

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Hong Kong Aerospace Technology Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to sell, dispose, acquire, purchase or subscribe for securities in the Company.



**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)**

**(1) SUBSCRIPTION OF COLLATERALISED CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE;  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser to the Company**



**INCU Corporate Finance Limited**

Capitalised terms used on this cover page shall have the same meanings as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 40 of this circular. A notice convening an extraordinary general meeting (the “EGM”) to be held at 1/F, Data Technology Hub, 5 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong at 11:00 a.m. on Thursday, 5 October 2023 or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are advised to read the notice and complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours (i.e. at 11:00 a.m. on Tuesday, 3 October 2023) before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

**The Convertible Notes are collateralised. Pursuant to the Credit Support Agreement entered into between the Company and the Subscriber, all the proceeds from issue of the Convertible Notes will be used as collaterals to secure the Company’s redemption obligation under the Convertible Notes. Upon Completion of the Subscription, the Company will not benefit from the proceeds yet. The collateral for securing the corresponding portion of the Convertible Notes will be released to the Company upon conversion. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.**

18 September 2023

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meaning:*

“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
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in
“AMC”	Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Closing Price”	in respect of a Share for any Trading Day, the closing market price quoted by the Stock Exchange or, as the case may be, the Alternative Stock Exchange for such Trading Day
“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
“Controlling Shareholder”	has meaning ascribed to it under the Listing Rules

## DEFINITIONS

“Conversion Date”	the conversion date in respect of a Convertible Note shall be deemed to be a 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 and on which a Noteholder delivers a Conversion Notice to the Company
“Conversion Notice”	a notice delivered by a Noteholder to the Company to exercise his/her/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 (excluding any Non-Conversion Period)
“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 Conversion Rejection Price
“Conversion Rejection Price”	HK\$6.50 per Share, but subject to adjustment in the Adjustment Circumstances
“Conversion Right(s)”	the right attached to the Convertible Note that entitles Noteholder to convert such Convertible Note into Share credited as fully paid at any time during the Conversion Period
“Conversion Share(s)”	the Share(s) which may be allotted and issued upon exercise of the Conversion Rights
“Convertible Note(s)”	the collateralised convertible notes in the principal amount of HK\$700,000,000 with 0.5% coupon and due on the Maturity Date
“CP Satisfaction Date”	the date on which all conditions under the Subscription Agreement are satisfied

## DEFINITIONS

“Credit Support Agreement” the agreement dated 12 May 2023 (as amended by the Supplemental Agreement) and entered into between the Company and the Subscriber in relation to the transfer and return of cash as credit support provided by the Company to secure its obligations under the Convertible Notes

“Current Market Price” in respect of a Share on a particular date, 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) then

- (i) if the Shares to be issued or transferred and delivered do not rank for the dividend (or entitlement) in question, the Closing Price on the dates on which the Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share; or
- (ii) if the Shares to be issued or transferred and delivered rank for the dividend or entitlement in question, the Closing Price on the dates on which the Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall be deemed to be the amount thereof increased by the fair market value of any such dividend or entitlement per Share;

and provided that if on each of the said 10 Trading Days the Closing Price shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that dividend (or other entitlement), the Closing Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Share

“Director(s)” director(s) of the Company

## DEFINITIONS

“EGM”	the extraordinary general meeting to be convened and held at 1/F, Data Technology Hub, 5 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong at 11:00 a.m. on Thursday, 5 October 2023 for the Shareholders consider and, if thought fit, approve the Subscription of Convertible Notes and allotment and issue of Conversion Shares under specific mandate and the respective transactions contemplated thereunder
“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
“Latest Practicable Date”	14 September 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the first anniversary of the Closing Date
“Maximum Number of Shares”	61,750,000 Conversion Shares
“Non-Conversion Period”	one or more periods designated by the Company during which the Subscriber shall not exercise any Conversion Rights
“Note Documents”	each of the Credit Support Agreement, the Subscription Agreement, the Terms and Conditions, the Supplemental Agreement and the relevant Pricing Supplement in respect of the Convertible Notes
“Noteholder(s)”	the holder(s) of the Convertible Notes

## DEFINITIONS

“Outstanding Credit Support”	on any day means an amount equal to the sum of the cash amount held by the Subscriber on that day pursuant to the Credit Support Agreement, representing collateral provided by the Company to the Subscriber to secure the Company’s obligation under the Convertible Notes
“Pricing Supplement”	the pricing supplement to be issued by the Company setting out specific information of the Convertible Notes, such as principal amount, the Issue Date and the interest commencement date
“Relevant Stock Exchange”	at any time, in respect of the Shares, the Stock Exchange or the Alternative Stock Exchange
“Restricted Transfer Period”	any of (a) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Terms and Conditions; (b) after a Conversion Notice has been delivered with respect to a Convertible Note; (c) after a Noteholder has been given redemption notice in respect of such Convertible Note pursuant to the Terms and Conditions; or (d) during the period of seven days ending on (and including) any interest record date, being at the close of business on the fifteenth day before the due date for the payment of interest
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as may be amended from time to time
“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 (ABN 46 008 583 542), a company incorporated under the laws of Australia
“Subscription Price”	98% of the principal amount of the Convertible Notes which is HK\$686 million
“Subscription”	the proposed subscription for the Convertible Notes by the Subscriber pursuant to the terms of the Subscription Agreement

## DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 12 May 2023 (as supplemented by the Supplemental Agreement) and entered into between the Company and the Subscriber in relation to the Subscription
“Supplemental Agreement”	the supplemental subscription agreement dated 31 August 2023 and entered into between the Company and the Subscriber in relation to the alteration, amendments, modification and variation of certain terms of the Subscription Agreement
“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.

