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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



INCUC Corporate Finance Limited

THE SUBSCRIPTION

On 11 July 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 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 US\$20.5 million (equivalent to HK\$159.9 million). The Subscriber shall pay the Subscription Price in the amount of US\$20.5 million (equivalent to HK\$159.9 million) in cash by stages.

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	:	11 July 2023 (after trading hours)
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 : US\$20.5 million (equivalent to HK\$159.9 million), which shall be payable by the Subscriber in the following manners:

- (a) as to US\$6.5 million (equivalent to HK\$50.7 million) as refundable deposit to be paid within two (2) weeks from the date of the Subscription Agreement;
- (b) as to US\$7 million (equivalent to HK\$54.6 million) as refundable deposit to be paid within six (6) weeks from the date of the Subscription Agreement; and
- (c) as to the remaining balance of US\$7 million (equivalent to HK\$54.6 million) to be paid upon Completion.

The Subscription Price of US\$20.5 million (equivalent to HK\$159.9 million) shall be settled in cash at the respective payment dates specified above.

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\$317 million as at 30 June 2023; (ii) the progress of the construction, renovation and the equipment installation works 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

Completion 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) the representations, warranties and undertakings made by or on behalf of Aspace in the Subscription Agreement remaining true, accurate and complete in all respects and not misleading; and

(iii) all necessary consents and approvals required to be obtained on the part of the Subscriber and Aspace in respect of the Subscription and the transactions contemplated under the Subscription Agreement having been obtained.

Aspace and the Subscriber shall use its best endeavours to procure the fulfilment of the above conditions precedent. The Subscriber may waive the conditions precedent (i) and (ii) above in writing. The condition precedent (iii) above is incapable of being waived by Aspace and/or the Subscriber.

In the event that any of the conditions precedent not being fulfilled or waived (if applicable) in full by 5:00 p.m. on the Long Stop Date, the Subscription Agreement shall cease and determine and the deposit(s) (without interest) shall be returned by Aspace to the Subscriber in full within seven (7) Business Days from the said date and thereafter, neither party shall have any obligations and liabilities under the Subscription Agreement save for any antecedent breaches of the provisions thereof.

Completion

Completion shall take place on the second Business Day after the day on which the conditions precedent set out above are fulfilled (or waived, if applicable).

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 only involved in satellite manufacturing (such as the development, design and testing of satellite payload, communications satellites, navigation augmentation satellites and remote-sensing satellites).

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 30 June 2023, the unaudited net liabilities of Aspace were approximately HK\$56.0 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.

Among the aerospace business of the Group, the satellite manufacturing business is operated by Aspace, while the satellite communication, satellite measurement and controlling, and satellite launching business is operated by other wholly-owned subsidiaries of the Group (other than Aspace and its subsidiaries).

INFORMATION OF THE SUBSCRIBER

The Subscriber is incorporated in the British Virgin Islands with limited liability and is wholly-owned by Utmost International. Utmost International is a leading provider of insurance-based wealth solutions in the UK and internationally. As at the date of this announcement, Utmost International is ultimately owned as to approximately 84.50% by funds managed by Oaktree Capital Group LLC, as to approximately 7.75% by Mr. Paul Thompson, a co-founder and the chief executive officer of Utmost International, and as to approximately 7.75% by Mr. Ian Maidens, a co-founder and the chief financial officer of Utmost International. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Subscriber and its ultimate beneficial owners is an Independent Third Party.

Oaktree Capital Group LLC was incorporated in 1995. Based on the information provided by Oaktree Capital Group LLC, it is a leading global investment manager specialising in alternative investments and it emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in credit, private equity, real assets and listed equities. Oaktree Capital Group LLC has over 1,100 employees and offices in 20 cities worldwide. As at 31 December 2022, the assets under management of Oaktree Capital Group LLC is approximately US\$170 billion.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

For the purpose of carrying out the satellite manufacturing business (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.

