



红日资本有限公司

RED SUN CAPITAL LIMITED

28 October 2026

To: *The Independent Board Committee and the Independent Shareholders of
APT Satellite Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement and the transactions contemplated thereunder (including the proposed annual caps thereunder for each of the three financial years ending 31 December 2029, i.e. the Caps), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 28 October 2026 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcement dated 28 September 2023 and the circular dated 22 November 2023 in relation to the Existing Satellite Transmission and Communication Services Master Agreement entered into between the Company and CSCC. As the Existing Satellite Transmission and Communication Services Master Agreement will expire in December 2026, on 10 September 2026, the Company entered into the CCT Agreement with CSCC in respect of, amongst other things, the provision of satellite communication service and other related professional and management services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the CCT Agreement.

* *For identification purpose only*

CASC and its associates are effectively interested in an aggregate of approximately 45.28% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the Latest Practicable Date. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 3.21% of the issued share capital of the Company as at the Latest Practicable Date. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

II. THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cui Ligu, Dr. Meng Xingguo, Ms. Yim Ka Man and Mr. Xu Jianhong, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders whether the CCT Agreement and the Caps are fair and reasonable, and whether the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Our appointment has been approved by the Independent Board Committee. Our role as the Independent Financial Adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the CCT Agreement (including the Caps) are entered in the ordinary and usual course of business, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the relevant resolution to approve the CCT Agreement and the Caps at the SGM.

III. OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. In the previous two years, save for this appointment, Red Sun Capital Limited has not acted as an independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for any other transaction.

Apart from normal professional fees paid or payable to us in connection with this appointment and the engagement as stated above as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

IV. BASIS OF OUR ADVICE

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Company, the Directors and the Management (for which they are solely and wholly responsible), were true and accurate at the time they were made and continue to be so as at the Latest Practicable Date.

The Directors jointly and severally accept full responsibility for the accuracy of the statements, information and representations contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been reasonably arrived at after due and careful consideration and there are no other material facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information in order to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all necessary steps 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 not, however, for the purpose of this exercise, conducted any independent verification, investigation or audit into the information provided by the Directors and the Management, business or affairs or future prospects of the Company, CSCC and their respective shareholder(s) and subsidiaries or affiliates, and their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the CCT Agreement (including the Caps) and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent. In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

V. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreement (including the Caps), we have taken into consideration the following principal factors and reasons:

1. Information of the Group

1.1 Background information of the Group

As set out in the Letter from the Board, the Company is an investment holding company. Its subsidiaries are principally engaged in the maintenance, operation, and provision of satellite transponder capacity; satellite-based broadcasting and telecommunications services; and other satellite-based related services.

1.2 Overview of the historical financial information of the Group

With a view to provide background information on the historical financial performance of the Group, we set out the following financial information of the Group as extracted and summarised from the Group's published annual report for the year ended 31 December 2025 (the "2025 Annual Report") and the interim report for the six months ended 30 June 2026 (the "2026 Interim Report").

Summary of the Group's consolidated statement of profit or loss

	For the six months ended 30 June		For the year ended 31 December	
	2026	2025	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	357,077	379,673	739,092	784,650
Cost of services	(261,262)	(276,416)	(537,233)	(500,521)
Gross profit	95,815	103,257	201,859	284,129
Profit for the period/year attributable to owners of the Company	69,644	77,383	141,392	205,221

Consolidated financial performance for the six months ended 30 June 2026 (“1H2026”) compared to the six months ended 30 June 2025 (“1H2025”)

Based on the 2026 Interim Report, the Group recorded revenue of approximately HK\$357.1 million for 1H2026, which represented a decrease of approximately 6.0% from revenue of approximately HK\$379.7 million for 1H2025. Such decrease was primarily attributable to a decrease in income from the provision of satellite transponder capacity due to changes in the market environment outside the PRC, including that Low Earth Orbit (LEO) operators Starlink have launched services, which increased competition and had a greater impact on the transponder leasing business. Nonetheless, we noted that the Group strives to overcome the difficulties brought about by the said issues and has been actively exploring new markets and businesses, and that progress has been made in the Mainland China market and the Southeast Asia market, and fulfilled the positive growth in business volume.

The Group’s cost of services decreased slightly to approximately HK\$261.3 million in 1H2026 as compared to approximately HK\$276.4 million in 1H2025, representing a decrease of approximately 5.5%. The profit attributable to equity shareholders of the Company was approximately HK\$69.6 million in 1H2026, representing a decrease of approximately 10.1% from approximately HK\$77.4 million in 1H2025. Such decrease was primarily attributable to the net effect of the decrease in gross profit, the increase in share of loss of associate and the decrease in income tax.