*In this circular, translation of RMB into HK\$ based on the exchange rate of RMB1.00 to HK\$1.10. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been, could have been or may be converted at such or any other rate or at all.*

LETTER FROM THE BOARD



**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)**

*Executive Directors:*

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)*

Mr. Ma Fujun

*Non-Executive Directors:*

Dr. Mazlan Binti Othman

Mr. Niu Aimin

Dr. Yip Chung Yin

*Independent non-executive Directors:*

Mr. Brooke Charles Nicholas

Professor Chan Ka Keung, Ceajer

Mr. Hung Ka Hai Clement

Dr. Yuen Kwok Keung

Mr. Juan de Dalmau-Mommertz

*Registered office:*

Cricket Square

Hutchins Drive, P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Head office and principal place  
of business in Hong Kong:*

15/F, Data Technology Hub

5 Chun Cheong Street

Tseung Kwan O Industrial Estate

New Territories, Hong Kong

18 September 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) SUBSCRIPTION OF COLLATERALISED CONVERTIBLE NOTES  
UNDER SPECIFIC MANDATE;**

**AND**

**(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

## LETTER FROM THE BOARD

### INTRODUCTION

On 12 May 2023, the Company and the Subscriber entered into the Subscription Agreement in relation to the Subscription of the Convertible Notes. On the same date, the Company and the Subscriber entered into the Credit Support Agreement, whereby the initial proceeds from issue of the Convertible Notes will be utilised as collateral to secure the Company's redemption obligation under the Convertible Notes.

For the purpose of due compliance of the requirements under Chapter 15 of the Listing Rules, on 31 August 2023, the Company and the Subscriber entered into the Supplemental Agreement in relation to the alteration, amendments, modification and variation of certain terms of the Subscription Agreement, including, among other matters (i) the principal amount of the Convertible Notes being reduced from HK\$800,000,000 to HK\$700,000,000; (ii) the Maximum Number of Shares being lowered from 120,000,000 Conversion Shares to 61,750,000 Conversion Shares; (iii) the Maximum Number of Shares being fixed and not subject to adjustment; and (iv) the Maturity Date being fixed to be on the first anniversary of the Closing Date. In the premises, the Convertible Notes will be able to comply with Rule 15.02 of the Listing Rules.

The purpose of this circular is to provide you with (i) a letter from the Board containing further details of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transaction contemplated thereunder; (ii) notice of convening the EGM; and (iii) other information as required under the Listing Rules.

### **THE SUBSCRIPTION AGREEMENT (AS AMENDED AND SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)**

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

Pursuant to the Supplemental Agreement dated 31 August 2023, certain terms of the Subscription and the Convertible Notes are altered, amended, modified and varied, including (i) the long stop date for the fulfilment or waiver of the conditions precedent be extended from 31 August 2023 to 31 December 2023; (ii) the principal amount of the Convertible Notes being reduced from HK\$800,000,000 to HK\$700,000,000; (iii) the Maximum Number of Shares being lowered from 120,000,000 Conversion Shares to 61,750,000 Conversion Shares; (iv) the Maximum Number of Shares being fixed and not subject to adjustment; and (v) the Maturity Date being fixed to be on the first anniversary of the Closing Date.

Pursuant to the Supplemental Agreement, "Convertible Notes" shall refer to the collateralised convertible notes in the principal amount of HK\$700,000,000 with 0.5% coupon and due 2024. Pursuant to the Credit Support Agreement, the Company will not receive the initial proceeds of HK\$686 million from the Convertible Notes immediately upon Completion. As a result of the collateral arrangement under the Credit Support Agreement, the Stock Exchange took the view that the issue of the Convertible Notes and the collateral arrangement shall constitute the issue of an option on the part of the Company and the Company shall comply with the requirement under Chapter 15 of the Listing Rules.

## LETTER FROM THE BOARD

### PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENT (AS AMENDED AND SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Date: 12 May 2023 (as amended and supplemented by the Supplemental Agreement dated 31 August 2023)

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

#### The Subscription

Pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Subscriber has agreed to subscribe for and the Company has agreed to issue the Convertible Notes in the principal amount of HK\$700,000,000, with 0.5% coupon and due on the Maturity Date.

#### Principal terms of the Convertible Notes

Issuer : The Company

Principal amount : HK\$700,000,000

Denomination : HK\$1,000,000 each and integral multiples thereof

Subscription Price : 98% of the principal amount of the Convertible Notes which is HK\$686 million

Interest : 0.5% per annum payable quarterly in arrears on 31 March, 30 June, 30 September and 31 December in each year based on the outstanding principal amount of the Convertible Notes

Maturity Date : 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 Relevant 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 Conversion Rejection Price (being HK\$6.50 per Share but subject to adjustment pursuant to the Adjustment Provisions).

## LETTER FROM THE BOARD

When the Conversion Price as per above calculation is lower than the Conversion Rejection Price, the Company will take into account the factors such as the liquidity of the Shares, the funding needs of the Group, the dilution effect as a result of the issue of the Conversion Shares to the existing Shareholders, the market sentiment and the availability of other alternative fund raising opportunities in determining whether to reject the exercise of Conversion Rights, the extent of difference between the Conversion Price and the Conversion Rejection Price which is not in extremity. If the Conversion Price is approaching the par value of HK\$0.01 or less than the par value, it will fall into the extreme scenario that the Company will consider to reject the exercise of Conversion Rights. For the avoidance of doubt, the Company will still have the discretion after the Conversion Rejection Price has been adjusted under the adjustment provisions.

Notwithstanding the Company's rejection of the conversion when the Conversion Price is below the Conversion Rejection Price, the Subscriber can still exercise the Conversion Rights attached to the Convertible Notes at the Conversion Rejection Price before the Maturity Date if there are any outstanding Convertible Notes. The Company is obliged to redeem each of the outstanding Convertible Notes at the Maturity Date, subject to early redemption prior to the Maturity Date pursuant to the Terms and Conditions.

- Conversion Shares : For illustration only, (a) assuming that the Conversion Date is the Latest Practicable Date, 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\$5.45851 per Share, which entitles the Noteholder to subscribe for approximately 61,750,000 Conversion Shares upon exercise in full of the Conversion Rights attaching to the Convertible Notes based on (i) the principal amount of the Convertible Notes of HK\$700 million divided by the Conversion Price; or (ii) the Maximum Number of Shares (whichever is lower), representing:
- (i) approximately 19.98% of the existing issued share capital of the Company; and
  - (ii) approximately 16.66% 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;

## LETTER FROM THE BOARD

(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 is equal to the Conversion Rejection Price, the Conversion Shares will still be subject to a maximum limit of 61,750,000 Conversion Shares, which represents:

- (i) approximately 19.98% of the existing issued share capital of the Company; and
- (ii) approximately 16.66% 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.

The Subscriber shall not transfer any Convertible Notes to any third party unless such third party agrees in writing to be bound by the 19% Shareholding Limit upon the transfer of the relevant Convertible Notes as well as to limit further transfer of the Convertible Notes to transferees who agree to the same condition.

