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

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

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

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## **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

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



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A letter from the Independent Board Committee is set out on pages 18 to 19 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 20 to 34 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 Monday, 23 October 2017 at 11:00 a.m. is set out on pages 39 to 41 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 Saturday, 21 October 2017 or not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). 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

3 October 2017

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## DEFINITIONS

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

“APMS”	APT Mobile Satcom Limited, a corporation established in the PRC;
“APT”	APT Satellite Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.78% of the issued share capital of the Company as at the Latest Practicable Date;
“APT Shenzhen”	亞太衛星通信(深圳)有限公司 (APT Satellite (Shenzhen) Limited*), a corporation established in the PRC and a wholly-owned subsidiary of the Company;
“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Borrower”	APT Mobile Satcom (HK) Limited, a company incorporated in Hong Kong;
“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;
“China Aerospace Investment”	航天投資控股有限公司 (China Aerospace Investment Holdings Ltd.), a company established in the PRC with limited liability;
“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;

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## DEFINITIONS

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“Consultancy Agreement”	the consultancy agreement to be entered into between APMS (or its designated wholly-owned subsidiary) and APT (or its designated wholly-owned subsidiary) pursuant to the terms of the Master Agreement;
“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.), a subsidiary of CASC;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, i.e. Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguu and Dr. Meng Xingguo to advise the Independent Shareholders in relation to (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder;
“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 (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder;
“Independent Shareholder(s)”	Shareholders other than CASC, APT International and any of their respective associates;
“Latest Practicable Date”	29 September 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;
“Loan”	an unsecured loan in the principal amount of HK\$345,462,920.30 to be provided by APT to the Borrower in accordance with the terms of the Loan Agreement;

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## DEFINITIONS

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“Loan Agreement”	the loan agreement dated 11 September 2017 entered into between APT, the Borrower, APT Shenzhen and APMS in respect of the provision of the Loan by APT to the Borrower;
“Master Agreement”	the master service agreement dated 11 September 2017 entered into between APT and APMS in respect of the provision of the certain project management and technical consultancy services by APT to APMS;
“PRC”	People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“RMB”	Renminbi, the lawful currency of the PRC;
“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 Monday, 23 October 2017 at 11:00 a.m. to approve (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder, notice of which is set out on pages 39 to 41 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;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“USD”	United States dollars, the lawful currency of the United States of America;
“%”	per cent; and
“*”	for identification purposes only.

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## LETTER FROM THE BOARD

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*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 Ligu  
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

3 October 2017

*To the Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 11 September 2017 in relation to the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder.

The purpose of this circular is (i) to provide you with further information on (a) the Loan Agreement and (b) the Master Agreement (and the Consultancy Agreement contemplated thereunder); (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

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## LETTER FROM THE BOARD

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### DISCLOSEABLE AND CONNECTED TRANSACTIONS

#### (I) Provision of loan

On 11 September 2017, APT (a wholly-owned subsidiary of the Company) entered into the Loan Agreement in respect of the provision of an unsecured loan in the principal amount of HK\$345,462,920.30 to the Borrower (a connected person of the Company).

#### *The Loan Agreement*

##### **Date:**

11 September 2017

##### **Parties:**

- (1) APT Satellite Company Limited (a wholly-owned subsidiary of the Company) (as lender)
- (2) APT Mobile Satcom (HK) Limited (as borrower)
- (3) APT Mobile Satcom Limited (the holding company of the Borrower)
- (4) 亞太衛星通信(深圳)有限公司(APT Satellite (Shenzhen) Limited\*) (a wholly-owned subsidiary of the lender)

##### **Loan Principal:**

HK\$345,462,920.30

##### **Condition Precedent**

The Loan Agreement is subject to the approval of the Independent Shareholders.

The Loan Agreement will become effective from the date on which the Independent Shareholders approve the Loan Agreement (the “**Effective Date**”).

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## LETTER FROM THE BOARD

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### **Interest**

Interest is payable at the rate equivalent to the benchmark interest rate for one-year to five-year loans announced by the People's Bank of China on the Effective Date accruing from the Effective Date based on the actual number of days elapsed. Interest will be paid annually except that the final instalment of the interest payable shall be paid within 60 days after the expiry of the term of the Loan. The interest rate was negotiated on an arm's length basis between APT and the Borrower and was determined based on prevalent market rates.

### **Purpose**

The proceeds of the Loan will be applied towards APMS's payment to government for land rental and other expenses relating to the construction and investment of satellite project.

### **Term of loan**

Three years from the Effective Date or from the Effective Date to the due date for final payment of the capital contribution by APT Shenzhen (whichever is shorter). The parties may agree to the extension of the term of the Loan by written agreement.

### **Repayment**

Repayment of the Loan will be made in cash or by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS. Such repayment will be made by instalments and the date and amount of instalment will be determined with reference to the capital contribution notice issued by APMS to APT Shenzhen.

As disclosed in the announcement of the Company dated 14 August 2016, the board of directors of APMS shall determine from time to time the date on which the contributors pay their portion of capital contribution in RMB and will serve a written notice to the contributors regarding such due date (the "**Due Date for Contribution**") and payable amount (the "**Contribution Payable**").

The Due Date for Contribution and the Contribution Payable specified in the aforesaid written notice from APMS will be the due date and instalment sum for repayment of the Loan respectively. For calculating the instalment sum for repayment and for the purpose of repayment by way of set-off, the Contribution Payable will be converted to Hong Kong Dollars by the agreed conversion rate of RMB0.8684:HK\$1. Before the Due Date for Contribution, APT will notify the Borrower whether repayment of the Loan will be satisfied by way of set-off against the Contribution Payable.

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## LETTER FROM THE BOARD

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### **(II) Provision of project management and technical consultancy services**

On 11 September 2017, APT (a wholly-owned subsidiary of the Company) entered into the Master Agreement (which contemplated the entering into of the Consultancy Agreement) in respect of provision of project management and technical consultancy services to APMS (a connected person of the Company).

#### ***The Master Agreement***

##### **Date:**

11 September 2017

##### **Parties:**

- (1) APMS
- (2) APT

##### **Condition Precedent**

The Master Agreement is subject to the approval of the Independent Shareholders.

The Master Agreement will become effective from the date on which the Independent Shareholders approve the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement) (the “**Approval Date**”).

##### **Subject matter**

On 1 November 2016, APMS entered into a contract (the “**Satellite Project**”) for the manufacturing, delivery and launching of the APSTAR-6D Satellite (the “**Satellite**”).

APT will provide to APMS project management and technical consultancy services for advising, coordinating, supervising and monitoring the design, manufacture, assemble, test, launch, commission and In-Orbit Delivery of the Satellite during the construction and development of the Satellite until the In-Orbit Delivery of the Satellite subject to the terms and conditions of the Consultancy Agreement.

