THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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).

APSTAR by APT Satellite 亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1045)

CONTINUING CONNECTED TRANSACTIONS

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

VMS 鼎珮

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 in Hong Kong, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 14 November 2017 at 11:00 a.m. is set out on pages 45 to 46 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 22, 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 Sunday, 12 November 2017 (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*

24 October 2017

CONTENTS

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 51.78% 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 2020 as set out under the sub-section headed "Proposed Caps" in the section headed "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 32.44% interests in the Company, including 29.54% indirect interest of the Company by virtue of holding 57.04% interest in APT International and 2.90% direct interest in the Company as at the Latest Practicable Date;
"CCT Agreement"	the transponder and communication services master agreement dated 11 September 2017 entered into between the Company and CSCC in respect of the provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates;
"CCT Announcement"	the announcement of the Company dated 11 September 2017 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;
"connected person(s)"	the meaning ascribed to it in the Listing Rules;
"CSCC"	中國衛通集團股份有限公司 (formerly known as 中國衛通集團有限公司) (China Satellite Communications Co. Ltd.);

"Existing Transponder and Communication Services Master Agreement"	the transponder and communication services master agreement entered into between the Company and CSCC dated 27 October 2014 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 2017;
"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 Liguo 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 type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) 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"	20 October 2017, 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;
"Non-exempt Continuing Connected Transactions"	the transactions in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service and the Related 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 in Hong Kong, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 14 November 2017 at 11:00 a.m. to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps, notice of which is set out on pages 45 to 46 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), order(s) or confirmatory document(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service and the Related 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.

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. Yuan Jie *(Chairman)*
Mr. Lim Toon
Dr. Yin Yen-liang
Mr. Li Zhongbao
Mr. Fu Zhiheng
Mr. Lim Kian Soon
Mr. Tseng Ta-mon
(Alternative Director to Dr. Yin Yen-liang)

Independent Non-executive Directors:
Dr. Lui King Man
Dr. Lam Sek Kong
Mr. Cui Liguo
Dr. Meng Xingguo

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

24 October 2017

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, Non-exempt Continuing Connected Transactions and the Caps; (ii) to set out the recommendation of the Independent Board Committee; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 27 October 2014 and the circular dated 17 November 2014 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 2017 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 11 September 2017, the Company entered into the CCT Agreement with CSCC.

THE CCT AGREEMENT

Date:	11 September 2017
Parties:	The Company CSCC
Duration:	From 1 January 2018 to 31 December 2020, 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) In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall give priority to providing its satellite transponder capacity to CSCC for provision of service to the end-user customers (the "**Transponder Service in Mainland China**"). In this regard, the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC for the provision of Transponder Service in Mainland China to CSCC.

Both the Company and CSCC will source the end-user customers. When CSCC lacks sufficient satellite transponder capacity of its own or its own transponder capacity cannot meet the end customers' requirement technically or commercially, CSCC will propose the Company's transponder capacity to the end customers. However, the Company may be unable to meet the requirements of the end-user customers in a number of circumstances including (a) customer's closer relationship tie to CSCC; (b) the internal procurement policy of a customer restricting or designating the supplier of the satellite transponder capacity; (c) legal restrictions; and/or (d) value added-services of CSCC apart from the satellite transponder capacity. The above priority arrangement is beneficial to the Company as CSCC is the market leader in the satellite transponder market in China, the procurement of satellite transponder capacity from the Company by CSCC will help maintain the competitive edge of the Group and achieve good synergy effects for the benefit of both parties.

(2) In regions or markets outside Mainland China, when either the Company's or CSCC's own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall give priority to exploiting (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the "**Transponder Service outside**

Mainland China"), (ii) the value-added services for satellite telecommunication provided by the available telecommunication facilities of the other party for provision of service to the end-user customers ("**Telecommunication Value-added Service**") and (iii) other related professional services ("**Related Services**") provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related professional services shall undertake the obligation to provide the necessary technical support in respect of such services to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services to CSCC. Likewise, the Company shall pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC.

Both the Company and CSCC will source the end-user customers. The Company may be unable to meet the requirements of the end-user customers in a number of circumstances including (a) customer's closer relationship tie to CSCC; (b) the internal procurement policy of a customer restricting or designating the supplier of the satellite transponder capacity; (c) legal restrictions; (d) the lack of sufficient satellite transponder capacity with the required level of technical specifications or performance for a particular bandwidth during a specific period of time; and/or (e) the difference in footprint or other technical parameters of satellites of CSCC and the Company which may have effect on customers' applications. The above priority arrangement as applicable to markets outside China is reciprocal to the arrangement for China market and is mutual and benefit to both parties. The Company will benefit from the preferential demand for satellite transponder capacity in situations where the Company cannot meet the requirements of the end-user customers and the arrangement will achieve good synergy effects for the benefit of both parties.

Transaction amounts, pricing basis and settlement:

Pursuant to the CCT Agreement, in respect of the Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services, the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) shall enter into Specific Contracts which set out the specific terms including the satellite specifications and other technical requirements, or specific service standards for satisfying the end-user customers' requirements.

Service fees payable for the use of Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services shall be determined based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy and shall be on normal commercial terms or on terms which are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties and settled in cash.

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 Transponder Service in Mainland China and Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

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 an average standard unit price per standard bandwidth transponder per month (the "**Unit Price**") for each of the operating satellite 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 transponder 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 marketing strategy committee of the Company (the "**Marketing Strategy Committee**"), which comprises five members of the Company's management. For each year, the staff in-charge from the technical support department of the Group will calculate an average standard unit price per standard bandwidth transponder per month and submit a preliminary proposal of Unit Price with reference to the previous pricing policy and the market conditions, such as the technology development trend in the industry, to the Marketing Strategy Committee for review and approval. The Marketing Strategy Committee will have meeting in each year to analyze and discuss the proposed pricing policy prepared by the technical 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 Marketing Strategy Committee, the new pricing policy with new Unit Price will be released and applied within the Company. The staff in charge from the technical 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, the contract will be examined and approved by the corresponding department head and by the President.