Maximum Number of Shares : The maximum total number of Conversion Shares to be issued pursuant to the exercise of Conversion Rights by the Noteholders shall be 61,750,000 Conversion Shares. The Maximum Number of Shares will be fixed and not subject to adjustment.

Conversion Rejection Price : HK\$6.50 per Share, but subject to adjustment in the Adjustment Circumstances.

The Conversion Rejection Price is the price at which the Company has the discretion to reject conversions, i.e. if the calculated Conversion Price is lower than the Conversion Rejection Price, the Company may choose to reject conversions from the Subscriber. Currently, the Company has no intention to allow conversions when the Conversion Price is below the Conversion Rejection Price, unless under any unforeseeable circumstances, where market conditions change materially including if the share price remains below the Conversion Rejection Price for a period of time.

## LETTER FROM THE BOARD

Adjustment provisions for the Conversion Rejection Price : The Conversion Rejection Price shall from time to time be subject to adjustment upon occurrence of certain events:

- (i) *Consolidation, subdivision or reclassification of the Shares:* If and whenever there shall be a consolidation, subdivision or reclassification of the Shares, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the number of Shares in issue immediately before such alteration; and

B is the number of Shares in issue immediately after such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

- (ii) *Capitalisation of profits or reserves;*

1. If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including, Shares paid up out of distributable profits or reserves and/or share premium account (except any scrip dividend) and which would not have constituted a distribution, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

## LETTER FROM THE BOARD

Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

2. In the case of an issue of Shares by way of a scrip dividend where the Current Market Price on the date of announcement of the terms of such issue of Shares multiplied by the number of Shares issued exceeds the amount of the relevant cash dividend or the relevant part thereof, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the relevant cash dividend would purchase at such Current Market Price; and
- C is the number of Shares to be issued pursuant to such scrip dividend;

or by making such other adjustment as the Calculation Agent shall certify to the Noteholders is fair and reasonable.

Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

## LETTER FROM THE BOARD

(iii) *Capital distribution:* If and whenever the Company shall pay or make any distribution to the Shareholders (except to the extent that the Conversion Rejection Price falls to be adjusted as described in (ii) above), the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such distribution by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the Trading Day immediately prior to the first Trading Day on which such Share is traded ex-dividend or ex-distribution; and
- B is the fair market value on such Trading Day of the portion of the distribution attributable to one Share.

Such adjustment shall become effective on the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange or if later, the first date upon which the fair market value of the distribution is capable of being determined.

In making any calculation pursuant to this (iii), such adjustments (if any) shall be made as the Calculation Agent may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event, (c) the modification of any rights to dividends of Shares or (d) any change in the fiscal year of the Company.

## LETTER FROM THE BOARD

(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, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such announcement;
- B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe for, purchase or otherwise acquire at such Current Market Price per Share; and
- C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

## LETTER FROM THE BOARD

- (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), the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and
- B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants, as the case may be.

## LETTER FROM THE BOARD

(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 (other than *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 the announcement of the terms of such issue, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

Where:

- A is the number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;
- B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price per Share; and
- C is the number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Company of options, warrants or other rights to subscribe or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue or grant of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights or if a record date is set, the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

## LETTER FROM THE BOARD

(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 the announcement of the terms of issue of such securities, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

## LETTER FROM THE BOARD

(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 the announcement of the proposals for such modification, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

Where:

- A is the number of Shares in issue immediately before such modification;
- B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and
- C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as the Calculation Agent consider appropriate (if at all) for any previous adjustment under this (viii) or the above (vii).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

## LETTER FROM THE BOARD

- (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 Conversion Rejection 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, the Conversion Rejection Price shall be adjusted by multiplying the Conversion Rejection Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

Where:

- A is the Current Market Price of one Share on the date on which such issue is publicly announced; and
- B is the fair market value on the date of such announcement (less any consideration payable for the same by the Shareholders) of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities or if a record date is set, the day on which the Shares are traded ex-entitlement on the Relevant Stock Exchange.

- (i) If, between the date of the Subscription Agreement and the Closing Date (both dates inclusive), the Company or any person acting on its behalf, takes any action (directly or indirectly) designed to, which constitutes or which might reasonably be expected to cause or result in an adjustment under the Adjustment Provisions, the Conversion Rejection Price shall be adjusted using the same formulae and methods as set out in the Adjustment Provisions above;
- (ii) The Company undertakes not to take any action that would reduce the Conversion Rejection Price of the Convertible Notes below a level that may be prescribed by applicable laws and regulations from time to time (if any).

## LETTER FROM THE BOARD

For clarification sake, the above Adjustment Provisions only apply to the Conversion Rejection Price but do not apply to the Conversion Price, i.e. no adjustment will be made to the Conversion Price which at all times represents and equals to 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 if a Conversion Date falls on the date on which an adjustment becomes effective, but the relevant adjustment has not been reflected in the then current Volume Weighted Average Price, the Conversion Price in respect of the Conversion Date shall be adjusted by using the same formulae and methods as set out above.

*The Company undertakes and agrees not to do any corporate actions other than those events (i) to (ix) listed above.*

- Right participate in distributions and/or offers of further securities : The Convertible Notes do not grant the Noteholders any right to participate in any distributions and/or offers of further securities made by the issuer.
- Conversion Rights : The Conversion Rights 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 Rights 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.

## LETTER FROM THE BOARD

Non-Conversion Period : The Company may designate a period during which the Subscriber shall not exercise any Conversion Rights (the “**Non-Conversion Period**”) 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 Notes at 98% of its principal amount at the 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 (the “**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 (the “**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\$210,000,000;

## LETTER FROM THE BOARD

- (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 Convertible Notes) as of the date falling one calendar month before the Maturity Date exceeds HK\$490,000,000; 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 Business Days upon request by the Subscriber (as the case may be), pay to the Subscriber a cancellation fee equals 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\$7,000,000 (as the case may be).

Given that the Company will only issue the Maximum Number of Shares pursuant to the Terms and Conditions, in any event, the Company will not issue more than 61,750,000 Conversion Shares. Upon the issue of Conversion Shares reaching the Maximum Number of Shares, the Convertible Notes will be early terminated and any Convertible Notes (or portion of Convertible Notes) then outstanding shall be redeemed by the Company.

Transferability : Subject to the Restricted Transfer Period and the Shareholding Limit, 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 (the “**Block Trades Rejection Right**”).

