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USPACE Technology Group Limited

洲際航天科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE DISPOSAL

Financial Adviser to the Company



INCUB Corporate Finance Limited

THE DISPOSAL

The Board hereby announces that, on 28 June 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued shares of the Target Company, for a Consideration of HK\$37,387,000.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon Completion, the Vendor will no longer hold any equity interest in the Target Company, and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to fulfillment of the conditions precedent set out in the Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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The Board hereby announces that, on 28 June 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, representing the entire issued shares of the Target Company, for a Consideration of HK\$37,387,000.

Details of the Agreement are summarized as follow:

Date : 28 June 2024

Parties : (i) the Vendor, a wholly-owned subsidiary of the Company;
and
(ii) the Purchaser

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

Asset to be disposed of

Pursuant to the terms and conditions of the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Shares, representing the entire issued shares of the Target Company.

Consideration and Payment

The Consideration of HK\$37,387,000 (equivalent to RMB34,300,000 based on the exchange rate of RMB1 to HK\$1.09) shall be payable by the Purchaser in the following manner:

- (1) On the day that the Purchaser having completed the due diligence review of the Target Group and the results of which being satisfactory to the Purchaser, thirty percent (30%) of the Consideration, being HK\$11,216,100 (the “**First Installment of Consideration**”), shall be paid in cash to the designated bank account of the Vendor (or in such other manner of payment as the Vendor may direct) by the Purchaser; and
- (2) seventy percent (70%) of the Consideration, being HK\$26,170,900 (the “**Second Installment of Consideration**”), shall be paid in cash to the designated bank account of the Vendor (or in such other manner of payment as the Vendor may direct) by the Purchaser within thirty (30) business days after the payment of the First Installment of Consideration.

The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser with reference to, among other things, (i) the fair value of the 100% equity interests of the PRC Company as at 30 April 2024 of RMB33,783,000 by using market approach with reference to the valuation report issued by an independent professional valuer; (ii) the unaudited net assets of the PRC Company as at 30 April 2024 of approximately RMB33,562,683; and (iii) the loss-making performance of the PRC Company.

Conditions Precedent

Completion shall be conditional upon and subject to the following conditions precedent:

- (i) The Purchaser has completed the due diligence of the Target Group and the results of which being satisfactory to the Purchaser;
- (ii) the Purchaser has paid the First Installment of Consideration and the Second Installment of Consideration to the Vendor;
- (iii) any guarantee provided by the Group in relation to the borrowings of the Target Group has been released on or before the date of Completion;
- (iv) the passing of all requisite resolution(s) by the directors and/or shareholders of each entity of the Target Group, as applicable, approving the Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, its constitutional documents and all applicable laws and regulations of its jurisdiction of incorporation;

- (v) there has been no Material Adverse Change in the financial condition of the Target Group since the date of the Agreement; and
- (vi) the Vendor's warranties and representation as set out in the Agreement being true, accurate, complete and not misleading in all respects.

The Purchaser may, at its absolute discretion, waive any of the conditions precedent set above in whole or in part (except for conditions precedent (ii) and (iii)), and on such terms as the Purchaser thinks fit, by notice in writing to the Vendor.

As at the date of this announcement, none of the above conditions precedent have been fulfilled or waived.

Completion

Completion shall take place within sixty (60) days after the date on which the conditions precedent under the Agreement had been completely fulfilled or waived no later than 31 December 2024 (or such other date as the Vendor and Purchaser may agree in writing).

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Vendor is wholly-owned by the Company.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. The Purchaser is wholly-owned by Mr. Yuan Yanjun. To the best of the Directors' information, knowledge, belief, and having made all reasonable enquiries, Mr. Yuan Yanjun has over two decades of working and investment experience in the electronics industry in the PRC.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Island with limited liability and a direct wholly-owned subsidiary of the Vendor. The principal business activity of the Target Company is investment holding. As at 30 April 2024, the registered capital and unaudited net assets of the Target Company were US\$50,000 and HK\$358,705, respectively.

The Hong Kong Company is a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company. The principal business activity of the Hong Kong Company is investment holding. As at 30 April 2024, the registered capital and unaudited net liabilities of the Hong Kong Company were HK\$10,000 and HK\$34,388, respectively.

The PRC Holding Company is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Hong Kong Company. The principal business activity of the PRC Holding Company is investment holding. As at 30 April 2024, the registered capital and net assets of the PRC Holding Company were US\$100,000 and nil, respectively.

The Target Company, the Hong Kong Company and the PRC Holding Company, being the investment holding companies, recorded no turnover since their incorporation.

The PRC Company is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the PRC Holding Company. It is principally engaged in electronics manufacturing services (“EMS”) business and particularly specialised in customised products and services related to printed circuit board assemblies (the “PCBAs”). The PCBAs produced by the PRC Company are mainly applied to smart device products. The major assets of the PRC Company include production facilities and equipment and inventories.

Financial information of the PRC Company

Based on the unaudited financial statements of the PRC Company, major unaudited financial information of the PRC Company for the two years ended 31 December 2023 are summarized as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss before income tax	2,168	992
Loss after income tax	1,859	1,005

The unaudited net asset value of the PRC Company as at 30 April 2024 was RMB33,562,683.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in (i) the aerospace business (the “**Aerospace Business**”), which includes (1) satellite manufacturing, (2) satellite communication, (3) satellite measurement and controlling, and (4) satellite launch; and (ii) the EMS business, which includes assembling and production of the PCBAs and fully-assembled electronic products.