The Company's prevailing procurement 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 procurement of Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group from CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

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 and compliance department is responsible for reviewing the procurement contract;

iv. the head of technical 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

v. the procurement contract will be finally reviewed and approved by the Vice President of the department which requires the procurement and jointly approved by the Vice President of the finance department in the event that the procurement amount has exceeded the 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 Vice President 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 management.

The services fees payable by or to the Group under the CCT Agreement shall be settled in cash. 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 Contracts. Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Transponder Service in Mainland China rendered under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$345 million, HK$345 million and HK$345 million respectively; (ii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by the Company to CSCC under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$30 million, HK$30 million and HK$30 million respectively; (iii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by CSCC to the Company under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$220 million, HK$220 million and HK$220 million respectively.

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 2018 and will expire on 31 December 2020, subject to negotiation for renewal by both parties.

Pursuant to the terms of the CCT Agreement, the Company can authorize its subsidiaries, and CSCC can authorize its associates (excluding the Company and its subsidiaries), to perform the CCT Agreement, undertake the corresponding obligations and enjoy the corresponding rights, and Specific Contracts may be entered into between such companies.

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 transponder 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 provide service assurance to the end-user customers in respect of the technical aspects of the relevant satellite transponder service, Telecommunication Value-added Service and Related Services, and to be responsible for any compensation (including, but not limited to, compensation for interruption, default or other duty) arising from such party's obligation to provide technical support in respect of satellite transponder service and value-added service for satellite communication and related services to the end-user customers or any other responsibility or expenses caused to the other party by such party's failure to perform its obligations. 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.

PROPOSED CAPS

(I) Caps in respect of the provision of Transponder Service in Mainland China

The Board proposes to set the Caps in respect of the provision of the Transponder Service in Mainland China pursuant to the CCT Agreement for the three financial years ending 31 December 2020 as follows:

	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Aggregate transaction amount in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	345,000	345,000	345,000

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$149 million (unaudited estimated amount calculated as at 30 September 2017)); (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China with the estimated maximum amount of such growth, as compared to the value of contracts on hand for 2017, of approximately HK$120 million, HK$120 million and HK$120 million respectively in the next three years; (iv) the increase in satellite transponder services arising from mobile, inflight and also maritime satellite services; (v) the increased utilization of the existing transponder capacities and telecommunication services of the Group for the coming three years stemming from a number of positive factors which include the following:

(a) the "One Belt, One Road" strategy of China will present significant potential for growth and opportunity to the Group. Under the "One Belt, One Road" strategy, the Group's transponder capacities and telecommunication services can play an important role in supporting China's state-owned enterprises to establish satellite telecommunication networks for bridging communication between the Mainland China and the target regions in South East Asia, Asia Minor, Middle East, Eastern Europe, Africa for business opportunities;

(b) the launches of APSTAR-5C Satellite and APSTAR-6C Satellite in 2018, which are replacement satellites of APSTAR-5 and APSTAR-6 respectively (collectively known as the "**Replacement Satellites**"). The Replacement Satellites are designed and built with increased capacities and latest advanced technology for better and more efficient services. Not only will the Replacement Satellites be equipped with conventional satellite capacities such as Standard C-band and Standard Ku-band capacities to allow the smooth migration of the existing customers from the existing satellites to the Replacement Satellites, they are also equipped with High-Throughput Capacities and technologies to tap the coming new market potential and new usages as a result of the new technological application. In addition, some transponders in APSTAR 6C have been specifically designed to cater for the needs and requirements of end-user customers in Mainland China and it is expected that the demand for transponder capacity in APSTAR 6C from end-user customers in Mainland China will increase; and

(c) APT Mobile Satcom Limited ("**APMS**"), an associate of CSCC, was incorporated in 2016. APMS is a joint-venture established in Shenzhen, the PRC, specifically for the mobile satellite services including satellite-based air-flight connectivity services and maritime connectivity services for the Mainland China market and the Asia Pacific region. APMS is in the course of developing its new satellite APSTAR-6D, a High-Throughput Satellite, which is scheduled to be launched in 2019. During the whole three-year period ending 31 December 2020 and prior to the launch of APSTAR-6D Satellite, APMS will, to a great extent, be relying on the satellite capacities of the Group to start its business plan and commercial operations with a view to gradually develop its own customer base and business model; and

(vi) the risk factors that the Group has taken into account including the supply and demand situation in the overall transponders that has been resulted market competition among different geostationary satellite operators and the challenge of Low-Earth-Orbit Operators in the region. As a result, the future growth potential will to a certain extent be set-off by the over-supply difficulties.

Historical amounts:

For the two financial years ended 31 December 2016 and the eight months ended 31 August 2017, the actual aggregate transactions amounts in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) were approximately HK$160,280,000, HK$157,361,000 and HK$103,440,000 (unaudited), respectively.

