

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement dated 29 September 2020 and the circular dated 6 November 2020 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company. As the Existing Transponder and Communication Services Master Agreement will expire in December 2023 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 28 September 2023, the Company entered into the CCT Agreement with CSCC in respect of, amongst other things, the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the CCT Agreement.

CASC and its associates are interested in aggregate approximately 50.73% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the date of this announcement. CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

* For identification purpose only

A circular containing, among others, (a) further information on the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM is expected to be dispatched to the Shareholders on or before 20 October 2023 in accordance with the Listing Rules.

INTRODUCTION

Reference is made to the announcement dated 29 September 2020 and the circular dated 6 November 2020 in relation to the Existing Transponder and Communication Services Master Agreement entered into between CSCC and the Company. As the Existing Transponder and Communication Services Master Agreement will expire in December 2023 and in view of the need to maintain the provision of services to customers and to strengthen the benefits of synergy between the parties, on 28 September 2023, the Company entered into the CCT Agreement with CSCC in respect of, amongst other things, the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates for the next three years on terms and conditions stipulated in the CCT Agreement.

THE CCT AGREEMENT

Date: 28 September 2023

Parties: The Company
CSCC

Duration: From 1 January 2024 to 31 December 2026, subject to renewal by negotiation between the parties

Service provided:

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

1. Based on the actual requirements of CSCC or its associates, the Company or its subsidiaries shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of the Group to CSCC or its associates: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction, services in relation to orbital position coordination and licensing services for use of orbital position and communication equipment and facilities (the “**Company’s Satellite Services**”).

2. Based on the actual requirements of the Company or its subsidiaries, CSCC or its associates shall use its satellite resources, telecommunication facilities and industry experience to provide the following services of CSCC or its associates to the Company or its subsidiaries: (i) satellite transmission service, (ii) value-added service for satellite telecommunication; and (iii) other related professional and management services for satellite and telecommunication, including but not limited to consultancy services in relation to satellite project construction, services in relation to orbital position coordination and licensing services for use of orbital position and communication equipment and facilities (the “**CSCC’s Satellite Services**”).

Service fees and pricing basis:

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

Service fees payable for (a) the use of the Company’s Satellite Services provided by the Company or its subsidiaries to CSCC or its associates; or (b) the use of the CSCC’s Satellite Services provided by CSCC or its associates to Company or its subsidiaries and the commercial terms in the Specific Contracts shall be determined:

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

The services fees for the Company’s Satellite Services are determined after the parties have negotiated the terms and conditions of the Specific Contract, making reference to the market price, historical services fees of similar services provided to CSCC and the service fees of the same or similar services provided to independent third parties (if any) in the same region to ensure that the services fees offered to CSCC or its associates is no less favourable to the Group than those available to independent third parties for the same or similar services in the same region.

The Company's prevailing pricing policy will be reviewed regularly and if necessary to ensure that it is consistent with market-oriented, fair and reasonable principles. Determination of the service fees in respect of the provision of the Company's Satellite Services by the Group to CSCC or its associates shall comply with the internal control procedures of the Company to ensure that the agreed price and the terms must be in accordance with normal commercial terms or better and are no less favourable to the relevant member(s) of the Group than those available to independent third parties.

The basis for formulating pricing policy of the Company derives from considering market trends and current average price of the satellite service gathered from different market channels including end-users, exhibitions, reports and related vendors from satellite industry as well as sales department of the Company. The Company, taking into account prevailing market price for such relevant service, the historical prices of similar services provided by the Company, current transponder utilization rate and service cost of the Company, derives an average standard unit price per month (the "**Unit Price**") for each of the applicable service of the Group on a regular basis and applies the Unit Price as a reference in determining the service fees for provision of satellite transmission services, telecommunication value-added services, and related services (regardless of whether the customer is a connected party or not).

