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CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 27 October 2014 and the circular dated 17 November 2014 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company. As the Existing Transponder and Communication Services Master Agreement will expire in December 2017 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 11 September 2017, the Company entered into the Agreement with CSCC in respect of, amongst other things, the provision of transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the Agreement.

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.78% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the date of this announcement. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* *For identification purpose only*

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

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

A circular containing, among others, (a) further information on the Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM is expected to be dispatched to the Shareholders on or before 3 October 2017 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement dated 27 October 2014 and the circular dated 17 November 2014 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company. As the Existing Transponder and Communication Services Master Agreement will expire in December 2017 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 11 September 2017, the Company entered into the Agreement with CSCC in respect of, amongst other things, the provision of transponder and communication services, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the Agreement.

THE AGREEMENT

Date: 11 September 2017

Parties: The Company
CSCC

Duration: From 1 January 2018 to 31 December 2020, subject to renewal by negotiation between the parties

Service provided:

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

1. In the Mainland China market, when the Company is by itself unable to meet the requirements of the end-user customers due to its operating conditions, the Company shall provide its satellite transponder capacity on a preferential basis to CSCC for provision of service to the end-user customers (the “**Transponder Service in Mainland China**”). In this regard, the Company shall undertake the obligation to provide satellite transponder technical support to the end-user customers and CSCC shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC for the provision of the Transponder Service in Mainland China to CSCC.
2. In regions or markets outside Mainland China, when either the Company’s or CSCC’s own satellite transponder capacity and/or specification is unable to meet the requirements of the end-user customers, it shall exploit on a preferential basis (i) the available satellite transponder capacity of the other party for provision of service to the end-user customers (the “**Transponder Service outside Mainland China**”), (ii) the value-added services for satellite telecommunication provided by the available telecommunication facilities of the other party for provision of service to the end-user customers (“**Telecommunication Value-added Service**”) and (iii) other related professional services (“**Related Services**”) provided by the other party. In this regard, the party which provides the satellite transponder service, value-added service for satellite telecommunication and related professional services shall undertake the obligation to provide the necessary technical support in respect of such services to the end-user customers and the other party shall undertake all obligations in respect of customer maintenance other than the aforesaid technical support. The Company shall receive service fee from CSCC when it provides the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services to CSCC. Likewise, the Company shall pay service fee to CSCC when it procures the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services from CSCC.

Transaction amounts, pricing basis and settlement:

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

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

The Company's prevailing pricing policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of Transponder Service in Mainland China and Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

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

The Company's prevailing procurement policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the procurement of Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group from CSCC and/or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms are no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

The services fees payable by or to the Group under the Agreement shall be settled in cash. Under normal circumstances, the parties shall also agree the payment terms based on the principle of fairness and reasonableness and on normal commercial terms in the Specific Contracts. Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

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

Condition and other principal terms:

The Agreement is conditional upon the approval by the Independent Shareholders at the SGM. It will take effect as from 1 January 2018 and will expire on 31 December 2020, subject to negotiation for renewal by both parties.

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

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

Both parties have also undertaken to provide service assurance to the end-user customers in respect of the technical aspects of the relevant satellite transponder service, Telecommunication Value-added Service and Related Services, and to be responsible for any compensation (including, but not limited to, compensation for interruption, default or other duty) arising from such party's obligation to provide technical support in respect of satellite transponder service and value-added service for satellite communication and related services to the end-user customers or any other responsibility or expenses caused to the other party by such party's failure to perform its obligations. The specific provisions in respect of the undertaking will be agreed based on the principle of fairness and reasonableness and on normal commercial terms and will be set out in the Specific Contracts.

PROPOSED CAPS

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

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

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

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers in Mainland China; and (iv) the increase in satellite transponder services arising from mobile satellite services.

Historical amounts:

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

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

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

	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by the Group to CSCC and/or its associates (other than the Company or its subsidiaries)			
Caps	30,000	30,000	30,000
Aggregate transaction amount in respect of the provision of the Transponder Service outside Mainland China, Telecommunication Value-added Service and Related Services by CSCC and/or its associates (other than the Company or its subsidiaries) to the Group			
Caps	220,000	220,000	220,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite broadcasting services and telecommunication services by the Group's end-user customers outside Mainland China; and (iv) the increase in satellite transponder services arising from mobile satellite services.

Historical amounts:

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

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

INFORMATION OF THE GROUP AND CSCC

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

CSCC is a company which is owned as to 99.75% by CASC. CASC is a state-owned corporation and is principally a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTION

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

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

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

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

The Directors (excluding the independent non-executive Directors whose view will be formed after considering the advice of the independent financial adviser) are of the view that the transactions contemplated under the Agreement will be entered into in the ordinary and usual course of business of the Group and will be on normal commercial terms and the terms thereof and the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

CASC and its associates are interested in aggregate approximately 57.04% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.78% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the date of this announcement. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

The independent board committee comprising the independent non-executive Directors has been appointed to advise the Independent Shareholders on whether the Non-exempt Continuing Connected Transactions and the Caps are in the interest of the Company and the Shareholders as a whole and whether the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser, VMS Securities Limited, has also been appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions and the Caps.

A circular containing, among others, (a) further information on the Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM is expected to be dispatched to the Shareholders on or before 3 October 2017 in accordance with the Listing Rules.

In view of CSCC's interests in the transactions contemplated under the Agreement, APT International, CASC, CSCC and their respective associates will be required to abstain from voting at the SGM in respect of the resolution(s) to approve the Agreement, the Non-exempt Continuing Connected Transactions and the Caps.

DEFINITIONS

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

“Agreement”	the transponder and communication services master agreement dated 11 September 2017 entered into between the Company and CSCC in respect of, among other things, the provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates
“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 date of this announcement
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board” or “Director(s)”	the board of directors of the Company
“Caps”	the proposed annual caps for the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2020 as set out under the sections headed “PROPOSED CAPS” in this announcement
“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% interests in APT International and 2.90% direct interest in the Company.
“Company”	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“CSCC”	中國衛通集團有限公司 (China Satellite Communications Co. Ltd.)

“Existing Transponder and Communication Services Master Agreement”	the transponder and communication services master agreement entered into between the Company and CSCC dated 27 October 2014 in respect of the provision of provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the three years ending 31 December 2017
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	transactions in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service, and the Related Services contemplated under the Agreement
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“SGM”	the special general meeting of the Company to be held to approve, among others, the Agreement, the Non-exempt Continuing Connected Transactions and the Caps
“Shareholder(s)”	shareholder(s) of the Company
“Specific Contract(s)”	the specific contract(s), order(s) or confirmatory document(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates (other than the Company or its subsidiaries)) in respect of the Transponder Service in Mainland China, the Transponder Service outside Mainland China, the Telecommunication Value-added Service, and the Related Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	the meaning ascribed to it in the Listing Rules

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

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

Hong Kong, 11 September 2017

List of all directors of the Company as of the time issuing this announcement:

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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