(II) Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services

The Board proposes to set the Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services pursuant to the CCT Agreement for the three financial years ending 31 December 2020 as follows:

	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	30,000	30,000	30,000

	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group			
Caps	220,000	220,000	220,000

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; (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers outside Mainland China with (a) the estimated maximum amount of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC and/or its associates, as compared to the value of contracts on hand for 2017, of approximately HK$105 million, HK$170 million and HK$180 million respectively in the next three years, and (b) the estimated maximum amount of growth in demand of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from the Group, as compared to the value of contracts on hand for 2017, of approximately HK$23 million, HK$23 million and HK$23 million respectively in the next three years; (iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services; (v) the estimates on service contract value and on the potential growth in demand for satellite transponder services relating to Laosat-1, whose footprint covers IndoChina, to be provided by an associate of CSCC to the Group and its end-customers; (vi) the increased utilization of the existing transponder capacities and telecommunication services of the Group for the coming three years stemming from a number of positive factors which include the following:

(a) the "One Belt, One Road" strategy of China will present significant potential for growth and opportunity to the Group. Under the "One Belt, One Road" strategy, the Group's transponder capacities and telecommunication services can play an important role in supporting China's state-owned enterprises to establish satellite telecommunication networks for bridging communication between the Mainland China and the target regions in South East Asia, Asia Minor, Middle East, Eastern Europe, Africa for business opportunities. In particular, APSTAR 7, with footprints covering the regions in Asia Pacific region, Middle East, Africa and part of Europe, will be one of the satellites that is most suitable for satellite services covering the regions in the "One Belt, One Road" strategy and the Group estimates that it is more likely that CSCC and its associates will increase its utilization of APSTAR 7 in the future; and

(b) APMS, an associate of CSCC, was incorporated in 2016. APMS is a joint-venture established in Shenzhen, the PRC, specifically for the mobile satellite services including satellite-based air-flight connectivity services and maritime connectivity services for the Mainland China market and the Asia Pacific region. APMS is in the course of developing its new satellite APSTAR-6D, a High-Throughput Satellite, which is scheduled to be launched in 2019. During the whole three-year period ending 31 December 2020 and prior to the launch of APSTAR-6D Satellite, APMS will, to a great extent, be relying on the satellite capacities of the Group to start its business plan and commercial operations with a view to gradually develop its own customer base and business model. In particular, APMS plans to use the teleport and other telecommunication value-added service to be provided by the Group outside Mainland China for the development of its inflight and maritime broadband service; and

(vii) the risk factors that the Group has taken into account including the supply and demand situation in the overall transponders that has been resulted in keen market competition among different geostationary satellite operators and the challenge of Low-Earth-Orbit Operators in the region. As a result, the future growth potential will to a certain extent be set-off by the over-supply difficulties.

Historical amounts:

For the two financial years ended 31 December 2016 and the eight months ended 31 August 2017, the actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates (other than the Company or its subsidiaries) were approximately HK$6,678,000, HK$3,138,000 and HK$451,000 (unaudited), respectively.

For the two financial years ended 31 December 2016 and the eight months ended 31 August 2017, the actual aggregate transaction amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group were approximately HK$105,638,000, HK$22,776,000 and HK$24,128,000 (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.

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 in the regions or markets outside Mainland China thereby increasing the competitive edges and synergic effect for both the Group and CSCC in market competition.

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 99.75% 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.

IMPLICATIONS OF THE LISTING RULES

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.78% 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(s) 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 54.68% of the issued share capital of the Company.

As (i) Mr. Yuan Jie, a non-executive Director and the chairman of the Company, is also concurrently the deputy general manager and the chief information officer of CASC; (ii) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a non-executive director of CSCC; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, is also concurrently the deputy chief accountant for CSCC; (iv) Mr. Li Zhongbao, a non-executive Director, is also concurrently a director and general manager of CSCC; and (v) 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), 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.

SGM

There is set out on pages 45 to 46 of this circular a notice convening the SGM to be held at the Company's principal place of business in Hong Kong at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Tuesday, 14 November 2017 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval by the Independent Shareholders by poll the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps,.

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 22, 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 Sunday, 12 November 2017 (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 resolution proposed for approval of the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps 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 Thursday, 9 November 2017 to Tuesday, 14 November 2017 (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 Wednesday, 8 November 2017 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 8 November 2017.

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.

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
Yuan Jie
Chairman

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

24 October 2017

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 24 October 2017 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*

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	**Lam Sek Kong**	**Cui Liguo**	**Meng Xingguo**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*	*Independent Non-executive Director*

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
香港中環康樂廣場8號交易廣場1期49樓
Tel/電話: (852) 2996 2100
Fax/傳真: (852) 2996 1210

24 October 2017

To: The Independent Board Committee and
The Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement entered into with CSCC, details of which are set out in the circular to the Shareholders dated 24 October 2017 (the "**Circular**"), of which this letter forms part. This letter contains our advice to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement. Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2017, the Company entered into the CCT Agreement with CSCC on 11 September 2017 in respect of, amongst other things, the provision of transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the next three years ending 31 December 2020 on terms and conditions stipulated in the CCT Agreement.

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.78% 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 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 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. Yuan Jie, a non-executive Director and the chairman of the Company, is also concurrently the deputy general manager and the chief information officer of CASC; (ii) Mr. Cheng Guangren, an executive Director and the president of the Company, is also concurrently a non-executive director of CSCC; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, is also concurrently the deputy chief accountant of CSCC; (iv) Mr. Li Zhongbao, a non-executive Director, is also concurrently a director and general manager of CSCC; and (v) 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), each of the aforesaid Directors will be required to abstain 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 the four independent non-executive Directors, namely, Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo, has been established to advise the Independent Shareholders on whether the Non-exempt Continuing Connected Transactions and the Caps are in the interests 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 Shareholders are concerned. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion 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 interests of the Company and the Shareholders as a whole; (ii) whether the Non-exempt Continuing Connected Transactions are in the ordinary and usual course of business of the Company and the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned; and (iii) how the Independent Shareholders should vote on the resolution(s) to be proposed at the SGM to approve the CCT Agreement and the transactions contemplated thereunder at the SGM.

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 Independent Shareholders regarding the CCT Agreement and the transaction contemplated thereunder of the Company. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the CCT Agreement in the Circular and the discloseable and connected transactions (see Company's announcement dated 11 September 2017), no arrangement exists whereby we shall receive any other fees or benefits from the Company.

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.