The Unit Price is regulated by the pricing policy of the Company. The pricing policy is reviewed annually by the Company. For each year, the staff in-charge from the business support department of the Group will calculate an average standard unit price per month and submit a preliminary proposal of Unit Price with reference to the previous pricing policy and the market conditions to the Company for review and approval. The Company will have meeting in each year to analyse and discuss the proposed pricing policy prepared by the business support department, based on certain evaluation criteria including the regional market conditions, the business trend and the development strategy plan of the Company. After the Unit Price is approved by the Company, the new pricing policy with new Unit Price will be released and applied within the Company. The staff in charge from the business support department is responsible for checking whether the Unit Price has been properly adhered to for each contract the Company intends to sign. In case where any contract unit price is lower than the pre-approved range under the pricing policy, pursuant to delegation of authority adopted by the Company, the contract will be examined and approved by the corresponding persons in charge.

The Company has adopted the following internal procedures to ensure the procurement contracts are properly reviewed and approved:

- (i) the staff in-charge is required to ensure that the proposed procurement of services and goods meet the technical specifications of the Company's customer; relevant departments are responsible for reviewing the payment terms of the procurement contract, prices or fees proposed compared to the respective budget of the Company, legal terms and content of the procurement contract;
- (ii) the head of business support department is responsible for reviewing the terms and conditions of the procurement contract to ensure that the same are in line with normal market practices and the standard terms are no less favourable to the Company than those available from independent suppliers, based on certain evaluation criteria of supplier(s), including quality of the services or goods, the prices, reputation, experience, financial soundness, and post-sale services or support provided; and
- (iii) the procurement contract will be finally reviewed and approved by the head of the department which requires the procurement and further approved by the vice president of the department and president in the event that the procurement amount has exceeded specified amount (the "**Specified Amount**"). In case when the procurement amount is below the Specified Amount, the procurement contract will only be examined and approved by the head of the department which requires the procurement. The Specified Amount of the procurement is regulated by the current authority of delegation policy of the Company as approved by the Board.

Under normal circumstances, the parties shall also agree the payment terms based on the principle of fairness and reasonableness and on normal commercial terms in the Specific Contract(s). Such payment terms may include monthly, quarterly or annual payments or lump-sum payment arrangements.

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the Company's Satellite Services provided by the Company or its subsidiaries to CSCC or its associates under the CCT Agreement for each of the three financial years ending 31 December 2026 will be HK\$518 million, HK\$576 million and HK\$590 million respectively; and (ii) the aggregate transaction amounts in respect of the CSCC's Satellite Services provided by CSCC or its associates to the Company or its subsidiaries under the CCT Agreement for each of the three financial years ending 31 December 2026 will be HK\$210 million, HK\$280 million and HK\$294 million respectively.

Condition:

The CCT Agreement is conditional upon the approval by the Independent Shareholders at the SGM. It will take effect as from 1 January 2024 and will expire on 31 December 2026, subject to negotiation for renewal by both parties.

If any Specific Contracts amount to related party transactions of CSCC under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, the entering into of such Specific Contracts will be further subject to any necessary approval of the board of directors and/or the shareholders of CSCC from time to time.

PROPOSED CAPS**Caps in respect of the provision of the Company's Satellite Services and CSCC's Satellite Services**

The Board proposes to set the Caps in respect of the provision of the Company's Satellite Services and CSCC's Satellite Services pursuant to the CCT Agreement for the three financial years ending 31 December 2026 as follows:

	2024	2025	2026
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Company's Satellite Services by the Group to CSCC and/or its associates			
Caps	518,000	576,000	590,000
Aggregate transaction amount in respect of the provision of the CSCC's Satellite Services by CSCC and/or its associates to the Group			
Caps	210,000	280,000	294,000

Basis of determination of such Caps:

The above proposed Caps are determined by the Board by reference to (i) the historical transactions amounts of the relevant services of the existing in-orbit satellites of both parties; (ii) the value of contracts on hand; (iii) the estimates on service contract value and on the potential growth in demand for satellite transmission services and telecommunication services, including CSCC's new satellite launched; (iv) the increase in satellite transmission services provided by CSCC's associate to the Group after the launch of the APSTAR-6E Satellite in 2023 as it is intended that the Group will act as distributor for the satellite resources of the APSTAR-6E Satellite; (v) the additional professional and management services (such as orbital slot licensing services, satellite telemetry, tracking and control services, hosting services and satellite operation services) to be provided by the Group to CSCC's associate in relation to the APSTAR-6E Satellite; and (vi) the estimates of satellite transmission services and telecommunication services in relation to backup and recovery to the Group's or CSCC's end-user customers under the circumstance of satellite failure or other emergency situation.

