
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

MAJOR AND CONNECTED TRANSACTION

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



A letter from the Independent Board Committee is set out on page 20 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 21 to 38 of this circular.

A notice convening the SGM to be held at the Company's principal place of business, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 21 December 2020 at 11:00 a.m. is set out on pages 45 to 47 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 54, 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, 19 December 2020 (i.e. 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be)). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

* For identification purpose only

3 December 2020

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR SPECIAL GENERAL MEETING	ii
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	20
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	21
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	39
APPENDIX II – GENERAL INFORMATION	41
NOTICE OF THE SPECIAL GENERAL MEETING	45

PRECAUTIONARY MEASURES FOR SPECIAL GENERAL MEETING

In view of the ongoing COVID-19 pandemic, the Company will implement the following preventive measures at the special general meeting of the Company (the “**SGM**”) to be held on Monday, 21 December 2020 at 11:00 a.m. to protect the attending shareholders of the Company (the “**Shareholders**”), staff and other stakeholders from the risk of infection:

- (a) compulsory body temperature checks will be conducted on every Shareholder, proxy and attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;
- (b) the Company requests attendees to wear surgical face masks inside the SGM venue at all times;
- (c) no refreshments or drinks will be served; and
- (d) designated seating arrangement will be made so as to ensure appropriate social distancing.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In addition, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using forms of proxy with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the resolutions at the SGM instead of attending the SGM in person.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 6 November 2020;
“APSTAR 6E Satellite”	the APSTAR-6E satellite consisting of 25 forward link transponders and 25 return link transponders;
“APT (HK)”	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 51.9% of the issued share capital of the Company as at the Latest Practicable Date;
“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board”	the board of directors of the Company;
“CALT”	中國運載火箭技術研究院(China Academy of Launch Vehicle Technology), a wholly-owned subsidiary of CASC;
“CASC”	中國航天科技集團有限公司 (China Aerospace Science & Technology Corporation), a state-owned corporation established in the PRC, which holds effectively in aggregate 30.29% interests in the Company, including 27.39% indirect interests of the Company by virtue of holding 52.78% interests in APT International and 2.90% direct interests in the Company as at the Latest Practicable Date;
“CAST”	中國空間技術研究院 (China Academy of Space Technology), a wholly-owned subsidiary of CASC;
“CGWIC”	China Great Wall Industry Corporation, a company registered under the laws of the PRC and a subsidiary of CASC;
“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;
“Contractor”	China Great Wall Industry (Hong Kong) Corp. Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of CGWIC;
“Customer”	APT (HK); upon novation, all obligations and rights of APT (HK) under the Satellite Contract will be transferred and assigned to the Joint Venture and therefore references to the “Customer” shall be construed accordingly;
“CSCC”	中國衛通集團股份有限公司 (China Satellite Communications Company Limited), a corporation listed on the Shanghai Stock Exchange in China effective from 28 June 2019; a subsidiary of CASC;

DEFINITIONS

“Deliverable Items”	the APSTAR 6E Satellite and other deliverable items, including but not limited to, the dynamic satellite simulator, satellite control centre and base band subsystem to be delivered by the Contractor under the Satellite Contract;
“Director(s)”	the director(s) of the Company;
“EBITDA margin”	EBITDA is defined as profit from operations before other net income, valuation loss on investment properties, impairment loss in respect of property, plant and equipment, loss on disposal of property, plant and equipment, depreciation and amortization;
“Effective Date”	the date when all the conditions to the Satellite Contract have been fulfilled;
“GCS”	the ground control system to be provided by the Contractor to the Customer which consists of the satellite control center and base band subsystems;
“Ground Delivery”	the delivery of APSTAR 6E Satellite on the launch site after pre shipment review for the purpose of Launch;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“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 respect of the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement;
“Independent Financial Adviser” or “VMS”	VMS Securities Limited, a corporation licensed under the SFO for carrying on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement;
“Independent Shareholders”	Shareholders other than APT International, CASC and their respective associates;
“In-Orbit Delivery”	the handover or transfer by the Contractor to the Customer of (i) the title and ownership of the APSTAR 6E Satellite and (ii) the right of control and possession of the APSTAR 6E Satellite which shall take place at the same time of final acceptance of the APSTAR 6E Satellite on the Transfer Date;
“Investment and Cooperation Agreement”	the investment and cooperation agreement (投資合作協議書) dated 6 November 2020 and entered into between APT (HK) and the Project Partners;

DEFINITIONS

“IOT”	the tests performed by the Contractor when the APSTAR 6E Satellite is in its designated orbital position or other orbital position selected for IOT by the Customer;
“Joint Venture”	亞太星聯衛星有限公司 (APSTAR Alliance Satcom Limited)(tentative name which is subject to registration in the Hong Kong Companies Registry), the joint venture to be established by APT (HK) and the Project Partners in Hong Kong pursuant to the Investment and Cooperation Agreement entered into by APT (HK) and the Project Partners on 6 November 2020;
“Latest Practicable Date”	27 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Launch”	the point in time during the launch countdown when the engine start command is sent to the Launch Vehicle for the purpose of Launch followed by either (i) physical separation of the Launch Vehicle from the launch pad and the ground support equipment; or (ii) total loss or destruction of the spacecraft and/or the Launch Vehicle;
“Launch Vehicle”	the Long March 2C (LM-2C) launch vehicle by which the APSTAR 6E Satellite is to be launched into space;
“LEOP”	the phase starting when the APSTAR 6E Satellite separates from the Launch Vehicle and ending when the APSTAR 6E Satellite is injected into the IOT orbital position and/or the designated orbital position, as the case may be;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Novation Agreement”	the novation agreement to be entered into between APT (HK), the Joint Venture and the Contractor upon the establishment of the Joint Venture pursuant to the Investment and Cooperation Agreement, under which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture;
“Optional Services or Items”	the optional services or items to be rendered or delivered by the Contractor after the confirmation of the Customer in accordance with the schedule as set out in the Satellite Contract;
“PRC”	the People’s Republic of China;
“Project Partners”	the shareholders of the Joint Venture other than APT (HK), namely CAST, the Contractor and CALT;
“TT&C RF Equipment”	the radio frequency equipment for tracking, telemetry and control of the APSTAR 6E Satellite;
“Satellite Contract”	a contract for the procurement and launch of the APSTAR 6E Satellite dated 6 November 2020 and entered into between APT (HK) and the Contractor in respect of the manufacturing, delivery and launching of the APSTAR 6E Satellite;

DEFINITIONS

“Service Life”	the period of 15 years or 5,475 days from the date of final acceptance of the APSTAR 6E Satellite;
“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, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 21 December 2020 at 11:00 a.m. to approve the Transactions;
“Share(s)”	the share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	the meaning ascribed to it in the Listing Rules;
“Transactions”	(a) formation of the Joint Venture under the Investment and Cooperation Agreement; (b) the Satellite Contract and the transactions contemplated therein; and (c) the Novation Agreement and the transactions contemplated therein;
“Transfer Date”	the date on which the In-Orbit Delivery of the APSTAR 6E Satellite takes place;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“US\$”	United States dollars, the lawful currency of the United States of America;
“%”	per cent; and
“*”	For identification purposes only.

LETTER FROM THE BOARD



亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

Executive Directors:

Mr. Cheng Guangren (*President*)

Mr. Qi Liang (*Vice President*)

Non-executive Directors:

Mr. Li Zhongbao (*Chairman*)

Mr. Lim Toon

Dr. Yin Yen-liang

Mr. Fu Zhiheng

Mr. Lim Kian Soon

Mr. He Xing

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 December 2020

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

BACKGROUND

Reference is made to the Announcement in relation to the Investment and Cooperation Agreement for the establishment of the Joint Venture, the Satellite Contract in respect APSTAR 6E Satellite and the Novation Agreement in respect of the Satellite Contract.

The purpose of this circular is (i) to provide you with further information on the Transactions; (ii) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Transactions; (iii) to set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholder in respect of the Transactions; and (iv) to give the Shareholders the notice of the SGM and other information required by the Listing Rules.

* *For identification purpose only*

LETTER FROM THE BOARD

On 6 November 2020, APT (HK), a wholly-owned subsidiary of the Company, entered into the Investment and Cooperation Agreement with the Project Partners for the establishment of the Joint Venture, which will procure and launch the APSTAR 6E Satellite and use it to provide satellite telecommunication services in Asia Pacific region. The APSTAR 6E Satellite will be manufactured by the Contractor and will carry a high throughput satellite (HTS) payload. As the establishment of the Joint Venture is subject to the fulfilment of certain conditions precedent including various governmental approvals, it is currently expected that the Joint Venture may not be established within a very short period of time. On the other hand, the manufacturing of the APSTAR 6E Satellite needs to be commenced at an earliest possible time in order to meet the business plan and schedule of the Joint Venture. As such, pending the establishment of the Joint Venture and as authorised by the Project Partners, APT (HK) entered into the Satellite Contract with the Contractor on 6 November 2020 in respect of the manufacturing, delivery and launching of the APSTAR 6E Satellite. Pursuant to the Investment and Cooperation Agreement, it has been agreed that upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture.

ESTABLISHMENT OF JOINT VENTURE

On 6 November 2020, APT (HK) and the Project Partners entered into the Investment and Cooperation Agreement for the establishment of the Joint Venture. The principal terms of the Investment and Cooperation Agreement are set out below:

Date: 6 November 2020

Parties: (1) CAST

(2) APT (HK)

(3) the Contractor

(4) CALT

The Joint Venture will procure and launch the APSTAR 6E Satellite, and will use the APSTAR 6E Satellite to provide satellite telecommunication services in Asia Pacific region. Meanwhile, the Project Partners have authorized APT (HK) to enter into the Satellite Contract with the Contractor pending the successful formation of the Joint Venture and after the establishment of the Joint Venture, all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture under the Novation Agreement.

Capital contribution:

The total share capital of the Joint Venture will be US\$30 million, which will be contributed by the parties in cash as follows:

- (i) US\$15,300,000 by CAST (representing 51% of the equity interest in the Joint Venture);
- (ii) US\$6,000,000 by APT (HK) (representing 20% of the equity interest in the Joint Venture);
- (iii) US\$6,000,000 by the Contractor (representing 20% of the equity interest in the Joint Venture); and
- (iv) US\$2,700,000 by CALT (representing 9% of the equity interest in the Joint Venture).

The parties shall pay their respective capital contribution within 60 days from the incorporation of the Joint Venture.

LETTER FROM THE BOARD

Major conditions:

The effective date of the Investment and Cooperation Agreement shall be the date after all the following conditions have been fulfilled:

- (a) the signing of the Investment and Cooperation Agreement by the respective authorized representatives of CAST, APT (HK), the Contractor and CALT;
- (b) the approval of the investment under the Investment and Cooperation Agreement by CASC and the Ministry of Finance of the PRC are obtained;
- (c) the approval of the investment under the Investment and Cooperation Agreement by the National Development and Reform Commission and the Ministry of Commerce of the PRC are obtained;
- (d) the approval of the Independent Shareholders of the Investment and Cooperation Agreement and the establishment of the Joint Venture thereunder is obtained at a special general meeting of the Company pursuant to the requirement under the Listing Rules;
- (e) the approval of the investment by other relevant government regulatory authority(ies) is obtained; and
- (f) the Satellite Contract which was entered into by APT (HK) pending the formation of the Joint Venture as authorized by the Project Partners becomes effective.