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

1. 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 and financial position as extracted from the Company's annual report for the year ended 31 December 2016 (the "**2016 Annual Report**") and the Company's interim report for the six months ended 30 June 2017 (the "**2017 Interim Report**"):

	For the year ended 31 December		**For the six months ended 30 June**	
	2015	**2016**	**2016**	**2017**
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(HK$'Million)	*(HK$'Million)*	*(HK$'Million)*	*(HK$'Million)*
Turnover				
Hong Kong	117.9	137.5	65.3	64.2
Greater China*	310.1	310.0	155.5	146.0
Southeast Asia	529.1	557.9	275.7	282.4
Other Regions	237.3	224.5	107.0	106.3
Total turnover	1,194.4	1,229.9	603.5	598.9
Gross profit	728.5	737.3	357.4	363.5
Profit from operations	647.9	632.3	310.6	311.2
Profit for the year/ period attributable to the shareholders of the Company	513.8	493.6	242.1	242.0

* *Greater China includes Mainland China, Taiwan and Macau but excludes Hong Kong. Hong Kong is included in Outside China.*

	As at 31 December		**As at 30 June**
	2015	**2016**	**2017**
	(Audited)	(Audited)	(Unaudited)
	(HK$'Million)	*(HK$'Million)*	*(HK$'Million)*
Non-current assets	4,678.2	5,477.1	5,843.3
Current assets	1,463.1	985.9	1,029.3
Non-current liabilities	1,245.4	1,269.4	1,345.0
Current liabilities	445.5	344.4	472.6
Total equity	4,450.4	4,849.2	5,055.0

For the year ended 31 December 2016, the Group recorded an audited turnover of approximately HK$1,229.9 million (representing an increase of approximately 3.0% from the turnover of approximately HK$1,194.4 million for the preceding year) and a net profit of approximately HK$493.6 million (representing a decrease of approximately 3.9% from the net profit of approximately HK$513.8 million for the preceding year). As noted in the 2016 Annual Report, the slight increase in turnover was mainly attributed to the income generating from the new utilisation contracts on APSTAR-9 which entered commercial service in December 2015. During the year 2016, the region of Greater China had recorded a relatively stable turnover and the region of Hong Kong and Southeast Asia had recorded turnover growth of approximately 16.6% and 5.4%, respectively, to a turnover of approximately HK$137.5 million and HK$557.9 million respectively for the year ended 31 December 2016. Other regions recorded a decrease in turnover of 5.4% for the year ended 31 December 2016 when compared to the previous year. The profit attributable to shareholders decreased by 3.9% to HK$493.6 million for the year ended 31 December 2016. The decrease in the profit attributable to shareholders was mainly due to the recognition of loss on changes in fair value of financial instruments of approximately HK$15.7 million as compared with loss of approximately HK$3.7 million in the previous year.

The Group recorded an unaudited turnover of approximately HK$598.9 million for the six months ended 30 June 2017, representing a slight decrease of approximately 0.8% from the unaudited turnover of approximately HK$603.5 million for the corresponding period in 2016. The unaudited profit attributable to shareholders decreased by approximately 0.1% to HK$242.0 million. The decrease was mainly due to the recognition of loss on changes in fair value of financial instruments of approximately HK$11.5 million as compared with loss on changes in fair value of financial instruments of approximately HK$4.2 million in the same period of last year.

As noted from the 2017 Interim Report, currently the Group's in-orbit satellites, namely, APSTAR-5, APSTAR-6, APSTAR-7 and APSTAR-9, have integrated to form the super wide and strong satellite service capability provided to Asia, Australia, Middle East, Africa, Europe, and the Asia Pacific region, covering more than 75% of the world's population. As at 30 June 2017, the total transponder utilization rate of the Group's satellites was approximately 67.4%. The Group also expects to launch APSTAR-5C, APSTAR-6C and APSTAR-6D in future.

APSTAR-5C is the replacement satellite for APSTAR-5. It is important for the Group to develop and launch APSTAR-5C, in replacing the in-orbit satellite APSTAR-5, for the continuity of the business and sustaining reliable services to existing APSTAR-5 customers. APSTAR-5C is scheduled to replace APSTAR-5 in the second half of 2018, which will carry additional transponders in expanded coverages, including satellite payload with regional high-throughput capacities to satisfy future market demand so as to maintain the competitive edge of the Group.

APSTAR-6C is the replacement satellite for APSTAR-6 and is scheduled to be launched in the first half of 2018. APSTAR-6C is based on a DFH-4 series platform having 26 C-band transponders, 19 Ku-band/Ka-band transponders and is a high power geostationary communications satellite.

APSTAR-6D project is an advanced broadband satellite communication system in China and adjacent region, and is scheduled to be launched in 2019.

2. *Information on CSCC*

CSCC is a company which is owned as to 99.75% 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. We understand from the Company that CSCC is the only licensed satellite operator in Mainland China providing satellite communication services with various in-orbit satellites currently in operation, covering mainly Mainland China and Asia Pacific region. CSCC also targets to launch a new satellite in the first half of 2019, with footprint over regions not presently covered by existing satellites of the Group.

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

Details of the reasons for and benefits of benefits of entering into the CCT Agreement are referred to the section headed "Reasons for and benefits of the continuing connected transactions" in the letter from the Board (the "**Letter from the Board**") in the Circular.

As the Existing Transponder and Communication Services Master Agreement will expire in December 2017, this is a renewal of the existing agreement for a term of further three years ending 31 December 2020 and has the same principal terms.

From the discussion with the Directors we understand that (i) the Company and CSCC (or its associates (other than the Company or its subsidiaries)) (the "**CSCC Group**") (including the predecessor and one of the founding shareholders of the Group, China Telecommunications Broadcast Satellite Corporation) 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 has been gradually expanded over the 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.