## LETTER FROM THE BOARD

The Company will not have information about the identity of the purchaser of the Conversion Shares if the Subscriber sells the Conversion Shares of less than 1% of the total outstanding Shares in aggregate to any single party through block trades. It is noted that such restriction also does not apply to on-market trades where the Subscriber is unable to identify the purchaser. Noting that in daily trading of the Shares on the open market of the Stock Exchange, an investor who acquires Shares less than 5% of the total shareholdings in the Company is not required to disclose his/her/its identity. The Company has difficulty to identify shareholder who holds less than 5% shareholding.

The Company considers that the Block Trades Rejection Right is in the interest of the Company as it provides the Company visibility, transparency and control on the sale/transfer of over 1% of outstanding Shares by the Subscriber through block trades. The Company will reject the transfer by the Subscriber if the block purchaser of the Conversion Shares is a connected person of the Company or such transfer will result in a change in control of the Company.

No Convertible Notes shall be transferred to a connected person (as defined under the Listing Rules) of the Company or an associate (as defined under the Listing Rules) of any connected person of the Company. As the register of the Convertible Notes is kept by the Company, the Company will be able to ascertain the identity of the transferee of the Convertible Notes.

Under the terms of the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), the Subscriber shall not transfer the Convertible Notes to a third party unless the third party agrees to be bound by the 19% Shareholding Limit as well as to limit further transfer of the Convertible Notes to transferees who agree to the same condition. Hence no third-party transferee of the Convertible Notes may hold more than 19% of the total outstanding Shares at any time.

- 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.
- Right on liquidation : Save for the collaterals provided by the Company under the Credit Support Agreement, the Convertible Notes are unsecured and the Noteholder will have same rights as unsecured creditors if the Company goes into liquidation.

## LETTER FROM THE BOARD

- Listing : 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
- 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 Terms and Conditions contain 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, in excess of HK\$25,000,000 or its equivalent, there exist any enforcement of proceedings, enforcement of security or winding up order against the Company, the Company is insolvent, it becoming unauthorised or 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 authorities.
- 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.
- Right of First Refusal : The Right of First Refusal clause is removed pursuant to the Supplemental Agreement. Accordingly, the Subscriber will not be entitled to such right.

## LETTER FROM THE BOARD

### Conversion Price

Assuming that the Conversion Date is the Latest Practicable Date, 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\$5.45851 per Share, which represents:

- (i) a discount of approximately 3.22% to the closing price of HK\$5.64 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 47.72% 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;
- (iii) a discount of approximately 37.83% to 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;
- (iv) a discount of approximately 35.86% to 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
- (v) a premium of approximately 857.63% over the unaudited consolidated net asset value attributable to owners of the Company per Share of approximately RMB0.52 (equivalent to approximately HK\$0.57), based on the latest unaudited net asset value attributable to owners of the Company of approximately RMB159.44 million (equivalent to approximately HK\$175.38 million) as at 30 June 2023 and the number of Shares in issue of 309,000,000 Shares as at the Latest Practicable Date.

The Conversion Price and the Conversion Rejection Price have been determined after arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares on the date of the Subscription Agreement and the size of the Subscription. The Directors consider that the Conversion Price and the Conversion Rejection 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;

## LETTER FROM THE BOARD

- (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

## LETTER FROM THE BOARD

- (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 December 2023, the Subscriber may, by notice to the Company given at any time prior to payment of the Subscription Price for the Convertible Notes to the Company, terminate the Subscription Agreement.

As at the Latest Practicable Date, save for the Company has executed and delivered the Credit Support Agreement under condition (f), none of the conditions precedent set out above has been fulfilled.

### **Completion**

Completion of the Subscription will take place on the Closing Date. On the Closing Date, the Subscriber has an obligation to pay the Subscription Price for the Convertible Notes to the Company.

### **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.

### **CREDIT SUPPORT AGREEMENT**

Pursuant to the Credit Support Agreement dated 12 May 2023, the Company agrees that on the Closing Date, it has an obligation to transfer cash collateral to the Subscriber in an amount equal to the aggregate Subscription Price of the Convertible Notes to be issued on the Closing Date, as credit support provided by the Company to secure the Company's obligations under the Convertible Notes. The Company and the Subscriber agree to set off in full the

## **LETTER FROM THE BOARD**

Company's obligation to transfer such cash amount to the Subscriber on the Closing Date against the Subscriber's obligation to pay the Subscription Price for the Convertible Notes to the Company on the Closing Date.

### **Accounting Treatment of the Convertible Notes**

Upon issue of the Convertible Notes, the Company will recognise an increase in financial liability at fair value on the balance sheet and a fair value loss in the profit and loss. During the term of the Convertible Notes, any change in the fair value of the financial liability will impact the profit and loss of the Company. The conversion of the Convertible Notes results in the issue of Conversion Shares and part of the cash collateral of the same amount being released to the Company and the Company will recognise an increase in share capital, share premium, cash and cash equivalents and a reduction in the financial liability on the balance sheet and, if any, the change in fair value of the financial liability in the profit and loss upon the conversion of the Convertible Notes.

Hence, Shareholders and investors shall note that on the Closing Date, the Company will not have legal title to the Subscription Price of the Convertible Notes. Due to contractual set-off arrangement under the Credit Support Agreement, there is no net exchange of cash between the Subscriber and the Company on the Closing Date. The collateral held by the Subscriber will not bear any interest. The Company will subsequently receive, and obtain legal title to such cash transferred by the Subscriber as Return Amount (as defined below) following each exercise by the Subscriber of the Conversion Rights attached to the Convertible Notes and delivery of the relevant Conversion Shares to the Subscriber pursuant to the Credit Support Agreement. The Company will also obtain legal title to the cash collateral returned by the Subscriber upon termination of the Credit Support Agreement as stated below.

The Credit Support Agreement is a bilateral arrangement between the Subscriber and the Company and will not apply to a third-party Noteholder merely because such third party has acquired Convertible Notes from the Subscriber. In the event that the Convertible Notes are transferred to any Independent Third Party(ies), the relevant cash collateral held by the Subscriber under the Credit Support Agreement (which would be equal to the subscription price of the Convertible Notes being transferred) will be released to the Company.

### **Return of cash collateral**

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 cash collateral to the account of the Company. If the Credit Support Agreement is terminated for any reason, upon such termination of the Subscriber will pay to the Company a cash amount equal to (A) the Outstanding Credit Support (as defined below) as of the termination date; less (B) any amounts due from the Company to the Subscriber under the Convertible Notes and/or the Note Documents.