APMS (or its designated wholly-owned subsidiary) and APT (or its designated wholly-owned subsidiary) will sign the Consultancy Agreement on the Approval Date.

In the event that APT or APMS shall designate its wholly-owned subsidiary to enter into the Consultancy Agreement, APT or APMS (as the case may be) shall within 30 days from the Approval Date issue an undertaking letter to pledge the due performance of its wholly-owned subsidiary under the Consultancy Agreement.

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## LETTER FROM THE BOARD

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### **Material terms of the Consultancy Agreement**

#### *Scope of services*

(a) Technical Support Services

APT will provide technical support services in relation to the Satellite Project which include demand analysis, application and adaptation analysis, critical technology analysis, analysis in respect of frequency and regulation, design and optimization of the satellite platform requirements and loading design, design of gateway station at the beginning stage of the Satellite Project and design and negotiation of technical indicators relevant to the Satellite Project.

(b) Project Management Services

APT will, under the supervision of APMS, form a specialised project advisory team to provide technical support and advisory and consultation services for the purpose of assisting APMS's performance of contract in respect of the Satellite Project and ensuring the progress of construction and quality guarantee in respect of the Satellite Project.

The services will cover the periods of Assembly, Integration and Testing (“**AIT**”) and follow-up construction period of the Satellite, including the stages of assembly, integration and testing of the Satellite, the examination of the Satellite at its completion, the operation of the Satellite at the launching site, until the period of the In-Orbit Delivery of the Satellite.

APT will also perform project management and consultancy service in relation to the construction of radio frequency system of gateway station including designing of the radio frequency system, assisting APMS to complete the bidding process for the system, gateway station construction, and delivery, tests of satellite and ground control coordination.

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## LETTER FROM THE BOARD

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### *Consideration*

A total sum of USD11,855,000 (equivalent to approximately HK\$92,469,000), being the total service fees payable by APMS to APT under the Consultancy Agreement, will be paid by APMS to APT by way of telegraphic transfer to the account of APT in accordance with the following payment schedule:

Stage of Instalment	Expected due date	Percentage	Amount payable <i>USD</i>	Milestone
1	Within 30 days after the signing of the Consultancy Agreement	10%	1,185,500.00	30 days after the Consultancy Agreement becoming effective
2	On or before 31 December 2017	30%	3,556,500.00	Completion of preliminary design review
3	On or before 31 December 2018	40%	4,742,000.00	Platform and equipment ready for AIT
4	On or before 1 December 2019	10%	1,185,500.00	Completion of AIT, tests regarding environment, heat and vacuum, factory review meeting for the Satellite
5	Second half of 2019 to Beginning of 2020	10%	1,185,500.00	In-Orbit Delivery review of the Satellite
<b>Total</b>		<u>100%</u>	<u>11,855,000.00</u>	

The actual payment date for the service fees will be the expected due date of each instalment or the occurrence of each milestone as described above (whichever is earlier).

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## LETTER FROM THE BOARD

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The consideration and the terms and conditions of the provision of technical support and project management services under the Consultancy Agreement have been derived on arm's length basis by the negotiation between APT and APMS with reference to market rates.

According to market news available to APT, there is no standard fee rate for the consultancy services contemplated under the Consultancy Agreement. So far as the management of APT knows, the consultancy services fee for a satellite project is in the range from 2% to 4% of the total project cost taking into account the complexity of the satellite project, the length of the program and the technical depth and scope of the work. APT has compared the past specific contracts entered into between the Group and other independent third parties and other contract available in the market.

The estimated total cost of the construction in respect of the Satellite Project would be not less than USD280 million. The total payable service fees of USD11.855 million represents approximately 4.2% of the total cost of the Satellite Project, which is slightly higher than the rates of other past contracts entered into by the Group mentioned above.

When negotiating the service fees for the Consultancy Agreement, APT has taken into account certain factors including (i) the complexity and the scope of the Master Agreement (and the Consultancy Agreement contemplated thereunder), which includes project management and technical consultancy services for advising, coordinating, supervising and monitoring the design, manufacture, assemble, test, launch, commission and In-Orbit Delivery of the Satellite during the construction and development of the Satellite until the In-Orbit Delivery of the Satellite; (ii) the overall Satellite Project working process will last for almost three years until 1 October 2020; and (iii) the Satellite Project for the manufacturing, delivery and launching of the Satellite which is an HTS satellite and features many times the total throughput of a classic FSS satellite for the same amount of allocated orbital spectrum, is more complex.

### *Term*

The term of the Consultancy Agreement will commence from the date of the signing of the Consultancy Agreement and expire on the date of completion of In-Orbit Delivery and acceptance of the Satellite or 1 October 2020 (whichever is earlier).

If the progress of Satellite Project is delayed and In-Orbit Delivery and acceptance of the Satellite cannot be completed on or before 1 October 2020; during the delayed period, APT will continue to provide services at the request of APMS until completion of In-Orbit Delivery and acceptance of the Satellite.

APT is aware that target launch date of the Satellite is in the second half of 2019 and 1 October 2020 is a date with 9 months' buffer to cater for possible delay. As the Satellite Project relates to the development of a satellite with high technology and involves very substantial investment (the total cost of the construction in respect of the project would be not less than USD280 million), any delay in the Satellite Project will have substantial financial impact on the satellite operator. Therefore, both the satellite manufacturer and APT will make all possible efforts to avoid any delay in the project. In view of the foregoing, it is highly unlikely that the completion of the Satellite Project will be beyond 1 October 2020, except in the launch failure situation (in

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## LETTER FROM THE BOARD

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which event a replacement satellite, by way of a separate satellite project instead of further delay in the original satellite project, will then be considered by the relevant parties with a new consultancy agreement and the Company will re-comply with the relevant requirements under Chapter 14A of the Listing Rules (if necessary)). As the consultancy fee under the Consultancy Agreement is determined on project basis, it is already inclusive of services to be provided up to the completion of In-Orbit Delivery and acceptance of the Satellite in case of delay beyond 1 October 2020. Therefore, no additional consideration will be payable by APMS to APT for the continual provision of consultancy service up to the completion of In-Orbit Delivery and acceptance of the Satellite in the unlikely event that such completion and acceptance is delayed beyond 1 October 2020.

### *Termination*

APT or APMS may by giving 7 days prior written notice to the other party terminate the Consultancy Agreement if APT or APMS is in material breach or fails to perform the terms or conditions in the Consultancy Agreement (whether voluntarily or involuntarily) and such default is not remedied within 7 days after receipt from the other party of a written notice of such default; or if any event of force majeure with regard to either party occur and such event cannot be resolved or overcome within 30 days after the occurrence thereof.

