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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)

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

Financial Adviser to the Company



INCUBUS Corporate Finance Limited

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 18 October 2024 (after trading hours), the Company entered into two Subscription Agreements with two Subscribers, pursuant to which the Company has agreed to allot and issue, and the two Subscribers have conditionally agreed to subscribe for an aggregate of 71,524,000 Subscription Shares, representing (i) approximately 16.54% of the entire issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.20% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares, assuming there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Subscriptions.

The Subscription Price of HK\$1.23 per Subscription Share represents (i) a discount of approximately 18.54% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 8.21% to the average of the closing prices per Share of HK\$1.34 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The Subscription Shares will be allotted and issued under the General Mandate. The allotment and issue of the Subscription Shares is not subject to separate approval of the Shareholders.

The gross proceeds from the Subscriptions will be approximately HK\$87.97 million and the net proceeds will be approximately HK\$87.14 million (after deduction of the expenses of the Subscriptions), which represents the net issue price of approximately HK\$1.22 per Subscription Share. The Directors intend to apply the net proceeds from the Subscriptions for the general working capital of the Group, including but not limited to the ongoing administrative expenses of the Company and operating expenses of the Group's aerospace business.

Completion of the Subscriptions is subject to the fulfilment of the conditions precedent in the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 18 October 2024 (after trading hours), the Company entered into two Subscription Agreements with two Subscribers, pursuant to which the Company has agreed to allot and issue, and the two Subscribers have conditionally agreed to subscribe for an aggregate of 71,524,000 Subscription Shares at the Subscription Price, on the terms and subject to the conditions set out in the Subscription Agreements.

The Subscription Agreements

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

Subscription Agreement A

Date: 18 October 2024

Parties:

Issuer: The Company

Subscriber: Subscriber A

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Subscriber A is an individual investor and an Independent Third Party.

Subscription Agreement B

Date: 18 October 2024

Parties:

Issuer: The Company

Subscriber: Subscriber B

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Subscriber B is an individual investor and an Independent Third Party.

Apart from the identities of the Subscribers, the terms of each of the Subscription Agreements are identical. Set out below are the other principal terms of the Subscription Agreements:

Number of Subscription Shares

The Subscription Shares comprise of 71,524,000 new Shares, of which Subscriber A and Subscriber B will each subscribe for 35,762,000 new Shares. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Subscriptions, the Subscription Shares represent (i) approximately 16.54% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 14.20% 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 will be HK\$715,240.

Ranking of Subscription Shares

The Subscription Shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of this announcement.

Subscription Price

The Subscription Price of HK\$1.23 per Subscription Share represents:

- (i) a discount of approximately 18.54% to the closing price of HK\$1.51 per Share as quoted on the Stock Exchange on the Last Trading Day; and

- (ii) a discount of approximately 8.21% to the average of the closing prices per Share of HK\$1.34 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the Last Trading Day.

The Subscription Price shall be payable by the Subscribers in cash upon completion of the Subscriptions.

The Subscription Price was determined with reference to the prevailing market price and trading volume of the Shares and was negotiated on an arm's length basis between the Company and the Subscribers. The Directors consider that the terms of the Subscriptions are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Directors consider that the Subscriptions (including the Subscription Price) are in the interests of the Company and the Shareholders as a whole.

Conditions of the Subscriptions

The Subscriptions are conditional upon:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Subscription Shares, and such approval not having been withdrawn or revoked;
- (ii) all necessary consents and approvals to be obtained on the part of the Company in respect of the Subscriptions having been obtained;
- (iii) all necessary consents and approvals to be obtained on the part of the Subscribers in respect of the Subscriptions having been obtained; and
- (iv) the warranties provided by the Company remaining true and accurate and not misleading, and there is no matter or circumstance which is in breach of the warranties or the terms of the Subscription Agreements.

The Company shall use its best endeavours to procure the fulfilment of conditions (i), (ii) and (iv) above and the Subscribers shall use their best endeavours to procure the fulfilment of condition (iii) above. If the above conditions are not satisfied and/or waived (other than condition (i) above, which cannot be waived) on or before the Long Stop Date, the Subscription Agreements will be terminated and ceased to be effective, and neither parties shall have obligations and liabilities against the other thereafter, save for any antecedent breach of the Subscription Agreements.

Each of the Subscription Agreements is not conditional upon the other.

Completion of the Subscriptions

Completion of the Subscriptions shall take place on a day falling within five (5) Business Days after the fulfilment of the conditions as set out in paragraph headed “Conditions of the Subscriptions” above are satisfied (or such other date as may be agreed between the Company and the Subscribers in writing).