Having discussed with the Directors and 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 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 available transponder capacity of the Group and expected commencement of the new satellites in the coming year; and (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, 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.

II. Terms of the CCT Agreement

Pursuant to the CCT Agreement dated 11 September 2017, the Company and CSCC have agreed, amongst other things, to provide transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates from 1 January 2018 to 31 December 2020 (the "**CCT Agreement Term**"), subject to renewal by negotiation between the parties, on terms and conditions stipulated in the CCT Agreement. The key terms are summarised in the following.

1. Services provided

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

(1) Transponder Service in Mainland China

In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall give priority to providing its satellite transponder capacity to CSCC for provision of service to the end-user customers (the "**Transponder Service in Mainland China**"), which the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support.

The Company shall receive service fee from CSCC for the provision of the Transponder Service in Mainland China to CSCC.

(2) Transponder, Telecommunication Value-added and Related Services outside Mainland China

In regions or markets outside Mainland China, when either the Company's or CSCC's own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall give priority to exploiting (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the "**Transponder Service outside Mainland China**"); (ii) the value-added services for satellite telecommunication provided by the available telecommunication facilities of the other party for provision of service to the end-user customers ("**Telecommunication Value-added Service**"); and (iii) other related professional services ("**Related Services**") provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related professional services shall undertake the obligation to provide the necessary technical support in respect of such services to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support.

The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services to CSCC and pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC.

2. Transaction amounts, pricing basis and settlement

Pursuant to the CCT Agreement, the Group and the CSCC Group shall enter into Specific Contracts which set out the specific terms including the satellite specifications and other technical requirements, or specific service standards for satisfying the end-user customers' requirements in respect of the Transponder Service in Mainland China, Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services (the "**Services**").

Service fees payable for the use of the Services shall be (i) determined based on market-oriented, fair and reasonable principles in accordance with the Company's prevailing pricing policy and procurement policy, which will be reviewed regularly and if necessary by the Company to ensure that they are consistent with market-oriented, fair and reasonable principles and compliant with the internal control procedures of the Company; (ii) on normal commercial terms or on terms which are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties; and (iii) settled in cash.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Transponder Service in Mainland China rendered under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$345 million, HK$345 million and HK$345 million, respectively; (ii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services rendered by the Company to CSCC under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$30 million, HK$30 million and HK$30 million, respectively; and (iii) the aggregate transaction amounts in respect of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Service rendered by CSCC to the Company under the CCT Agreement for each of the three financial years ending 31 December 2020 will be HK$220 million, HK$220 million and HK$220 million, respectively.

3. Conditions 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 2018 and will expire on 31 December 2020, subject to negotiation for renewal by both parties.

Pursuant to the CCT Agreement, the Company can authorise its subsidiaries, and CSCC can authorise its associates (excluding the Company and its subsidiaries), to perform the CCT Agreement, undertake the corresponding obligations and enjoy the corresponding rights, and Specific Contracts may be entered into between such companies, which are agreed based on the principle of fairness and reasonableness and on normal commercial terms.

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 transponder 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 undertaken to provide service assurance to the end-user customers in respect of the technical aspects of the relevant satellite for Transponder Service, Telecommunication Value-added Service and Related Services, and to be responsible for any compensation (including, but not limited to, compensation for interruption, default or other duty) arising from such party's obligation to provide technical support in respect of satellite transponder service and value-added service for satellite communication and related services to the end-user customers or any other responsibility or expenses caused to the other party by such party's failure to perform its obligations. 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.

Details of the conditions and principal terms of the CCT Agreement are referred to the section heading "The CCT Agreement" in the Letter from the Board.

The CCT Agreement will continue to serve as a master agreement in respect of the Services during the term of the CCT Agreement. We understand from the Company 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 the same as the original terms of the Existing Transponder and Communication Services Master Agreement approved by the then independent Shareholders in December 2014.

In respect of the preferential basis to be exploited for the Services provision, 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 have reviewed the prevailing pricing policy and procurement policy and also discussed with the Management the internal control procedures and mechanism of the Company.

Based on our discussion with the Management, we understand that on a regular basis the Company derives an average standard unit price per standard bandwidth transponder per month (the "**Unit Price**") for each of the operating satellite from the service fees of the currently valid contracts of the Company (which can be used to compare with the prevailing price in the market) and applies the Unit Price as a reference in determining the service fees for the provision of all kinds of transponder, telecommunication value added, and related services in the new contracts of the Company, regardless whether the contractual counterparty is a connected party or not.

As advised by the Management, the Unit Price is regulated by the prevailing pricing policy of the Company. The prevailing pricing policy is reviewed annually by the marketing strategy committee of the Company (the "**Marketing Strategy Committee**"), which comprises five members of the Company's management, to ensure that it is consistent with market-oriented, fair and reasonable principles. The current price policy was enacted and implemented since 6 February 2017, the Unit Price of different operating satellites was determined with reference to: 1) the market conditions, such as the technology development trend in the industry and 2) the prevailing pricing policy in prior year. Based on the above, the Company made adjustment on the Unit Price. After the new Unit Price is approved by the Marketing Strategy Committee, the new prevailing pricing policy with new Unit Price will be released and applied within the Company.

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 in Mainland China, Transponder Service outside Mainland China shall be on normal commercial terms or on terms which are no less favourable to the Group.

In respect of the procurement policy of the Group, we understand from the Management that it provides, among others, the approval procedure and process for any procurement contract in relation to all such transponder services, telecommunication value-added services, and related services, including any Specific Contract to be entered into under the Non-exempt Continuing Connected Transactions. Pursuant to the procurement policy, 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, technical support department and legal (compliance) departments and finally approved by the Management. The respective project in-charge team 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.