Upon termination of the Consultancy Agreement as a result of default on the part of APMS or any event of force majeure, APT do not have to refund to APMS any amount of service fees or monies paid under the Consultancy Agreement, and any amount then due to be paid to APT for its services until the date of termination of the Consultancy Agreement shall remain payable by APMS. If termination of the Consultancy Agreement is due to the default on the part of APT, the parties will further negotiate the portion of refund of any amount paid to APT under the Consultancy Agreement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

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

### *Reasons for and Benefits of Entering into the Loan Agreement*

APMS is a joint venture formed by APT Shenzhen in Shenzhen, the PRC in July 2016 for the development and launch of mobile satellite services based on APSTAR-6D Satellite Project in Mainland China and Asia Pacific Region. The total registered capital of APMS will be RMB2,000 million, in which APT Shenzhen is committed to contribute RMB600 million, representing 30% of the equity interest in APMS. As of 11 September 2017, all the shareholders including APT Shenzhen have contributed in aggregate 50% of the registered capital in APMS. APT Shenzhen has in aggregate contributed RMB300 million, representing 50% of its committed contribution in APMS at the moment. APT Shenzhen is obligated to contribute the remaining RMB300 million (remaining 50% of its committed contribution) when the outstanding registered capital is called up

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## LETTER FROM THE BOARD

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by APMS which will likely take place in the coming 12 months to 24 months. APT has reserved this fund for the forthcoming calling up of the contribution in the registered capital in APMS. By entering into the Loan Agreement, the Group can make use of this opportunity to better utilize the fund resources and achieve better interests return by securing a relatively high interest rate arrangement during this waiting period. The repayment of the Loan is hedged by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS.

The Directors (including the independent non-executive Directors) are of the view that (i) the Loan Agreement is not entered into in the ordinary and usual course of business of the Group; and (ii) the terms of the Loan Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### *Reasons for and Benefits of Entering into the Master Agreement and the Consultancy Agreement*

On 1 November 2016, APMS entered into a contract in respect of the Satellite Project. Having been operated in satellite industry for almost 25 years, APT is a market leader in the development, launching and operating satellite projects in the Asia Pacific Region, Europe and Africa. APT has successful and outstanding proven record in the development and launching of advanced satellite systems. By entering into the Master Agreement (and the Consultancy Agreement contemplated thereunder), APT or its designated subsidiary can provide professional consultancy services in respect of development, launching and operation of the Satellite to APMS. The consultancy services of APT can facilitate the smooth and successful development and launch of the Satellite into designated orbit until the completion of In-Orbit Delivery. The success of the Satellite will be very important for the business development and investment for both the Group and APMS. The provision of the consultancy services will also enable the Group to broaden its satellite related services and enhance its market outreach by establishing a close linkage and network in China, which will help develop various satellite services, telecommunication services and broadcasting services in the Asia Pacific Region in the long run. Meanwhile, APT can achieve reasonable reward from the provision of the consultancy services which has become a possible way of business growth for the Group.

The Directors (including the independent non-executive Directors) are of the view that (i) the Master Agreement (and the Consultancy Agreement to be entered into after obtaining of the approval from the Independent Shareholders) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of the Master Agreement and the Consultancy Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES

#### *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.

#### *APMS*

APMS is a joint venture formed by APT Shenzhen and other parties in Shenzhen, the PRC in July 2016 for the development and launch of mobile satellite services by the development of APSTAR-6D Satellite Project in Mainland China and Asia Pacific Region. The total registered capital of the APMS is RMB2,000 million, in which APT Shenzhen shall contribute RMB600 million, representing 30% of the equity interest in APMS.

#### *APT*

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

#### *APT Shenzhen*

APT Shenzhen is a corporation established in Shenzhen under the PRC law and is an indirectly wholly-owned subsidiary of the Company.