## LETTER FROM THE BOARD

In the event that the Subscriber 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 cash from the Outstanding Credit Support in an amount equal to the Subscription Price of the Convertible Notes so converted (after deducting any cost and expenses which may be deducted by the Subscriber under the Note Document) (the “**Return Amount**”) to the account of the Company as set out in the Credit Support Agreement, and the Outstanding Credit Support shall, upon such transfer, be reduced accordingly.

As used herein, “Outstanding Credit Support” shall mean, on any day, an amount equal to the sum of cash in Hong Kong dollars held by the Subscriber on that day as collateral pursuant to the Credit Support Agreement.

### **Risk relating to the issue of the Convertible Notes**

The Company notes that pursuant to the Credit Support Agreement, the proceeds from the issue of the Convertible Notes will be kept as collateral with the Subscriber for securing the repayment of the Convertible Notes and the Company will receive those proceeds upon conversion of the Convertible Notes. The arrangement under the Credit Support Agreement is to secure that the Company has sufficient fund to repay any outstanding Convertible Notes as at the Maturity Date. **There is a risk that the Company may not be able to utilise the proceeds in the event that the Noteholder(s) does not exercise the Conversion Rights.**

Pursuant to the Subscription Agreement, the Company shall reimburse the Subscriber for its legal expenses (capped at HK\$600,000) incurred in connection with the negotiation and execution of the Note Documents and the delivery of relevant documents under the Subscription Agreement. In addition, the Convertible Notes bear the interest rate of 0.5% per annum of the outstanding principal amount of the Convertible Notes, and for illustration purpose, the total amounts payable or may become payable by the Company under or in connection with the Convertible Notes under the Note Documents will be approximately HK\$4,100,000 if the Company is to redeem the Convertible Notes on the Maturity Date, being first anniversary of the Closing Date, assuming that none of the Convertible Notes are being converted into Conversion Shares. **In the event that the Noteholder(s) does not exercise the Conversion Rights, the Company is still contractually bound to pay the interest and reimburse the Subscriber for certain relevant expenses agreed under the Subscription Agreement. Furthermore, in the event that the Conversion Shares are allotted and issued under the Convertible Notes, there will be dilution to the shareholding of the existing Shareholders as a whole. Shareholders are advised to read the section headed “EFFECTS OF THE FULL CONVERSION OF THE CONVERTIBLE NOTES” below.**

### **Company’s payment obligation for early redemption**

If (i) the Company at its option early redeems the Convertible Notes before the Subscriber has converted the Convertible Notes in the aggregate principal amount of HK\$210,000,000; (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 Convertible Notes) as of the date falling one calendar month before the Maturity Date (for the avoidance of doubt, after applicable extension) exceeds HK\$490,000,000; or (iii) the

## LETTER FROM THE BOARD

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\$7,000,000 (as the case may be).

### **The Company considers the Credit Support Agreement is fair and reasonable**

The Aerospace Business of the Group is a capital intensive industry, and the Group has low level of cash and cash equivalents as shown in the interim results announcement of the Company for the six months ended 30 June 2023. Since the subscription of new Shares in November 2021, the Company has been exploring other fund raising opportunities. The Company had entered into some preliminary negotiations for various equity or debt fund raising and also placing of shares or bonds, however, none of them materialised.

The Company approached more than six investment and commercial banks before the Company became acquainted with the Subscriber but the Company could not reach an agreement with any of such banks due to the financial position of the Group or lack of provision of assets pledging by the Group to secure the bank borrowings. Hence, the Company could only rely on the loans provided by Directors/Shareholders to finance its operation and business development. The Directors believe that such arrangement, in the long run, is not healthy and will also hinder the business development of the Group.

It is considered that the relatively large size of the Subscription will replenish the funding needs of the Group and provide sufficient fund for the operation of the Aerospace Business. The Conversion Price represents 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 materially lower than the bank borrowings of the Group, which the weighted average interest rate per annum was 4.12% as at 30 June 2023 according to the interim results announcement of the Company for the six months ended 30 June 2023. Therefore, the Company considered that the Group will benefit from the Subscription in terms of enhancing (i) the visibility of the Company to institutional investors even though the Group has been lossmaking in recent years and the auditors of the Company has raised going concern issues in the annual report of the Company for the year ended 31 December 2022; and (ii) if the Convertible Notes are converted, the financial position of the Group.

Though under the Credit Support Agreement, the Company will only receive the subscription money after the conversion of the Convertible Notes. The Subscriber has agreed to use commercially reasonable endeavours to convert the Convertible Notes prior to the Maturity Date, subject to Terms and Conditions and taking into consideration various factors such as market and economic conditions. The Company expects that there is a chance that the Company will receive the proceeds in a short period of time.

## LETTER FROM THE BOARD

The Subscriber has indicated its intention not to become a long term shareholder or a substantial shareholder of the Company. Given the Shareholding Limit, it is unlikely that the issue of the Convertible Notes will have material impact on the control of the Company.

The Company truly believes that such vast amount of funding is crucial for the Group's operation and business development. Given the Company encountered difficulties in raising fund and the Company has desperate need to finance its operation and business development, on 11 July 2023, Aspace Satellite Technology Limited (“**Aspace**”), an indirect wholly-owned subsidiary of the Company, has entered into a conditional subscription agreement with a subsidiary of Utmost International Isle of Man Limited, pursuant to which Aspace conditionally agreed to issue and the subscriber conditionally agreed to subscribe for 9,800 new shares of Aspace, representing 49% of the issued share capital of Aspace as enlarged by the 9,800 new shares of Aspace. The net proceeds from the said subscription was approximately HK\$237.4 million, which was not sufficient to cover the funding needs of Group, which will be further discussed below in the paragraph headed “REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS” in this circular. In addition, selling assets to fund its operation in the long run is not sustainable.

The Credit Support Agreement was negotiated as part of the terms of the Subscription to allow the Company to get better term for the Convertible Notes, such as the Conversion Price being at a relatively low discount to the prevailing market value and the Convertible Notes bearing a low interest rate of 0.5% per annum compared to the prevailing bank prime lending rates in Hong Kong which are now above 5%. The interest rate of the convertible notes issued by other companies listed on Stock Exchange issued for cash to Independent Third Parties with the announcement date from 1 January 2023 to the date of the Subscription Agreement is ranged from 2.0% to 10.0%, with the average being 5.7%. Therefore, the Directors consider that Credit Support Agreement is in the interest of the Company and its Shareholder as a whole.