The procurement contract will be finally reviewed and approved by the Vice President of the department which requires the procurement and jointly approved by the Vice President of the finance department in the event that the procurement amount has exceeded the specified amount (the "**Specified Amount**"). In case that the procurement amount is below the Specified Amount, the procurement contract will only be examined and approved by the Vice President 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 Management. In addition, the respective project in-charge team 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.

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, technical support, engineering and technical and legal (compliance) 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 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 of the Company as a whole.

We understand from the Management that the Group has engaged other independent third parties in respect of the provision of the 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.

For the service fee under the Comparable Contracts paid by the Group to independent third parties, we have obtained and reviewed two contracts (the "**Contracts with Other Satellite Operator**") 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 Contracts with Other Satellite Operator, service term and the transponder segment are not identical, the principal terms under the 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 party.

For the service fee under the Comparable Contracts received by the Group from independent third parties, we have, on a sampling basis, obtained and reviewed 13 samples in each of the operating satellites: APSTAR-5, APSTAR-6 and APSTAR-7. The criteria of selecting Comparable Contracts 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 noted that although the service term and the transponder segment of each sample are not identical, the principal terms under the Comparable Contracts were similar. We also noted 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/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.

We also note from the respective annual reports of the Company in 2015 and 2016, 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 of the Company as a whole.

Moreover, we note from these annual reports that in both years the Directors had received a letter from 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 2020 and has the same 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 parties; and (iv) the Independent Non-executive Directors and KPMG confirmed on the relevant compliance in respect of the Continuing Connected Transactions published in the annual reports of the Company in 2015 and 2016, we concur with the Directors' view that the terms of the CCT Agreement with respect to the provision of 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.

III. Rationale for determining the maximum value of the transactions contemplated under the CCT Agreement

Set out below are the transactions amounts in respect of the provision of the Services under the Existing Transponder and Communication Services Master Agreement for each of the three years ended/ending 31 December 2015, 2016 and 2017 (the "**Historical Period**"), respectively:

	For the year ended 31 December									
	2015			2016			2017			
In HK$ million, approximately	Actual fees paid (Audited)	Historical Cap	Utilisation rate	Actual fees paid (Audited)	Historical Cap	Utilisation rate	Actual fees paid[(1)] (Unaudited)	Full year forecast fee paid[(2)] (Unaudited)	Historical Cap	Utilisation rate[(2)]
Aggregate transaction amount in respect of the provision of:										
(1) Transponder Service in Mainland China by the Group to the CSCC Group	160.3	250	64.1%	157.4	295	53.4%	103.4	165.1	345	47.9%
(2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by:										
(a) the Group to the CSCC Group	6.7	18	37.2%	3.1	22	14.1%	0.45	1.4	25	5.6%
(b) the CSCC Group to the Group	105.6	260	40.6%	22.8	200	11.4%	24.1	28.1	220	12.8%

Notes:

(1) For the 8 months ended 31 August 2017.

(2) The forecast is based on the value of contracts on hand.

As set out in the Letter from the Board, the Board proposes to set the Caps for the provision of the Services pursuant to the CCT Agreement for the three financial years ending 31 December 2020 as the following:

	For the year ending 31 December		
	2018	**2019**	**2020**
Caps in respect of the provision of:	*HK$'million*	*HK$'million*	*HK$'million*
(1) Transponder Service in Mainland China by the Group to the CSCC Group	345	345	345
(2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by:			
(a) the Group to CSCC Group	30	30	30
(b) the CSCC Group to the Group	220	220	220

As set out in the Letter from the Board, the Caps set out above are primarily determined by reference to the following:

(1) Transponder Service in Mainland China by the Group to the CSCC Group

(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;

(iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China;

(iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services; and

(v) the increased utilization of the existing transponder capacities and telecommunication services of the Group for the coming three years stemming from a number of positive factors, which will be elaborated in "Analysis of the Caps".

(2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group or by the CSCC Group to the Group

(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;

(iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services, telecommunication services and related service in markets outside Mainland China;

(iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services;

(v) the estimates on service contract value and on the potential growth in demand for satellite transponder services relating to LAOSAT-1 satellite, whose footprint covers IndoChina, to be provided by an associate of CSCC to the Group and its end-customers; and

(vi) the increased utilization of the existing transponder capacities and telecommunication services of the Group for the coming three years stemming from a number of positive factors, which will be elaborated in "Analysis of the Caps".

Analysis of the Caps

(1) Transponder Service in Mainland China by the Group to the CSCC Group

We note that the actual historical aggregate transaction amounts (the "**Historical Amounts**") in respect of the provision of the Transponder Service in Mainland China by the Group to CSCC Group decreased from approximately HK$160.3 million in 2015 to approximately HK$165.1 million in 2017 (if based on the annualised estimate), representing an increase of approximately 3.0%. In addition, the utilisation rate of the historical caps (the "**Utilisation Rate**"), calculated by dividing the respective actual fees paid and the annual caps in the corresponding year, was 64.1%, 53.4% and 47.9% in 2015, 2016 and 2017, respectively.

The Cap in 2018 is HK$345 million, which is maintaining the same amount as that in 2017, and represents approximately HK$179.9 million increases from the annualised estimate amount of approximately HK$165.1 million in 2017. The respective Caps in 2019 and 2020 are the same as that in 2018 of HK$345 million.