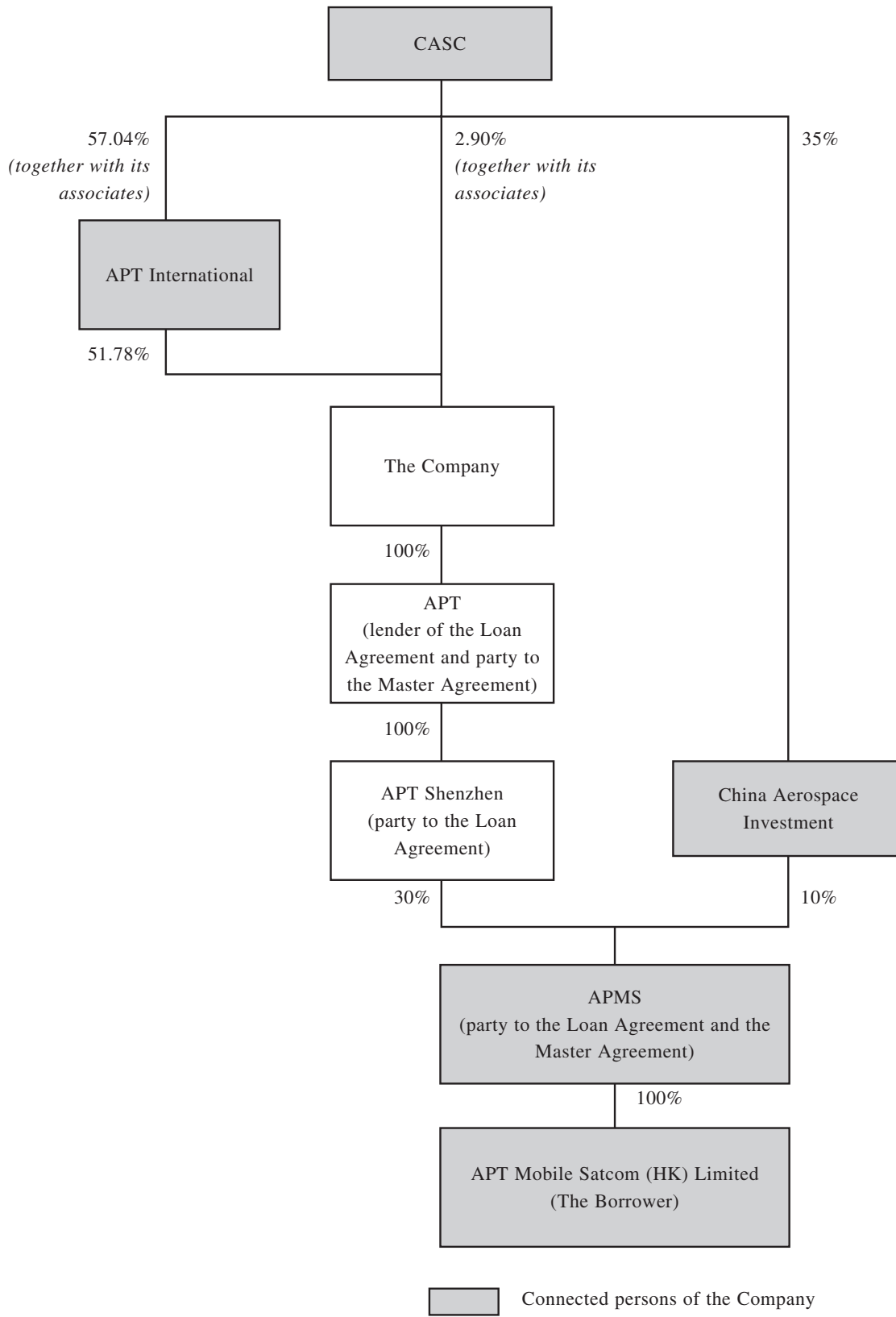
#### *The Borrower*

The Borrower is a corporation established in Hong Kong under the laws of Hong Kong and is a direct wholly-owned subsidiary of the APMS. The Borrower is principally engaged in the mobile satellite service business.

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## LETTER FROM THE BOARD

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Loan Agreement exceed 5% but are less than 25%, the provision of the Loan under the Loan Agreement constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements, but is exempt from circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

CASC and its associates are interested in an aggregate of approximately 57.04% equity interest in APT International, which 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. In addition to the shareholding held by APT International, CASC and its associates are also interested in an aggregate of another approximately 2.90% of the issued share capital of the Company as at the Latest Practicable Date.

China Aerospace Investment is a substantial shareholder of APMS (holder of 10% of its equity interest) and 35% of the equity interest in China Aerospace Investment is owned by CASC. CASC is also indirectly interested in 30% equity interest in APMS through APT Shenzhen. Therefore, APMS is an associate of CASC. The Borrower is a wholly-owned subsidiary of APMS. As such, the Borrower and APMS are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, entering into of each of the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) constitute connected transactions for the Company.

One or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Loan Agreement exceed 5%. As such, the Loan Agreement and the provision of the Loan contemplated thereunder are subject to the Independent Shareholders' approval at the SGM.

One of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Master Agreement (and the Consultancy Agreement contemplated thereunder) exceeds 5%. As such, the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder are subject to the Independent Shareholders' approval at the SGM.

APT International, CASC and their associates will be required to abstain from voting in respect of the resolutions approving the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder. As at the Latest Practicable Date, APT International, CASC and their respective associates were interested in, controlled and were entitled to exercise control over 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 and the chairman of APMS; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, is also concurrently the deputy chief accountant for CSCC and a director of APMS; (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 the vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the

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## LETTER FROM THE BOARD

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Listing Rules), they have abstained from voting on the relevant board resolution(s) for approving the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) 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 Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) 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 39 to 41 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 Monday, 23 October 2017 at 11:00 a.m. at which ordinary resolutions will be proposed for the approval by the Independent Shareholders by poll (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder.

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 Saturday, 21 October 2017 or not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolutions proposed for approval of (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder will be taken by poll, the results of which will be announced after the SGM.

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

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

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## LETTER FROM THE BOARD

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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 Wednesday, 18 October 2017 to Monday, 23 October 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 Tuesday, 17 October 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 Tuesday, 17 October 2017.

### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that:

- (a) the Master Agreement (and the Consultancy Agreement contemplated thereunder) has been or will be 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; and
- (b) the Loan Agreement has not 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 resolutions to be proposed in the SGM to approve (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on pages 18 to 19 and 20 to 34 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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3 October 2017

*To the Independent Shareholders*

Dear Sir or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

We refer to the circular dated 3 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 (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder 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 17 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 (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder as set out on pages 20 to 34 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:

- (a) the Master Agreement (and the Consultancy Agreement contemplated thereunder) has been or will be 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; and

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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- (b) the Loan Agreement has not 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.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve (i) the Loan Agreement and (ii) the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

**APT Satellite Holdings Limited**  
**Independent Board Committee**

**Lui King Man**

*Independent*

*Non-executive Director*

**Lam Sek Kong**

*Independent*

*Non-executive Director*

**Cui Ligu**

*Independent*

*Non-executive Director*

**Meng Xingguo**

*Independent*

*Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

3 October 2017

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

Dear Sirs or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
(1) PROVISION OF LOAN  
AND  
(2) PROVISION OF PROJECT MANAGEMENT AND TECHNICAL  
CONSULTANCY SERVICES**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement), details of which are set out in the “Letter from the Board” contained in the circular (the “**Circular**”) dated 3 October 2017, of which this letter forms part. Unless otherwise stated, terms defined in the Circular shall have the same meanings in this letter.

As at the Latest Practicable Date, APMS is an associate of CASC (a corporation which holds effectively an aggregate 32.44% interests in the Company) and APT Mobile Satcom (HK) Limited, as the Borrower, is a wholly-owned subsidiary of APMS. As such, the Borrower and APMS are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, entering into of each of the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) constitute connected transactions of the Company, and are subject to the compliance requirements such as announcement, circular, independent financial advice and Shareholders’ approval requirement set out in the Listing Rules.

APT International, CASC and their associates will be required to abstain from voting in respect of the resolutions approving the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 and the chairman of APMS; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, is also concurrently the deputy chief accountant for CSCC and a director of APMS; (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 the 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 Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) 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 Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the transactions contemplated and none of them is required to abstain from voting on the relevant board resolutions.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement) and to advise the Independent Shareholders as to whether the transactions contemplated under the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement) have been entered into in the ordinary and usual course of business and the terms were on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we were independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules, and accordingly, qualified to give independent advice to the Shareholders regarding the Loan Agreement and the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement). Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the continuing connected transactions (see Company's announcement dated 11 September 2017) and the discloseable and connected transactions in the Circular, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS AND ASSUMPTIONS OF OUR OPINION**

In formulating our opinion, we have relied solely on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company and/or the management of the Company (the "**Management**", including the Directors and/or the senior management staff of the Company). We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or the Management for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Company and/or the Management contained in the Circular have been reasonably made after due and careful enquiry.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have reviewed all the 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 opinion. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Company and/or the Management and 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 or CASC and China Aerospace Investment.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE LOAN AGREEMENT**

In considering whether the Loan Agreement has 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, we have taken into account the following principal factors and reasons:

**1. Information on the Group, APT, APT Mobile Satcom (HK) Limited, APMS and APT (Shenzhen)**

*(a) 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 services. For the year ended 31 December 2015 and 2016, the Group recorded total revenue of approximately HK\$1,194.4 million and HK\$1,229.9 million, respectively. As at the Latest Practicable Date, the market capitalisation of the Company was approximately HK\$3,397.5 million.