Application for listing

The Company will make an application to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM, subject to the limit up to 20% of the total number of issued Shares as at the date of the AGM. Under the General Mandate, the Company is authorised to issue up to 71,524,160 new Shares. Up to the date of this announcement, all 71,524,160 Shares under the General Mandate remain unissued. Accordingly, the allotment and issue of the Subscription Shares is not subject to separate approval of the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purposes only, assuming that there is no allotment and issue of new Shares from the date of this announcement up to the completion of the Subscriptions, the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Subscriptions are set out below:

Name of Shareholder	As at the date of this announcement		Immediately upon completion of the Subscriptions	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Substantial Shareholders				
Hong Kong Aerospace Technology Holdings Limited (“ HKATH (BVI) ”) (<i>Note</i>)	78,343,553	18.11	78,343,553	15.54
Vision International Group Limited (“ Vision ”) (<i>Note</i>)	20,586,000	4.76	20,586,000	4.08
Public Shareholders				
Subscriber A	–	–	35,762,000	7.10
Subscriber B	–	–	35,762,000	7.10
Other Shareholders	333,620,447	77.13	333,620,447	66.18
Total	<u>432,550,000</u>	<u>100.00</u>	<u>504,074,000</u>	<u>100.00</u>

Note:

Vision is directly interested in 20,586,000 Shares and HKATH (BVI) is directly interested in 78,343,553 Shares. The entire issued share capital of HKATH (BVI) is owned by Vision and the entire issued share capital of Vision is in turn owned by Mr. Sun Fengquan (“**Mr. Sun**”), the chief executive officer of the Company. Therefore, Vision is deemed or taken to be interested in the Shares held by HKATH (BVI) under the SFO and Mr. Sun is deemed or taken to be interested in the Shares held by both Vision and HKATH (BVI) under the SFO.

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

On 12 May 2023, the Company and Macquarie Bank Limited (“**Macquarie Bank**”) entered into a subscription agreement (the “**CN Subscription Agreement**”), pursuant to which the Company agreed to issue and Macquarie Bank agreed to subscribe at the subscription price of HK\$686,000,000, for the collateralised convertible notes (the “**Convertible Notes**”) in the principal amount of HK\$700,000,000 with 0.5% coupon and due on the first anniversary of the closing date, being a business day that is no later than five business days after the date on which all conditions under the CN Subscription Agreement are satisfied, in accordance with the terms and conditions of the CN Subscription Agreement (the “**CN Subscription**”). Completion of the CN Subscription took place on 18 October 2023. For details of the CN Subscription, please refer to the announcements of the Company dated 12 May 2023, 31 August 2023 and 18 October 2023 and the circular of the Company dated 18 September 2023.

On 2 May 2024, the Company and Mr. Li Xiaofei (“**Mr. Li**”) entered into a subscription agreement pursuant to which the Company has agreed to allot and issue, and Mr. Li has conditionally agreed to subscribe for 30,000,000 new Shares at the subscription price of HK\$1.51 per Share (the “**May Subscription**”). Completion of the May Subscription took place on 17 May 2024. For details of the May Subscription, please refer to the announcements of the Company dated 2 May 2024 and 17 May 2024.

On 14 June 2024, the Company and Mr. Ren Ran (“**Mr. Ren**”) entered into a subscription agreement pursuant to which the Company has agreed to allot and issue, and Mr. Ren has conditionally agreed to subscribe for 31,800,000 new Shares at the subscription price of HK\$1.01 per Share (the “**June Subscription**”). Completion of the June Subscription took place on 26 June 2024. For details of the June Subscription, please refer to the announcements of the Company dated 14 June 2024 and 26 June 2024.

Set out below is a summary of the allocation of the net proceeds of the CN Subscription, the May Subscription and June Subscription and their respective utilisation as at the date of this announcement:

Fund raising activities	Use of proceeds	Approximate net proceeds (HK\$'000)	Actual use of	Unutilised	Expected timetable for utilisation of unutilised net proceeds
			approximate net proceeds as at the date of this announcement (HK\$'000)	approximate net proceeds as at the date of this announcement (HK\$'000)	
CN Subscription	The Group's working capital of the operation of the Group's Hong Kong Satellite manufacturing centre and Hong Kong satellite operation control and application centre	34,870 ^{Note}	22,130	12,740	By the end of December 2024
	General working capital	34,870 ^{Note}	22,130	12,740	By the end of December 2024
May Subscription	General working capital	45,000	45,000	-	N/A
June Subscription	General working capital	31,800	26,313	5,487	By the end of October 2024

Note:

Pursuant to the CN Subscription Agreement and its ancillary agreements, the Company only received proceeds upon the conversion of the Convertible Notes. From the date of issue of the Convertible Notes (i.e. 18 October 2023) and up to and inclusive of the date of this announcement, the total net proceeds in connection with the conversion of the Convertible Notes amounted to approximately HK\$69.7 million.

