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Hong Kong Aerospace Technology Group Limited

香港航天科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

DISCLOSEABLE TRANSACTION — DEEMED DISPOSAL OF EQUITY INTEREST IN ASPACE SATELLITE TECHNOLOGY LIMITED

Financial Adviser to the Company



INCU Corporate Finance Limited

THE SUBSCRIPTION

On 8 March 2023 (after trading hours), Aspace entered into the Subscription Agreement with the Subscriber, pursuant to which Aspace conditionally agrees to issue and the Subscriber conditionally agrees to subscribe through its wholly-owned subsidiary for 9,800 Aspace Shares (representing 49% of the issued share capital of Aspace as enlarged by the Subscription Shares upon Completion) at the Subscription Price of HK\$147 million. The Subscriber shall pay the Subscription Price in the amount of HK\$147 million by cash payment at Completion.

LISTING RULES IMPLICATIONS

Upon Completion, Aspace will be indirectly owned as to 51% by the Company and as to 49% by the Subscriber respectively and therefore the Subscription shall be treated as a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but is less than 25%, the Subscription Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment of the conditions precedent as set out in the Subscription Agreement and therefore the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

THE SUBSCRIPTION AGREEMENT

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Set out below are the principal terms of the Subscription Agreement:

Date : 8 March 2023

Parties : (i) Aspace; and
(ii) the Subscriber

Subscription Shares : 9,800 new Aspace Shares (representing approximately 96.1% of existing issued share capital of Aspace as at the date of this announcement and 49% of the issued share capital of Aspace as enlarged by the Subscription Shares upon Completion)

The Subscription Shares, when issued and fully paid or credited as fully paid, shall rank pari passu in all respects among themselves and with all the Aspace Shares in issue on the date of allotment and issue of the Subscription Shares.

Subscription Price : HK\$147 million

The Subscription Price of HK\$147 million shall be settled in cash by the Subscriber at Completion.

The Subscription Price was arrived at after arm's length negotiations between the parties to the Subscription Agreement with reference to (i) the investment of Strength Kingdom in Aspace by way of shareholder's loan of approximately HK\$259 million as at 28 February 2023; (ii) the progress of construction, renovation and the equipment installation works already done on the 2/F AMC Premises up to the date of this announcement; and (iii) the expected commencement of operation of Aspace by the end of 2023.

Conditions precedent of the Subscription

The Subscription is conditional upon the fulfilment (or waiver, if applicable) of the following conditions precedent:

- (i) the Subscriber being reasonably satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of Aspace;
- (ii) Aspace having obtained all the necessary consents and approvals in respect of the Subscription Agreement and the transactions contemplated thereunder;
- (iii) the Subscriber having obtained all the necessary consents and approvals in respect of the Subscription Agreement and the transactions contemplated thereunder; and
- (iv) the Deed of Novation, the Deed of Partial Surrender and Variation and the New Lease having been executed by the relevant parties.

Aspace shall use its best endeavours to procure the fulfilment of the conditions precedent (ii) and (iv) above as soon as practicable and in any event on or before the Long Stop Date. The Subscriber shall use its best endeavours to procure the fulfilment of the conditions precedent (i) and (iii) above as soon as practicable and in any event on or before the Long Stop Date. The Subscriber may waive the condition precedent (i) above in writing. The conditions precedent (ii), (iii) and (iv) are incapable of being waived.

In the event that the conditions precedent of the Subscription are not fulfilled (or waived, if applicable) on or before the Long Stop Date or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and terminate and neither Aspace nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

Completion

The Subscription Agreement shall complete within 7 Business Days after the day on which the conditions precedent set out above are fulfilled (or waived, if applicable) (or such later date as may be agreed between Aspace and the Subscriber in writing).

Information on Aspace

Aspace is a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company immediately prior to Completion. Aspace is mainly involved in satellite manufacturing (such as the development, design and testing of satellite payload, communications satellites, navigation augmentation satellites and remote-sensing satellites).