*(b) Information on the lender*

APT, as the lender, is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. APT Shenzhen is a corporation established in Shenzhen under the PRC law and is a wholly-owned subsidiary of the lender.

*(c) Information on the Borrower*

APT Mobile Satcom (HK) Limited, as the Borrower, is a corporation established in Hong Kong. The Borrower is principally engaged in the mobile satellite service business. APMS is the holding company of the Borrower.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the announcements of the Company dated 23 July 2016 and 14 August 2016 and the circular dated 2 September 2016 in relation to the Investors' Agreement and the Supplemental Agreement in respect of the establishment of the Joint Venture, pursuant to the Investors' Agreement (as amended by the Supplemental Agreement), a joint venture company, namely, APMS was established in July 2016. APT Shenzhen is the company within the Group to be responsible specifically for the investment and development of the Joint Venture.

### 2. Principal terms of the Loan Agreement

A summary of the principal terms of the Loan Agreement is set out below:

<b>Date</b>	:	11 September 2017
<b>Parties</b>	:	(1) APT Satellite Company Limited (a wholly-owned subsidiary of the Company) (as lender)  (2) APT Mobile Satcom (HK) Limited (as borrower)  (3) APT Mobile Satcom Limited (the holding company of the Borrower)  (4) 亞太衛星通信(深圳)有限公司 (APT Satellite (Shenzhen) Limited*) (a wholly-owned subsidiary of the lender)
<b>Loan Principal</b>	:	HK\$345,462,920.30
<b>Interest</b>	:	Interest is payable at the rate equivalent to the benchmark interest rate for one-year to five-year loans announced by the People's Bank of China on the Effective Date accruing from the Effective Date based on the actual number of days elapsed. Interest will be paid annually except that the final instalment of the interest payable shall be paid within 60 days after the expiry of the term of the Loan.
<b>Purpose</b>	:	The proceeds of the Loan will be applied towards APMS's payment to government for land rental and other expenses relating to the construction and investment of satellite project.
<b>Term of loan</b>	:	Three years from the Effective Date or from the Effective Date to the due date for final payment of the capital contribution by APT Shenzhen (whichever is shorter). The parties may agree to the extension of the term of the Loan by written agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Repayment** : Repayment of the Loan will be made in cash or by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS. Such repayment will be made by instalments and the date and amount of instalment will be determined with reference to the capital contribution notice issued by APMS to APT Shenzhen.
- Condition Precedent** : The Loan Agreement is subject to the approval of the Independent Shareholders. The Loan Agreement will become effective from the date on which the Independent Shareholders approve the Loan Agreement (the “**Effective Date**”).

We have been given to understand that the terms of the Loan Agreement, including but not limited to the interest rates and the duration of the loan, were agreed by the relevant parties having taken into account of (i) the benchmark interest rate for one-year to five-year loans in PRC; and (ii) the repayment ability is hedged by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS.

### 3. Reasons for the Loan Agreement

#### (a) *Development of APMS*

APMS is a joint venture formed by APT Shenzhen in Shenzhen, PRC in July 2016 for the development and launch of mobile satellite services based on APSTAR-6D Satellite Project in Mainland China and Asia Pacific Region. The total registered capital of APMS will be RMB2,000 million, in which APT Shenzhen is committed to contributing RMB600 million, representing 30% of the equity interest in APMS. As of 11 September 2017, all the shareholders including APT Shenzhen have contributed in aggregate 50% of the registered capital in APMS. APT Shenzhen has in aggregate contributed RMB300 million, representing 50% of the committed contribution in APMS at the moment. APT Shenzhen is obligated to contribute the remaining RMB300 million (remaining 50% of its committed contribution) when the outstanding registered capital is called up by APMS which will likely take place in the coming 12 months to 24 months. As at the date hereof, APT has reserved this fund (i.e. RMB300 million) for the forthcoming calling up of the contribution in the registered capital in APMS. The business scope of APMS includes construction and operation of satellite communication system satellite space segment service, satellite fixed and mobile telecommunication services, internet access, integration of networks and technical consultancy services, etc.

We noted from the Company that APMS has received a letter of intention from one financial institution in Shenzhen states that it will provide a five-year syndicated loan of total amount of RMB3.3 billion to APMS (the “**bank financing**”) and is subject to its internal evaluation and execution of the final agreements. The loan will be used for payment to government for the land rental and other expenses relating to the construction and investment satellite project in accordance with the planned schedule of APMS.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that the Company has already reserved the fund of RMB300 million for the purpose of fulfilling its obligation to contribute the remaining 50% in its 30% equity interest in APMS, by entering into the Loan Agreement, the Group can make use of such opportunity to better utilize the fund resources.

**(b) The Loan Agreement will generate greater return than fixed deposits**

According to the 2017 interim report of the Company published on 15 September 2017 (the “**2017 Interim Report**”), the total cash and bank balance of the Group were approximately HK\$722.61 million as at 30 June 2017. When comparing with the current practice of the Group of depositing the cash surplus as current or fixed deposits with financial institutions in Hong Kong, the Loan Agreement will provide higher interest income than those to be received from current or fixed deposit to the Group. According to the website of the Bank of China (Hong Kong) and Bank of Communications (Hong Kong Branch), the one-year and three-year interest rate per annum for fixed deposit as at 29 September 2017 are as below:

**Bank of China (Hong Kong)**

<b>Tenor</b>	<b>USD50,000 or above</b>	<b>HKD500,000 or above</b>	<b>CNY (any amount)</b>
1-Year	0.15000% p.a.	0.20000% p.a.	0.60000% p.a.
3-Year	0.25000% p.a.	0.25000% p.a.	–

*Source: <https://www.bochk.com/en/investment/rates/deposit.html>*

**Bank of Communications (Hong Kong Branch)**

<b>Tenor</b>	<b>USD (any amount)</b>	<b>HKD500,000 or above</b>	<b>CNY (any amount)</b>
1-Year	1.20000% p.a.	0.53710% p.a.	0.85000% p.a.
3-Year	–	0.40000% p.a.	–

*Source: <http://www.bankcomm.com.hk/en/financialinfo/info0701.html>*

Given that the current practice of the Group with regard to cash surplus is to deposit any such amount as current or fixed deposits with financial institutions in Hong Kong, we have compared such interest rates as shown in the above table to the interest rates under the Loan Agreement. According to the terms of the Loan Agreement, the interest is payable at the rate equivalent to the benchmark interest rate for one-year to five-year loans announced by the People’s Bank of China (the “**PBOC**”) on the Effective Date. We noticed that, according to the website of the PBOC, the benchmark interest rate for one-year to five-year loans has remained at 4.75% per annum since 24 October 2015. As such, it is substantially higher than all the deposit interest rates available to the Group under any current or fixed

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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deposit placed with banks in Hong Kong at present. On this basis, we are of the view that the Loan Agreement could generate a higher return to the Group as compared to its current practice of placing any surplus cash as current or fixed deposits with financial institutions in Hong Kong.

