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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 CONVERTIBLE NOTES UNDER SPECIFIC MANDATE

Financial Adviser to the Company



INCU Corporate Finance Limited

SUBSCRIPTION OF CONVERTIBLE NOTES

The Board is pleased to announce that on 12 May 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has agreed to subscribe for and the Company has agreed to issue the Convertible Notes in the principal amount of HK\$800,000,000. For illustration purpose only, assuming that the Conversion Date is the date of this announcement, the Conversion Price, being 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date, is approximately HK\$9.51, which entitles the Noteholder to subscribe for approximately 84,121,976 Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Notes.

GENERAL

The EGM will be held to consider and, if thought fit, pass the requisite ordinary resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes. The Subscriber and its associates do not currently hold any Shares and will not vote on any of the resolutions. A circular containing, among other things, (i) details of the Subscription Agreement; and (ii) the notice of the EGM will be despatched to the Shareholders on or before 2 June 2023.

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 12 May 2023 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement in relation to the subscription of the Convertible Notes.

PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT

Date: 12 May 2023

Parties: the Company, as issuer; and
the Subscriber, Macquarie Bank Limited, as subscriber

The Subscription

Pursuant to the Subscription Agreement, the Subscriber has agreed to subscribe for and the Company has agreed to issue the Convertible Notes in the principal amount of HK\$800,000,000, with 0.5% coupon and due on 31 December 2023 or subject to mutual agreement of the Noteholder(s) and the Company extendable to the date falling on the first anniversary of the Closing Date.

Principal terms of the Convertible Notes

Issuer	:	The Company
Principal amount	:	HK\$800,000,000
Subscription price	:	98% of the principal amount of the Convertible Notes
Interests	:	0.5% per annum payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December in each year

- Maturity date : 31 December 2023 or subject to mutual agreement of the Noteholder(s) and the Company extendable to the date falling on the first anniversary of the Closing Date
- Conversion Price : In respect of a Conversion Date, the price at which Shares will be issued upon exercise of a Conversion Right, being 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date, provided that the Company shall be entitled to reject the exercise of the Conversion Right at a Conversion Price which is lower than the Floor Price at HK\$6.50 per Share.
- Conversion Shares : For illustration only, (a) assuming that the Conversion Date is the date of this announcement, the Conversion Price, being 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date, is approximately HK\$9.51, which entitles the Noteholder to subscribe for approximately 84,121,976 Conversion Shares upon exercise in full of the conversion rights attaching to the Convertible Notes, representing:
- (i) approximately 27.22% of the existing issued share capital of the Company; and
 - (ii) approximately 21.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Notes at the initial Conversion Price;
- (b) assuming that there will be no change in the issued share capital of the Company before the exercise of the Conversion Rights and the conversion price calculated as above reach the Floor Price, the Conversion Shares will be capped at 120,000,000 Shares, which represents:
- (i) approximately 38.83% of the existing issued share capital of the Company; and
 - (ii) approximately 27.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Maximum Number of Shares.

- Shareholding Limit : Notwithstanding any other provision of the Subscription Agreement, the Subscriber shall not (i) exercise any Conversion Rights, nor (ii) otherwise acquire any Shares, to the extent that such exercise or acquisition would cause the Subscriber at any time to be entitled to voting rights in excess of 19% of the total outstanding Shares at such time.
- Adjustment provisions : The Floor Price shall from time to time be subject to adjustment upon occurrence of certain events:
- (i) *Consolidation, subdivision or reclassification of the Shares;*
 - (ii) *Capitalisation of profits or reserves;*
 - (iii) *Capital distribution* (except to the extent that the Floor Price falls to be adjusted under capitalisation of profits or reserves above);
 - (iv) *Rights Issues of Shares or Options over Shares:* issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at less than 95% of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant;
 - (v) *Rights Issues of Other Securities:* issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);