As at the date of this announcement, Aspace is the lessee of each of (i) the 2/F AMC Premises which is intended to be used as the Hong Kong satellite manufacturing centre of the Group to be operated by Aspace; (ii) the 8/F AMC Premises which is intended to be used as the Hong Kong satellite operation control and application centre of the Group to be operated by other wholly-owned subsidiary(ies) of the Company (not being subsidiary(ies) of Aspace); and (iii) the 15/F Data Technology Hub which is used as the head office of the Group and also to conduct corresponding research and development activities to be operated by other wholly-owned subsidiary(ies) of the Company (not being subsidiary(ies) of Aspace). Upon Completion, Aspace will cease to be a wholly-owned subsidiary of the Company and each of the 8/F AMC Premises and the 15/F Data Technology Hub will be used by the Company and its wholly-owned subsidiaries for their operations. As such, it would be necessary for the Deed of Novation, the Deed of Partial Surrender and Variation and the New Lease to be executed prior to Completion, such that the lessee of each of the 8/F AMC Premises and the 15/F Data Technology Hub will be changed from Aspace to a wholly-owned subsidiary of the Company (not being a subsidiary of Aspace). Upon the execution of each of the Deed of Novation, the Deed of Partial Surrender and Variation and the New Lease, Aspace will only involve in satellite manufacturing business.

The following table summarises the unaudited financial results of Aspace for (i) the period from the date of its incorporation (i.e. 13 May 2021) to 31 December 2021; and (ii) the financial year ended 31 December 2022 respectively.

	For the period from the date of its incorporation (i.e. 13 May 2021) to 31 December 2021 (unaudited) approximately HK\$'000	For the financial year ended 31 December 2022 (unaudited) approximately HK\$'000
Revenue	—	—
Loss before taxation	(2,106)	(29,898)
Loss after taxation	(2,106)	(29,898)

As at 31 December 2022, the unaudited net liabilities of Aspace were approximately HK\$32.2 million.

Financial impact of the deemed disposal of equity interest in Aspace

Upon Completion, Aspace will be indirectly owned as to 51% by the Company and as to 49% by the Subscriber, respectively. Accordingly, upon Completion, Aspace will continue to be a subsidiary of the Company and its financial results will continue to be consolidated into the consolidated financial statements of the Company. It is expected that the Group will not record any gain or loss from the Subscription.

INFORMATION OF THE GROUP

The Company is an investment holding company. As at the date of this announcement, the Group is principally engaged in (1) electronics manufacturing services business; and (2) aerospace business which includes (a) satellite manufacturing; (b) satellite communication; (c) satellite measurement and controlling; and (d) satellite launching.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a limited partnership fund registered in Hong Kong. The general partner of the Subscriber is Abridge Aerospace General Partner Limited, a company wholly-owned by Mr. Chiu Man Wai. The investment manager of the Subscriber is Abridge Enterprises which is indirect wholly-owned by Mr. Chiu Man Wai. Each of the Subscriber, the wholly-owned subsidiary of the Subscriber through which the Subscription is agreed to be made, Abridge Aerospace General Partner Limited, Abridge Enterprises and their respective ultimate beneficial owner(s) and associate(s) is an Independent Third Party.

Abridge Enterprises was incorporated in Hong Kong in 2002 and licensed by the Securities and Futures Commission of Hong Kong to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Based on the information provided by Abridge Enterprises, Abridge Enterprises manages a wide range of investment portfolios. Abridge Enterprises has sought opportunities and striven to create value through early-stage and private equity pre-IPO investments across multiple industries and geographies, specifically on the telecommunications, healthcare, corporate and real estate services in the Greater China region. As at 31 December 2022, the assets under management of Abridge Enterprises is approximately USD100 million.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The estimated net proceeds from the Subscription after deducting the estimated expenses in relation to the Subscription will be approximately HK\$146.5 million, of which HK\$100 million is intended for the capital requirement of Aspace to set up the Hong Kong satellite manufacturing centre; and the remaining balance of approximately HK\$46.5 million is intended for general working capital of Aspace.

For the purpose of carrying out its satellite manufacturing (such as the development, design and testing of satellite payload, communications satellites, navigation augmentation satellites and remote sensing satellites), Aspace entered into a procurement of equipment and installation service contract on 27 October 2021 for the establishment of the Group's Hong Kong satellite manufacturing centre at the 2/F AMC Premises with a total contract sum of approximately HK\$256.8 million. Aspace further entered into a fit-out contract on 2 August 2022 for fitting out works for the 2/F AMC Premises with a contract sum of approximately HK\$120.8 million. As at the date of this announcement, the construction works of the Hong Kong satellite manufacturing centre is still undergoing and Aspace had significant financial obligations and capital commitment under various contractual and other arrangements, including but not limited to the abovementioned construction contract and fit-out contract, amounted to approximately HK\$164.5 million. It is expected that the satellite manufacturing centre will be completed in the third quarter of 2023. For the development of its satellite manufacturing centre in Hong Kong, Aspace will also require further funding for its satellite manufacturing centre operation. The Subscription Price will provide funding for Aspace to meet part of its contractual obligations without solely relies on the Group's internal resources.