**(c) *Liquidity resources available for the Loan Agreement***

According to the 2017 Interim Report, the total cash and bank balance of the Group were approximately HK\$722.61 million as at 30 June 2017. As advised by the Management, the Group has sufficient internal resources. This was evidenced by the recorded unrestricted total cash and bank balance of approximately HK\$722.61 million as at 30 June 2017 and the unutilized bank facility of approximately US\$128,000,000. Based on the budget of the Group and taking into account the cash flow to be generated from operations, the Company has sufficient internal resources to satisfy the outstanding capital commitments of HK\$1,240,499,000 which was contracted for as at 30 June 2017, including capital contribution commitment to APMS, which will take place in the next 12 months to 24 months from the Latest Practicable Date. Accordingly, we concur with the Management's view that the Group will have sufficient working capital for its present requirements for at least next 12 months to 24 months from the Latest Practicable Date and the drawdown of the Loan under the Loan Agreement will not have any material adverse impact on the working capital position of the Group in the short term.

**(d) *Repayment ability of the Borrower***

We note from the Loan Agreement that the repayment of the Loan will be made in cash or set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS. As we know from the Letter from the Board, APT Shenzhen is obligated to contribute the remaining RMB300 million (remaining 50% of its committed contribution) when the outstanding registered capital is called up by APMS which will likely take place in the coming 12 months to 24 months. The principal amount of the proposed Loan is HK\$345,462,920.30 which is exactly the same amount as the outstanding capital commitment made by APT Shenzhen considering the agreed exchange rate at RMB0.8684: HK\$1. Furthermore, the Due Date for Contribution and the Contribution Payable of the capital injection commitment aforesaid will be the due date and instalment sum for repayment of the Loan respectively. Accordingly, the repayment of the Loan is fully hedged and secured without any default risk from the Borrower considering the factors mentioned above.

**(e) *Financial effects of the Loan Agreement***

As advised by the Company, the Loan will be recorded as embedded derivatives. Cash of the Group will be decreased by HK\$345,462,920.30 and embedded derivatives of the Group will be increased by the same amount.

In addition, the Loan Agreement will enable the Group to earn an interest income (which is classified as financial income) which will be calculated based on the benchmark interest rate for one-year to five-year loans announced by the People's Bank of China on the Effective Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Management considers that by entering the Loan Agreement, the Group can make use of such opportunity to better utilize its working capital and achieve better interests return by securing a relatively higher interest rate arrangement during the idle period up to the Due Date for the Contribution. The repayment of the Loan is hedged by way of set-off against the equivalent amount of the capital contribution payable by APT Shenzhen to APMS. Accordingly, we concur with the Directors' view that (i) the entering into of the Loan Agreement is commercially justifiable and on normal commercial terms; and (ii) the terms of the Loan Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE MASTER AGREEMENT AND THE CONSULTANCY AGREEMENT

In considering whether the Master Agreement (and the Consultancy Agreement to be entered into after obtaining of the approval from the Independent Shareholders) has 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, we have taken into account the following principal factors and reasons:

#### 1. Principal terms of the Master Agreement

A summary of the principal terms of the Master Agreement is set out below:

**Date** : 11 September 2017

**Parties** : (1) APMS  
(2) APT

**Condition Precedent** : The Master Agreement is subject to the approval of the Independent Shareholders.

The Master Agreement will become effective from the date on which the Independent Shareholders approve the Master Agreement (and the Consultancy Agreement contemplated under the Master Agreement) (the "**Approval Date**").

**Subject matter** : On 1 November 2016, APMS entered into a contract (the "**Satellite Project**") for the manufacturing, delivery and launching of the APSTAR-6D Satellite (the "**Satellite**").

APT will provide to APMS project management and technical consultancy services for advising, coordinating, supervising and monitoring the design, manufacture, assemble, test, launch, commission and In-Orbit Delivery of the Satellite during the construction and development of the Satellite until the In-Orbit Delivery of the Satellite subject to the terms and conditions of the Consultancy Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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APMS (or its designated wholly-owned subsidiary) and APT (or its designated wholly-owned subsidiary) will sign the Consultancy Agreement on the Approval Date.

In the event that APT or APMS shall designate its wholly-owned subsidiary to enter into the Consultancy Agreement, APT or APMS (as the case may be) shall within 30 days from the Approval Date issue an undertaking letter to pledge the due performance of its wholly-owned subsidiary under the Consultancy Agreement.

### 2. Principal terms of the Consultancy Agreement

A summary of the principal terms of the Consultancy Agreement is set out below:

Scope of services:

- (a) Technical Support Services : APT will provide technical support services in relation to the Satellite Project which include demand analysis, application and adaptation analysis, critical technology analysis, analysis in respect of frequency and regulation, design and optimization of the satellite platform requirements and loading design, design of gateway station at the beginning stage of the Satellite Project and design and negotiation of technical indicators relevant to the Satellite Project.
- (b) Project Management Services : APT will, under the supervision of APMS, form a specialised project advisory team to provide technical support and advisory and consultation services for the purpose of assisting APMS's performance of contract in respect of the Satellite Project and ensuring the progress of construction and quality guarantee in respect of the Satellite Project.

The services will cover the periods of Assembly, Integration and Testing ("AIT") and follow-up construction period of the Satellite, including the stages of assembly, integration and testing of the Satellite, the examination of the Satellite at its completion, the operation of the Satellite at the launching site, until the period of the In-Orbit Delivery of the Satellite.

APT will also perform project management and consultancy service in relation to the construction of radio frequency system of gateway station including designing of the radio frequency system, assisting APMS to complete the bidding process for the system, gateway station construction, and delivery, tests of satellite and ground control coordination.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Consideration : A total sum of USD11,855,000 (equivalent to approximately HK\$92,469,000), being the total service fees payable by APMS to APT under the Consultancy Agreement, will be paid by APMS to APT by way of telegraphic transfer to the account of APT in accordance with the following payment schedule:

Stage of Instalment	Expected due date	Percentage	Amount Payable <i>USD</i>	Milestone
1	Within 30 days after the signing of the Consultancy Agreement	10%	1,185,500.00	30 days after the Consultancy Agreement becoming effective
2	On or before 31 December 2017	30%	3,556,500.00	Completion of preliminary design review
3	On or before 31 December 2018	40%	4,742,000.00	Platform and equipment ready for AIT
4	On or before 1 December 2019	10%	1,185,500.00	Completion of AIT, tests regarding environment, heat and vacuum, factory review meeting for the Satellite
5	Second half of 2019 to Beginning of 2020	10%	1,185,500.00	In-Orbit Delivery review of the Satellite
Total		<b>100%</b>	<b>11,855,000.00</b>	

The actual payment date for the service fees will be the expected due date of each instalment or the occurrence of each milestone as described above (whichever is earlier).