- (vi) *Issues at less than Current Market Price:* issue (other than *Rights Issues of Shares or Options over Shares* as described in (iv) above) of any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise *Rights Issues of Shares or Options over Shares* as described in (iv) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares in each case at a price per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of such issue;
- (vii) *Other Issues at less than Current Market Price:* the Company or any of its subsidiaries (other than that provided in (iv), (v) and (vi) above), or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity shall issue any securities (other than the Convertible Notes) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the Current Market Price on the date of announcement of the terms of issue of such securities;
- (viii) *Modification of Rights of Conversion etc.:* any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in (vii) above so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) has been reduced and is less than 95% of the Current Market Price on the date of announcement of the proposals for such modification; and

(ix) *Other Offers to Shareholders:* the Company or any of its subsidiaries or (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Floor Price falls to be adjusted under (ii), (iii), (iv), (v), (vi) and (vii) above) or, where applicable, would fall to be so adjusted if the relevant issue or grant was at less than 95% of the Current Market Price per Share on the relevant Trading Day.

Conversion Rights : The Conversion Right in respect of a Convertible Note may be exercised, at the option of the holder thereof, at any time other than any Non-Conversion Period, provided that the Subscriber shall not be entitled to exercise any Conversion Right if the Shares held by the public, after the Conversion Shares are issued, will be less than 25%.

Conversion Period : From the Issue Date up to the close of business on the date falling one day prior to the Maturity Date (both days inclusive) or, if such Convertible Note shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business on the date no later than three Business Days prior to the date fixed for redemption.

Non-Conversion Period : The Company may designate a period during which the Subscriber shall not exercise any Conversion Rights by delivering written notice to the Subscriber no later than ten (10) Trading Days prior to the start of such Non-Conversion Period. The Company may designate no more than two (2) Non-Conversion Periods, and there must be at least ten (10) Trading Days between each Non-Conversion Period. Each Non-Conversion Period shall not be longer than ten (10) consecutive Trading Days. The Company may shorten a Non-Conversion Period by giving a separate written notice to the Subscriber. A Non-Conversion Period cannot be designated after a notice of redemption has been delivered by the Company or by the Noteholder or the Noteholder has served a notice of an event of default to the Company. If a Non-Conversion Period has already been so designated prior to the delivery of such notice, the Non-Conversion Period shall be terminated immediately upon delivery of such notice.

Redemption : (a) The Company will redeem each of the Convertible Note at 98% of its principal amount on Maturity Date. The Company may not redeem the Convertible Notes at its option prior to the Maturity Date except provided in (b) below.

(b) Redemption at the option of the Company. On giving not less than 20 Business Days' irrevocable notice (an "**Optional Redemption Notice**") to the Noteholder, the Convertible Notes may be redeemed by the Company in whole, but not in part, on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at 98% of their principal amount together with unpaid interest accrued to such date.

(c) Redemption at the option of the Noteholder. On a Noteholder giving not less than 10 Business Days' irrevocable notice (a "**Noteholder Redemption Notice**") to the Company, the Convertible Notes in whole or in part held by such Noteholder shall be redeemed by the Company, on the date specified in the Noteholder Redemption Notice at 98% of their principal amount together with unpaid interest accrued to such date.

If:

- (i) the Company redeems the Convertible Notes pursuant to the Terms and Conditions before the Subscriber has converted the Convertible Notes in the aggregate principal amount of HK\$240,000,000;
- (ii) the remaining principal amount of the Convertible Notes (which, for the avoidance of doubt, consists of the aggregate principal amount of any issued and outstanding Notes) as of the date falling one calendar month before the Maturity Date exceeds HK\$560,000,000; or
- (iii) the Subscription Agreement is terminated for any reason other than due to the conditions precedent not being fulfilled,

the Company shall, on the Optional Redemption Date or within 15 days upon request by the Subscriber (as the case may be), pay to the Subscriber a cancellation fee equal to 1.0% of the remaining principal amount of the Convertible Notes as at the Optional Redemption Date or the termination date of the Subscription Agreement, or if no Convertible Notes have been issued on the termination date of Subscription Agreement, HK\$8,000,000 (as the case may be).