The Company is well aware that under the Credit Support Agreement, the Company may face risk that when the market condition is not favourable, the Subscriber elects not to convert the Convertible Notes and no actual proceeds will be received by the Company. Nonetheless, given the lack of other collateral the Company can provide, the subscription money is the only meaningful collateral that the Company can use in return for a reasonable opportunity to raise capital upon conversion. Having deliberated the current capital market conditions and the Company's difficulty in raising funds, the Company has considered that the Subscription is in the interest of the Company and its Shareholders as a whole because the Subscription provides a potential upside for the Company to receive up to approximately HK\$684.2 million in a few months' time after the Closing Date. The Company will be in a much better position compared to its previous state when it only relied on the loans provided by Directors/ Shareholders and was not able to obtain any fund for its operations, hindering its business development or jeopardizing the prospects of its business development. The Company believes that only when the Company can develop its business, the Company is able to generate benefits to its Shareholders.

## LETTER FROM THE BOARD

**Shareholders and potential investors should note that the Convertible Notes are collateralised. All the initial proceeds of HK\$686 million from issue of the Convertible Notes will be used as collateral to secure the Company's redemption obligation under the Convertible Notes. Upon Completion, the Company will not benefit from the proceeds immediately. The collateral for securing the corresponding portion of the Convertible Notes will be released to the Company upon conversion. Shareholders and potential investors are advised to exercise caution when dealings in the Shares.**

### INFORMATION ON THE SUBSCRIBER

The Subscriber is 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 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. Macquarie Bank Limited provides financial services including asset finance, lending, banking and risk and capital solutions across debt, equity and commodities.

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.

Other than the Subscription Agreement and Credit Support Agreement, the Company does not have any agreed or under negotiation business transactions or arrangements with the Subscriber.

The Board considers it is fair and reasonable to the Company for the Subscriber acting as the Calculation Agent as the Company would not need to burden the administrative cost for each conversion of the Convertible Notes if the conversion is made by number of times by the Subscriber. As the Calculation Agent has a duty to act reasonably and in good faith in accordance with the Subscription Agreement and the Terms and Conditions (including the Adjustment Provisions with respect to adjusting the Conversion Rejection Price), the Company considers the Subscriber which acts as the Calculation Agent will not be prejudicial to the Company.

Further, pursuant to the Subscription Agreement (as amended and supplemented by the Supplemental Agreement), subject to any provisions in the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) (including the Non-Conversion Periods and Shareholding Limit) and the Terms and Conditions of the Convertible Notes, it will use commercially reasonable endeavours, taking into consideration factors including (but not limited to) market and economic conditions and the Company's financial conditions and business prospects, to exercise the Conversion Rights prior to the Maturity Date.

## LETTER FROM THE BOARD

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is an investment holding company. As at the Latest Practicable Date, the Group is principally engaged in (1) Aerospace Business which includes (a) satellite manufacturing; (b) satellite communication; (c) satellite measurement and controlling; and (d) satellite launching; and (2) electronics manufacturing services business.

The Subscriber is a subsidiary of Macquarie Group Limited (“MGL”). Based on the annual report of MGL for the year ended 31 March 2023, MGL has total assets of approximately Australian dollar 387.9 billion and total equity of approximately Australian dollar 34.1 billion as at 31 March 2023. MGL works with government, institutional, corporate and retail clients and counterparties around the world, providing a diversified range of products and services to a wide range of sectors, including renewables, infrastructure, resources, commodities and energy. Based on the information provided by the Subscriber MGL employed over 20,500 staff globally in 34 markets and currently has Australian dollar 870.8 billion in assets under management. The Directors consider that the Subscription will introduce a reputable institutional investor to the Company.

As mentioned above, a cash amount equal to the initial proceeds of HK\$686 million from the issue of the Convertible Notes will be kept as collateral with the Subscriber for securing the repayment of the Convertible Notes and the Company will receive those proceeds upon conversion of the Convertible Notes. There is a risk that the Company may not be able to utilise the proceeds in the event that the Noteholder(s) does not exercise the Conversion Rights. The Directors having deliberated the pros and cons of the Credit Support Agreement, detailed disclosure of which are set out in the section headed “CREDIT SUPPORT AGREEMENT” above, still consider the Subscription is a better fund raising means for the Company in light of the difficulties faced by the Group.

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\$686 million and the aggregate net proceeds from the Subscription, after the deduction of the professional and other related expenses, which are estimated to be approximately HK\$1.80 million, will be up to HK\$684.2 million. For illustration purpose only, assuming that the Conversion Date is as at the Latest Practicable Date, based on the Conversion Price of HK\$5.45851, being 95% of the Volume Weighted Average Price of the Shares as traded on the Stock Exchange on the Trading Day immediately preceding the Latest Practicable Date, the net proceeds would be approximately HK\$335.3 million, which represents a net issue price of approximately HK\$5.42936 per Conversion Share issued under the Subscription.

Though due to the arrangement under the Credit Support Agreement the Company will not be able to immediately receive cash from the Subscriber’s Subscription of the Convertible Notes until the Convertible Notes are converted by the Subscriber or the Credit Support Agreement is otherwise terminated, the Directors consider that the Subscription will provide a chance for the Group to have the potential proceeds of HK\$684.2 million. Such amount of proceeds is relatively large to the Company and is the largest fund raising exercises conducted by the Company since the Company was listed on the Stock Exchange. Notwithstanding the Subscription may not immediately resolve “the funding needs for future capital requirement

## LETTER FROM THE BOARD

and operation of the Group” as there is no definite timeline for the return (if any) of the Outstanding Credit Support under the Credit Support Agreement which depends on when the Subscriber exercises the Conversion Rights attached to the Convertible Notes. The Company plans to seek bridging loans from the Shareholders and/or the Directors or will explore some equity fund raising activity(ies) if there is a favourable market condition. However, at the current time there is no assurance that the Company will conduct any fund raising activity(ies) in near future.