Term : The term of the Consultancy Agreement will commence from the date of the signing of the Consultancy Agreement and expire on the date of completion of In-Orbit Delivery and acceptance of the Satellite or 1 October 2020 (whichever is earlier).

If the progress of Satellite Project is delayed and In-Orbit Delivery and acceptance of the Satellite cannot be completed on or before 1 October 2020; during the delayed period, APT will continue to provide services at the request of APMS until completion of In-Orbit Delivery and acceptance of the Satellite.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Termination : APT or APMS may by giving 7 days prior written notice to the other party terminate the Consultancy Agreement if APT or APMS is in material breach or fails to perform the terms or conditions in the Consultancy Agreement (whether voluntarily or involuntarily) and such default is not remedied within 7 days after receipt from the other party of a written notice of such default; or if any event of force majeure with regard to either party occur and such event cannot be resolved or overcome within 30 days after the occurrence thereof.

Upon termination of the Consultancy Agreement as a result of default on the part of APMS or any event of force majeure, APT do not have to refund to APMS any amount of service fees or monies paid under the Consultancy Agreement, and any amount then due to be paid to APT for its services until the date of termination of the Consultancy Agreement shall remain payable by APMS. If termination of the Consultancy Agreement is due to the default on the part of APT, the parties will further negotiate the portion of refund of any amount paid to APT under the Consultancy Agreement.

### **3. Reasons and benefits for entering into the Master Agreement (and Consultancy Agreement contemplated thereunder)**

On 1 November 2016, APMS entered into a contract in respect of the Satellite Project. As stated in the announcement on 1 November 2016, APSTAR-6D Satellite is the first HTS broadband satellite. The HTS system is high-throughput satellite communication system (“HTS”), which by contrast to traditional satellite technology, offer many times the throughput of the conventional satellites under a new allocated orbital spectrum but at a relatively higher cost of development. The total investment amount of the HTS system is approximately RMB10 billion. The HTS system, after its completion, will provide satellite broadband communication services for both fixed and mobile application over the world.

Providing the project management and technical consultancy services to APMS will enable the Group to keep abreast of the latest development in the satellite industry and enhance its market outreach by establishing a close linkage and network in China, which will help develop various satellite services, telecommunication services and broadcasting services in the Asia Pacific Region in the long run.

APT is a leading operator in the Asia Pacific Region with almost 25 years of experience in the development, launching and operating satellite projects. APT has successful and outstanding proven record in the development and launching of advanced satellite systems. Also, the revenue from provision of satellite transponder capacity and related services accounts for over 95% of its total revenue for the year ended 2015 and 2016. The consideration of the Consultancy Agreement is USD11,855,000 (equivalent to approximately HK\$92,469,000), which can generate strong cash flow to the Company in the coming two years and improve the profitability and enhance the financial position of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, by entering into the Master Agreement (and the Consultancy Agreement contemplated thereunder), APT or its designated subsidiary can provide professional consultancy services in respect of development, launching and operation of the Satellite to APMS. The consultancy services of APT can facilitate the smooth and successful development and launch of the Satellite into designated orbit until the completion of In-Orbit Delivery, which also enable APMS to provide better service to its client. The success of the Satellite will be very important for the business development and investment for both the Group and APMS.

In the light of the above, we concur with Directors' view that the Master Agreement (and the Consultancy Agreement to be entered into after obtaining of the approval from the Independent Shareholders) are entered into in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of the Master Agreement and the Consultancy Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **4. Analysis of the principal terms of the Consultancy Agreement**

##### *Consideration*

Pursuant to the Consultancy Agreement, a total sum of USD11,855,000 (equivalent to approximately HK\$92,469,000), is the total sum of services fees payable by APMS to APT. As stated in the Letter from the Board, the consideration and the terms and conditions of the provision of technical support and project management services under the Consultancy Agreement have been derived on arm-length basis by the negotiation between APT and APMS with reference to market rates.

According to market news available to the Management, there is no standard fee rate for such consultancy services and the consultancy fee. As far as they know, the consultancy services fee for a satellite project would range from 2% to 4% of the total project cost taking into account the complexity of the satellite project, the length of the program and the technical depth and scope of the work. In order to assess the reasonableness and fairness of the consideration under the Consultancy Agreement, we have compared the past specific contracts entered into between the Group and other independent third parties and other contract available in the market provided by the Management, which are set out below:

- (i) For specific contract signed by the Company with other independent third party, APT entered into a lease agreement with other independent third party in 1999 for APSTAR 2R satellite, there was a term for new replacement satellite stated that APT was entitled to receive 3% of the aggregate cost of the satellite construction, launch and launch insurance as management fee to compensate APT's design and other efforts in the satellite program.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) For specific contract available in the satellite market, Bangladesh Telecommunication Regulatory Commission signed a USD10 million consultancy service agreement relating to Bangabandhu Satellite-1, which carries a total of 40 Ku and C-band transponders with a capacity of 1,600 megahertz and a predicted life span of 15 years in March 2012. The total cost is approximately USD248 million. In calculation, the consultancy fee is around 4% of the total cost.

For the Consultancy Agreement relating to APSTAR-6D Satellite Project, the estimated total cost of the construction in respect of the project would be not less than USD280 million. The total consideration of USD11.855 million represents approximately 4.2% of the total cost of the project, which is slightly higher than the rates mentioned above. As advised by the Management, they have taken into account certain factors including (1) the complexity and the scope of the Master Agreement (and the Consultancy Agreement contemplated thereunder), which includes project management and technical consultancy services for advising, coordinating, supervising and monitoring the design, manufacture, assemble, test, launch, commission and In-Orbit Delivery of the Satellite during the construction and development of the Satellite until the In-Orbit Delivery of the Satellite; (2) that the overall Satellite Project working process will last for nearly three years to 1 October 2020; and (3) that the Satellite Project for the manufacturing, delivery and launching of the APSTAR-6D Satellite which is an HTS satellite and features many times the total throughput of a classic FSS satellite for the same amount of allocated orbital spectrum, is more complex.

On the basis of the reasons explained above, we concur with the Directors' view that the rate of 4.2% as the services fee under the Master Agreement (and the Consultancy Agreement contemplated thereunder) (i.e.USD11.855 million, representing approximately 4.2% of the total construction cost of APSTAR-6D) has been arrived at after arm's length negotiation and on normal commercial terms having taken into account the market rates and is fair and reasonable.