The introduction of the Subscriber to Aspace represents a good opportunity to broaden the shareholder base and the capital base of Aspace. As the Subscriber is an institutional investor, the subscription of Aspace Shares by the Subscriber may attract other institutional investors and/or other strategic investors to invest in Aspace and/or in the Group. Further, as the Subscriber is expected to remain as passive investor of Aspace, the Group is expected to continue to have high autonomy in business development and operation of

Hong Kong satellite manufacturing centre under Aspace, which, in turn, would keep Aspace's future development in line with the business strategy of the other aerospace businesses of the Group.

Moreover, the subscription price per Subscription Share represents a premium over the unaudited net liabilities per Aspace Share based on the unaudited net liabilities of Aspace of approximately HK\$32.2 million as at 31 December 2022.

Having considered (i) the financial position of Aspace as at 31 December 2022 and the subscription price per Subscription Share is at a premium over the unaudited net liabilities per Aspace Share; (ii) the funding needs for future capital requirement and operation of Aspace; and (iii) the abovementioned benefits of introducing the Subscriber as an indirect shareholder of Aspace, the Directors considered that the terms and conditions of Subscription Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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Completion is subject to the fulfillment of the conditions precedent as set out in the Subscription Agreement and therefore the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

DEFINITIONS

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

“2/F AMC Premises”	several units on the second (2nd) floor of the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“8/F AMC Premises”	several units on the eighth (8th) floor of the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“15/F Data Technology Hub”	several units on the fifteen (15th) floor of the Data Technology Hub located at Tseung Kwan O Industrial Estate, Hong Kong with a total gross floor area of approximately 19,984 square feet
“Abridge Enterprises”	Abridge Enterprises Company Limited (合橋企業有限公司), a company incorporated in Hong Kong with limited liability, which is indirect wholly-owned by Mr. Chiu Man Wai
“Aspace”	Aspace Satellite Technology Limited 航天衛星技術有限公司, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Aspace Share(s)”	ordinary share(s) in the share capital of Aspace
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than Saturday, Sunday or public holiday
“Company”	Hong Kong Aerospace Technology Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1725)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Deed of Novation”	the deed of novation to be executed among Hong Kong Science and Technology Parks Corporation (香港科技園公司) as landlord, Aspace as tenant and a wholly-owned subsidiary of the Company (not being a subsidiary of Aspace) as new tenant, pursuant to which all the parties thereto shall be bound by the terms and conditions of the tenancy documents in relation to the 15/F Data Technology Hub in every way as if such new tenant were the tenant of the 15/F Data Technology Hub in lieu of Aspace
“Deed of Partial Surrender and Variation”	the deed of partial surrender and variation to be executed between Hong Kong Science and Technology Parks Corporation (香港科技園公司) as landlord and Aspace as tenant, pursuant to which Aspace shall surrender the lease in relation to the 8/F AMC Premises
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 June 2023 or such later date as the parties to the Subscription Agreement may agree
“New Lease”	the new lease and other tenancy document(s) to be entered into between Hong Kong Science and Technology Parks Corporation (香港科技園公司) as landlord and a wholly-owned subsidiary of the Company (not being a subsidiary of Aspace) as new tenant on a new lease in relation to the 8/F AMC Premises
“PRC”	the People’s Republic of China which, and for the sole purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Abridge Aerospace Hybrid Equity LPF, a limited partnership fund registered in Hong Kong
“Subscription”	the subscription of the Subscription Shares contemplated under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 8 March 2023 and entered into between Aspace and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$147 million pursuant to the Subscription Agreement
“Subscription Share(s)”	9,800 new Aspace Shares
“Strength Kingdom”	Strength Kingdom Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company and the owner of the entire issued share capital of Aspace as at the date of this announcement
“%”	per cent

By Order of the Board
Hong Kong Aerospace Technology Group Limited
Sun Fengquan
Co-Chairman and Chief Executive Officer

Hong Kong, 8 March 2023

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Co-Chairman and Chief Executive Officer), Dr. Lam Lee G. (Co-Chairman), Mr. Lam Kin Fung Jeffrey, Ms. Ku Ka Lee Clarie (Vice Chairman) and Mr. Ma Fujun as executive Directors; Dr. Mazlan Binti Othman, Mr. Niu Aimin and Dr. Yip Chung Yin as non-executive Directors; and Mr. Brooke Charles Nicholas, Professor Chan Ka Keung, Ceajer, Mr. Hung Ka Hai Clement, Dr. Yuen Kwok Keung and Mr. Juan de Dalmau-Mommertz as independent non-executive Directors.