If the conditions set out above have not been satisfied within 18 months from the date of the Investment and Cooperation Agreement or such extension as to be agreed in writing by APT (HK) and the Project Partners, the Investment and Cooperation Agreement shall automatically terminate after the above period has expired.

Responsibilities of APT (HK):

Upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture.

APT (HK) and the Project Partners agree that within the full useful life of the APSTAR 6E Satellite, the Joint Venture will lease from APT (HK) one geostationary orbital position for the use by the APSTAR 6E Satellite, and the Joint Venture will enter into a separate designation agreement with APT (HK) for the lease of the geostationary orbital position (the “**Designation Agreement**”).

APT (HK) and the Project Partners agree that within the full useful life of the APSTAR 6E Satellite, the Joint Venture will use the 7x24 hours control and monitoring service provided by APT (HK), the Joint Venture will enter into a separate control and monitoring agreement with APT (HK) in relation to the usage of the control and monitoring service (the “**Control and Monitoring Agreement**”).

APT (HK) and the Project Partners agree that APT (HK) is the sole distributor of APSTAR 6E Satellite resources, the Joint Venture will enter into a separate distribution agreement with APT (HK) in relation to the authorization of APT (HK) as sole distributor of the APSTAR 6E Satellite (the “**Distribution Agreement**”). As the sole distributor of APSTAR 6E Satellite, APT (HK) will be responsible for providing the product promotion, exhibition promotion, market development, sales, performance management, pre-sales and post sales technical support, customer relationship and other services in relation to the APSTAR 6E Satellite.

LETTER FROM THE BOARD

It is anticipated that pursuant to the Listing Rules, the entering into of the Designation Agreement, the Control and Monitoring Agreement and the Distribution Agreement (collectively the “**Ancillary Agreements**”) after the formation of the Joint Venture by APT (HK) and the Joint Venture and the transactions contemplated thereunder may constitute connected transaction or continuing connected transaction of the Company, the entering into of the Ancillary Agreements and the transactions contemplated thereunder must comply with all applicable laws and regulations, including Chapter 14A of the Listing Rules. If, in accordance with the requirements under the Listing Rules, the Company is required to obtain Shareholders’ approval for any of the Ancillary Agreements or the transactions contemplated thereunder, the obtaining of the required Shareholders’ approval shall be a condition precedent to the relevant agreement(s).

In case the parties cannot agree on the terms of any of the Ancillary Agreements or Shareholders’ approval is required but is not granted for any of the Ancillary Agreements, APT (HK) will not be able to provide the services to the Joint Venture under such agreement(s). It is expected that the Joint Venture will have to source other services providers in the market who provide similar services under such agreement(s) but the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement will not be otherwise affected. However, the Group will not be able to receive revenue from the provision of the services to the Joint Venture under such agreement(s).

Board composition of the Joint Venture:

The board of directors of the Joint Venture shall consist of 6 directors, of which 3 directors shall be appointed by CAST, and 1 director shall be appointed by each of APT (HK), the Contractor and CALT. The chairman of the board of directors of the Joint Venture shall be appointed by CAST.

Resolutions of shareholders’ meeting:

Ordinary resolution of the shareholders shall be passed by the shareholders of the Joint Venture by two-third or more majority. Special resolution of the shareholders shall be passed by the shareholders of the Joint Venture by three-fourth or more majority. Matters which require special resolution are as follows:

- (i) change of Joint Venture’s purpose;
- (ii) amendment to the articles of association of the Joint Venture (except the maximum number of shares);
- (iii) change of Joint Venture’s name;
- (iv) share repurchase;
- (v) reduction of capital, merger or winding-up;
- (vi) appointment of an entity to investigate the Joint Venture’s affairs;
- (vii) becoming dormant company;
- (viii) directing directors to perform or not perform certain actions;
- (ix) major asset disposal;
- (x) conduct any business other than the APSTAR 6E Satellite project;
- (xi) investment to other enterprises or provision of security for any entity; or
- (xii) authority and change of authority of both directors and board of directors of the Joint Venture.

LETTER FROM THE BOARD

Financing of Joint Venture:

The parties agree to actively support the Joint Venture to commence market-oriented financing (including but not limited to loans, financial leasing, and issue of bonds) to support the implementation of the Joint Venture's satellite projects; if the shareholders of the Joint Venture are required to provide guarantees, such financing plan shall be subject to the obtaining of the unanimous approval of the shareholders of the Joint Venture, the respective board and shareholders' approval of the shareholders of the Joint Venture and such other approval as required by the relevant laws and regulations. The shareholders of the Joint Venture shall then jointly provide the guarantees on proportional basis according to their respective equity interests in the Joint Venture.

Transfer of equity:

If a shareholder intends to transfer or sell all or part of its equity in the Joint Venture (the "**Transferring Shareholder**"), the other shareholders shall have pre-emptive right to purchase the transferring equity.

Termination of Investment and Cooperation Agreement:

Prior to the novation and transfer of APT (HK)'s obligations and rights under the Satellite Contract to the Joint Venture, any party shall have the right to terminate the Investment and Cooperation Agreement by giving written notice in advance in any of the following circumstances:

- (a) the Joint Venture is not successfully established by APT (HK) and the Project Partners as a result of any force majeure event or any change of laws within 14 months from the Effective Date;
- (b) the obligations and rights of APT (HK) under the Satellite Contract are not transferred and novated to the Joint Venture as a result of any force majeure event or any change of laws within 18 months from the Effective Date; or
- (c) any significant changes in the market as mutually agreed by APT (HK) and the Contractor have occurred before Launch.

If the Investment and Cooperation Agreement is terminated prior to novation and transfer of APT (HK)'s obligations and rights under the Satellite Contract to the Joint Venture, each party shall, on proportional basis according to percentage of their respective equity interests in the Joint Venture, pay interests (according to the interest rate under the Novation Agreement) to APT (HK) on the amount paid by APT (HK) to the Contractor pursuant to the Satellite Contract before termination of the Investment and Cooperation Agreement.

If the Joint Venture has not been established at the time of termination of the Investment and Cooperation Agreement, the shareholders of the Joint Venture shall, on proportional basis according to their respective equity interests in the Joint Venture, bear the marketing expenses and project investment expenses incurred by the parties in respect of the APSTAR 6E Satellite project before termination (including but not limited to any equipment and facility procurement investment, financing expenses incurred in respect of equipment and facility procurement investment, and compensations and expenses payable by APT (HK) to the Contractor pursuant to the Satellite Contract), the necessary expenses for establishing the Joint Venture and expenses incurred by other parties in respect of the APSTAR 6E Satellite project which have been approved by all the shareholders. If the Joint Venture has been established at the time of termination of the Investment and Cooperation Agreement, all of the above expenses shall be borne by the Joint Venture.

LETTER FROM THE BOARD

THE SATELLITE CONTRACT

On 6 November 2020, APT (HK) entered into the Satellite Contract with the Contractor in respect of, *inter alia*, the manufacturing, delivery and launching of the APSTAR 6E Satellite which carries a high throughput satellite (HTS) payload. The major terms and conditions of the Satellite Contract are as follows:

Date: 6 November 2020

Parties: (1) APT (HK)

(2) the Contractor

Subject matter:

The Contractor will (a) manufacture, deliver, and launch the APSTAR 6E Satellite to the Customer in accordance with the delivery schedule as set out in the Satellite Contract, including, *inter alia*, (i) the design, manufacture and test of the APSTAR 6E Satellite based on DFH-3E platform; (ii) launch services by Long March 2C launch vehicle; (iii) LEOP and IOT operations; and (iv) the delivery, installation and commissioning of Deliverable Items including but not limited to satellite simulator, GCS system and (b) provide other services including lifetime technical support, launch insurance and other projected related services.

The Contractor undertakes to perform the technical interface between the APSTAR 6E Satellite and the designated launch vehicle ensuring full compatibility between the APSTAR 6E Satellite and the designated launch vehicle according to its interface manual.

The Customer may also order the Optional Services or Items from the Contractor.

Contract price:

The total contract price under the Satellite Contract of US\$137,590,000 comprises (a) the contract baseline price (the “**Contract Baseline Price**”) for the in-orbit delivery of the APSTAR 6E Satellite and the performance of the services by the Contractor under the Satellite Contract of US\$126,590,000, including the price for Launch plus one year on-orbit insurance, which is subject to the amount of the insurance premium, broker service fee, and all other related expenses to be mutually agreed by the Customer and the Contractor; and (b) price for optional services, including TT&C RF Equipment, a set of specific payload configuration and second GCS system.

The Customer shall pay the Contract Baseline Price upon completion of each applicable milestone under the Satellite Contract. The first payment amounting to US\$1,000,000 shall be paid within 7 days from the Effective Date. The second payment amounting to US\$10,565,000 shall be paid within 1 month from the Effective date. The remaining balance of the Contract Baseline Price shall be paid in 8 installments upon the actual completion of each applicable milestone or the scheduled completion date of each milestone as set out in the Satellite Contract, whichever is later; with the last installment to be paid within thirty (30) days after In-Orbit Delivery and the Customer’s receipt of the relevant invoice issued by the Contractor.

In the event that the Customer orders any Optional Services or Items under the Satellite Contract, the Customer shall pay to the Contractor for the Optional Services or Item within 15 days after the delivery of such Optional Services or Items or in accordance with the payment plan otherwise discussed and agreed by the parties separately.

The Customer may make early payment, at its sole discretion, for part or all of the Contract Baseline Price. Such early payment shall be derived by discounting at the then prevailing market interest rate to be mutually agreed by the parties.

LETTER FROM THE BOARD

The Contractor shall put at risk a sum of US\$6,466,400 out of the total satellite price as certain performance incentive of the APSTAR 6E Satellite. The performance incentive comprises both delivery performance incentive in the sum of US\$1,616,600 and orbital performance incentive in the sum of US\$4,849,800 out of the satellite net price. In the event that the Contractor fails to earn any part of such incentive as determined by reference to the criteria and formulae set out in the Satellite Contract, the Contract Baseline Price will be reduced by the amount of the performance incentive not so earned.

Major conditions:

The Effective Date of the Satellite Contract shall be the date after all the following conditions have been fulfilled:

- (a) the signing of the Satellite Contract by duly authorized representatives of both APT(HK) and the Contractor;
- (b) the approval of the Independent Shareholders of the Satellite Contract and the transactions contemplated thereunder is obtained at a special general meeting of the Company in accordance with the Listing Rules;
- (c) the approval of China Satellite Communications Company Limited, the controlling shareholder of the Company.