Having considered the terms of the Convertible Notes and taking into account the discount of the Subscription Price to the principal amount of the Convertible Notes, the interest rate of the Convertible Notes of 0.50% per annum, the effective annualised interest rate shall be approximately 0.51% per annum which is still below the prevailing prime lending rate of the licensed banks in Hong Kong, despite the fact that the Company cannot predict the Conversion Price and the actual fund raised under the Subscription is very uncertain when compared with debt financing or placing /rights issue / open offer, the Directors are of the view that the Subscription (including the Terms and Conditions and the Credit Support Agreement) will be in the interest of the Company and the Shareholders and align with the Company’s fund raising purposes.

Assuming the Convertible Notes are fully converted, the Company plans to utilise the proceeds of approximately HK\$342.1 million for working capital of the operation of its Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre located at the AMC and the remaining proceeds of approximately HK\$342.1 million for the general working capital of the Group. The Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre located at the AMC are expected to be fully operated in July 2023. The working capital for the operation of Hong Kong satellite manufacturing centre for the coming one year is estimated to be approximately HK\$219.1 million, which includes the purchase of raw materials, direct labour costs, purchase of plant and equipment, rental expenses and repayment of construction work. The working capital for the operation of Hong Kong satellite operation control and application centre for the coming one year is estimated to be approximately HK\$178.8 million, which includes purchase of plant and equipment, rental expenses and repayment of construction work. Other than the working capital for the operation of the satellite centres, the usage of general working capital of the Group includes (i) salaries expenses, which is estimated to be HK\$153.7 million per year; (ii) rental expenses and management fee, which is estimated to be HK\$13.9 million per year; and (iii) settlement of the loan from two substantial Shareholders, which are controlled corporations of Mr. Sun Fengquan, which is amounted to approximately HK\$288.7 million as at 30 June 2023. Other than for normal operation and ordinary course of business of Group, such as acquisition of machinery for the satellite centres, the proceeds will not be allocated for any merger or acquisition of assets or businesses, including transactions involving acquisition of new business in other sectors.

In the event that the proceeds received from the conversion of the Convertible Notes is less than the maximum amount of HK\$684.2 million, the Company will allocate the proceeds on a basis of 50% of the proceeds received towards the Group’s working capital of the operation of its Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre and the remaining 50% of the proceeds received towards the

## LETTER FROM THE BOARD

general working capital of the Group. Before receiving the proceeds, the working capital for the operation of the Group will still depend on bridging loans from the Shareholders and/or the Directors and the Company will continue to seek for other fund raising sources subject to market condition.

Having considered (i) the benefits of introducing a reputable institutional investor; (ii) the financial position of the Group as at 30 June 2023 and the Conversion Price as at the Latest Practicable Date represents a premium over the unaudited net assets per Share at approximately RMB0.52 (equivalent to approximately HK\$0.57) as at 30 June 2023; (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 Subscription Agreement and the Credit Support Agreement are fair and reasonable and are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Furthermore, the Board has considered the following fund raising alternatives before entering into the Subscription Agreement, which the Company is of the view that the Subscription is in the best interest of the Company and the Shareholders as a whole:

### **(i) Debt Financing**

As mentioned above, the working capital for the operation of the Group has been supported by bridging loans from the Shareholders and/or the Directors. The Company has been actively seeking for other third party financing sources. On 11 August 2022, the Company has entered into a placing agreement with the placing agent in relation to the placing of the bonds issued by the Company up to HK\$300 million on a best effort basis. Upon the completion of the placing, the Company only received approximately HK\$20 million from the issue of the bonds. Given that the recent debt fund raising is not quite successful to the Company, although the Company will not be able to use the proceeds until the conversion (which is to be determined by the Noteholder) under the Credit Support Agreement and there is no definite timeline within maximum of one year for the release (if any) of the money under the Credit Support Agreement which depends on when the Subscriber will exercise the Conversion Rights attached to the Convertible Notes, the Directors consider that the Subscription still provide a chance for the Group to obtain the potential proceeds of HK\$684.2 million, which is one of the largest fund raising exercises conducted by the Company since the Company was listed on the Stock Exchange.

The Board considered that the ability of the Group to obtain pure debt financing or bank borrowings from commercial banks would usually depend on the Group's profitability and financial position as well as the prevailing market condition and may be subject to lengthy due diligence exercises, the respective banks' internal risk assessments and negotiations with commercial banks that usually require a pledge of assets by the borrower. As at 30 June 2023, the Group's gearing ratio, which was calculated by total borrowings divided by total equity, was approximately 142.1% which increased by more than 40% as compared with the gearing ratio of approximately 101.5% as at 31 December 2022. The Group has recorded net loss of approximately RMB87.3 million and RMB154.3 million for the six months ended 30 June 2023 and for the year ended 31 December 2022 respectively. The Company has approached

## LETTER FROM THE BOARD

more than six investment and commercial banks before the Company became acquainted with the Subscriber but the Company could not reach an agreement with any of such banks due to the financial position of the Group or lack of provision of assets pledging by the Group to secure the bank borrowings. Given the continuous loss-making position and high debt level of the Group, the Board anticipated that other commercial banks would generally require higher interest rates for any possible debt financing instruments as compared to that of the Convertible Notes. As such, the Board is of the view that obtaining further debt financing from commercial banks would not be easily accessible and would bring about undesirable effects to the financial position of the Group.

### **(ii) Equity Financing**

The Board also considered raising funds through equity financing by way of placing of new Shares, rights issue or open offer. However, the Subscription Price would have to be set at a deep discount to the prevailing market price of the Shares so as to attract potential investors and/or existing Shareholders as compared with the terms of the Convertible Notes, which the Conversion Price is 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. In addition, rights issue or open offer of new Shares is subject to underwriting uncertainty and market risks whilst any arm's length underwriting arrangement is normally subject to standard force majeure clauses in favour of the underwriter and may generally incur higher transaction costs (i.e. underwriting and other related fees).