Consolidated financial performance for the year ended 31 December 2025 (“FY2025”) compared to the year ended 31 December 2024 (“FY2024”)

We noted from the 2025 Annual Report, the Group reported a revenue of approximately HK\$739.1 million for FY2025, which was broadly in line with revenue of approximately HK\$784.7 million for FY2024. This fluctuation was primarily attributable to a decrease in income from the provision of satellite transponder capacity due to market competition, in particular, competition from Low Earth Orbit (LEO) operators, such as Starlink. Nonetheless, we noted that the Greater China region (which includes Mainland China, Taiwan and Macau but excludes Hong Kong for the purpose of this disclosure) remained to be the largest revenue contributor by geographic region, the revenue of which amounted to approximately HK\$342.8 million for FY2025 (FY2024: approximately HK\$341.8 million), representing approximately 46.4% of the Group’s total revenue.

The cost of services of the Group increased to approximately HK\$537.2 million in FY2025 as compared to approximately HK\$500.5 million in FY2024, representing an increase of approximately 7.3%. The profit attributable to equity shareholders of the Company was approximately HK\$141.4 million in FY2025, a decrease of approximately 31.1% from approximately HK\$205.2 million in FY2024. This fluctuation was primarily attributable to the net effect of the decrease in gross profit and other net gains, the increase in administrative expenses and the decrease in share of loss of associate.

2. Overview of the PRC industry landscape

Based on industry research performed by us, the PRC government has announced a number of policies and/or guidance in 2025 in relation to the commercialisation and continued development of its space sector. We noted from a publication by the State Council of the PRC dated 27 August 2025 titled “China to promote high-quality development of satellite communication industry”¹ that the PRC will promote high-quality development of the satellite communication industry by optimising business access, according to a set of guidelines (the “**Guidelines**”) unveiled by the Ministry of Industry and Information Technology (“**MIIT**”). The Guidelines aim to promote the launch of satellite communication services, stimulate the vitality of innovation in the commercial space sector and foster new drivers of productivity in an orderly manner. In summary, the PRC will support the accelerated development of low-orbit satellite internet as well as the application of satellite communication in various industries and fields, including agriculture, transportation, energy and urban governance. They promote the cross-integration of satellite communication with new-generation information infrastructure, including areas such as the industrial internet, vehicle networking and air-borne communication.

We also noted from the “Action Plan of the China National Space Administration for Advancing the High-Quality and Safe Development of Commercial Aerospace (2025-2027)”² 《國家航天局推進商業航天高品質安全發展行動計劃(2025-2027年)》 issued by the China National Space Administration (the “**CNSA**”) in November 2025 that key measures announced including, among others, (i) improve the support mechanism for the construction and operation of commercial satellites; (ii) research and formulate policies and regulations for commercial satellite launch, tracking and control, on-orbit operation management, transfer, deorbiting, and re-entry, and establish relevant mechanisms and processes to promote the efficient construction and utilisation of satellite resources; and (iii) make full use of state-owned and commercial monitoring facilities and space-based control systems.

¹ Publication by the State Council of the PRC titled “China to promote high-quality development of satellite communication industry” (source: english.www.gov.cn/news/202508/27/content_WS68af0c13c6d0868f4e8f51e4.html)

² Notice on Issuing the “Action Plan of China National Space Administration for Promoting High-Quality and Safe Development of Commercial Spaceflight (2025-2027)” as published by China National Space Administration (source: www.cnsa.gov.cn/n6758823/n6758839/c10719382/content.html)

Furthermore, as per “Regulations on the Administration of Direct-to-terminal Satellite Services” 《終端設備直連衛星服務管理規定》 related publication³ jointly issued by, among others PRC government bodies/authorities, the State Internet Information Office* (國家互聯網資訊辦公室), National Development and Reform Commission (國家發展和改革委員會), MIIT (工業和資訊化部), Ministry of Public Security (公安部), it is specified that any direct satellite connection services for terminal equipment will be subject to relevant licenses and approvals as required under the PRC Telecommunications Regulations (and the related Telecom Business Classification Catalogue). Under the Telecommunications Regulations, the state must hold at least 51% interest in a licensee which is authorised to provide basic telecom service⁴ (the “**Regulatory Requirement**”). On this basis, such would mean that only state-owned enterprises (or institutions) will be eligible to provide satellite communications services in the PRC.

With the aforementioned supportive PRC government policies towards the continuous development of the space sector, there are notable medium to long-term growth potentials for existing market participants. Furthermore, given the Regulatory Requirement that the market participants must adhere to, growth in the number of PRC domestic market participants in the near term maybe limited. In this connection, the Group intends to continue providing/procuring satellite communication service and other related professional and management services for satellite and communication, where appropriate, from/to CSCC with a view to strengthen its overall market position.

3. Reasons for and benefits of the Non-exempt Continuing Connected Transactions

We have summarised the following reasons for and benefits of the Non-exempt Continuing Connected Transaction from the Letter from the Board.