The Satellite Contract shall be valid from the Effective Date to the expiration of the actual Service Life of the APSTAR 6E Satellite, unless it is terminated by both parties in accordance with the terms and conditions of the Satellite Contract.

If the approval of the Independent Shareholders of the Satellite Contract and the transactions contemplated thereunder is not obtained within one year from the date of signing of the Satellite Contract or such extension as to be mutually agreed by the parties, the Customer shall immediately notify the Contractor in writing of such event and the Satellite Contract shall be deemed terminated, unless otherwise agreed by the parties.

The Contractor shall apply for and seek the approval of the Satellite Contract by the relevant PRC governmental authority as soon as possible and within 1 year from the date on which the Satellite Contract is entered into between the parties (or such extension as mutually agreed by the parties). If the Contractor shall fail to obtain such approval of the Satellite Contract within the said period of time, the Contractor shall, within 2 months after such failure, refund to the Customer all amounts of the Contract Baseline Price received by the Contractor and thereafter the Satellite Contract shall be deemed to be terminated by the parties and without prejudice to other rights and claims accrued to the parties including but not limited to interests prior to the termination of the Satellite Contract.

In-Orbit Delivery:

The Contractor shall procure the In-Orbit Delivery of the APSTAR 6E Satellite on or before 31 August 2023. The Contractor will be liable to pay liquidated damages at specific rates for delay of In-Orbit Delivery subject to the cap specified in the Satellite Contract.

Title and risk:

Title and ownership of all Deliverable Items including the APSTAR 6E Satellite together with their respective control and possession, as well as the launch and on-orbit insurance policy except for certain share of insurance beneficiary right designated for the Contractor under the launch and on-orbit insurance policy, shall be transferred from the Contractor to the Customer upon the In-Orbit Delivery of the APSTAR 6E Satellite which shall take place at the same time of final acceptance of the APSTAR 6E Satellite on the Transfer Date.

LETTER FROM THE BOARD

All risks of loss, defect, malfunctioning, failure or damage to all the Deliverable Items including the APSTAR 6E Satellite shall pass from the Contractor to the Customer upon the transfer of the title and ownership of the APSTAR 6E Satellite.

Novation and termination of the Satellite Contract prior to novation

The Customer may assign, transfer or novate any or all of its rights and obligations under the Satellite Contract at any time to the Joint Venture, provided that:

- (a) the Joint Venture has expressly assumed all the obligations of the Customer and all terms and condition applicable to the Customer under the Satellite Contract; and
- (b) such assignment, transfer or novation or similar transaction does not give rise to a violation of any applicable laws and regulation, including without limitation export control laws and regulations.

Under the above circumstance, the Customer shall provide the Contractor with at least 15 days' advance written notice of its intent to assign the Satellite Contract.

In any of the following events, the Customer shall be entitled to terminate the Satellite Contract by giving written notice to the Contractor in advance, provided that such event is not attributable to the Customer:

- (a) the Joint Venture is not successfully established by APT (HK) and the Project Partners within 14 months from the Effective Date;
- (b) the obligations and rights of APT (HK) under the Satellite Contract are not transferred and novated to the Joint Venture within 18 months from the Effective Date; or
- (c) any mutually agreed significant changes in the market.

If the Satellite Contract is terminated pursuant to paragraphs (a) to (c) above, the Contractor shall refund all payments that have been made by the Customer to the Contractor or under the Satellite Contract within 14 days from the date of termination of the Satellite Contract and all obligations and liabilities of the Customer and the Contractor under the Satellite Contract shall be discharged (other than the obligations and liabilities in respect of the refund of payment and costs for the completed work as set out in this paragraph and the following paragraph).

Without prejudice to the right of the Customer to the refund of all payments made by it to the Contractor above, if the Satellite Contract is terminated pursuant to paragraph (c) above, the Customer shall still be liable to pay to the Contractor for the cost incurred by the Contractor for carrying out the portion of work that has been completed by the Contractor upon termination of the Satellite Contract.

Termination:

Termination for default of the Contractor

The Customer may, before the Launch, terminate the Satellite Contract in whole or in part by written notice of default if:

- (a) the Contractor fails to deliver the APSTAR 6E Satellite into the designated orbital position within 365 days after the date of In-Orbit Delivery or such other date as may be modified under the Satellite Contract;

LETTER FROM THE BOARD

- (b) the Contractor fails to perform any of its material obligations to the extent that the objective of the Satellite Contract is impossible to meet (including the refusal to deliver the APSTAR 6E Satellite after Launch to the Customer other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract, the default of payment of liquidated damages in due time by the Contractor, if any) under the Satellite Contract, and has not rectified such failure within 45 days after receipt from the Customer of a written notice of such default;
- (c) the Contractor becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filling thereof; or
- (d) the approved governmental authorization applied by the Contractor was withheld or cancelled due to the default of the Contractor.

Termination before Launch

Upon such partial or complete termination before Launch by the Customer, the Contractor shall, within 2 months refund to the Customer any amount paid to the Contractor by the Customer under the Satellite Contract up to the date of termination (except for the then paid or payable marketing service fee under the Satellite Contract) less the liquidated damages already paid by the Contractor plus 6% of such amount.

Termination after Launch

The Customer is not entitled to exercise its contract termination rights after the Launch of the APSTAR 6E Satellite except in the event that the Contractor fails to deliver the APSTAR 6E Satellite to the Customer after Launch for any reason other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract to the extent that the objective of the Satellite Contract is impossible to meet, the Customer may subject to its sole discretion either to (a) terminate the Satellite Contract due to the default of the Contractor, and the Contractor shall within 2 months refund to the Customer any amount paid to the Contractor by the Customer under the Satellite Contract up to the date of termination (except for the then paid or payable marketing service fee under the Satellite Contract) less the liquidated damages already paid by the Contractor plus 6% of such amount; or (b) apply to the court for specific performance enforcing the Contractor to deliver the APSTAR 6E Satellite and such other Deliverable Items which have not been delivered by the Contractor to the Customer.

Termination for default of the Customer

The Contractor will be entitled, after providing written notice to the Customer, to suspend all or part of the work if:

- (a) the Customer fails to make any undisputed payment to the Contractor within 45 days after such payment has become due and payable;
- (b) if the Customer fails to perform any of its material obligations under the Satellite Contract, and has not rectified such failure within 45 days after receipt from the Contractor of a written notice of such default; or
- (c) the Customer becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filling thereof.

LETTER FROM THE BOARD

Upon such suspension of work, the Customer shall not be entitled to any refund of any amounts paid and any amounts then due to be paid to the Contractor shall continue to be payable by the Customer, and the Customer shall indemnify the Contractor against all reasonable costs and expenses, including such interests, reasonably and properly incurred by the Contractor arising from such suspension and any subsequent resumption of the work, provided that the Contractor shall take all reasonable steps to minimise the occurrence of such costs and expenses.

Basis of consideration and funding of APSTAR 6E Satellite

The contract price and the terms of the Satellite Contract have been negotiated on an arm's length basis having regard to the value of similar assets and services in the market, the advanced high throughout satellite technology of the APSTAR 6E Satellite and the significant more capacity of the customers that the APSTAR 6E Satellite can serve and therefore the Board is of the view that the contract price is fair and reasonable. The contract price will be funded by bank loan and internal resources of the Company. According to the Company's cash position, it is estimated that 30% to 50% of the contract price will be satisfied by bank loan and 50% to 70% of the contract price will be satisfied by internal resources of the Company.

NOVATION AGREEMENT

Pursuant to the Investment and Cooperation Agreement, it has been agreed that upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture.

With effect from the date of novation (the "**Novation Date**"), the Contractor:

- (a) releases and discharges APT (HK) from further performance of, and all claims, demands, obligations and liabilities in relation to the Satellite Contract;
- (b) accepts the Joint Venture to perform the Satellite Contract in lieu of the liabilities of APT (HK); and
- (c) agrees to be bound by all terms, conditions, covenants, undertakings, responsibilities and obligations of the Satellite Contract in every way as if the Joint Venture were named as a party in the Satellite Contract in place of APT (HK).

With effect from the Novation Date, APT (HK) shall have no further rights, obligations and liabilities under the Satellite Contract and the terms and conditions of the Satellite Contract shall be binding only on the Joint Venture and the Contractor.

All contractual price and other fees due and payable or to become due and payable to the Contractor on and after the Novation Date under the Satellite Contract shall be settled by the Joint Venture in accordance with the terms of the Satellite Contract.

Within 30 days from the Novation Date, the Joint Venture shall:

- (i) fully reimburse all contractual price and other fees that has been paid by APT (HK) to the Contractor as of the Novation Date under the Satellite Contract (the "**Settled Contractual Price**") to APT (HK); and
- (ii) in consideration of APT (HK)'s novation of its rights and obligations under the Satellite Contract to the Joint Venture, pay interest at the rate of one-year LIBOR + 2% of the Settled Contractual Price for the period from the date of payment of the Settled Contractual Price up to the Novation Date to APT (HK).

LETTER FROM THE BOARD

REASONS AND BENEFITS FOR FORMATION OF THE JOINT VENTURE AND INVESTMENT IN AND OPERATION OF SATELLITE PROJECT BY THE JOINT VENTURE

Currently, there is foreseeable demand for high-throughput satellites in the market. APSTAR 6E Satellite adopts the DFH-3E satellite platform onboard with high-throughput satellite capacities and is launched by the reliable LM-2C launch vehicle. It offers relatively high cost-performance satellite services and is competitive in the market.

Since the technical development and application of new high-throughput satellites still need to be improved continuously in response to market changes, the approach of setting up joint ventures with upstream satellite manufacturers to jointly invest in satellite projects can bring about synergistic effect on the whole satellite industry chain, which in turn enables more effective and rapid responses to market demands and changes in the technical application of high-throughput satellites, reduces project risks as well as significantly reduces the Group's investment in satellite projects, which is conducive to a more steady development of satellite projects.

At the same time, leveraging on the Group's own long-term experience in satellite operation, the Group will be able to generate stable income from satellite projects by providing satellite orbital position, satellite control operation, technical support and exclusive distribution services to the Joint Venture.

As disclosed above, it is currently expected that the Joint Venture may not be established within a very short period of time because certain conditions precedent (including the obtaining of various governmental approval) need to be fulfilled. On the other hand, the manufacturing of the APSTAR 6E Satellite needs to be commenced at an earliest possible time in order to meet the business plan and schedule of the Joint Venture. It has therefore been agreed by the Project Partners that APT (HK) should enter into the Satellite Contract with the Contractor pending the establishment of the Joint Venture and all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture pursuant to the Novation Agreement upon the establishment of the Joint Venture. The interest of APT (HK) will be protected by its right to terminate the Satellite Contract with full refund of the payments made by it under the Satellite Contract in case the Joint Venture is not successfully established or the novation of the Satellite Contract does not take place within the prescribed periods.