Transferability : The Convertible Notes and the Conversion Shares are freely transferable at any time after issue, save and except that if the Subscriber has determined to transfer in aggregate a number of Shares (whether Conversion Shares or existing Shares) equivalent to or greater than 1% of the total outstanding Shares (as of the relevant time) to a single third-party purchaser through one or more block trades in which the Subscriber is able to identify the purchaser, the Subscriber shall give prior notice informing the Company of the identity of the prospective purchaser. The Company shall have the right to object to such transfer.

Voting rights : The Noteholder(s) shall not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder(s) of the Convertible Notes.

- Listing : (i) No application will be made by the Company for the listing of the Convertible Notes on the Stock Exchange or any other stock exchange; and
- (ii) Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Ranking of the Convertible Notes and the Conversion Shares : (i) The payment obligations of the Company under the Convertible Notes shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
- (ii) The Conversion Shares shall rank pari passu with the Shares in issue on the date of such allotment and issue, including the rights to all dividends or other distributions declared, paid or made or to be declared, paid or made for which the record date falls on or after the date of such allotment and issue.
- Events of Default : The Convertible Notes contains customary events of default provisions, including but not limited to, the non-payment of the Convertible Notes, the failure of the Company to deliver Shares upon conversion of the Convertible Notes, the Company's breach of obligations in the Convertible Notes, the Company is in default of other loans and financial indebtedness, there exist any enforcement of proceedings, enforcement of security or winding up order against the Company, the Company is insolvent, it is or will become unlawful for the Company to perform or comply with any one or more of its obligations under any of the Convertible Notes, failure of the Group to comply with relevant anti-money laundering laws, the Group has made any unlawful payment in violation of the relevant international laws or the Group or its personnel is subject to any sanctions administered or enforced by the United States Government or any other jurisdictions.

If any of the above events occurs and is continuing, the Noteholders at their discretion may give notice to the Company that the Convertible Notes are, and they shall immediately become due and repayable at their principal amount together with unpaid interest accrued to the date of payment.

Conversion Price

Assuming that the Conversion Date is the date of this announcement, the Conversion Price, being 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date, is approximately HK\$9.51, which represents:

- (i) a discount of approximately 8.91% to the closing price of HK\$10.44 per Share as quoted on the Stock Exchange on 12 May 2023, being the date of the Subscription Agreement;
- (ii) a premium of approximately 8.31% over the average of the closing price of approximately HK\$8.78 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 11.75% over the average of the closing price of approximately HK\$8.51 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iv) a premium of approximately 956.67% over the audited consolidated net asset value attributable to owners of the Company per Share of approximately RMB0.80 (equivalent to approximately HK\$0.90), based on the latest audited net asset value attributable to owners of the Company of approximately RMB245.88 million (equivalent to approximately HK\$277.84 million) as at 31 December 2022 and the number of Shares in issue of 309,000,000 Shares as at the date of this announcement.

The Conversion Price and the Floor Price have been determined after arm's length negotiations between the Company and the Subscriber with reference to the then prevailing market price of the Shares and the size of the Subscription. The Directors consider that the Conversion Price and the Floor Price and the terms and conditions of the Subscription Agreement and the Convertible Notes are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The obligations of the Subscriber to subscribe and pay for the Convertible Notes on the Closing Date are conditional on:

- (a) Due Diligence: the Subscriber being satisfied with the results of its due diligence investigations with respect to the Company and having obtained all necessary internal approvals to proceed with the transaction contemplated under the Subscription Agreement;