Each of the Group and CSCC possesses its own satellites fleet with a different footprint coverage and transponder specification (including but not limited to link performance/quality, frequency band, transponder bandwidth and power, beam type and payload architecture, which determine the quality, capacity, cost and reliability of the services which may be provided). Due to operating conditions relating to communication and satellite related business in the Chinese Mainland, there are situations where the Group by itself may not be able to satisfy its customers’ requirements. As a renowned satellite operator in the Chinese Mainland, CSCC is able to facilitate the Group in satisfying its Chinese Mainland customers’ requirements so that the Group can not only strengthen its business relationship with its Chinese Mainland customers, but also pursue new business opportunities in the Chinese Mainland 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 the Chinese Mainland, exploit the available satellite transponder of CSCC for provision of service to its customers outside the Chinese Mainland. Meanwhile, the Group may also increase its revenue by providing the transponder service outside the Chinese Mainland to CSCC under the CCT Agreement.

³ 關於印發《終端設備直連衛星服務管理規定》的通知 (source: www.cac.gov.cn/2025-04/30/c_1747719075774684.htm)

⁴ 中華人民共和國電信條例 (source: www.beijing.gov.cn/zhengce/zhengcefagui/qtwj/202306/t20230609_3128623.html)

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

Having considered, among others, (i) the Group principally engages in, amongst others, the maintenance, operation, and provision of satellite transponder capacity; satellite-based broadcasting and telecommunications services; and other satellite-based related services; (ii) CSCC possess a fleet of satellites and is an established satellite transponder service provider in the PRC, which can from time to time satisfy the requirements from the Group's PRC customers; (iii) the Non-exempt Continuing Connected Transactions are a furtherance of the Group's core businesses and will broaden the income base of the Group; (iv) the Caps, if approved, would continue to facilitate the Non-exempt Continuing Connected Transactions for the three years ending 31 December 2027, 2028 and 2029; and (v) the Group has the right but not the obligation to seek or provide the relevant services from/to CSCC at terms to be determined in accordance with the Group's relevant pricing policies, we concur with the Directors' view that the CCT Agreement and the Caps are in the interests of the Company as a whole.

4. Principal terms of the CCT Agreement

Based on information as set out in the Letter from the Board, we have summarised the principal terms of the CCT Agreement below:

Date:	10 September 2026
Parties:	The Company CSCC
Duration:	From 1 January 2027 to 31 December 2029, subject to renewal by negotiation between the parties

Service to be provided:

Subject to the terms and conditions of the CCT Agreement, (i) based on the actual requirements of CSCC or its associates, the Company may provide Company's Satellite Services (as defined in the Letter from the Board) to CSCC from time to time; and (ii) based on the actual requirements of the Company or its subsidiaries, CSCC may provide CSCC's Satellite Services (as defined in the Letter from the Board) to the Group from time to time.

Service fees and pricing basis:

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

Service fees payable for the Company's Satellite Services or the CSCC's Satellite Services and the commercial terms in the Specific Contracts shall be determined:

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

For further details on, among others, service fees and pricing basis, payment terms, condition and other terms, please refer to the section headed "THE CCT AGREEMENT" as set out in the Letter from the Board.

5. Our analysis on the principal terms of the CCT Agreement and work performed on the internal control procedures

With a view to assess the fairness and reasonableness of the principal terms of the CCT Agreement, we have carried out the following work and analysis.

5.1 Company's Satellite Services

For the Company's Satellite Services, we understand from the Management that the Group provides standardised services, such as, transponder service and co-location service, as well as non-standardised services, such as sub-license of orbital slot, gateway integration and operation service. For non-standardised services, services fees would take into account factors including, where applicable, (i) the nature and complexity of the project; (ii) the scope of services; and (iii) the cost of such services and market fee rate.

In this connection, we have obtained and review not less than 30 sampled contracts, which included transactions between the Group and (i) independent third parties (the "**I3P Income Samples**"), totalling to 20 transactions; and (ii) CSCC and/or its associates (the "**Connected Income Samples**"), totalling to 13 transactions, covering standardised services and non-standardised services.

For standardised services, the unit price charged to CSCC and/or its associates under the Connected Income Samples are not less favourable than that of the unit price charged to independent third parties under the I3P Income Samples of a comparable nature.

For non-standardised services, we noted that the profit margin derived by the Group from the Connected Income Samples are not less than the profit margin derived by the Group from the I3P Income Samples. Based on information obtained and as discussed with the Management, the profit margin of the Group's service may vary from project to project as the scope, requirements and internal and external resources deployed are different. In this connection, when comparing the profit margin of the aforesaid samples, we have also reviewed the scope of work of the subject Connected Income Samples and the I3P Income Samples to ensure that the Connected Income Samples and the corresponding I3P Income Samples for comparison purposes are in similar line/category of services.

In addition, we also reviewed the payment terms of the transactions with CSCC and/or its associates under the Company's Satellite Services and we noted that these payment terms are not less favourable than payment terms transacted with independent third parties under transaction of a similar nature.