INFORMATION OF THE GROUP AND CSCC

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

CSCC is a company which is owned as to 85.03% by CASC. CASC is a state-owned corporation and is a holding group company whose members are respectively engaged in the research, design, manufacture and launch of aerospace products. CSCC is a renowned satellite operator in Mainland China providing satellite communication services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONTINUING CONNECTED TRANSACTION

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

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

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

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

LISTING RULES IMPLICATIONS

CASC and its associates are interested in aggregate approximately 50.73% interests in APT International, which in turn is a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the date of this announcement. Furthermore, CASC and its associates (including a subsidiary of CSCC) are interested in an aggregate of approximately 2.90% of the issued share capital of the Company as at the date of this announcement.

CSCC, being a subsidiary of CASC, is therefore a connected person of the Company. Accordingly, the CCT Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

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

A circular containing, among others, (a) further information on the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps; (b) the letter of advice from the independent financial adviser to the independent board committee of the Company and Independent Shareholders; (c) the recommendation from the independent board committee of the Company and (d) a notice of the SGM is expected to be dispatched to the Shareholders on or before 20 October 2023 in accordance with the Listing Rules.

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

DEFINITIONS

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

“APSTAR 6E Satellite”	the APSTAR-6E satellite owned by APSTAR Alliance Satcom Limited, a joint venture company in which 80% is owned by CSCC and its associates and 20% is owned by the Company. Further details of the establishment of the joint venture was disclosed in the announcement of the Company dated 6 November 2020 and the circular of the Company dated 3 December 2020
“APT International”	APT Satellite International Company Limited, a substantial shareholder of the Company holding approximately 51.90% of the issued share capital of the Company as at the date of this announcement
“associate(s)”	the meaning ascribed to it in the Listing Rules
“Board” or “Director(s)”	the board of directors of the Company
“Caps”	the proposed annual caps for the Non-exempt Continuing Connected Transactions for each of the three financial years ending 31 December 2026 as set out under the sections headed “PROPOSED CAPS” in this announcement
“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 29.23% interests in the Company, including 26.33% indirect interest of the Company by virtue of holding 50.73% interests in APT International and 2.90% direct interest in the Company as at the date of this announcement
“CCT Agreement”	the transmission and communication services master agreement dated 28 September 2023 entered into between the Company and CSCC in respect of the provision of satellite transmission service, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates

“Company”	APT Satellite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules
“CSCC”	中國衛通集團股份有限公司 (China Satellite Communications Company Limited), a corporation listed on the Shanghai Stock Exchange in China effective from 28 June 2019
“Existing Transponder and Communication Services Master Agreement”	the transponder and communication services master agreement entered into between the Company and CSCC dated 29 September 2020 in respect of the provision of transponder services, value-added service for satellite telecommunication and other related professional and management services between the Group and CSCC and/or its associates for the three years ending 31 December 2023
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	the transactions in respect of the Company’s Satellite Services and the CSCC’s Satellite Services contemplated under the CCT Agreement
“normal commercial terms or better”	the meaning ascribed to it in the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“SGM”	the special general meeting of the Company to be held to approve the CCT Agreement, the Non-exempt Continuing Connected Transactions and the Caps

“Shareholder(s)”	shareholder(s) of the Company
“Specific Contract(s)”	the specific contract(s) to be entered into between the Company (or its subsidiaries) and CSCC (or its associates) in respect of the Company’s Satellite Services or CSCC’s Satellite Services
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	the meaning ascribed to it in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 28 September 2023

The Directors as at the date of this announcement are as follows:

Executive Directors:

Wang Hongbin (*President*) and Yan Zhao (*Vice President*)

Non-executive Directors:

Sun Jing (*Chairman*), Yin Yen-liang, Fu Zhiheng, Lim Kian Soon, Lim Seng Kong, Li Xiaomei and Tseng Ta-mon (*Alternate Director to Yin Yen-liang*)

Independent Non-executive Directors:

Lam Sek Kong, Cui Liguu, Meng Xingguo and Yim Ka Man