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## **CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement dated 11 September 2017 and the circular dated 24 October 2017 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 2020 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 29 September 2020, 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 52.78% interests 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 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.

\* For identification purpose only

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.

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 22 October 2020 in accordance with the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement dated 11 September 2017 and the circular dated 24 October 2017 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 2020 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 29 September 2020, 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:** 29 September 2020

**Parties:** The Company  
CSCC

**Duration:** From 1 January 2021 to 31 December 2023, 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 and services in relation to orbital position coordination and authorization services (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 and services in relation to orbital position coordination and authorization services (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 CSCC (or its associates) shall enter into Specific Contracts 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 the 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 maybe) prevailing pricing policy or CSCC’s or the Company’s (as the case maybe) prevailing procurement policy.

The prevailing pricing policy and procurement policy of the Company and CSCC will be reviewed regularly by the respective party 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 or the CSCC's Satellite Services by the Company or CSCC to the other party shall comply with the internal control procedures of the respective party to ensure that the agreed price and the terms must be in accordance with normal commercial terms or better.

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

Based on the estimates by the Company and CSCC, (i) the aggregate transaction amounts in respect of the 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 2023 will be HK\$530 million, HK\$530 million and HK\$530 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 2023 will be HK\$210 million, HK\$260 million and HK\$310 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 2021 and will expire on 31 December 2023, subject to negotiation for renewal by both parties.

## 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 2023 as follows:

	<b>2021</b> <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	<b>2023</b> <i>HK\$'000</i>
Aggregate transaction amount in respect of the provision of the Company's Satellite Services by the Group or its subsidiaries to CSCC and/or its associates			
<b>Caps</b>	530,000	530,000	530,000
Aggregate transaction amount in respect of the provision of the CSCC's Satellite Services by CSCC and/or its associates to the Group			
<b>Caps</b>	210,000	260,000	310,000

#### *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 by the Group's end-user customers; and (iv) the increase in satellite transponder services arising from mobile, inflight and maritime satellite services.

## **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 89.82% 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 52.78% interests 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 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, VMS Securities Limited, has also been appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Non-exempt Continuing Connected Transactions and the Caps.

A circular containing, among others, (a) further information on the 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 22 October 2020 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:

“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 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 2023 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 30.29% interests in the Company, including 27.39% indirect interest of the Company by virtue of holding 52.78% 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 29 September 2020 entered into between the Company and CSCC in respect of the provision of satellite transmission service, value-added service for satellite communication and other related professional and management services between the Group and CSCC and/or its associates
“Company”	APT Satellite Holdings Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the Stock Exchange
“connected person(s)”	the meaning ascribed to it in the Listing Rules



“CSCC”	中國衛通集團股份有限公司 (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 11 September 2017 in respect of the provision of provision of transponder service, value-added service for satellite telecommunication and other related professional services between the Group and CSCC and/or its associates for the three years ending 31 December 2020
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholder(s)”	Shareholder(s) other than APT International, CASC, CSCC and any of their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	transactions in respect of the 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, among others, 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, 29 September 2020

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

*Executive Directors:*

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

*Non-executive Directors:*

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

*Independent Non-executive Directors:*

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