Based on our work performed as set out above, the terms of the sampled transactions with CSCC and/or its associates are not less favourable to the Company than the terms of the sampled transactions with independent third parties of a similar nature. On this basis, we noted that the terms in connection with the Company's Satellite Services provided to CSCC and/or its associates were on normal commercial terms and considered to be fair and reasonable.

5.2 CSCC's Satellite Services

For the CSCC's Satellite Services, we understand from the Management that the Group may seek services and satellite resources from CSCC from time to time. In general, the Company utilises services and satellite resources from CSCC as part of its services and/or solutions provide to its customers.

In general, the Group may utilise CSCC's Satellite Services under the following scenarios, including, the subject end-customer of the Group designates CSCC as the supplier of certain specific products and/or service provider for a particular services, which formed part of the Group's overall solution provided to the end-customer. We understand from the Management that the Group has a proven track record of satellite services project management and solution implementation skills accumulated from a variety of domestics and overseas projects. Furthermore, the Group has, where applicable, (i) local team in overseas location(s) to support the implementation and operations of the subject projects; (ii) an established overseas network of services providers and contractors which are able to offer a range of services that may be required for different aspects/tasks of a project; and (iii) formulated and advised on holistic solutions for its customers based on their needs and requirements, which are considered to be an important part of the Group's value-added services to its customers. On the other hand, CSCC has a vast range of satellite resources which may be sought-after by the end-customers to meet their project requirements (i.e. coverage and locations, where applicable), we considered that (i) it is not uncommon for end-customers to engage a project manager to oversee a project and implement a solution that involves certain project resources to be sourced from other vendor/service providers; (ii) CSCC is a qualified supplier/service provider that meets the technical specifications (including but not limited to link performance/quality, frequency band, transponder bandwidth and power, beam type and payload architecture, which determine the quality, capacity, cost and reliability of the services which may be provided, where applicable) and demand set by the end-customer for a specific part of the overall solution provided by the Group; and/or (iii) certain services which CSCC can deliver at a lower price than the estimated costs to be incurred by the Group if carried out in-house (each referred to a "Subject Project").

The Group maintains a price list for a range of services (the “**Market Price List**”), which was compiled by input/research from external consultants, such as Novaspace, being an international consultancy firm in the space industry with offices in Asia, Europe and North America, as well as other local consultant(s) in overseas country(ies), industry reports and sales and marketing team of the Group. Prior to engaging a supplier for services, to ensure the rate charged is reasonable, in the absence of any direct quotation from independent third party service provider/supplier, the Management would ensure the price charged by such supplier, whether it is a connected or independent third party, to be within the price range as set out in the Market Price List, the relevant price(s) of which are monitored by the Management on an ongoing basis, but in any event not less than once every year and the Market Price List would be updated when material fluctuations to the price(s) thereunder are noted, typically being not less than 10%, and the Management will also take into consideration, where applicable, the subject contract size, geographical location, resources / quantity requirements, specifications, with reference to updated market information gathered at the material time. Based on our review of the relevant documents related to 15 historical sample transactions/projects, we noted that (i) the end-customers of the Subject Projects were independent third parties; and (ii) the fees/charges were within the price range of the Market Price List and payment terms under the Subject Projects were determined after arm’s length negotiations and were approved by the authorised personnel of the Company. Based on our work on the sampled transactions/projects as set out above, we are of the view that the terms of the CSCC’s Satellite Services are fair and reasonable.

5.3 Internal control procedures

As set out in the Letter from the Board, the Group has adopted the following internal procedures to ensure the procurement contracts are properly reviewed and approved:

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

- (iii) the procurement contract will be finally reviewed and approved by the head of the department which requires the procurement and, in the event that the procurement amount exceeds certain specified thresholds (the “**Specified Thresholds**”), further approved by the vice president in-charge and/or president. Specifically, approval from the vice president-in-charge is required if the procurement amount exceeds HK\$700,000 and further approval from the president is required if the procurement amount exceeds HK\$10 million. In case the procurement amount is below the Specified Thresholds, the procurement contract will only be examined and approved by the head of the department which requires the procurement. The Specified Thresholds are regulated by the current authority delegation policy of the Company as approved by the Board and were determined by reference to the professional competence at each management level, the frequency of procurement transactions across different thresholds, and the associated risk ratings; and
- (iv) the business support department of the Company is responsible for monitoring the accumulated amount of continuing connected transactions the Company enters into to ensure the relevant annual caps will not be exceeded.

In addition, the finance department of the Company is responsible for reporting data and information on the Company’s connected transactions to the Board, and disclosures in the Company’s interim report (if required) and annual report. The department of the Company in charge of risk management is responsible for reviewing connected transaction activities to ensure that the transactions comply with the approved transaction caps and established policies and procedures. If irregularities or non-compliance incidents are identified, such will be reported to the relevant management personnel and the Company Secretary. Upon completion of the transactions or at year-end, the results of the review of the implementation of connected transaction contracts will be reported to the Company’s Internal Control and Risk Management Committee.