Supplemental information to the subscription of new Shares in 2021

To meet the funding need for the establishment of satellite manufacturing centre and fitting out works, on 29 October 2021, the Company entered into the subscription agreement in respect of the subscription of 9,000,000 new Shares by Mr. Ma Alexander. Completion of the said subscription took place on 9 November 2021. The net proceeds from the said subscription was approximately HK\$237.4 million which was intended to be used by the Company on phase I of the establishment of the Hong Kong satellite manufacturing centre at AMC Premises. As at 30 June 2022, 78.17% of the net proceeds from the subscription had been utilised. The remaining net proceeds have been fully utilised during the year ended 31 December 2022.

Subscription of Aspace Shares by the Subscriber

The estimated net proceeds from the Subscription after deducting the estimated expenses in relation to the Subscription will be approximately HK\$159.5 million, of which HK\$79.75 million is intended for the capital requirement of Aspace to establish the Hong Kong satellite manufacturing centre; and the remaining balance of approximately HK\$79.75 million is intended for general working capital of Aspace.

As at the date of this announcement, the construction, renovation and the equipment installation works are still undergoing and Aspace has significant financial obligations and capital commitment under various contractual and other arrangements in relation to the establishment of the Hong Kong satellite manufacturing centre and the fitting out works of the 2/F AMC Premises as discussed above, which is amounted to approximately HK\$136 million. Moreover, 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.

Reference is made to the announcement of the Company dated 8 March 2023 regarding the subscription agreement dated 8 March 2023 and entered into between Aspace and Abridge Aerospace Hybrid Equity LPF, a limited partnership fund registered in Hong Kong, in relation to the subscription of new Aspace Shares, which was subsequently terminated on 7 June 2023. After the termination of the previous subscription of Aspace Shares, the Company has been actively looking for another investor in order to meet up the capital requirement of Aspace and eventually became acquainted with the Subscriber. The Directors consider that the introduction of the Subscriber to Aspace represents a good opportunity to broaden the shareholder base and the capital base of Aspace. Given that the Subscriber is managed by an international fund management company with a strong financial background, by introducing the Subscriber to the Group's aerospace business, the Directors consider that it will improve the Group's reputation and help the Group to source other fund-raising opportunities, which will benefit the Group and the Shareholders as a whole. Furthermore, 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\$56.0 million as at 30 June 2023.

Having considered (i) the financial position of Aspace as at 30 June 2023 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 a shareholder of Aspace, the Directors consider 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

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 and 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.

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 AMC Premises
“AMC Premises”	the Advanced Manufacturing Centre (AMC) located at Tseung Kwan O Industrial Estate, Hong Kong
“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 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 (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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 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

“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”	11 September 2023 or such later date as may be agreed between Aspace and the Subscriber in writing
“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”	a company incorporated in the British Virgin Islands and wholly-owned by Utmost International
“Subscription”	the subscription of the Subscription Shares contemplated under the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 11 July 2023 and entered into between Aspace and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of US\$20.5 million (equivalent to HK\$159.9 million) pursuant to the Subscription Agreement
“Subscription Share(s)”	9,800 new Aspace Shares

“Strength Kingdom”	Strength Kingdom Limited, a company incorporated in 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
“US\$”	United States dollar, the lawful currency of the United States of America
“Utmost International”	Utmost International Isle of Man Limited, a company incorporated in Isle of Man with limited liability, which is ultimately owned as to approximately 84.50% by funds managed by Oaktree Capital Group LLC, as to approximately 7.75% by Mr. Paul Thompson, a co-founder and the chief executive officer of Utmost International, and as to approximately 7.75% by Mr. Ian Maidens, a co-founder and the chief financial officer of Utmost International
“%”	per cent

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

Hong Kong, 11 July 2023

In this announcement, amounts in US\$ are translated into HK\$ on the basis of US\$1.00=HK\$7.80. The conversion rate is for illustration purpose only and should not be taken as a representation that US\$ could actually be converted into HK\$ at such rate at all.

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 nonexecutive Directors.