- (b) Compliance: at the CP Satisfaction Date:
 - (i) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - (ii) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
 - (iii) there having been delivered to the Subscriber a certificate confirming there is no material adverse change dated as of such date, of a duly authorised officer of the Company to such effect;
- (c) Material Adverse Change: after the date of the Subscription Agreement up to and at the CP Satisfaction Date there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company, which, in the opinion of the Subscriber, is material and adverse in the context of the issue and offering of the Convertible Notes;
- (d) Other consents: on or prior to the CP Satisfaction Date, there shall have been delivered to the Subscriber copies of all consents and approvals required in relation to the issue of the Convertible Notes and the performance of its obligations under the Subscription Agreement and the Convertible Notes (including the consents and approvals required from the Hong Kong Stock Exchange and the Company's shareholders);
- (e) Certificate of No Default: on the CP Satisfaction Date, there having been delivered to the Subscriber a certificate of no default dated as of such date, of a duly authorised officer of the Company;
- (f) Credit Support: the execution and delivery (on or before the CP Satisfaction Date) of credit support arrangements in favour of the Subscriber in relation to the Convertible Notes, including, without limitation to, a credit support agreement in a form satisfactory to the Subscriber;
- (g) Listing: the Stock Exchange having granted approval for listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon conversion of the Convertible Notes (or the Subscriber being reasonably satisfied that such approval will be granted);
- (h) Legal Opinions: on or before the CP Satisfaction Date, there having been delivered to the Subscriber legal opinions issued by the Cayman counsel and the Hong Kong counsel respectively, in form and substance satisfactory to the Subscriber, dated the CP Satisfaction Date; and

- (i) Resolutions and statutory documents: other resolutions, consents, authorities and documents relating to the issue of the Convertible Notes, as the Subscriber may reasonably require, including without limitation, resolutions by the shareholders of the Company at a general meeting approving the issue of the Convertible Notes and to grant the specific mandate to allot and issue the Conversion Shares.

In the event the condition of the Subscription not being satisfied or waived by the Subscriber on or prior to 31 August 2023, the Subscriber may, by notice to the Issuer given at any time prior to payment of the net subscription monies for the Convertible Notes to the Issuer, terminate the Subscription Agreement.

Completion

Completion of the Subscription will take place on the Closing Date.

Specific mandate

The Conversion Shares upon conversion of the Convertible Notes will be allotted and issued under a specific mandate to be sought for approval from the Shareholders at the EGM.

Status of the Conversion Shares

The Conversion Shares, when issued and delivered in the manner contemplated by the Convertible Notes will rank pari passu and carry the same rights and privileges in all respects with the other Shares in issue and shall be entitled to all dividends and other distributions declared, paid or made thereon.

Application for listing

The Company shall make an application to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares. No application will be made by the Company for the listing of the Convertible Notes on the Stock Exchange.

Right of First Refusal

The Company undertakes to the Subscriber that prior to the ROFR Period End Date:

- (a) the Subscriber shall be offered the right of first refusal to arrange and participate in any future financing transactions entered into or proposed to be entered into by the Company which are substantially similar to the transactions contemplated herein (including without limitation any transactions contemplated by way of debt or equity financing facilities) which the Subscriber is permitted by law to participate or enter into (“**Financing Activity**”); and

- (b) the Company shall not (and shall procure that any subsidiary of the Company shall not) appoint any other person to act in relation to any Financing Activity unless either:
- (i) the terms of engagement for any particular Financing Activity are not or cannot be agreed between the Company and the Subscriber within 15 Business Days after the date on which the Subscriber actually receives a written request sent by the Company in relation to such Financing Activity; or
 - (ii) the Subscriber has confirmed to the Company in writing that it does not wish or is unable to participate in the Financing Activity.

CREDIT SUPPORT AGREEMENT

On 12 May 2023, the Company and the Subscriber entered into the Credit Support Agreement, pursuant to which the Company agrees that on the Closing Date it has an obligation to transfer the Eligible Credit Support to the Subscriber in an amount equal to the applicable the aggregate subscription money of the Convertible Notes to be issued on the Closing Date. The Company and the Subscriber agree to set off in full the Company's obligation to transfer the Eligible Credit Support to the Subscriber on the Closing Date against the Subscriber's obligation to pay the net subscription monies for the Convertible Notes to the Company on the Closing Date.

If the Subscriber is satisfied that all amounts which are payable or become payable by the Company under or in connection with each of the Note Documents have been irrevocably paid in full, the Subscriber shall, at the request of the Company, transfer the Outstanding Credit Support to the account of the Company.