Save as disclosed, the Company has not conducted any equity fund raising activities during the twelve months immediately preceding the date of this announcement.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

The Company is an investment holding company and the Group is principally engaged in (A) aerospace business, comprising (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling, and (6) satellite launch; and (B) electronics manufacturing services business, including assembling and production of printed circuit boards assemblies and fully-assembled electronic products.

As disclosed in the Company's interim report for the six months ended 30 June 2024, the Group recorded a loss attributable to equity holders of the Company from continuing operations of approximately RMB70.4 million. As at 30 June 2024, by excluding the assets and liabilities classified as held for sale, the Group's current liabilities exceeded its current assets by approximately RMB399.8 million while the Group's cash and cash equivalents amounted to approximately RMB31.4 million only. The Company has explored various fund-raising means and considers raising funds by way of subscription of new Shares continues to be a direct and cost-efficient fundraising means which can replenish the capital of the Company and strengthen the Group's financial position in view of the capital need of the Group and the capital-intensive nature of the aerospace business industry.

The Directors believe that the Subscriptions represent opportunities to raise further capital for the Group and continues to strengthen the capital structure of the Company. As disclosed in the June Subscription announcement dated 14 June 2024, based on the Company's estimation, the monthly operating expenses of the Group including salaries payment, rental payments, professional fees, office overheads together with the operation cost of its aerospace business, amounted to approximately HK\$12 million. The net proceeds raised from the June Subscription and CN Subscription are expected to be fully utilized by the end of October 2024 and December 2024 respectively. Accordingly, there remains an imminent need for the Company to conduct the Subscriptions to fund the short to medium term working capital needs of the Group, and the Directors are of the view that the Subscriptions are in the best interest of the Company and its Shareholders as a whole.

The gross proceeds from the Subscriptions will be approximately HK\$87.97 million and the net proceeds will be approximately HK\$87.14 million (after deduction of the expenses of the Subscriptions), which represents the net issue price of approximately HK\$1.22 per Subscription Share. The Directors intend to apply the net proceeds from the Subscriptions for the general working capital of the Group, including but not limited to the ongoing administrative expenses of the Company and operating expenses of the Group's aerospace business.

Completion of the Subscriptions is subject to the fulfilment of the conditions precedent in the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 25 June 2024
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal 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 open for business throughout their normal business hours
“Company”	USPACE Technology Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 1725)
“Director(s)”	the director(s) of the Company
“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any persons or company(ies) and their respective ultimate beneficial owners, to the best of the Director’s 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

“Last Trading Day”	18 October 2024, being the date of the Subscription Agreements
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	8 November 2024, or such later date as may be agreed between the Company and the Subscribers in writing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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”	Mr. Chen Lizhong, an Independent Third Party
“Subscriber B”	Mr. Liu Shoutang, an Independent Third Party
“Subscribers”	the subscribers subscribing for the Subscription Shares under the Subscriptions, namely, Subscriber A and Subscriber B
“Subscriptions”	collectively, Subscription A and Subscription B
“Subscription A”	the subscription of 35,762,000 Subscription Shares by Subscriber A pursuant to Subscription Agreement A
“Subscription B”	the subscription of 35,762,000 Subscription Shares by Subscriber B pursuant to Subscription Agreement B
“Subscription Agreement A”	the subscription agreement dated 18 October 2024 and entered into between the Company and Subscriber A in respect of Subscription A
“Subscription Agreement B”	the subscription agreement dated 18 October 2024 and entered into between the Company and Subscriber B in respect of Subscription B

“Subscription Agreements”	collectively, Subscription Agreement A and Subscription Agreement B
“Subscription Price”	the subscription price of HK\$1.23 per Subscription Share
“Subscription Share(s)”	an aggregate of 71,524,000 new Shares to be allotted and issued pursuant to the Subscription Agreements
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

By order of the Board
USPACE Technology Group Limited
Mohamed Ben Amor
Chairman and Executive Director

Hong Kong, 18 October 2024

As at the date of this announcement, the Board comprises H.E. Mohamed Ben Amor (Chairman), H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum (Deputy Chairman), Dr. Fabio Favata and Mr. Ma Fujun as executive Directors; Mr. Alhamed Mnahi F Alanezi, Professor Christian Feichtinger and Mr. Nathan Earl Whigham as non-executive Directors; and Ms. Barbara Jane Ryan, Mr. Boris Tadić, Mr. Hung Ka Hai Clement, Mr. Juan de Dalmau-Mommertz and Mr. Marwan Jassim Sulaiman Jassim Alsarkal as independent non-executive Directors.