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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 29 October 2021 (after trading hours), the Company and the Subscriber entered into the Agreement under which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe, 9,000,000 new Shares at the Subscription Price of HK\$26.41 per Share.

The Subscription Shares will be allotted and issued under the General Mandate.

The gross proceeds and the net proceeds (after deducting the relevant expenses of the Subscription) from the Subscription are approximately HK\$237.7 million and HK\$237.4 million, respectively.

The total number of Subscription Shares represents approximately 3.00% of the issued share capital of the Company as at the date of this announcement and approximately 2.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the condition under the Agreement. The Subscription may or may not complete. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

THE SUBSCRIPTION

On 29 October 2021 (after trading hours), the Company and the Subscriber entered into the Agreement. The principal terms of the Agreement are set out below.

Subscription

The Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, 9,000,000 new Shares at the Subscription Price of HK\$26.41 per Share.

Subscription Shares

The 9,000,000 new Shares represent approximately 3.00% of the issued share capital of the Company as at the date of this announcement and approximately 2.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$90,000.

Subscription Price

The Subscription Price of HK\$26.41 per Share represents:

- (a) a discount of approximately 19.97% to the closing price of HK\$33.00 per Share as quoted on the Stock Exchange on the date of the Agreement; and
- (b) a discount of approximately 17.65% to the average closing price of HK\$32.07 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Agreement.

After deducting the relevant expenses of the Subscription, the net subscription price is approximately HK\$26.38 per Share.

The Subscription Price was determined with reference to the market condition and the prevailing market price of the Shares and after arm's length negotiation between the Company and the Subscriber.

GENERAL MANDATE TO ALLOT AND ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors at the AGM.

Pursuant to the General Mandate, the total number of new Shares that the Directors are authorised to allot and issue is 60,000,000 new Shares (up to 20% of the total number of issued Shares as at the date of the AGM).

Since the date of the AGM and up to the date of this announcement, no Shares have been allotted and issued by the Company pursuant to the General Mandate. Accordingly, the issue of the Subscription Shares is not subject to Shareholders' approval.

Ranking of the Subscription Shares and Application for Listing

The Subscription Shares will rank *pari passu* in all respects with the other Shares in issue as at the Completion Date, including the right to vote and to participate in all dividends and other distributions declared, made or paid at any time after the Completion Date. The Company will apply to the Listing Committee for listing of and permission to deal in the Subscription Shares.

Condition of the Agreement

Completion is conditional upon, the listing of, and permission to deal in, all the Subscription Shares being granted by the Listing Committee and the listing approval not having been revoked prior to the Completion Date.

The Company shall use its reasonable endeavours to procure the fulfilment of the condition above. If the condition above has not been fulfilled on or before 31 December 2021 (or such other date as the Subscriber may notify in writing) then the Agreement shall terminate immediately and neither party shall have any claim against or liability or obligation to the other party, save for any antecedent breach.

Completion of the Subscription

Completion is expected to take place on the third Business Days after the fulfilment of the condition set out above.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an individual, whose occupation is a merchant. Based on the information provided by the Subscriber, the Subscriber has intensive experience in various investment activities which included but not limited to the property development field and listed investments. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscriber is an Independent Third Party.

Lock-up Undertaking

The Subscriber undertakes to the Company that he shall not offer for sale, sell, transfer or otherwise dispose of the whole or any part of the Subscription Shares subscribed by him under the Agreement during a lock up period of six months commencing from the Completion Date.

REASONS FOR THE ISSUE OF SUBSCRIPTION SHARES AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in (i) electronics manufacturing services business; and (ii) aerospace business, currently under the “Golden Bauhinia Constellation” project, which include (1) smart city with satellite big data applications and solutions; (2) satellite measurement and controlling; (3) satellite manufacturing; and (4) satellite launching.

The Board considers that the terms of the Agreement (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds and the net proceeds (after deducting the relevant expenses of the Subscription) from the Subscription are approximately HK\$237.7 million and HK\$237.4 million, respectively.

Reference is made to the announcement of the Company dated 17 September 2021. It was disclosed that in order to execute the “Golden Bauhinia Constellation” project, the Company needs to set up a satellite intelligent manufacturing center; a monitoring and operation control, application and data center for satellites; and also conduct corresponding research and development activities at several units of the AMC. It is intended that the net proceeds from the Subscription will be fully utilised on phase I of the establishment of the satellite intelligent manufacturing center at AMC.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding interest of the Shareholders would be diluted upon Completion. The shareholding structure of the Company (i) as at the date of this announcement, and (ii) immediately after Completion, assuming that there is no further allotment of Shares from the date of this announcement are as follows:

	As at the date of this announcement		Immediately after completion of the Subscription	
	Number of Shares	Approximate percentage of shareholding % <i>(Note 2)</i>	Number of Shares	Approximate percentage of shareholding % <i>(Note 2)</i>
Hong Kong Aerospace Technology Group Limited <i>(Note 1)</i>	212,850,100	70.95	212,850,100	68.88
The Subscriber	—	—	9,000,000	2.91
Other independent shareholders	<u>87,149,900</u>	<u>29.05</u>	<u>87,149,900</u>	<u>28.21</u>
Total	<u>300,000,000</u>	<u>100.00</u>	<u>309,000,000</u>	<u>100.00</u>

Note 1: The entire issued share capital of Hong Kong Aerospace Technology Group Limited (“HKATH”) comprises 62.36% ordinary shares (class A) (“Class A Shares”) and 37.64% ordinary shares (class B) (“Class B Shares”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan (“Mr. Sun”), the co-chairman and chief executive officer of the Company, and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Therefore, Mr. Sun is deemed or taken to be interested in the Shares held by HKATH under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Note 2: The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the condition under the Agreement. The Subscription may or may not complete. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the shares or other securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“AGM”	the annual general meeting of the Company held on 2 June 2021 at which, among other things, the General Mandate was granted by the Shareholders to the Directors
“Agreement”	the subscription agreement dated 29 October 2021 entered into between the Company and the Subscriber in relation to the Subscription
“AMC”	the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“Board”	the board of Directors
“Business Day”	a day, (excluding Saturday, Sunday, public holiday 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 pm or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Hong Kong Aerospace Technology Group Limited (香港航天科技集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1725)
“Completion”	the completion of the Subscription
“Completion Date”	means a date falling on the third Business Day after fulfilment of the condition in the Agreement, or such other date as the parties to the Agreement may agree in writing

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to allot, issue, and deal with the additional shares of the Company not exceeding 20% of the total number of issued shares of the Company at the date of the AGM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party (ies)”	independent third party (ies) who is (are) independent of, and not connected with, the Company and its connected persons
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Subscriber”	Mr. Ma Alexander, an individual investor
“Subscription”	the subscription of the Subscription Shares by the Subscriber in accordance with the terms and condition of the Agreement

“Subscription Share(s)”	9,000,000 new Shares to be subscribed by the Subscriber pursuant to the terms of the Agreement
“Subscription Price”	HK\$26.41 per Share
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 29 October 2021

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Co-Chairman and Chief Executive Officer), Mr. Lam Kin Fung Jeffrey, Ms. Ku Ka Lee Clarie (Vice Chairman) and Mr. Ma Fujun as executive Directors; Dr. Lam Lee G. (Co-Chairman), Dr. Yip Chung Yin and Mr. Lam John Cheung-wah as non-executive Directors; and Mr. Brooke Charles Nicholas, Mr. Hung Ka Hai Clement, Mr. Leung Kwong Ho and Mr. Lo Chi Chung William as independent non-executive Directors.