Based on our review of the forecast aggregate transaction amounts (the "**Forecast Amounts**") for the Transponder Service in Mainland China by the Group to the CSCC Group for the coming three years ending 31 December 2020 provided by the Company, we note that the Forecast Amounts are comprised of primarily the value of contracts on hand (including those are anticipated to be renewed) by the Company in each year of the CCT Agreement Term (the "**Contracts On Hand**") and secondarily the additional estimated value from the potential new contracts to be signed (the "**New Contracts**"). The value of the Contracts on Hand estimated for each year during the CCT Agreement Term (being approximately HK$165 million (unaudited estimate)) is more or less at the level of the annualised estimate amount of approximately HK$165.1 million in 2017. Per the discussion with the Management, the renewal rate taken into account for the estimation is based on the experience of the historical renewal rate which has been high in the past. The New Contracts of estimated value of approximately HK$100 million per annum will be signed almost entirely attributed to APSTAR-5C and APSTAR-6C, which are expected to replace APSTAR-5 and APSTAR-6 in the second half of 2018 and the first half of 2018, respectively. We also understand from the Management that APSTAR-5C will carry additional transponders in expanded coverages, and APSTAR-6C is also specifically designed to cater for the end-user customers in Mainland China to satisfy their increasing demand in satellite-based broadcasting and new applications service, which has an expected high revenue generating capacity as a result that a substantial amount of customers and contracts have been secured or locked up for the new satellite.

Furthermore, APT Mobile Satcom Limited ("**APMS**"), an associate of CSCC, was incorporated in 2016. APMS is a joint-venture established in Shenzhen, the PRC, specifically for the mobile satellite services including satellite-based air-flight connectivity services and maritime connectivity services for the Mainland China market and the Asia Pacific region. APMS is in the course of developing its new satellite APSTAR-6D, a high-throughput satellite, which is scheduled to be launched in 2019. During the whole three-year period ending 31 December 2020 and prior to the launch of APSTAR-6D Satellite, APMS will, to a great extent, be relying on the satellite capacities of the Group to start its business plan and commercial operations with a view to gradually develop its own customer base and business model. As advised by the Management, they are currently in negotiation with APMS about providing the transponder services in Mainland China, the estimated transaction amount will be approximately HK$20-30 million per annum.

In addition, we understand from the discussion with the Management that the Management have also taken a buffer into account in determining the Caps which was the same practice as in determining the historical caps. As advised by the Management, there may have significant demand from the CSCC Group which are beyond the expectation of the Company thereby generating more revenue than expected which may drive up the actual fee paid in the future.

Having considered the above, we concur with the Directors' view that the respective Caps in respect of the provision of the Transponder Service in Mainland China by the Group to the CSCC Group have been arrived at on a fair and reasonable basis.

(2) Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services

(a) by the Group to the CSCC Group

We note that the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group decreased from approximately HK$6.7 million in 2015 to approximately HK$3.1 million in 2016 and would further decrease to approximately HK$1.4 million in 2017 (if based on the annualised estimate). The respective Utilisation Rate was 37.2%, 14.1% and 5.6% (if based on the annualised estimate) in 2015, 2016 and 2017, respectively. We understand from the Management that the progress of the demand on the Group's Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group have been slow in 2015, 2016 and 2017 since the demand on APSTAR-7 from the CSCC Group has been decreased dramatically.

The proposed Cap is HK$30 million for each of the coming three years ending 31 December 2020 which represents an increase of 20% compared with the previous annual Cap. Similar to those of the Transponder Service in Mainland China by the Group to the CSCC Group during the CCT Agreement Term, the Forecast Amounts for the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group are comprised of the value from the Contracts On Hand and the additional estimated value from the New Contracts under this respective service scope. 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 42.9% to HK$2 million when compared to the annualised estimate amount for 2017 of approximately HK$1.4 million. The Management have advised that the renewal rate taken into account for the estimation is based on the experience of the historical renewal rate which have been high in the past and some contracts have been renewed as at the Latest Practice Date.

Moreover, the forecast value for the New Contracts is attributed to a) the estimated revenue from the transponder lease services demand by the CSCC Group would be approximately HK$20 million per annum; b) the CSCC Group will request more teleport services and other value-added services from APSTAR-9 to carry out in-flight and maritime connectivity; c) with the implementation of the "One Belt One Road" initiative, it is expected that the CSCC Group will concentrate on the telecommunication construction in the countries alongside the routes. APSTAR-7, with footprints covering the regions in Asia Pacific region, Middle East, Africa and part of Europe, will be one of the satellites most suitable for satellite services covering the regions in the "One Belt One Road" Initiative. Based on the long cooperation relationship with the CSCC Group, the Management estimate that the utilization of APSTAR-7 will increase especially in the teleport service in the coming years; and d) APMS, an associate of CSCC, was incorporated in 2016. APMS is in the course of developing its new satellite APSTAR-6D, a high-throughput satellite, which is scheduled to be launched in 2019. During the whole three-year period ending 31 December 2020 and prior to the launch of APSTAR-6D Satellite, APMS will, to a great extent, be relying on the satellite capacities of the Group to start its business plan and commercial operations with a view to gradually develop its own customer base and business model. In particular, APMS plans to use the teleport and other telecommunication value-added service to be provided by the Group outside Mainland China for the development of its inflight and maritime broadband service. The annualised forecast amount will be approximately HK$3 million.

(b) by the CSCC Group to the Group

We note that the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group to the Group decreased from approximately HK$105.6 million in 2015 to approximately HK$22.8 million in 2016 and would increase by HK$5.3 million to approximately HK$28.1 million in 2017 (if based on the annualised estimate). The respective Utilisation Rate was 40.6%, 11.4% and 12.8% (if based on the annualised estimate) in Historical Period, respectively.

The respective proposed Cap HK$220 million in 2018 remains the same as that in 2017 and also there is no adjustment afterward. Based on our review of the respective Forecast Amounts provided by the Company and from the discussion with the Management, we understand that the value of the Contracts on Hand estimated for each year during the CCT Agreement Term (being approximately HK$30 million (unaudited estimate)) is more or less at the level of the annualised estimate amount of approximately HK$28.1 million in 2017. Base on the estimation of the Management, the New Contracts will mainly be generated from leasing the transponders of LAOSAT-1 Satellite. The Management have the view that the cooperation with the CSCC Group in LAOSAT-1 Satellite will increase gradually in the coming three years and currently there are 5 transponder leasing agreements under discussion. We have discussed with the Management and note that the CSCC Group plans to launch a new satellite in the first half of 2019 and the expected transponders fee is HK$40 million and HK$50 million in 2019 and 2020 respectively. The estimated satellite transponder fee payable to the CSCC Group for three years ending 31 December 2020 would approximately HK$160 million per annum.