In the event that the Noteholder has exercised the Conversion Rights attached to any Convertible Notes in accordance with the Terms and Conditions, the Subscriber shall, within two (2) Business Days after the date that the Subscriber collects the Conversion Shares, transfer the Eligible Credit Support in an amount equal to the subscription price of the Convertible Note so converted (after deducting any cost and expenses which may be deducted by the Subscriber under the Note Document) ("**Return Amount**") to the account of the Company as set out in the Credit Support Agreement, and the Credit Support Balance shall, upon such transfer, be reduced accordingly.

INFORMATION ON THE SUBSCRIBER

The Subscriber is a company incorporated under the laws of Australia. Macquarie Bank Limited provides financial services including asset finance, lending, banking and risk and capital solutions across debt, equity and commodities. Macquarie Bank Limited (Australian Business Number. 46 008 583 542), a company incorporated under the laws of Australia and having its registered office at Level 6, 50 Martin Place, Sydney NSW 2000, Australia,

is a subsidiary of the Macquarie Group Limited (Australian Company No. 122 169 279, listed on the Australian Stock Exchange) and is regulated by the Australian Prudential Regulation Authority as an Authorised Deposit-taking Institution.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

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.

The Directors consider that the Subscription will introduce an institutional investor to the Company. In addition, the Aerospace Business of the Group, in particular, the satellite manufacturing, is a capital intensive industry, and the Group has low level of cash and cash equivalents as shown in the annual report of the Company for the year ended 31 December 2022, the relatively large size of the Subscription will replenish the funding need of the Group and provide sufficient fund for the operation of the Aerospace Business. Further, the Conversion Price represent a 5% discount to the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date and the interest rate of the Convertible Notes is relatively less than the bank borrowings of the Group, which the weighted average interest rate per annum was 4.33% as at 31 December 2022 according to the annual report of the Company for the year ended 31 December 2022.

Assuming all the Convertible Notes has been converted into the Conversion Shares, the aggregate gross proceeds from the Subscription are expected to be approximately HK\$784 million and the aggregate net proceeds from the Subscription, after the deduction of the professional and other related expenses, are estimated to be approximately HK\$1.80 million, representing a net issue price of approximately HK\$9.30 per Conversion Share issued under the Subscription. The Company and the Subscriber agreed to use the Proceeds as working capital of the operation of its Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application center located at the AMC and the general working capital of the Group.

Having considered (i) the benefits of working with an institutional investor; (ii) the financial position of the Group as at 31 December 2022 and the Conversion Price as at the date of this announcement represents a premium over the audited net assets per Share at approximately RMB0.80 (equivalent to approximately HK\$0.90) as at 31 December 2022; (iii) the funding needs for future capital requirement and operation of the Group; and (iv) the relatively low interest rate of the Convertible Notes as compared with the bank

borrowings of the Group, 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.

EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE NOTES

The shareholdings in the Company (i) as at the date of this announcement; (ii) immediately after conversion in full of the Convertible Notes at the initial Conversion Price; and (iii) immediately upon conversion of the Convertible Notes up to the Maximum Number of Shares, are summarised as follows (assuming there is no other change in the issued share capital of the Company):

	(i) As at the date of this announcement		(ii) Immediately upon full conversion of the Convertible Notes at the initial Conversion Price (for illustration purpose only)		(iii) Immediately upon conversion of the Convertible Notes up to the Maximum Number of Shares (for illustration purpose only)	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Hong Kong Aerospace Technology Holdings Limited (“ HKATH (BVI) ”) ^(note 1)	78,343,553	25.35	78,343,553	19.93	78,343,553	18.26
Vision International Group Limited (“ Vision ”) ^(note 1)	19,826,000	6.42	19,826,000	5.04	19,826,000	4.62
Ms. Chung Yuen Yee ^(note 2)	4,257,002	1.38	4,257,002	1.08	4,257,002	0.99
Sure Wealth Investment Limited ^(note 3)	2,277,496	0.74	2,277,496	0.58	2,277,496	0.53
The Subscriber ^(note 4)	—	—	84,121,976	21.40	120,000,000	27.97
Other public shareholder	<u>204,295,949</u>	<u>66.11</u>	<u>204,295,949</u>	<u>51.97</u>	<u>204,295,949</u>	<u>47.63</u>
Total:	<u>309,000,000</u>	<u>100.00</u>	<u>393,121,976</u>	<u>100.00</u>	<u>429,000,000</u>	<u>100.00</u>

