellite Holdings Limited
Dr. Lo Kin Hang, Brian
Company Secretary

Hong Kong, 23 July 2016

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

Executive Directors:

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

Non-Executive Directors:

Yuan Jie (*Chairman*), Lim Toon, Yin Yen-liang, Zhuo Chao, Fu Zhiheng, Lim Kian Soon and Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-executive Directors:

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