The Directors (including the independent non-executive Directors) believe that the terms of the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Transactions

FINANCIAL EFFECT OF THE TRANSACTIONS

The Satellite Contract

The Contract Baseline Price under the Satellite Contract will be treated as other receivables in the accounts of APT (HK) and therefore will not have any immediate effect on the earnings of the Company until the novation of the Satellite Contract to the Joint Venture. APT (HK) shall pay the Contractor the first payment of US\$1,000,000 (0.8%) (approximately HK\$7,800,000) within 7 days after the Effective Date of the Satellite Contract. The second payment of the Contract Baseline Price equivalent to US\$10,565,000 (8.3%) (approximately HK\$82,407,000) will be paid within 1 month after the Effective Date of the Satellite Contract. 83.5% of the Contract Baseline Price equivalent to US\$105,597,000 (approximately HK\$823,656,600) will be paid during the satellite construction period upon the completion of each applicable milestone. The remaining balance US\$9,428,000 (7.4%) (approximately HK\$73,538,400) of Contract Baseline Price will be paid after the occurrence of the In-Orbit Delivery. Such sum will be funded by internal resources and/or bank loan, if necessary. The Group's cash position will correspondingly decrease by the same amount with the sum which APT (HK) will actually pay for the milestone payment. The amount of contractual price payable by APT(HK) prior to the Novation is expected to be US\$35,945,000 (approximately HK\$280,371,000).

LETTER FROM THE BOARD

Establishment of Joint Venture

The shareholding table of the Joint Venture is as follows:

	Amount of contribution in cash	Percentage of equity interest in the Joint Venture
CAST	US\$15,300,000	51%
APT (HK)	US\$6,000,000	20%
The Contractor	US\$6,000,000	20%
CALT	US\$2,700,000	9%

The total share capital of the Joint Venture will be US\$30 million, and APT(HK) will contribute US\$6,000,000 (approximately HK\$46,800,000) (representing 20% of the equity interest in the Joint Venture). The payment will be funded by internal resources and will be recorded as the investment in interest in an associate in the accounts of APT (HK). APT (HK) shall pay the capital contribution within 60 days from the incorporation of the Joint Venture. The Group's cash position will be decreased by HK\$46,800,000. The Joint Venture will not be consolidated in the Company's consolidated financial statement.

Novation Agreement

Upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture. APT (HK) will fully receive all contractual price and other fees that has been paid to the Contractor and the interest at the rate of one-year LIBOR + 2% of the Settled Contractual Price for the period from the date of payment of the Settled Contractual Price up to the Novation Date to APT (HK) in consideration of APT (HK)'s novation of its rights and obligations under the Satellite Contract to the Joint Venture and the interest will be recorded as interest income in the financial statements of APT (HK).

INFORMATION ON THE COMPANY AND THE PARTIES TO THE INVESTMENT AND COOPERATION AGREEMENT AND THE SATELLITE CONTRACT

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.

The Contractor

The Contractor is a company incorporated in Hong Kong and a wholly-owned subsidiary of CGWIC. CGWIC is a company specialised in providing design, manufacturing, launch and delivery of satellite system in orbit, which is registered under the laws of PRC and a subsidiary of CASC.

APT (HK)

APT (HK) 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.

LETTER FROM THE BOARD

CAST

CAST is a wholly-owned subsidiary of CASC. CAST is the leading state-owned aerospace enterprise of China, which is dedicated to providing space-ground system solutions for world-wide customers. CASC is a stated-owned corporation established in the PRC.

CALT

CALT is a wholly-owned subsidiary of CASC. CALT is China's oldest and largest launch vehicle development, testing and production base with the ability to launch a variety of orbit loads such as low earth orbit, solar synchronous orbit, geostationary orbit, etc. CASC is a stated-owned corporation established in the PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the formation of the formation of the Joint Venture under the Investment and Cooperation Agreement and the transactions contemplated under the Satellite Contract or the Novation Agreement on an aggregate basis, and also each of the Satellite Contract and the Novation Agreement on a stand-alone basis, exceed 25% but are less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 52.78% equity interest in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.9% 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 (including the Project Partners) 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. Each of the Project Partners is a subsidiary of CASC and is therefore a connected person of the Company. The Joint Venture, when established, will also be an indirectly owned subsidiary of CASC and therefore a connected person of the Company. Accordingly, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As such, the Transactions are subject to Independent Shareholders' approval at a special general meeting of the Company. APT International, CASC and their associates will be required to abstain from voting in respect of the resolution approving Transactions. 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 54.81% of the issued share capital of the Company.

APT (HK) and the Project Partners will be shareholders of the Joint Venture, while each of the Project Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Joint Venture. Therefore the Joint Venture is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules and the entering into of the Designation Agreement, the Control and Monitoring Agreement and the Distribution Agreement and the transactions contemplated thereunder may constitute connected transaction or continuing connected transaction of the Company under the Listing Rules. In that case, the Company will comply with all applicable laws and regulations relating to the transactions contemplated under each of the agreement, including the requirements of shareholders' approval under the Listing Rules when entering into the agreement.

As (i) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, is also concurrently the deputy officer of the science committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and the chairman of the Company, is also concurrently the chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, is also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules) and (v) Mr. He Xing, a non-executive Director, is also concurrently a director of CSCC, they have abstained from voting on the relevant

LETTER FROM THE BOARD

board resolution(s) for approving the Transactions to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Transactions and none of them is required to abstain from voting on the relevant board resolutions.

As disclosed above, it is a condition precedent of the Investment and Cooperation Agreement that the Satellite Contract shall become effective. While the Satellite Contract is not similarly conditional upon the Investment and Cooperation Agreement coming into effect, APT(HK) will have the right to terminate the Satellite Contract if the Joint Venture is not established or the rights and obligations of the Satellite Contract is not novated to the Joint Venture within the prescribed periods. Further, as the Satellite Contract was entered into by APT(HK) with the Contractor pursuant to the terms of the Joint Venture Agreement, for the purpose of the Joint Venture and with the intention that the rights and obligations thereunder will be novated to the Joint Venture, the Company will not proceed with the Satellite Contract alone if the Investment and Cooperation Agreement is not approved by the Shareholders. As such, the Company considers that the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement are interlinked and should be considered as integral parts of a single project and the approval for the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement sought from the Shareholders are bundled as one resolution.

If the Joint Venture is not successfully established or the obligations and rights of APT (HK) under the Satellite Contract are not transferred and novated to the Joint Venture within the prescribed periods set out in the Satellite Contract, APT (HK) shall be entitled to terminate the Satellite Contract and be entitled to a refund of all payments that have been made by APT (HK) to the Contractor under the Satellite Contract.

SGM

There is set out on pages 45 to 47 of this circular a notice convening the SGM to be held at the Company's principal place of business at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 21 December 2020 at 11:00 a.m. at which an ordinary resolution will be proposed for the approval of the Transactions by the Independent Shareholders by poll.

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 54, 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, 19 December 2020 (i.e. forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be)). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

In compliance with the Listing Rules, the votes to be taken at the SGM in respect of the resolution proposed for approval of the Transactions 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

LETTER FROM THE BOARD

- (d) a member or members present in person (or in the case of a member being a corporation, by its duly authorized corporate representative) or by proxy and holding shares in the Company conferring a right to vote at the SGM being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

The Company will procure the chairman of the SGM to demand for voting on poll and Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

For the purpose of determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 16 December 2020 to Monday, 21 December 2020 (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, 15 December 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 December 2020.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Transactions have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Transactions.

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 page 20 and 21 to 38 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
Li Zhongbao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

3 December 2020

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

We refer to the circular dated 3 December 2020 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Transactions 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 5 to 19 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transactions as set out on pages 21 to 38 of the Circular.

Having considered the principal factors and reasons considered by, and the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the views of the Independent Financial Adviser and consider that the Transactions have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed in the SGM to approve the Transactions.

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

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the VMS Securities Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions, which has been prepared for the purpose of inclusion in this Circular.



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

3 December 2020

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

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to the Transactions, details of which are set out in the letter from the Board of Directors (the “**Letter**”) contained in the circular dated 3 December 2020 (the “**Circular**”) issued by the Company to the Shareholders of which this letter forms part. Unless otherwise stated, terms defined in the Circular have the same meaning in this letter.

On 6 November 2020, APT (HK), a wholly-owned subsidiary of the Company, entered into the Investment and Cooperation Agreement with the Project Partners for the establishment of the Joint Venture, which will procure and launch the APSTAR 6E Satellite and use it to provide satellite telecommunication services in Asia Pacific Region. The APSTAR 6E Satellite will be manufactured by the Contractor and will carry a high throughput satellite (HTS) payload. As the manufacturing of the APSTAR 6E Satellite needs to be commenced at an earliest possible time in order to meet the business plan and schedule of the Joint Venture, as authorised by the Project Partners, APT (HK) entered into the Satellite Contract with the Contractor on 6 November 2020 in respect of the manufacturing, delivery and launching of the APSTAR 6E Satellite pending the establishment of the Joint Venture. Pursuant to the Investment and Cooperation Agreement, it has been agreed that upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the formation of the formation of the Joint Venture under the Investment and Cooperation Agreement and the transactions contemplated under the Satellite Contract or the Novation Agreement on an aggregate basis, and also each of the Satellite Contract and the Novation Agreement on a stand-alone basis, exceed 25% but are less than 100%, the Transactions constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

Furthermore, CASC and its associates are interested in an aggregate of approximately 52.78% equity interest 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. In addition to the shareholding held by APT International, CASC and its associates (including the Project Partners) 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. Each of the Project Partners is a subsidiary of CASC and is therefore a connected person of the Company. The Joint Venture, when established, will also be an indirectly owned subsidiary of CASC and therefore a connected person of the Company. Accordingly, the Transactions also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As such, the Transactions are subject to Independent Shareholders' approval at a special general meeting of the Company. APT International, CASC and their associates will be required to abstain from voting in respect of the resolution approving Transactions. 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 54.81% of the issued share capital of the Company.

APT (HK) and the Project Partners will be shareholders of the Joint Venture, while each of the Project Partners, being a connected person of the Company, is entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of the Joint Venture. Therefore, the Joint Venture is a commonly held entity falling within the meaning of Rule 14A.27 of the Listing Rules and the entering into of the Designation Agreement, the Control and Monitoring Agreement and the Distribution Agreement and the transactions contemplated thereunder may constitute connected transaction or continuing connected transaction of the Company under the Listing Rules. In that case, the Company will comply with all applicable laws and regulations relating to the transactions contemplated under each of the agreement, including the requirements of shareholders' approval under the Listing Rules when entering into the agreement.