In addition, we understand from the discussion with the Management that the Management have taken into account a buffer given the fluctuation of the Historical Amounts in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the CSCC Group to the Group in the Historical Period. On the basis that (i) APSTAR-5 has been working at the end of its life and the possibility of APSTAR-5 to be ineffective in advance; and (ii) the possibility of the launch failure of both APSTAR-5C and APSTAR-6C, the Company will need to use the satellite service from the CSCC Group and the expected fee is HK$25 million, HK$50 million and HK$50 million in 2018, 2019 and 2020 respectively.

Having considered the above, we concur with the Directors' view that the respective Caps in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service, and Related Services by the Group to the CSCC Group or by the CSCC Group to the Group have been arrived at on a fair and reasonable basis.

IV. Conditions of the annual caps under the CCT Agreement

There are certain conditions of the annual cap pursuant to the Listing Rules, in particular, the restriction of the value of the transactions contemplated under the CCT Agreement by way of the annual cap for each of the relevant financial years and the annual review by the independent non-executive Directors of the terms of such transactions and the relevant annual caps not being exceeded, details of which must be included in the Company's subsequent published annual reports and accounts. Also, pursuant to the Listing Rules, each year the auditors of the Company must provide a letter to the Board confirming, among other things, that the transactions contemplated under the CCT Agreement are conducted in accordance with the terms of the relevant CCT Agreement and that the relevant annual caps not being exceeded. In addition, pursuant to the Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual caps not being exceeded.

As discussed above, the Company has published in its annual reports in the recent years (including in 2015 and 2016) that the Independent Non-executive Directors had confirmed their review the Continuing Connected Transactions and the relevant compliance and KPMG had issued their unqualified letter containing their findings and conclusions in respect of the Continuing Connected Transactions disclosed by the Group and which had been provided by the Company to the Stock Exchange in accordance with Listing Rules 14A.56. The Company confirms that it will continue complying with the internal control procedure and relevant Listing Rules during the term of the CCT Agreement, in particular:

(a) each year the Independent Non-executive Directors will review the Non-exempt Continuing Connected Transactions and confirm in the annual report of the Company whether such transactions have been entered into:

  i. in the ordinary and usual course of business of the Company;

  ii. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

  iii. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(b) each year the auditor of the Company will provide a letter to the Board (with a copy of it provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming whether the Non-exempt Continuing Connected Transactions:

  i. have received the approval of the Board;

ii. have been entered into in accordance with the pricing policy of the Group; have been entered into in accordance with the terms of the CCT Agreement; and

iii. have not exceeded the annual Caps as disclosed;

(c) the Board will also state in the annual report of the Company whether its auditor has confirmed the matters as referred to in paragraph (b) above;

(d) the annual Caps for the Non-exempt Continuing Connected Transactions shall not be exceeded in the respective financial year; and

(e) upon any revision or renewal of the CCT Agreement, the Company will comply in full with all applicable reporting, disclosure and shareholders' approval requirements of Chapter 14A of the Listing Rules.

Considering the above, we are of the view that there are appropriate measures in place to govern the conduct of the transactions to be contemplated under the CCT Agreement and safeguard the interests of the 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
Nick Man
Managing Director
Corporate Finance

Mr. Nick Man is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of VMS Securities Limited to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Mr. Nick Man has over 10 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY

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

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

As at the Latest Practicable Date, interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) of the Directors and chief executive of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Name of Director/chief executive of the Company	**Nature of Interest**	*Note*	**Total number of Shares interested as at the Latest Practicable Date**	**Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date**
Dr. Meng Xingguo ("**Dr. Meng**")	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;

(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 2016, the date up to which the latest published audited consolidated financial statements of the Group were made; and

(c) (i) Mr. Yuan Jie, a non-executive Director and the chairman of the Company, was also concurrently the deputy general manager and chief information officer of CASC; (ii) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a non-executive director of CSCC; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, was also concurrently the deputy chief accountant for CSCC; (iv) Mr. Li Zhongbao, a non-executive Director, was also concurrently a director and general manager of CSCC; and (v) 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).

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of Director	Name of company	Principal Activity
Mr. Lim Kian Soon	Singapore Telecommunications Limited	Provision of satellite capacity for telecommunication and video broadcasting services

Save as disclosed above, to the best knowledge of the Directors, 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

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 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
VMS	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) 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 2016, 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 24 October 2017 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 24 October 2017, 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 24 October 2017, 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.

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 Tuesday, 14 November 2017, at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the transponder and communication services master agreement dated 11 September 2017 (the "**CCT Agreement**") entered into between the Company and 中國衛通集團股份有限公司 (China Satellite Communications Co. Ltd.) ("**CSCC**") in respect of the provision of transponder service, value-added service for satellite telecommunication and other related professional 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 24 October 2017 (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 2020 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."

By Order of the Board
APT Satellite Holdings Limited
Tsang Chi Tat
Company Secretary

Hong Kong, 24 October 2017

* *For identification purpose only*

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 resolution 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 website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (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) and the Company (www.apstar.com) respectively.

4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 11:00 a.m. on Sunday, 12 November 2017 (i.e. 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof (as the case may be)) 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 Thursday, 9 November 2017 to Tuesday, 14 November 2017 (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 Wednesday, 8 November 2017 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 8 November 2017.

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. Yuan Jie (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Li Zhongbao, Mr. Fu Zhiheng, Mr. Lim Kian Soon 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 Liguo 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 website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (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.