As part of our work performed on the internal procedures of the Group governing the Non-exempt Continuing Connected Transactions, we have reviewed the relevant internal procedures and obtained supporting documents from the Group for the Connected Income Samples and the procurement of CSCC as a service provider under the CSCC Projects, including supporting information and documents for the approval by the relevant personnel/management from different departments. Based on our work performed in relation to the sampled transactions and the internal monitoring procedures as set out above, we considered that the effective implementation of the internal approval procedures adopted by the Group would safeguard the interests of the Independent Shareholders.

5.4 Summary

Based on our work performed as set out above, we consider the terms of the sampled transactions entered into under the Existing Satellite Transmission and Communication Services Master Agreement to be no less favourable than the similar transactions the Group entered into with independent third parties. On this basis, we are of the view that (i) the Company’s Satellite Services provided by the Group to CSCC and/or its associates; and (ii) the CSCC’s Satellite Services provided by CSCC and/or its associates to the Group, under the Existing Satellite Transmission and Communication Services Master Agreement are fair and reasonable.

6. Our analysis on the basis and rationale for determining the Caps

As set out in the Letter from the Board, the historical transaction amount and the Caps for the provision of (i) the Company's Satellite Services (the "Income Caps"); and (ii) the CSCC's Satellite Services (the "Services Caps"), by/to the Group to/by CSCC are set out below:

	Historical amount			Caps		
	For the year ended/ending 31 December			For the year ending 31 December		
	2024	2025	2026	2027	2028	2029
	(HK\$'million)			(HK\$'million)		
<i>Income cap for the corresponding year</i>	518.0	576.0	590.0	535.0 (the "2027 Income Cap")	582.0 (the "2028 Income Cap")	595.0 (the "2029 Income Cap")
<i>Historical transaction amount for the Company's Satellite Services by the Group to CSCC and/or its associates</i>	359.9	375.4	192.7 (for six months ended 30 June 2026) (Annualised amount: 385.4) (Note 1)	N/A	N/A	N/A
<i>Historical utilisation rate</i>	69.5%	65.2%	65.3%	N/A	N/A	N/A
<i>Services cap for the corresponding year</i>	210.0	280.0	294.0	233.0 (the "2027 Services Cap")	278.0 (the "2028 Services Cap")	302.0 (the "2029 Services Cap")
<i>Historical transaction amount for the CSCC's Satellite Services by CSCC and/or its associates to the Group</i>	18.9	61.7	28.6 (for six months ended 30 June 2026) (Annualised amount: 57.1) (Note 1)	N/A	N/A	N/A
<i>Historical utilisation rate</i>	9.0%	22.0%	19.4%	N/A	N/A	N/A

Note:

1. The annualised amount is calculated based on the actual transaction amount for the six months ended 30 June 2026.

Basis for determining the Caps

In determining the Caps, the Company has considered a range of factors which have been summarised from the Letter from the Board below:

Company's Satellite Services

The proposed Caps in respect of the Company's Satellite Services (i.e. the Income 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 the Group for the past two years and the current year; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite communication services; and (iv) the additional professional and management services for satellite and communication to be provided by the Group to CSCC's associate in relation to the APSTAR-6D and new satellite project(s).

CSCC's Satellite Services

The proposed Caps in respect of the CSCC's Satellite Services (i.e. the Services 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 CSCC and/or its associates for the past two years and the current year; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite communication services, including CSCC's new satellite launched and to be launched; and (iv) the estimates of satellite communication services in relation to backup and recovery to the Group's end-user customers under the circumstance of satellite failure or other emergency situation.

The substantial increase from the historical transaction amounts (in the region of HK\$60 million) to the proposed Caps in respect of the CSCC's Satellite Services is primarily driven by anticipated growth in market demand as well as the pipeline and scale-up of the satellites launched and to be launched by CSCC and/or its associates. In particular, the proposed Caps are derived after taking into account factors, including contracts on hand, estimated transponder services of certain satellites, satellite services in relation to backup and recovery to the Group's end-customers and a contingency allowance.

For further information in relation to the basis of the Caps, please refer to the section headed "Caps in respect of the provision of the Company's Satellite Services and the CSCC's Satellite Services" in the Letter from the Board.

Our analysis on the proposed Caps

In assessing the reasonableness of the Income Caps and Services Caps under the CCT Agreement for the three financial years ending 31 December 2029, we considered a number of factors, including, among others, historical transaction amounts, existing contracts on hand, potential projects (under tenders or negotiation), analysis on the overall industry and market trends. Further details of which are set out below.