As (i) Mr. Cheng Guangren, an executive Director and the President of the Company, is also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, is also concurrently the deputy officer of the science committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and the chairman of the Company, is also concurrently the chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, is also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules) and (v) Mr. He Xing, a non-executive Director, is also concurrently a director of CSCC, they have abstained from voting on the relevant board resolution(s) for approving the Transactions to avoid any conflict of interest. Save for the above, none of the Directors has material interest or conflict of interest in the Transactions and none of them is required to abstain from voting on the relevant board resolutions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Lui King Man, Lam Sek Kong, Cui Liguang and Meng Xingguo, has been established pursuant to the Listing Rules to advise the Independent Shareholders as to whether the Transactions have been entered into in the ordinary and usual course of business and the terms were agreed on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

During the past two years, VMS had been engaged as the independent financial adviser for the continuing connected transactions in relation to the Group's transmission and communication services master agreement dated 29 September 2020 (see the Company's circular dated 6 November 2020 for details). We are not aware of the existence of change in any circumstances that would affect our independence. As such, we consider that we are eligible to give independent advice on the Transactions.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion, we have relied solely upon the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular or otherwise provided or made or given by the Company and/or its senior management staff (the "**Management**") and/or the Directors and for which it is/they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the Latest Practicable Date. We have assumed that all the opinions and representations made or provided by the Directors and/or the Management contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and/or the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

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

2. Financial information of the Group

Set out below is a summary of the consolidated statement of profit or loss of the Group for the years ended 31 December 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the Company’s interim report for the six months ended 30 June 2020 (the “**2020 Interim Report**”).

	For the year ended		For the six months ended	
	31 December		30 June	
	2018	2019	2019	2020
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
Revenue				
Income from provision of satellite transponder capacity	1,196,170	1,002,090	518,264	437,756
Income from provision of satellite-based broadcasting and telecommunications services	15,399	8,992	4,527	4,410
Other satellite-related service income	26,143	51,483	42,185	13,989
Total revenue	1,237,712	1,062,565	564,976	456,155
Gross profit	736,102	536,115	303,092	192,173
Profit from operations	628,258	462,330	287,176	108,804
Profit for the year/period attributable to the shareholders of the Company	507,007	362,326	234,666	79,575

For the year ended 31 December 2019, the Group recorded revenue of approximately HK\$1,062.6 million, representing a decrease of approximately 14.2% from approximately HK\$1,237.7 million for the preceding year, which was mainly due to non-renewal of contract by a main customer of the Group as a result of the said customer’s own business re-alignment.

The gross profit of the Group decreased approximately 27.2% or HK\$200.0 million, from HK\$736.1 million for the year ended 31 December 2018 to approximately HK\$536.1 million for the year ended 31 December 2019, which was mainly due to the increase in satellite depreciation and in orbit insurance premiums of the replacement satellites.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The profit from operation of the Group decreased approximately 26.4% or HK\$166.0 million, from HK\$628.3 million for the year ended 31 December 2018 to approximately HK\$462.3 million for the year ended 31 December 2019, which was in line with the decrease in the Group's gross profit for the same year.

The net profit of the Group decreased approximately 28.5% or HK\$144.7 million, from HK\$507.0 million for the year ended 31 December 2018 to approximately HK\$362.3 million for the year ended 31 December 2019, which was in line with the decrease in the Group's profit from operation for the same year.

For the six months ended 30 June 2020, the Group recorded revenue of approximately HK\$456.2 million, representing a decrease of approximately 19.3% from approximately HK\$565.0 million for the corresponding period in 2019, which was mainly due to (i) the non-renewal of contract by a major customer in a region due to its own business re-alignment and (ii) certain impact of COVID-19 pandemic on the market environment leading to the drop in the usage and price of transponder compared with same period in 2019.

The gross profit of the Group decreased approximately 36.6% or HK\$110.9 million, from HK\$303.1 million for the six months ended 30 June 2019 to approximately HK\$192.2 million for the six months ended 30 June 2020, which was mainly due to the decrease in the demand in satellite services and the downward adjustments of regional prices, resulted from the outbreak of COVID-19.

The profit from operation of the Group decreased approximately 62.1% or HK\$178.4 million, from HK\$287.2 million for the six months ended 30 June 2019 to approximately HK\$108.8 million for the six months ended 30 June 2020, which was due to the decrease in the Group's revenue and the increase in its administrative expense resulted from the increase in the provision of bad debt.

The net profit of the Group decreased approximately 66.1% or HK\$155.1 million, from HK\$234.7 million for the six months ended 30 June 2019 to approximately HK\$79.6 million for the six months ended 30 June 2020, which was in line with the decrease in the Group's profit from operation for the same period.

Set out below is a summary of the consolidated financial position of the Group as extracted from the 2019 Annual Report.

	2018	As at 31 December 2019	As at 30 June 2020
	(audited)	(audited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalents	668,828	350,983	493,729
Current assets	1,006,876	1,102,624	1,213,103
Non-current assets	6,147,590	5,981,215	5,810,969
Total assets	7,154,466	7,083,839	7,024,072
Total bank borrowings	425,438	-	-
Current liabilities	445,055	248,337	277,659
Non-current liabilities	1,061,924	982,268	975,742
Total liabilities	1,506,979	1,230,605	1,253,401
Net current assets	561,821	854,287	935,444
Net assets	5,647,487	5,853,234	5,770,671

The cash and cash equivalents of the Group decreased by approximately HK\$317.8 million or 47.5% from approximately HK\$668.8 million as at 31 December 2018 to approximately HK\$351.0 million as at 31 December 2019, which was mainly due to the full repayment of bank borrowings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The cash and cash equivalents of the Group increased by approximately HK\$142.7 million or 40.7% from approximately HK\$351.0 million as at 31 December 2019 to approximately HK\$493.7 million as at 30 June 2020, which was attributable to the cash inflow from business operation of the Group.

3. Reasons for and benefits of the Transactions

As stated in the Letter, currently, there is foreseeable demand for high-throughput satellites in the market. APSTAR 6E Satellite adopts the DFH-3E satellite platform onboard with high-throughput satellite capacities and is launched by the reliable LM-2C launch vehicle. It offers relatively high cost-performance satellite services and is competitive in the market.

Since the technical development and application of new high-throughput satellites still need to be improved continuously in response to market changes, the approach of setting up joint ventures with upstream satellite manufacturers to jointly invest in satellite projects can bring about synergistic effect on the whole satellite industry chain, which in turn enables more effective and rapid responses to market demands and changes in the technical application of high-throughput satellites, reduces project risks as well as significantly reduces the Group's investment in satellite projects, which is conducive to a more steady development of satellite projects.

At the same time, leveraging on the Group's own long-term experience in satellite operation, the Group will be able to generate stable income from satellite projects by providing satellite orbital position, satellite control operation, technical support and exclusive distribution services to the Joint Venture.

As certain conditions precedent (including the obtaining of various governmental approval) need to be fulfilled, it is expected that it may not be able to establish the Joint Venture within a short period of time. However, in order to meet the business plan and schedule of the Joint Venture, the manufacturing of the APSTAR 6E Satellite needs to be commenced at an earliest possible time. It has therefore been agreed by the Project Partners that APT (HK) should enter into the Satellite Contract with the Contractor pending the establishment of the Joint Venture and all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture pursuant to the Novation Agreement upon the establishment of the Joint Venture. The interest of APT (HK) will be protected by its right to terminate the Satellite Contract with full refund of the payments made by it under the Satellite Contract in case the Joint Venture is not successfully established or the novation of the Satellite Contract does not take place within the prescribed periods.

We have reviewed the 2019 Annual Report and the 2020 Interim Report and note that the Group's revenue was mainly generated from its provision of satellite services for each of the two years ended 31 December 2019 and the six months ended 30 June 2020. According to the 2020 Interim Report, with the in-depth development of APSTAR-5C's HTS resources business, and the subsequent operation of APSTAR-6D, while expanding its traditional satellite resources leasing business through APSTAR- 5C, APSTAR-6C, APSTAR-7 and APSTAR-9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime shipborne and airborne on a larger scale. Meanwhile, on the basis of further strengthening internal management and cost control, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

We understand from the Management that (i) the high-throughput satellite has become one of the mainstreams in satellite service sector for both traditional and satellite-based mobile communication markets; and (ii) it may take up to 14 months to establish the Joint Venture.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we are of the view that the Transactions are (i) in line with the business plan and strategy of the Group, in particular, expanding satellite-based mobile communication markets and businesses as well as increasing investment in new satellite projects and emerging business areas; and (ii) commercially justifiable and in the ordinary course of business of the Group.

4. Principal terms of the Investment and Cooperation Agreement

Set out below is a summary of the principal terms of the Investment and Cooperation Agreement. Details of the conditions and principal terms of the Investment and Cooperation Agreement are referred to the section heading “Establishment of Joint Venture” in the Letter.

Date:	6 November 2020
Parties:	(1) CAST (2) APT (HK) (3) The Contractor (4) CALT
Responsibilities of APT (HK):	APT (HK) shall: (a) upon the establishment of the Joint Venture, enter into the Novation Agreement (with the Joint Venture and the Contractor); (b) lease to the Joint Venture, one geostationary orbital position for the use by the APSTAR 6E Satellite under the Designation Agreement; (c) provide 7x24 hours control and monitoring service to the Joint Venture under the Control and Monitoring Agreement; (d) be the sole distributor of APSTAR 6E Satellite under the Distribution Agreement (pursuant to which, APT (HK) will be responsible for providing the product promotion, exhibition promotion, market development, sales, performance management, pre-sales and post sales technical support, customer relationship and other services in relation to the APSTAR 6E Satellite).
Capital contribution:	The total share capital of the Joint Venture will be US\$30 million, which will be contributed by the parties in cash as follows: (a) US\$15.3 million by CAST (representing 51% of the equity interest in the Joint Venture); (b) US\$6.0 million by APT (HK) (representing 20% of the equity interest in the Joint Venture); (c) US\$6.0 million by the Contractor (representing 20% of the equity interest in the Joint Venture); and (d) US\$2.7 million by CALT (representing 9% of the equity interest in the Joint Venture).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The parties shall pay their respective capital contribution within 60 days from the incorporation of the Joint Venture.

Major conditions:

The effective date of the Investment and Cooperation Agreement shall be the date after all the following conditions have been fulfilled:

- (a) the signing of the Investment and Cooperation Agreement by the respective authorized representatives of CAST, APT (HK), the Contractor and CALT;
- (b) the approval of the investment under the Investment and Cooperation Agreement by CASC and the Ministry of Finance of the PRC are obtained;
- (c) the approval of the investment under the Investment and Cooperation Agreement by CASC and the Ministry of Finance of the PRC are obtained;
- (d) the approval of the Independent Shareholders of the Investment and Cooperation Agreement and the establishment of the Joint Venture thereunder is obtained at a special general meeting of the Company pursuant to the requirement under the Listing Rules;
- (e) the approval of the investment by other relevant government regulatory authority(ies) is obtained; and
- (f) the Satellite Contract which was entered into by APT (HK) pending the formation of the Joint Venture as authorised by the Project Partners becomes effective.

If the conditions set out above have not been satisfied within 18 months from the date of the Investment and Cooperation Agreement or such extension as to be agreed in writing by APT (HK) and the Project Partners, the Investment and Cooperation Agreement shall automatically terminate after the above period has expired.