### *Term*

We noted that if the progress of the Satellite Project is delayed and the In-Orbit Delivery and acceptance of the Satellite cannot be completed on or before 1 October 2020, APT will continue to provide services at the request of APMS until completion of the In-Orbit Delivery and acceptance of the Satellite.

As stated in the Letter from the Board, APT is aware that the target launch date of the Satellite is in the second half of 2019 and 1 October 2020 is a date with a 9-months buffer to cater for possible delay. As the Satellite Project relates to the development of a satellite with high technology and involves very substantial investment (the total cost of the construction in respect of the project would be not less than USD280 million), any delay in the Satellite Project will have substantial financial impact on the satellite operator. Therefore, both the satellite manufacturer and APT will make all possible efforts to avoid any delay in the project. In view of the foregoing, it is expected that the completion of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Satellite Project will not be beyond 1 October 2020, except in the launch failure situation (in which event a replacement satellite, by way of a separate satellite project will then be considered by the relevant parties with a new consultancy agreement and the Company will re-comply with the relevant requirements under Chapter 14A of the Listing Rules (if necessary)).

Furthermore, the Management also have taken into account that the consultancy fee under the Consultancy Agreement is already inclusive of services to be provided up to the completion of In-Orbit Delivery and acceptance of the Satellite in case of delay beyond 1 October 2020. As explained by the Management, any delay period would not lead to additional work since the consultancy concerns the Satellite Project as a whole and it would only affect the timing allocation of the provision of the consultancy service. Therefore, no additional consideration will be payable by APMS to APT for the continual provision of consultancy service up to the completion of In-Orbit Delivery and acceptance of the Satellite beyond 1 October 2020.

As advised by the Management, there is no standard practice for such kind of arrangement and it usually depends on the complexity of a particular satellite project, the experience and requirement of the satellite operator and the negotiation between the parties. However, it is reasonable and not uncommon for a delayed period arrangement to be taken into account in a consultancy service agreement for a satellite project. In the past, the Company also had a consultancy agreement with other satellite operator containing similar delayed period arrangement.

Having considered the above, we are of the view that though the delay period arrangement may not be a standard practice but it is fair and reasonable and in the interests of the Company and the Shareholders as a whole in the context of the complexity of the Group's projects.

### ***Recommendation***

Having considered the principal factors and reasons discussed above, we are of the view that:

- (a) the Master Agreement (and the Consultancy Agreement contemplated thereunder) have been or will be 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; and
- (b) the Loan Agreement has not 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Master Agreement (and the Consultancy Agreement contemplated thereunder) and the Loan Agreement and the transaction contemplated thereunder at the 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:

<b>Name of Director/chief executive of the Company</b>	<b>Nature of Interest</b>	<i>Note</i>	<b>Total number of Shares interested as at the Latest Practicable Date</b>	<b>Approximate percentage of total issued share capital of the Company as at the Latest Practicable Date</b>
Dr. Meng Xingguo (“ <b>Dr. Meng</b> ”)	Interest of spouse	1	438,000	0.05%

*Note:*

1. Dr. Meng’s wife held 438,000 Shares. Pursuant to the SFO, Dr. Meng was deemed to be interested in the same parcel of Shares held by his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short position in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole;
- (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 and the chairman of the board of director of APT International; (ii) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a director of APT International; (iii) Mr. Qi Liang, an executive Director and the vice president of the Company, was also concurrently a director of APT International; (iv) Mr. Lim Toon, Mr. Lim Kian Soon and Dr. Yin Yen-liang, non-executive Directors, and Mr. Tseng Ta-mon (alternate Director to Dr. Yin Yen-liang), were also concurrently directors of APT International; (v) Mr. Li Zhongbao, a non-executive Director, was also concurrently a director of APT International; and (vi) Mr. Fu Zhiheng, a non-executive Director, was also concurrently the vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules) and a director of APT International.

### 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:

<b>Name of Director</b>	<b>Name of company</b>	<b>Principal Activity</b>
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:

<b>Name</b>	<b>Qualification</b>
VMS	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities), 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 3 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 Loan Agreement;
- (ii) the Master Agreement (with the form of the Consultancy Agreement included therein);
- (iii) letter from the Independent Board Committee dated 3 October 2017, the text of which is set out on page 18 to 19 of this circular;
- (iv) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 3 October 2017, the text of which is set out on pages 20 to 34 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.

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## NOTICE OF THE SGM

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**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 Monday, 23 October 2017, at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the loan agreement dated 11 September 2017 (the “**Loan Agreement**”) entered into between APT Satellite Company Limited (“**APT**”), APT Mobile Satcom (HK) Limited (the “**Borrower**”), 亞太衛星通信(深圳)有限公司 (APT Satellite (Shenzhen) Limited\*) and APT Mobile Satcom Limited (“**APMS**”) in respect of the provision of an unsecured loan in the principal amount of HK\$345,462,920.30 to be provided by APT to the Borrower, as defined and described in the circular of the Company dated 3 October 2017 (the “**Circular**”), a copy of the Loan Agreement marked “**A**” 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; and
- (b) 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 Loan Agreement and the transactions contemplated thereunder.”

\* For identification purpose only

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## NOTICE OF THE SGM

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2. **“THAT:**

- (a) the master service agreement dated 11 September 2017 (the “**Master Agreement**”) entered into between APT and APMS in respect of the provision of certain project management and technical consultancy services by APT to APMS, as defined and described in the Circular, a copy of the Master Agreement (with the form of the Consultancy Agreement (as defined and described in the Circular) included therein) 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 (including the entering into of the Consultancy Agreement by APT or its designated subsidiary) be and are hereby approved, confirmed and ratified; and
- (b) 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 Master Agreement, the Consultancy Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 3 October 2017

*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

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## NOTICE OF THE SGM

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*Notes:*

1. The ordinary resolutions to be considered at the special general meeting will be determined by poll pursuant to the Rules Governing the Listing of Securities on 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](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://www.apstar.com)) respectively.
2. A member of the Company who is entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting is enclosed herewith and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://www.apstar.com)) respectively.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 11:00 a.m. on Saturday, 21 October 2017 or not less than 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 Wednesday, 18 October 2017 to Monday, 23 October 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 Tuesday, 17 October 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 Tuesday, 17 October 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 Ligu 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](http://www.hkexnews.hk)) and the Company ([www.apstar.com](http://www.apstar.com)) respectively to notify the shareholders of the Company of the date, time and place of the rescheduled meeting.
9. References to time and dates are to Hong Kong time and dates.