Income Caps for Company's Satellite Services

We have performed the following work and analysis when assessing the fairness and reasonableness of the Income Caps, including:

- (i) our review of the historical transaction amount (including the annualised amount for the year ending 31 December 2026⁵) for Company's Satellite Services and noted that such fluctuated between approximately HK\$359.9 million (2024) to HK\$385.4 million (2026, annualised amount) during the three years ended/ending 31 December 2026, representing an average of approximately HK\$373.6 million per year;
- (ii) we have obtained and reviewed the annual caps supporting schedules (the "**Annual Caps Schedules**"), which sets out, among others, information on ongoing and potential projects of CSCC which may require the Company's Satellite Services. Based on the Annual Caps Schedules and information provided by the Management, as at the end of July 2026, the 2027 Income Cap is estimated primarily based on contracts for Company's Satellite Services comprising the following:
 - (a) satellite communication service, such as transponder and related services, with contract amounts totalling to (aa) in the region of RMB125 million for specific projects (特定項目); (bb) in the region of RMB45 million for government related projects (政府項目); (cc) in the region of RMB60 million for television and other related broadcasting (廣電項目); (dd) in the region of RMB35 million for commercial industries related projects* (行業項目); (ee) other projects in the region of RMB20 million (together the "**PRC Transponder Projects**"), which comprised of contracts on hand, existing contracts that are subject to renewal, upgrades and new projects, total contract sum of which is estimated to be in the region of HK\$330 million; and (ff) transponder and related services to be conducted for projects out of the PRC totalling in the region of HK\$40 million.

⁵ The calculated annualised amount is based on the actual transaction amount for the six months ended 30 June 2026 of approximately HK\$192.7 million, such is used for illustration purposes only and does not purport to be the actual transaction amount for the year ending 31 December 2026.

As part of our work performed, in addition to the analysis on the PRC projects above, we have obtained from the Management information on potential projects related to various satellite projects/services covering certain Africa region, Southeast Asia region and maritime related projects. We also obtained and reviewed bandwidth order forms entered into between the Company and CSCC, as well as sales orders* (銷售訂單) along with evidence of relevant internal approvals of the Company. The service period of these contracts ranged from approximately three months to 12 months, indicating that CSCC requires the Company's Satellite Services across different types of projects as set out in the preceding paragraph from time to time. The Management expects the size of these potential projects to range from not less than HK\$1.5 million per annum to over HK\$15.0 million per annum, subject to, where applicable, the Group's scope of services, extensiveness/complexity of services and usage/capacity utilised. In this connection, we have reviewed a sample of eight ongoing contracts during the year ending 31 December 2026 which will subject to renewal during the year ending 31 December 2027 or beyond, including contracts in relation to satellite communication services provided by the Group, of which the Management estimated to contribute approximately HK\$50.0 million towards the annual cap amount for the year ending 31 December 2027, information provided by the sales department and operations department of the Group in connection with the potential projects, including, among others, the counter-party, the subject satellite, potential scope of work, the estimated satellite usage as well as the estimated contract and/or transaction amount;

- (b) other related professional and management services for satellite and communication, such as co-location services, teleport station operation services, satellite project management and consultancy services, licensing services for use of orbital slot and frequency and communication equipment and facilities, telemetry, tracking and control and operation of satellites and technical support services, is expected to amount in the region of HK\$110 million. The historical transaction amount (including the annualised amount for the year ending 31 December 2026⁶) for these technical services fluctuated between approximately HK\$74.4 million (2024) to HK\$78.6 million (2025) during the three years ended/ending 31 December 2026, the differences of around HK\$35 million between the estimated amount of HK\$110 million and the aforesaid historical range was primarily related to (aa) the expected upgrade of the gateway of APSTAR-6D; and (bb) the new CS-27 satellite* (中星27) project, including possible overseas gateway construction, operation and maintenance services that the Group may offer and compete for, details of the CS-27 satellite project are set out in the CSCC annual report for the year ended 31 December 2025, which supports the estimates of the Management for the aforesaid services;

⁶ The calculated annualised amount is based on the actual transaction amount for the six months ended 30 June 2026, such is used for illustration purposes only and does not purport to be the actual transaction amount for the year ending 31 December 2026.