Board composition:

The board of directors of the Joint Venture shall consist of 6 directors, of which:

- (a) 3 directors shall be appointed by CAST;
- (b) 1 director shall be appointed by APT (HK);
- (c) 1 director shall be appointed by the Contractor; and
- (d) 1 director shall be appointed by CALT.

The chairman of the board of directors of the Joint Venture shall be appointed by CAST.

Resolutions of shareholders' meeting:

Ordinary resolution of the shareholders shall be passed by the shareholders of the Joint Venture by two-third or more majority.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financing of the Joint Venture:

If the shareholders of the Joint Venture are required to provide guarantees for any financing plan, such financing plan shall be subject to the obtaining of:

- (a) the unanimous approval of the Joint Venture's board of directors;
- (b) approval of the shareholders of the Joint Venture; and
- (c) any other approvals as required by the relevant laws and regulations.

The shareholders of the Joint Venture shall then jointly provide the guarantees on proportional basis according to their respective equity interests in the Joint Venture.

Transfer of equity:

If the Transferring Shareholder intends to transfer or sell all or part of its equity in the Joint Venture, the other shareholders of the Joint Venture shall have pre-emptive right to purchase the transferring equity.

Termination:

Prior to the novation and transfer of APT (HK)'s obligations and rights under the Satellite Contract to the Joint Venture, any party shall have the right to terminate the Investment and Cooperation Agreement by giving written notice in advance in any of the following circumstances:

- (a) the Joint Venture is not successfully established by APT (HK) and the Project Partners as a result of any force majeure event or any change of laws within 14 months from the Effective Date;
- (b) the obligations and rights of APT (HK) under the Satellite Contract are not transferred and novated to the Joint Venture as a result of any force majeure event or any change of laws within 18 months from the Effective Date; or
- (c) any significant changes in the market as mutually agreed by APT (HK) and the Contractor have occurred before the Launch.

Our view

Responsibilities of APT (HK)

As stated in the Letter, it is anticipated that pursuant to the Listing Rules, the entering into of the Ancillary Agreements after the formation of the Joint Venture by APT (HK) and the Joint Venture and the transactions contemplated thereunder may constitute connected transaction or continuing connected transaction of the Company, the entering into of the Ancillary Agreements and the transactions contemplated thereunder must comply with all applicable laws and regulations, including Chapter 14A of the Listing Rules. If, in accordance with the requirements under the Listing Rules, the Company is required to obtain Shareholders' approval for any of the above Ancillary Agreements or the transactions contemplated thereunder, the obtaining of the required Shareholders' approval shall be a condition precedent to the relevant agreement(s).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In case the parties cannot agree on the terms of any of the Ancillary Agreements or Shareholders' approval of the Ancillary Agreements is required but such approval is not granted, APT (HK) will not be able to provide the services to the Joint Venture under such agreement(s). It is expected that the Joint Venture will have to source other services providers in the market who provide similar services under such agreement(s), as a result, the Group will not be able to receive revenue from the provision of the services to the Joint Venture under such agreement(s). However, the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement will not be otherwise affected.

We understand from the Management that the terms of the Ancillary Agreements will be negotiated on arm's length basis and according to the internal policies of Group. Despite the fact that the Ancillary Agreements may be subject to Shareholders' approval in the future, however, having considered that (i) the Joint Venture can source other service providers for the services in respect of the Ancillary Agreements; and (ii) the Investment and Cooperation Agreement, the Satellite Contract and the Novation Agreement will not be affected, albeit the terms of the Ancillary Agreements not being agreed between the parties or the Ancillary Agreements not being approved by the Shareholders, our view on the fairness of the Transactions will not be affected, regardless of the terms of the Ancillary Agreements not being agreed between the parties or the Ancillary Agreements not being approved by the Shareholders.

Capital contribution and board composition

We have reviewed the Investment and Cooperation Agreement and note that APT (HK) and the Project Partners shall pay their respective capital contribution within 60 days from the incorporation of the Joint Venture. As such, the Group has to contribute approximately HK\$46.8 million (equivalent to approximately US\$6.0 million). We understand from the Management that the Group plans to finance its capital contribution in relation to the Joint Venture with its internal resources.

We noted that the amounts of capital contribution to be made by APT (HK) and the Project Partners are proportionate to their respective equity interest in the Joint Venture. We understand from the Management that the total amounts of capital contribution are to meet the capital requirement of the Satellite Contract. Therefore, we are of the view that the amount of capital contribution as well as the basis of determining it is fair and reasonable.

Based on the terms in respect of the board composition, APT (HK) will be granted one board seat out of six, which represents approximately 16.7% of the board representation. The aforesaid 16.7% board representation is lower than the 20% equity interest in the Joint Venture to be held by APT (HK). However, having considered (i) the Contractor, which will also be entitled to 20% equity interest in the Joint Venture, will be granted the board seat on the same basis; and (ii) the expected benefits derived from the responsibilities of APT(HK) in relation to the Investment and Cooperation Agreement, we consider that the dilution of the board representation by APT (HK) as compared to its equity interest in the Joint Venture is justifiable.

Since CAST will contribute more than 50% of the total share capital of the Joint Venture, we are of the view that CAST's right to appoint the chairman of the board of directors of the Joint Venture is reasonable.

Termination

As stated in the Letter, if the Joint Venture has not been established at the time of termination of the Investment and Cooperation Agreement, the shareholders of the Joint Venture shall:

- (a) on proportional basis according to their respective equity interests in the Joint Venture, pay interests (according to the interest rate under the Novation Agreement) to APT (HK) on the amount paid by APT (HK) to the Contractor pursuant to the Satellite Contract before such termination; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) on proportional basis according to their respective equity interests in the Joint Venture, bear (i) the marketing expenses and project investment expenses incurred by the parties in respect of the APSTAR 6E Satellite project before termination, (ii) the necessary expenses for establishing the Joint Venture; and (iii) the expenses incurred by other parties in respect of the APSTAR 6E Satellite project which have been approved by all the shareholders.

If the Joint Venture has been established at the time of termination of the Investment and Cooperation Agreement, all of the above expenses shall be borne by the Joint Venture.

We understand from the Management that the amount of any returning capital (after deducting the above expenses incurred) to APT (HK) and the Project Partners in the case of termination will be made on a pro rata basis based on their respective equity interest in the Joint Venture. In light of the above, we are of the view that the termination terms are fair and reasonable.

5. Principal terms of the Satellite Contract

Set out below is a summary of the principal terms of the Satellite Contract. Details of the conditions and principal terms of the Satellite Contract are referred to the section heading “The Satellite Contract” in the Letter.

Date:	6 November 2020
Parties:	(1) APT (HK) (2) The Contractor
Subject matter:	The Contractor will: (a) manufacture, deliver, and launch the APSTAR 6E Satellite to the Customer in accordance with the delivery schedule as set out in the Satellite Contract, including, inter alia, (i) the design, manufacture and test of the APSTAR 6E Satellite based on DFH-3E platform; (ii) launch services by Long March 2C launch vehicle; (iii) LEOP and IOT operations; and (iv) the delivery, installation and commissioning of Deliverable Items including but not limited to satellite simulator, GCS system; and (b) provide other services including lifetime technical support, launch insurance and other projected related services. The Contractor undertakes to perform the technical interface between the APSTAR 6E Satellite and the designated launch vehicle ensuring full compatibility between the APSTAR 6E Satellite and the designated launch vehicle according to its interface manual. The Customer may also order the Optional Services or Items from the Contractor.
Contract price:	US\$137,590,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Major conditions:** The Effective Date of the Satellite Contract shall be the date after all the following conditions have been fulfilled:
- (a) signing of the Satellite Contract by duly authorised representatives of both APT (HK) and the Contractor;
 - (b) obtaining approval of the Independent Shareholders of the Satellite Contract and the transactions contemplated thereunder is obtained at a special general meeting of the Company in accordance with the Listing Rules; and
 - (c) obtaining approval of China Satellite Communications Company Limited, namely the controlling shareholder of the Company.
- In-Orbit Delivery:** The Contractor shall procure the In-Orbit Delivery of the APSTAR 6E Satellite on or before 31 August 2023. The Contractor will be liable to pay liquidated damages at specific rates for delay of In-Orbit Delivery subject to the cap specified in the Satellite Contract.
- Title and risk:** Title and ownership of all Deliverable Items including the APSTAR 6E Satellite together with their respective control and possession, as well as the launch and on-orbit insurance policy except for certain share of insurance beneficiary right designated for the Contractor under the launch and on-orbit insurance policy, shall be transferred from the Contractor to the Customer upon the In-Orbit Delivery of the APSTAR 6E Satellite which shall take place at the same time of final acceptance of the APSTAR 6E Satellite on the Transfer Date.
- All risks of loss, defect, malfunctioning, failure or damage to all the Deliverable Items including the APSTAR 6E Satellite shall pass from the Contractor to the Customer upon the transfer of the title and ownership of the APSTAR 6E Satellite.
- Novation:** The Customer may assign, transfer or novate any or all of its rights and obligations under the Satellite Contract at any time to the Joint Venture, provided that:
- (a) the Joint Venture has expressly assumed all the obligations of the Customer and all terms and condition applicable to the Customer under the Satellite Contract; and
 - (b) such assignment, transfer or novation or similar transaction does not give rise to a violation of any applicable laws and regulation, including without limitation export control laws and regulations.
- Under the above circumstance, the Customer shall provide the Contractor with at least 15 days advance written notice of its intent to assign the Satellite Contract.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Termination:

Termination prior to novation

In any of the following events, the Customer shall be entitled to terminate the Satellite Contract by giving written notice to the Contractor in advance, provided that such event is not attributable to the Customer:

- (a) the Joint Venture is not successfully established by APT (HK) and the Project Partners within 14 months from the Effective Date;
- (b) the obligations and rights of APT (HK) under the Satellite Contract are not transferred and novated to the Joint Venture within 18 months from the Effective Date; or
- (c) any mutually agreed significant changes in the market.

If the Satellite Contract is terminated pursuant to paragraphs (a) to (c) above, the Contractor shall refund all payments that have been made by the Customer to the Contractor or under the Satellite Contract within fourteen (14) days from the date of termination of the Satellite Contract and all obligations and liabilities of the Customer and the Contractor under the Satellite Contract shall be discharged (other than the obligations and liabilities as set out in the Satellite Contract).

Without prejudice to the right of the Customer to the refund of all payments made by it to the Contractor above, if the Satellite Contract is terminated pursuant to paragraph (c) above, the Customer shall still be liable to pay to the Contractor for those portions of work that have been completed upon termination of the Satellite Contract proportional to the total contract price of all work.

Termination for default of the Contractor

The Customer may, before the Launch, terminate the Satellite Contract in whole or in part by written notice of default if:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (a) The Contractor fails to deliver the APSTAR 6E Satellite into the designated orbital position within 365 days after the date of In-Orbit Delivery or such other date as may be modified under the Satellite Contract;
- (b) the Contractor fails to perform any of its material obligations to the extent that the objective of the Satellite Contract is impossible to meet (including the refusal to deliver the APSTAR 6E Satellite after Launch to the Customer other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract, the default of payment of liquidated damages in due time by the Contractor, if any) under the Satellite Contract, and has not rectified such failure within 45 days after receipt from the Customer of a written notice of such default;
- (c) the Contractor becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filing thereof; or
- (d) the approved governmental authorisation applied by the Contractor was withheld or cancelled due to the default of the Contractor.