Notes:

- (1) HKATH (BVI) is wholly-owned by Vision and Vision is wholly-owned by Mr. Sun Fengquan (“**Mr. Sun**”), an executive Director. Therefore, Mr. Sun is deemed or taken to be interested in the 78,343,553 Shares held by HKATH (BVI) and 19,826,000 Shares held by Vision under the SFO.
- (2) Ms. Chung Yuen Yee, Kathy, spouse of Dr. Lam Lee G. (“**Dr. Lam**”), an executive Director is interested in 4,257,002 Shares, representing 1.38% of the total number of the issued Shares and hence Dr. Lam is deemed or taken to be interested in the Shares under the SFO.

- (3) Dr. Yip Chung Yin (“**Dr. Yip**”), a non-executive Director, and his family members, through their investment vehicles, are interested in 2,277,496 Shares, representing 0.74% of the total number of issued Shares. Dr. Yip holds one third of the investment vehicles and hence is deemed or taken to be interested in the Shares under the SFO.
- (4) The Subscriber does not intend to become a long term shareholder or a substantial shareholder of the Company, and may sell the Conversion Shares from time to time during and after the Conversion Period.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

GENERAL

The EGM will be held to consider and, if thought fit, pass the requisite ordinary resolutions to approve, among other things: (i) the Subscription Agreement and the transactions contemplated thereunder; and (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes. The Subscriber and its associates do not currently hold any Shares and will not vote on any of the resolutions. A circular containing, among other things, (i) details of the Subscription Agreement; and (ii) the notice of the EGM will be despatched to the Shareholders on or before 2 June 2023.

Completion of the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement. As such, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.

DEFINITIONS

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

“AMC”	Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“Adjustment Circumstances”	the circumstances as described under the paragraph headed “Adjustment provisions”
“Aerospace Business”	the aerospace business of the Group which includes (a) satellite manufacturing; (b) satellite communication; (c) satellite measurement and controlling; and (d) satellite launching
“Board”	the board of Directors

“Business Day”	a day (other than a Saturday or Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business throughout their normal business hours in the Central district of Hong Kong
“Closing Date”	a Business Day that is no later than five Business Days after the CP Satisfaction Date as determined by the Subscriber
“Company”	Hong Kong Aerospace Technology Group Limited (stock code: 1725), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on Main Board of the Stock Exchange
“Completion”	completion of the Subscription
“Conversion Date”	the conversion date in respect of a Convertible Note shall be deemed to be a day (i.e. any day (other than a Saturday or Sunday or public holiday in Hong Kong)) on which the Stock Exchange is open for the business of dealing in securities throughout its normal trading hours) on which a Noteholder delivers a Conversion Notice to the Company
“Conversion Notice”	a notice delivered by a Noteholder to the Company to exercise its Conversion Rights
“Conversion Period”	from the Issue Date up to the close of business on the date falling one day prior to the Maturity Date (both days inclusive) or, if such Convertible Note shall have been called for redemption by the Company before the Maturity Date, then up to and including the close of business on the date no later than three Business Days prior to the date fixed for redemption
“Conversion Price”	in respect of a Conversion Date, the price at which Shares will be issued upon exercise of a Conversion Right will be 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Conversion Date, provided that the Company shall be entitled to reject the exercise of the Conversion Right at a Conversion Price which is lower than the Floor Price