- (c) given the scope, complexity, usage of resources and length of services required may vary from time to time, the Management also incorporated certain contingency of no more than 10% to the above estimates to ensure the annual caps have a degree of flexibility to cater for unforeseen changes in demand and/or service scope.
- (iii) we noted that the 2028 Income Cap and the 2029 Income Cap represents a year-on-year increase of approximately 8.8% and 2.2% respectively. Given (a) we noted from, among others, the Guidelines issued by MIIT and the “Action Plan of the China National Space Administration for Advancing the High-Quality and Safe Development of Commercial Aerospace (2025-2027)” issued by CNSA, details of which are set out under the paragraph headed “2. Overview of the PRC industry landscape” in this letter, demonstrating the PRC government’s support towards the continued development of the PRC’s low-orbit satellite and satellite communication industries and applications; (b) a publication in 2025 by an international investment bank⁷ setting out that, on its base case scenario, the satellite market is estimated to grow to approximately US\$108 billion by 2035 from approximately US\$15 billion at the time of the publication, representing an average year-on-year rate of growth of over 15%; (c) the historical transaction amount (including the annualised amount for the year ending 31 December 2026⁸) for Company’s Satellite Services from 2024 to 2026 recorded year-on-year fluctuation of approximately 4.3% and 2.7%, respectively, thus before taking into account GDP growth and inflation as represented by the CPI (defined hereafter), the aforementioned year-on-year growth rates need to take into account the natural fluctuations in transaction amount from year to year; (d) the target GDP growth of the PRC for 2026 is between 4.5% to 5.0%, and the PRC consumer price index (“CPI”) from January to August 2026 increased by approximately 0.9% year on year⁹; and (e) the number and size of projects may vary from year to year and the Income Caps need to have sufficient flexibility and/or buffer to cater for additional projects which may become available for the Group to compete for subsequent to the Latest Practicable Date, unforeseen changes in project schedule, ad hoc expansion of work scope and/or contract extension which would increase the actual transaction amount as compared to the amount originally estimated, we are of the view that the rate of increase as represented by each of the 2028 Income Cap and 2029 Income Cap is reasonable;

⁷ Publication titled “The global satellite market is forecast to become seven times bigger” (source: www.goldmansachs.com/insights/articles/the-global-satellite-market-is-forecast-to-become-seven-times-bigger)

⁸ The calculated annualised amount is based on the actual transaction amount for the six months ended 30 June 2026 of approximately HK\$192.7 million, such is used for illustration purposes only and does not purport to be the actual transaction amount for the year ending 31 December 2026.

⁹ Consumer Price Index (January to August 2026) as published by the National Bureau of Statistics of the PRC (source: www.stats.gov.cn/english/PressRelease/202609/t20260910_1965275.html)

- (iv) it is further noted that the Company needs to incorporate sufficient flexibility to accommodate unforeseen increase in market demand and potential variations between the estimated and actual timing of procurement and provision of Company's Satellite Services to CSCC. In addition, the Income Caps shall facilitate the efficient execution of the Non-exempt Continuing Connected Transactions in relation to the Company's Satellite Services, which would broaden the income base of the Group, during the relevant periods rather than having to obtain relevant Shareholders' approval on a transaction-by-transaction basis; and
- (v) for the three years ended/ending 31 December 2024 to 31 December 2026, the transaction amount for the provision of the Company's services to CSCC represents approximately 46% to 52% of the Group's revenue. Having considered the growth potential in the market as further analysed under section headed "2. Overview of the PRC industry landscape" in this letter as well as under (iii)(a) above as well as the expected growth of satellite communication services and related professional and management services provided by the Company, in the event that revenue of the Group attains its historical level back in 2022, the 2029 Income Cap would account for in the region of 60% of such revenue level, which is not considered to be excessive.

Furthermore, we noted from the Management that the Company will focus on expanding its international business, with priority given to the Southeast Asia region, the Middle East, Africa, and Central Asia region, by developing business opportunities with independent third-party customers, distributors and suppliers. Through this geographical diversification and the expansion of an independent customer and supplier base, the Group aims to broaden its income streams and reduce the revenue proportion in relation to connected transactions over time, thereby safeguarding the interests of the Company and its Shareholders as a whole.

Based on the above factors, we considered the basis for determining the Income Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Services Caps for CSCC's Satellite Services

We have performed the following work and analysis when assessing the fairness and reasonableness of the Services Caps, including:

- (i) the historical transaction amount for CSCC's Satellite Services during the three years ended/ending 31 December 2026 (including the annualised amount for the year ending 31 December 2026¹⁰ (the "**2026 Annualised CSCC Services Amount**") fluctuated from year to year from approximately HK\$18.9 million for the year ended 31 December 2024 to approximately HK\$61.7 million for the year ended 31 December 2025 (the "**2025 CSCC Services Amount**") as market demand varied.

¹⁰ The calculated annualised amount is based on the actual transaction amount for the six months ended 30 June 2026 of approximately HK\$28.6 million, such is used for illustration purposes only and does not purport to be the actual transaction amount for the year ending 31 December 2026.

Given the amount for the year ended 31 December 2024 is the furthest dated data point out of the above and that it is notably lower than the 2025 CSCC Services Amount and the 2026 Annualised CSCC Services Amount, it is considered to be less relevant for the purpose of our analysis as compared to the two more recent historical transaction amounts. On this basis, we have compared the 2027 Services Cap against that of the average of the 2025 CSCC Services Amount and the 2026 Annualised CSCC Services Amount, being HK\$59.4 million, and noted a difference of approximately HK\$173.6 million (the “**Additions**”). Furthermore, we have noted from the Letter from the Board that the Group estimates the annual caps to comprise of contracts on hand of approximately HK\$64 million, HK\$52 million and HK\$52 million for 2027, 2028 and 2029, respectively, which we have conducted sample review under (ii) below;