Termination before Launch

Upon such partial or complete termination before Launch by the Customer, the Contractor shall, within 2 months refund to the Customer any amount paid to the Contractor by the Customer under the Satellite Contract up to the date of termination (except for the then paid or payable marketing service fee under the Satellite Contract) less the liquidated damages already paid by the Contractor plus 6% of such amount.

Termination after Launch

The Customer is not entitled to exercise its contract termination rights after the Launch of the APSTAR 6E Satellite except in the event that the Contractor fails to deliver the APSTAR 6E Satellite to the Customer after Launch for any reason other than the total loss or constructive total loss within the meanings as set out in the Satellite Contract to the extent that the objective of the Satellite Contract is impossible to meet, the Customer may subject to its sole discretion either to (a) terminate the Satellite Contract due to the default of the Contractor, and the Contractor shall within 2 months refund to the Customer any amount paid to the Contractor by the Customer under the Satellite Contract up to the date of termination (except for the then paid or payable marketing service fee under the Satellite Contract) less the liquidated damages already paid by the Contractor plus 6% of such amount; or (b) apply to the court for specific performance enforcing the Contractor to deliver the APSTAR 6E Satellite and such other Deliverable Items which have not been delivered by the Contractor to the Customer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Termination for default of the Customer

The Contractor will be entitled, after providing written notice to the Customer, to suspend all or part of the work if:

- (a) the Customer fails to make any undisputed payment to the Contractor within 45 days after such payment has become due and payable;
- (b) if the Customer fails to perform any of its material obligations under the Satellite Contract, and has not rectified such failure within 45 days after receipt from the Contractor of a written notice of such default; or
- (c) the Customer becomes subject of voluntary or involuntary liquidation, insolvency, bankruptcy or other corporate reorganisation proceedings, or arrangement, if such proceeding or arrangement is not dismissed within 45 days after the filing thereof.

Upon such suspension of work, the Customer shall not be entitled to any refund of any amounts paid and any amounts then due to be paid to the Contractor shall continue to be payable by the Customer, and the Customer shall indemnify the Contractor against all reasonable costs and expenses, including such interests, reasonably and properly incurred by the Contractor arising from such suspension and any subsequent resumption of the work, provided that the Contractor shall take all reasonable steps to minimise the occurrence of such costs and expenses.

Indemnity:

Each party shall indemnify and hold harmless the other party, its officers, employees, agents, assignees or successors or any of them (the “**Indemnitees**”), from any loss, damage, liability or expense, resulting from any loss or damage to property or injury, or death to persons, arising from its performance of the Satellite Contract until the transfer of title of the APSTAR 6E Satellite to the Customer in accordance with the provisions of the Satellite Contract, except to the extent caused by the gross negligence or wilful misconduct of the Indemnitees who suffered the damage.

After Launch, the Contractor shall indemnify and hold harmless the Customer and its employees and/or representatives from any and all liabilities which may arise from losses or damages of any kind suffered by third parties including but not limited to those suffered by employees, and representatives of such third parties and the customers of the Customer arising out of the Launch and the operation of the APSTAR 6E Satellite, provided that such losses or damages are not caused by gross negligence or wilful misconduct of the Customer. The third party liability insurance taken by the Contractor to cover its exposure shall include a waiver of subrogation against the Customer, its employees and/or representatives and insurance companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Contractor shall indemnify and hold harmless the Customer, its directors, officers, shareholders, employees, agents, and consultants from and against any liability, expense or legal and similar costs as a result of any threatened or actual claim or action alleging the infringement of any patent, copyright, or industrial design, mask work, trademark, or any other intellectual property right, or alleging unauthorised use or disclosure of any proprietary technical data and information in respect of the APSTAR 6E Satellite or any other item delivered or used under the Satellite Contract or in respect of all activities and services to be performed by the Contractor under the Satellite Contract.

Our view

Contract price

As stated in the Letter, the Contract Price of US\$137.6 million comprises the price for the APSTAR 6E Satellite, launch services, and Launch plus one year on-orbit insurance, GCS system and etc and the price for optional services.

We have reviewed the Satellite Contract and noted that the maximum contractual amount in relation to the Satellite Contract to be paid by the Group to the Contractor within 14 months from the Effective Date (being the deadline of the establishment of the Joint Venture under the Satellite Contract) is approximately HK\$280.4 million (equivalent to approximately US\$35.9 million). As stated in the Letter, the Group plans to finance the aforesaid maximum contractual amount with its internal resources and bank loan. It is estimated that 30% to 50% (approximately HK\$84.1 million to HK\$140.2 million) of the contract price will be satisfied by bank loan and 50% to 70% (approximately HK\$140.2 million to HK\$196.3 million) of the contract price will be satisfied by internal resources of the Company.

We have sought for similar recent (past five years) transactions from other listed companies on the main board of the Stock Exchange that are engaged in the similar principal activities in the similar geography as the Company or similar recent transactions that are publicly available. However, due to the lack of recent available public information, we have alternatively reviewed similar transactions for the past 10 years. In this connection, we have identified two similar satellite transactions between 2010 and the Latest Practicable Date, namely, Asiasat 6 and 8 satellites (the “**Market Comparables**”), announced by Asia Satellite Telecommunications Holdings Limited (the “**AST**”). AST was listed on the main board of the Stock Exchange with the former stock code of 1135, which was subsequently delisted in 2019, and principally engages in the operation, maintenance and provision of satellite telecommunication systems for broadcasting and telecommunications, provision of broadband access services, provision of direct-to-home satellite television service primarily in Asia Pacific Region. Set out below is the summary of the Market Comparables:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Satellites	Date of launce service announcement	Total no. of transponders	Satellite baseline cost <i>US\$ million</i> <i>Note</i>	Satellite baseline costs per transponder <i>US\$ million</i>
Asiasat 6	8 February 2012	28	168.0	6.0
Asiasat 8	8 February 2012	34	172.0	5.1
APSTAR 6E	6 November 2020	17	126.6	7.4

Note:

The satellite baseline cost for the Market Comparables included the other costs associated with the contracts but excluded insurance premium.

We note that the satellite baseline cost per transponder of the Market Comparables ranged from US\$5 million to US\$6.0 million, which is lower than that of the APSTAR 6E Satellite of US\$7.4 million. We understand from the Management that the APSTAR 6E Satellite can provide a factor of at least two times or more the total throughput of the traditional satellites (such as the Market Comparables) for the same amount of allocated orbital spectrum thus significantly reducing cost-per-bit and expand the customer base of the Group.

We note that Performance Incentive of US\$6,466,400 is approximately 5.1% of the Contract Baseline Price. As (i) the Satellite Contract is an in-orbit delivery contract, whereas the satellite contracts of the Market Comparables are not in-orbit delivery contract; and (ii) the contract prices under the satellite contracts of the Market Comparables do not include insurance premium, we consider the Market Comparables not being suitable for the comparison of performance incentive. Alternatively, we have enquired and obtained the performance incentive rate generally offered by CGWIC (the parent company of the Contractor) to independent third parties with launch dates between 2015 and 2020 and noted that performance incentive rates offered by CGWIC to independent third parties were around 5%, which are similar to the rate of the Performance Incentive of 5.1%.

Despite the higher satellite baseline cost per transponder of the APSTAR-6E Satellite, however, taking into account (i) the advanced technology of the APSTAR 6E; (ii) the more of customers that the APSTAR 6E Satellite can serve, and hence more profitable; (iii) inclusion of the Insurance Premium and optional services in the total contract price under the Satellite Contract; (iv) the rate of Performance Incentive is similar to that offered by CGWIC to independent third parties; and (v) the general inflation, we are of the view that the total contract price under the Satellite Contract is justifiable.

Title and risk and termination

We note that title and risk and termination terms are similar to those under the satellite contract of the APSTAR 6C satellite as published in the circular of the Company dated 9 November 2015. As advised by the Management, the APSTAR 6C satellite is the most comparable satellite launched by the Group as compared to the APSTAR 6E Satellite.

Having considered the principal terms under the Satellite Contract, we concur with the Director's view that the terms of the Satellite Contract are 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. The Novation Agreement

As stated in the Letter, pursuant to the Investment and Cooperation Agreement, it has been agreed that upon the establishment of the Joint Venture, APT (HK), the Joint Venture and the Contractor shall enter into the Novation Agreement, pursuant to which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture.

With effect from the Novation Date, the Contractor:

- (i) releases and discharges APT (HK) from further performance of, and all claims, demands, obligations and liabilities in relation to the Satellite Contract;
- (ii) accepts the Joint Venture to perform the Satellite Contract in lieu of the liabilities of APT (HK); and
- (iii) agrees to be bound by all terms, conditions, covenants, undertakings, responsibilities and obligations of the Satellite Contract in every way as if the Joint Venture were named as a party in the Satellite Contract in place of APT (HK).

With effect from the Novation Date, APT (HK) shall have no further rights, obligations and liabilities under the Satellite Contract and the terms and conditions of the Satellite Contract shall be binding only on the Joint Venture and the Contractor.

All contractual price and other fees due and payable or to become due and payable to the Contractor on and after the Novation Date under the Satellite Contract shall be settled by the Joint Venture in accordance with the terms of the Satellite Contract.

Within 30 days from the Novation Date, the Joint Venture shall:

- (i) fully reimburse all the Settled Contractual Price to APT (HK); and
- (ii) in consideration of APT (HK)'s novation of its rights and obligations under the Satellite Contract to the Joint Venture, pay interest at the rate of one-year LIBOR + 2% of the Settled Contractual Price for the period from the date of payment of the Settled Contractual Price up to the Novation Date to APT (HK).

We note that the abovementioned interest rate (LIBOR + 2%) to be paid by the Joint Venture to APT(HK) is higher than the current interest rate for 6-month US\$ deposit offered by The Hongkong and Shanghai Banking Corporation of 0.15% and the current interest rate for 12-month US\$ deposit offered Bank of China (Hong Kong) Limited of 0.2%.

In light of the above, we are of the view that the terms in the Novation Agreement are on normal commercial terms and are in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the factors outlined in this letter, we are of the opinion that the terms of the Satellite Contract, the Investment and Cooperation Agreement and the Novation Agreement are 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. Furthermore, given the factors mentioned above, we are of the view that the Satellite Contract, the Investment and Cooperation Agreement and the Novation Agreement have been made on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to approve the Satellite Contract, the Investment and Cooperation Agreement and the Novation Agreement at the SGM.

Yours faithfully,
for and on behalf of
VMS SECURITIES LIMITED
Anderson Wong
Managing Director, Corporate Finance

Mr. Anderson Wong is a licensed person and a responsible officer of VMS Securities Limited registered with the Securities and Future Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and has over ten years of experience in the corporate finance industry.