“Conversion Right(s)”	the right attached to the Convertible Note that entitles Noteholder to convert such Convertible Note into Shares credited as fully paid at any time during the Conversion Period
“Conversion Shares”	the Share(s) which may be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes
“Convertible Notes”	the extendable convertible notes in the principal amount of HK\$800,000,000 with 0.5% coupon and due on 31 December 2023 or subject to mutual agreement of the Noteholder(s) and the Company extendable to the date falling on the first anniversary after the Closing Date
“CP Satisfaction Date”	the date on which all conditions under the Subscription Agreement are satisfied
“Credit Support Agreement”	the agreement dated 12 May 2023 and entered into between the Company and the Subscriber in relation to the transfer and return of Eligible Credit Support
“Current Market Price”	the arithmetic average of the daily Closing Price of one Share on each of the 10 consecutive Trading Days ending on and including the Trading Day immediately preceding such date; provided that if at any time during such 10 Trading Day period the Closing Price shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the Closing Price shall have been based on a price cum-dividend (or cum-any other entitlement)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting to be held and convened for the purpose of considering and if thought fit, approve (i) the Subscription Agreement and the transactions contemplated hereunder; and (ii) the specific mandate for the allotment and issue of the Conversion Shares upon conversion of the Convertible Notes

“Eligible Credit Support”	cash in Hong Kong dollars
“Floor Price”	initially be HK\$6.50 per Share, but will be subject to adjustment in the Adjustment Circumstances
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), 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)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives or substantial shareholders of the Company or subsidiaries of the Company or any of their respective associates
“Issue Date”	the date on which the Convertible Notes is issued
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	31 December 2023 or subject to mutual agreement of the Noteholder(s) and the Company extendable to the date falling on the first anniversary of the Closing Date
“Maximum Number of Shares”	capped at 120,000,000 Shares
“Note Documents”	together, the Credit Support Agreement, the Subscription Agreement, the Terms and Conditions and each of them refer to “Note Document”
“Noteholder(s)”	the holder(s) of the Convertible Notes
“Outstanding Credit Support”	on any day means an amount equal to the sum of the Eligible Credit Support held by the Subscriber on that day pursuant to the Subscription Agreement
“Proceeds”	the proceeds from the Subscription
“RMB”	Renminbi, the lawful currency of the PRC

“ROFR Period End Date”	(i) the Maturity Date; (ii) the date on which all Convertible Notes have been early redeemed by the Company or the Noteholder or have become immediately due and repayable pursuant to events of default; or (iii) the termination date of the Subscription Agreement, whichever is the earliest, provided that, in any case, if a cancellation fee is payable by the Company, the ROFR Period End Date shall be the date on which the Subscriber has received payment of such fee in full
“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber” or “Calculation Agent” or “Macquarie Bank”	Macquarie Bank Limited, a company incorporated under the laws of Australia
“Subscription”	the proposed subscription for the Convertible Notes by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 12 May 2023 and entered into between the Company and the Subscriber in relation to the Subscription
“Terms and Conditions”	the terms and conditions of the Convertible Notes
“Trading Day”	a day when the Stock Exchange or, as the case may be an alternative stock exchange, is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days

“Volume Weighted Average Price”

in respect of the Shares on a Trading Day, as determined by the Calculation Agent with reference only to trading within the regular trading session of the Relevant Stock Exchange (including the closing auction session, if any), as published by Bloomberg at 5:00 p.m. (Hong Kong time), on Bloomberg page “VWAP” (or any successor thereto), as determined by the Calculation Agent by selecting from the respective dropdown menu only (i) the regular time for the opening of trading on such Trading Day and the closing time of the Relevant Stock Exchange (including the closing auction session, if any) on such Trading Day as the start date/time and the end date/time, respectively, and (ii) the “Continuous: Normal Trade” and “Auction: Auction Trade” Custom Condition Codes and de-selecting all other Custom Condition Codes (or if such price is not so reported at the Valuation Time for any reason or is, in the Calculation Agent’s reasonable discretion, erroneous, such price will be as reasonably determined by the Calculation Agent)

“%”

per cent

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

Hong Kong, 12 May 2023

In this announcement, unless the context requires otherwise, amounts denominated in RMB have been translated to HK\$ at the exchange rate of RMB\$1.00:HK\$1.13 for illustration purpose only.

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.