Having considered other debt financing and equity financing alternatives as set out above, and the benefits to the Subscription, the Directors consider that the Subscription and the Terms and Conditions are fair and reasonable based on the current market conditions 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 Latest Practicable Date; (ii) immediately after conversion in full of the Convertible Notes at the illustrative Conversion Price of HK\$5.45851 per Share, assuming that the Conversion Date is the Latest Practicable Date; and (iii) immediately upon conversion of the Convertible Notes up to Maximum Number of Shares, are summarised as follows (assuming there is no other change in the issued share

## LETTER FROM THE BOARD

capital of the Company) assuming that there is no other Noteholder apart from the Subscriber (noting that the Subscriber has indicated that it does not have any specific intention to transfer the Convertible Notes to third party):

	(i) As at the Latest Practicable Date		(ii) Immediately upon full conversion of the Convertible Notes at the illustrative Conversion Price of HK\$5.45851 per Share (for illustration purpose only)		(iii) Immediately upon conversion of the Convertible Notes up to 61,750,000 Shares (for illustration purpose only)	
	Number of Shares	Approximately %	Number of Shares	Approximately %	Number of Shares	Approximately %
Hong Kong Aerospace Technology Holdings Limited (“ <b>HKATH (BVI)</b> ”) <sup>(note 1)</sup>	78,343,553	25.35	78,343,553	21.13	78,343,553	21.13
Vision International Group Limited (“ <b>Vision</b> ”) <sup>(note 1)</sup>	19,826,000	6.42	19,826,000	5.35	19,826,000	5.35
Ms. Chung Yuen Yee <sup>(note 2)</sup>	4,257,002	1.38	4,257,002	1.15	4,257,002	1.15
Sure Wealth Investment Limited <sup>(note 3)</sup>	2,277,496	0.74	2,277,496	0.61	2,277,496	0.61
The Subscriber <sup>(note 4)</sup>	—	—	61,750,000 <sup>(note 5)</sup>	16.66 <sup>(note 5)</sup>	61,750,000 <sup>(note 5)</sup>	16.66 <sup>(note 5)</sup>
Other public shareholder	<u>204,295,949</u>	<u>66.11</u>	<u>204,295,949</u>	<u>55.10</u>	<u>204,295,949</u>	<u>55.10</u>
Total:	<u><u>309,000,000</u></u>	<u><u>100.00</u></u>	<u><u>370,750,000</u></u>	<u><u>100.00</u></u>	<u><u>370,750,000</u></u>	<u><u>100.00</u></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 major shareholder or a substantial shareholder (as defined in the Listing Rules) of the Company, and may sell the Conversion Shares from time to time during and after the Conversion Period. In addition, under the terms of the Subscription Agreement the Subscriber shall not exercise any Conversion Rights, nor otherwise acquire any Shares, to the extent that it 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.
- (5) Pursuant to the Supplemental Agreement, the maximum total number of Conversion Shares to be issued pursuant to the exercise of Conversion Rights by the Noteholders shall be 61,750,000 Conversion Shares.

## LETTER FROM THE BOARD

### 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 Latest Practicable Date.

### EGM AND PROXY ARRANGEMENT

The EGM will be held at 1/F, Data Technology Hub, 5 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong at 11:00 a.m. on Thursday, 5 October 2023 for the Shareholders to consider, and if thought fit, approve the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Convertible Notes, the grant of the specific mandate and the entering into of the Credit Support Agreement which is a part and parcel of the transactions). Any associates of the Subscriber who are interested in the Subscription shall abstain from voting on the resolution(s) to approve the Subscription Agreement and the transactions contemplated thereunder at the EGM. A notice for convening the EGM to be held at 1/F, Data Technology Hub, 5 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong at 11:00 a.m. on Thursday, 5 October 2023 is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, a special resolution will be put forward to the Shareholders to consider and, if thought fit, approve the Subscription Agreement (as amended and supplemented by the Supplemental Agreement) and the transactions contemplated thereunder (including the issue of the Convertible Notes, the grant of the specific mandate and the entering into of the Credit Support Agreement).

To the best of knowledge of the Directors, no Shareholders have a material interest in the Subscription Agreement and accordingly no Shareholders will be required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable and in any event not later than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

After the conclusion of the EGM, the results of the poll will be released on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hkatg.com](http://www.hkatg.com)).

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 4 October 2023 to Thursday, 5 October 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration

## LETTER FROM THE BOARD

with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 October 2023.

### RECOMMENDATION

The Directors are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder, which have been agreed after arm's length negotiations are on normal commercial terms and such terms are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution for approving, the Subscription Agreement and the transactions contemplated thereunder to be proposed at the EGM.

### RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

## NOTICE OF EGM



### 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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Hong Kong Aerospace Technology Group Limited (the “**Company**”) will be held at 1/F, Data Technology Hub, 5 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong at 11:00 a.m. on Thursday, 5 October 2023 for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the conditional subscription agreement dated 12 May 2023 (as amended and supplemented by the supplemental agreement dated 31 August 2023) (collectively the “**Subscription Agreement**”) and entered into between the Company as issuer and Macquarie Bank Limited as subscriber (the “**Subscriber**”) in relation to the issue of the convertible notes (“**Convertible Notes**”) in the principal amount of HK\$700,000,000 with 0.5% coupon and due on the first anniversary after the date of issue (copies of the subscription agreement and the supplemental agreement having been produced to the EGM and marked “A” and “B” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes, the allotment and issue of the conversion shares (the “**Conversion Shares**”) upon exercise of conversion rights attaching to the Convertible Notes and the entering into of the credit support agreement dated 12 May 2023, (a copy of the credit support agreement having been produced to the EGM and marked “C” and initialed by the chairman of the EGM for the purpose of identification)), be and are hereby approved, confirmed and ratified;
- (b) the board of Directors be and is hereby granted a specific mandate to allot and issue the Conversion Shares upon exercise of the conversion rights attached to the Convertible Notes in accordance with the terms and conditions of the Convertible Notes; and

## NOTICE OF EGM

- (c) any one or more Director(s) and/or the company secretary of the Company be and is/are hereby authorised to implement and take all steps and do all acts and things and execute all such documents (including under seal, where applicable) which he/she/they consider(s) necessary, desirable or expedient to give effect to the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 18 September 2023

*Head office and principal place of business in Hong Kong:*

15/F, Data Technology Hub  
5 Chun Cheong Street  
Tseung Kwan O Industrial Estate  
New Territories  
Hong Kong

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
3. The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the EGM or any adjourned meeting thereof (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
4. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM or any adjourned meeting thereof or on the poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

## NOTICE OF EGM

5. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. The register of members of the Company will be closed from Wednesday, 4 October 2023 to Thursday, 5 October 2023 (both days inclusive) during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 October 2023 for registration.
7. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on the Stock Exchange, all votes of shareholders of the Company at the EGM will be taken by poll and the results of the poll will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://www.hkatg.com>).
8. The translation into Chinese language of the notice convening the meeting is for reference only. In case of any inconsistency or discrepancy, the English version shall prevail.