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE YEARS ENDED 31 DECEMBER 2017, 2018 AND 2019

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited consolidated financial statements together with the notes on the annual reports for the last financial year of the Group.

The audited consolidated financial statements of the Group prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the year ended 31 December 2017, 2018 and 2019 together with the relevant notes thereto can be found from pages 72 to 145 of the annual report of the Company for the year ended 31 December 2017, pages 75 to 159 of the annual report of the Company for the year ended 31 December 2018 and pages 73 to 161 of the annual report of the Company for the year ended 31 December 2019, respectively.

Each of the said audited consolidated financial statement of the Group for the years ended 31 December 2017, 2018 and 2019 is incorporated by reference into this circular and forms part of this circular. The said annual reports of the Company are available on the Company's website at www.apstar.com and the website of the Stock Exchange at www.hkexnews.hk.

Please also see below quick links to the annual reports of the Company:

Annual Report 2019:

<https://www.apstar.com/wp-content/uploads/2020041600401.pdf>

Annual Report 2018:

<https://www.apstar.com/wp-content/uploads/LTN20190415959.pdf>

Annual Report 2017:

<https://www.apstar.com/wp-content/uploads/LTN20180418687.pdf>

2. INDEBTEDNESS OF THE GROUP

At 31 October 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Lease Liabilities

As at 31 October 2020, the Group had lease liabilities of HK\$175,747,597 in respect of communication satellite and equipment and other properties leased for own use:

(i) Communication satellite and equipment

The Group leases several communication satellite and equipment for a period of five to fifteen years and rentals are fixed for the whole lease term. None of the leases includes variable lease payments.

(ii) Other properties leased for own use, carried at depreciated cost

The Group has obtained the right to use the other properties through tenancy agreements. Leases are negotiated for a period of three to five years and rentals are fixed for the whole lease term. None of the leases includes variable lease payments.

Charge on the Group's assets

As at 31 October 2020, the Group's pledged bank deposits of approximately HK\$370,000 are related to certain commercial arrangements and banking facilities.

As at 31 October 2020, a letter of guarantee issued by a bank to a subsidiary of the Group is secured by the Group's land and buildings with a net book value of approximately HK\$3,045,000.

Contingent liabilities

As at 31 October 2020, the Company has given guarantees to bank in respect of the banking facilities granted to its subsidiary. The extent of such banking facilities utilised by the subsidiary at 31 October 2020 amounted to HK\$Nil.

Save as disclosed above or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables, the Group did not, at the close of business on 31 October 2020, have any debt securities issued and outstanding, or authorized or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its current known requirements for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group's revenue for the six month period ended 30 June 2020 amounted to HK\$456,155,000, representing a decrease of approximately 19.3% as compared to the same period in 2019. Gross profit for the six month period ended 30 June 2020 decreased by 36.6%, as compared to the same period in 2019, to HK\$192,173,000. The profit attributable to equity shareholders was HK\$79,575,000, representing a decrease of approximately 66.1% as compared to the same period in 2019. The EBITDA Margin is 74.9%, which maintains at high level in the industry.

The Group is engaged in the provision of satellite transponder capacity and related services. Its strategy is to become one of the leading regional satellite service providers for satellite transponder capacity and related services in the Asia Pacific region. The Group's in-orbit satellites, APSTAR 5C, APSTAR 6C, APSTAR 7 and APSTAR 9, have integrated to form the strongest satellite service capability covering Asia, Australia, Middle East, Africa, Europe, and Asia Pacific region, covering up to 75% of the world's population.

Looking into the second half of 2020, the global and Asia Pacific region satellite transponder market will continue to be subject to situations of oversupply and keen competition. The global coronavirus (COVID-19) outbreak brings challenges and difficulties to the market development. The Group is expected to face increased market competition pressure for its transponder lease business. With the in-depth development of APSTAR 5C's HTS resources business, and the subsequent operation of APSTAR 6D, while expanding its traditional satellite resources leasing business through APSTAR 5C, APSTAR 6C, APSTAR 7 and APSTAR 9 with great efforts, the Group will also expand satellite-based mobile communication markets and businesses such as maritime ship borne and air borne on a larger scale. Meanwhile, the Group will fully leverage its strengths of healthy financial position and sufficient capital to actively explore and increase investment in new satellite projects and emerging business areas, further enhance its competitiveness and service capabilities, expand its business areas and business scope, so as to maintain its stable and sustainable business development.

1. RESPONSIBILITY

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

2. DISCLOSURE OF INTERESTS

(a) Interest of Directors

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

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

Note:

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

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

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

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole; and

- (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 2019, the date up to which the latest published audited consolidated financial statements of the Group were made.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save and except that (i) Mr. Cheng Guangren, an executive Director and the President of the Company, was also concurrently a director of CSCC; (ii) Mr. Qi Liang, an executive Director and the Vice President of the Company, was also concurrently the deputy officer of the Science Committee for CSCC; (iii) Mr. Li Zhongbao, a non-executive Director and chairman of the Company, was also concurrently the chairman of CSCC; (iv) Mr. Fu Zhiheng, a non-executive Director, was also concurrently vice president of China Great Wall Industry Corporation (an associate of CASC under Chapter 14A of the Listing Rules); and (v) Mr He Xing, a non-executive Director, was also concurrently a director of CSCC.

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, 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

Save for the matters disclosed in the announcement of the Company dated 15 June 2020 in respect of profit warning and in the interim report for the period ended 30 June 2020, 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 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualification
VMS	a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) 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 2019, 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 December 2020 for incorporation in this circular.

7. LITIGATION

As at the Latest Practicable Date, there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date:

- (a) the Investment and Cooperation Agreement;
- (b) the Satellite Contract; and
- (c) the Novation Agreement.

9. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda. The Company's head office and principal place of business in Hong Kong is situated at 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The company secretary of the Company is Lau Tsui Ling, Shirley. Ms. Lau was admitted as the associate member of the Hong Kong Institute of Chartered Secretaries in 2005.
- (d) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

10. 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 memorandum of association and bye-laws of the Company;
- (ii) the Investment and Cooperation Agreement;
- (iii) the Satellite Contract;
- (iv) the Novation Agreement;

- (v) letter from the Independent Board Committee dated 3 December 2020, the text of which is set out on page 20 of this circular;
- (vi) letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 3 December 2020, the text of which is set out on pages 21 to 38 of this circular;
- (vii) the annual reports and consolidated audited accounts of the Company for the years ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (viii) the consent letter issued by the Independent Financial Adviser referred to in the paragraph headed “Expert’s qualifications and consent” in this appendix; and
- (ix) this circular.

NOTICE OF THE SPECIAL GENERAL MEETING



亞太衛星控股有限公司*

APT SATELLITE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1045)

NOTICE IS HEREBY GIVEN that a special general meeting of APT Satellite Holdings Limited (the “**Company**”) will be held at its principal place of business in Hong Kong, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Monday, 21 December 2020, at 11:00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the investment and cooperation agreement (the “**Investment and Cooperation Agreement**”) entered into on 6 November 2020 between APT Satellite Company Limited, a wholly-owned subsidiary of the Company (“**APT (HK)**”), 中國空間技術研究院 (China Academy of Space Technology), China Great Wall Industry (Hong Kong) Corp. Limited (the “**Contractor**”), and 中國運載火箭技術研究院 (China Academy of Launch Vehicle Technology) for the establishment of 亞太星聯衛星有限公司 (APSTAR Alliance Satcom Limited) (tentative name which is subject to registration in the Hong Kong Companies Registry) (the “**Joint Venture**”), which will procure and launch the APSTAR-6E satellite consisting of 25 forward link transponders and 25 return link transponder (the “**APSTAR 6E Satellite**”) and use it to provide satellite telecommunication services in Asia Pacific region, as defined and described in the circular of the Company dated 3 December 2020 (the “**Circular**”), a copy of the Circular marked “**A**” together with a copy of the Investment and Cooperation Agreement marked “**B**” being tabled before the meeting and initialed 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 the director(s) of the Company (the “**Director(s)**”) be and are hereby authorised to do all such 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 Investment and Cooperation Agreement and the transactions contemplated thereunder;
- (b) the satellite contract (the “**Satellite Contract**”) entered into on 6 November 2020 between APT (HK) and the Contractor in respect of the manufacturing, delivery and launching of the APSTAR 6E Satellite, a copy of the Satellite Contract marked “**C**” being tabled before the meeting and initialed 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 the Director(s) be and are hereby authorised to do all such 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 Satellite Contract and the transactions contemplated thereunder; and

* For identification purpose only

NOTICE OF THE SPECIAL GENERAL MEETING

- (c) the novation agreement (the “**Novation Agreement**”) to be entered into between APT (HK), the Joint Venture and the Contractor upon the establishment of the Joint Venture, under which all obligations and rights of APT (HK) under the Satellite Contract shall be assigned and transferred to the Joint Venture, a copy of the Novation Agreement marked “**D**” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose, and the transactions contemplated thereunder and in connection therewith be and are hereby approved and confirmed and the Director(s) be and are hereby authorised to do all such 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 Novation Agreement and the transactions contemplated thereunder.”

By Order of the Board
APT Satellite Holdings Limited
Lau Tsui Ling Shirley
Company Secretary

Hong Kong, 3 December 2020

Registered office:

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

Head office and principal place of business in Hong Kong:

22 Dai Kwai Street
Tai Po Industrial Estate
Tai Po
New Territories
Hong Kong

Notes:

1. The ordinary resolution to be considered at the special general meeting will be determined by poll pursuant to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. On voting by poll, each member shall have one vote for each share held in the Company. The results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively.
2. A member of the Company who is entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy. A proxy need not be a member of the Company.
3. A form of proxy for use at the special general meeting is enclosed herewith and such form is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively.
4. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 11:00 a.m. on Saturday, 19 December 2020 (i.e. 48 hours before the time appointed for holding the special general meeting or any adjourned meeting thereof) and in default thereof the form of proxy shall not be treated as valid.

NOTICE OF THE SPECIAL GENERAL MEETING

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, 16 December 2020 to Monday, 21 December 2020 (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, 15 December 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 15 December 2020.
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. Li Zhongbao (Chairman), Mr. Lim Toon, Dr. Yin Yen-liang, Mr. Fu Zhiheng, Mr. Lim Kian Soon, Mr. He Xing and Mr. Tseng Ta-mon (Alternate Director to Dr. Yin Yen-liang) as Non-executive Directors and Dr. Lui King Man, Dr. Lam Sek Kong, Mr. Cui Liguo and Dr. Meng Xingguo as Independent Non-executive Directors.
8. If tropical cyclone warning signal number 8 or above, or a black rainstorm warning signal is in effect any time and remains in force 2 hours before the time of the special general meeting on the date of the special general meeting, the special general meeting will be postponed. The Company will publish an announcement on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.apstar.com) respectively to notify the shareholders of the Company of the date, time and place of the rescheduled meeting.
9. References to time and dates are to Hong Kong time and dates.