- (ii) after discussion with the Management and having obtained and reviewed the Annual Caps Schedules, we noted that the basis of the Additions is mainly related to the satellite communication services, such as transponder and related services, including new contracts relating to (a) APSTAR-6E Satellite which may total to approximately HK\$37 million, which may involve multi-contracts; (b) CS-26, CS-27, CS-6E and CS-10R Satellites which may total to approximately HK\$56 million, each satellite of which may involve multi-contracts; (c) satellite services in relation to backup and recovery to the Group’s end-users, in relation to satellite failure or other emergency situations which may total to in the region of HK\$60 million; and (d) a contingency allowance of 10% and an estimated increase to the existing usage of transponder and related services in the region of HK\$16 million based on the estimated usage calculated by the Management. The aforesaid contracts under (a) and (b) may cover, among others, where applicable, available satellite capacity, utilisation plan and fee rate. In this connection, we have reviewed a sample of eight ongoing contracts during the year ending 31 December 2026 which may subject to renewal during the year ending 31 December 2027 or beyond, information provided by the sales department and operations department of the Group in relation to the potential projects, including, where applicable, the counter-party, the subject satellite, potential scope of work, i.e. transponder services, satellite related project management services, technical services as well as the estimated contract and/or transaction amount;
- (iii) in connection with (ii) above, as part of our work performed, we have obtained from the Management, among others, (a) signed memorandum of understandings (“**MOU**”) and related services contracts for a service period of two years commenced from 1 January 2026 with certain Indonesian company; (b) signed MOU with overseas companies, covering certain satellite services to be provided by the Group into a number of Asian countries; (c) signed master service agreements with certain member of CSCC group under the Existing Satellite Transmission and Communication Services Master Agreement; and (d) MOUs under negotiation with various overseas companies, for the provision of, where applicable, satellite capacity, satellite technical and operational support to be provided by the Group, covering potential and ongoing projects, including that, (a) with the Group’s customers, part of the Group’s services of

which may require CSCC's Satellite Services; and (b) between the Group and CSCC for the provision of CSCC's Satellite Services. These projects, subject to the award of the contract by the customers, where applicable, are expected to generate revenue for the Group for the year ending 31 December 2027 and beyond. Based on internal assessment by the Management, the aforesaid contract size would typically range from HK\$1.0 million to HK\$30.0 million per annum, subject to, where applicable, their scope of services, capacity utilised and service fee rate;

- (iv) we noted that the 2028 Services Cap and the 2029 Services Cap represent a year-on-year increase of approximately 19.3% and 8.6%, respectively. Given the historical transaction amount (including the annualised amount for the year ending 31 December 2026) for CSCC's Satellite Services for the financial years/period from 2021 to 2026 recorded year-on-year fluctuation of approximately 226.5% and -68.3% (the "**Historical Fluctuation Range**") respectively, with an average year-on-year fluctuation of approximately 79.0%, of which each of the subject percentage increase of the respective Services Caps (i.e. approximately 19.3% and 8.6%) is below the aforesaid average and falls within the Historical Fluctuation Range. The fluctuations in historical transaction amount were driven by, among others, the volume and scope of services provided by CSCC as well as market demand at the material time, and certain of these factors, which are external to the Group and beyond its control, will continue to affect the actual transaction amounts for CSCC's Satellite Services going forward. Given the above, we are of the view that the rate of increase as represented by each of the 2028 Services Cap and 2029 Services Cap is reasonable; and
- (v) it is further noted that the Company needs to incorporate sufficient flexibility to accommodate unforeseen increase in market demand and potential variations between the estimated and actual timing of procurement and provision of CSCC's Satellite Services as the Group is required to follow its customers' project schedule which may change from time to time. In addition, the Services Caps shall facilitate the efficient execution of the Non-exempt Continuing Connected Transactions in relation to the CSCC's Satellite Services, which may form part of the Group's services/solutions to its customers, such would in turn broaden the income base of the Group, during the relevant periods.

Based on the above factors, we considered the basis for determining the Services Caps to be fair and reasonable so far as the Company and the Independent Shareholders are concerned.

VI. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular, (i) the reasons for and benefits of the CCT Agreement; (ii) the provision of the Company' Satellite Services and the procurement and utilisation of the CSCC's Satellite Services, where applicable, under the CCT Agreement is a furtherance and continuance of the Group's existing principal businesses; (iii) based on our work performed, the sampled transactions under the Existing Satellite Transmission and Communication Services Master Agreement were conducted on terms not less favourable to the Group than those terms transacted with the independent third parties; and (iv) the amount of, and the basis for determining, the proposed Caps are reasonable as discussed in this letter above, we are of the view that the transactions contemplated under the CCT Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Caps of the CCT Agreement, are fair and reasonable so far as the Shareholders are concerned.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to approve the CCT Agreement (including the Caps) at the SGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited



Lewis Lai
Managing Director

Mr. Lewis Lai is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has around 20 years of experience in the corporate finance industry.