Due to the tense global trade situation, currency fluctuation, and intensified geopolitical risks, the Group’s customers and suppliers of its EMS business have been facing geographical challenges. These factors not only affected the Group’s overall revenue but also increased the cost of foreign currency debt, putting pressure on the Group’s financial results.

The global EMS industry is facing a challenging operating environment contributed by the slow-down in the economy, the increasing cost pressure and the decline in customers’ demand. During the year ended 31 December 2023, the EMS business of smart home devices of the Group recorded revenue of approximately RMB126 million, represented a sharp decrease of approximately 25.0% as compared to the revenue for the year ended 31 December 2022. The reduction is mainly attributable to the lower volume of orders placed by one of the Group’s major customers of smart home devices. The EMS business for smart home devices is a fragmented market with thousands of suppliers offering a wide variety of smart home products in the PRC market and most of the smart home suppliers offer more than one smart home products. The Group is facing the global economic slow-down and fierce price competition among suppliers, which is putting further pressure on the profit margin of the EMS business for smart home devices. The PRC Company recorded net losses for the two years ended 31 December 2023. The management of the PRC Company had made concerted efforts to turn around the situation by proactively extending product mix and soliciting new customers. Due to the keen competition among the EMS service providers in the global market, the PRC Company is facing difficulties to increase sales volume and expand its customer profile. The Directors consider that it is not in the best interest of the Company to devote further manpower and resources in supporting the EMS business of smart home devices under the prevailing business environment. In fact, the Disposal provides an exit channel for the Company to realise its investment in this loss-making business segment and reduce the Group’s bank and other borrowings. The Directors consider that the Disposal will not have any material effect on the business and operation of the Group.

The Company is of the view that the Disposal is in line with the Group’s development strategy which is to focus on (i) the EMS business for the banking and finance industry and telecommunication devices; and (ii) the Aerospace Business. The Group has identified many potential business opportunities and collaborations in relation to Aerospace Business, particularly in the Middle East region.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Subject to the review by the auditors of the Company, based on the Consideration of HK\$37,387,000 (equivalent to RMB34,300,000 based on the exchange rate of RMB1 to HK\$1.09) less the net book values of the Target Group as at 30 April 2024 as well as the estimated transaction expenses, the Company may recognize a gain of approximately HK\$174,000 from the Disposal.

The net proceeds from the Disposal, after deducting the estimated transaction expenses in relation to the Disposal, will be approximately HK\$37,082,000, among of which HK\$27,250,000 will be utilized for the repayment of other borrowings incurred by the EMS business and HK\$9,832,000 will be utilized for the general working capital of the Group's EMS business for the banking and finance industry and telecommunication devices, such as purchase of raw materials and operating expenses.

Upon Completion, the Vendor will no longer hold any equity interest in the Target Company, and the Target Group will cease to be subsidiaries of the Company. Accordingly, the financial results of the Target Group will no longer be consolidated into the consolidated financial statements of the Group upon Completion.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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DEFINITIONS

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

“Agreement”	an agreement dated 28 June 2024 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	USPACE Technology Group Limited (洲際航天科技集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1725)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Consideration”	the consideration in the amount of HK\$37,387,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	Modern Benefit Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Target Company

“Independent Third Parties”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Material Adverse Change”	any event, matter or circumstance arising or occurring, discovered or disclosed after the date of the Agreement which is, or is reasonable likely to be, materially adverse to the business, operations, assets, liabilities (including contingent liabilities), condition (financial, trading or otherwise), financial results or prospects of the Target Group, as determined by the Purchaser in its sole and absolute discretion; losses caused by the Target Group and/or the Purchaser in an aggregate amount exceeding HK\$5,000,000 (reasonably estimated) would be considered “material”
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	Eternity Technology (Xiamen) Company Limited* (弘盛昌科技(廈門)有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the PRC Holding Company
“PRC Holding Company”	Hongsheng Technology (Huizhou) Company Limited* (弘盛科技(惠州)有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Hong Kong Company
“Purchaser”	Stable Brand Limited, a company incorporated in the British Virgin Islands
“RMB”	Renminbi, the lawful currency of the PRC

“Sale Shares”	50,000 shares of US\$1 each of the Target Company, representing the entire issued shares of the Target Company
“Share(s)”	ordinary share(s) of the Company
“Target Company”	Productive Glory Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Vendor
“Target Group”	collectively, the Target Company, the Hong Kong Company, the PRC Holding Company and the PRC Company
“Vendor”	Total United Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Company
“%”	per cent

By order of the Board
USPACE Technology Group Limited
Sun Fengquan
Chairman and Chief Executive Officer

Hong Kong, 28 June 2024

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Chairman and Chief Executive Officer), H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum (Deputy Chairman), Dr. Fabio Favata and Mr. Ma Fujun as executive Directors; Mr. Alhamedi Mnahi F Alanezi, Prof. Christian Feichtinger, Prof. Guo Huadong, Dr. Mazlan Binti Othman and Mr. Nathan Earl Whigham as non-executive Directors; and Ms. Barbara Jane Ryan, Mr. Hung Ka Hai Clement, Mr. Juan de Dalmau-Mommertz, Mr. Marwan Jassim Sulaiman Jassim Alsarkal and Prof. Wang Jianyu as independent non-executive Directors.

* *For identification purpose only*