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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered dealer in securities, a 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 accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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## **Hong Kong Aerospace Technology Group Limited**

**香港航天科技集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1725)**

**(1) MAJOR TRANSACTION IN RELATION TO AN OFFER TO LEASE  
THE PREMISES IN THE ADVANCED MANUFACTURING CENTRE  
FOR SETTING UP A HONG KONG SATELLITE MANUFACTURING CENTRE  
AND  
(2) MAJOR TRANSACTION IN RELATION TO THE ENTERING INTO OF  
THE TOTAL PROCUREMENT OF EQUIPMENT AND INSTALLATION  
SERVICE CONTRACT FOR THE ESTABLISHMENT OF  
HONG KONG SATELLITE MANUFACTURING CENTRE**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

The transaction being the subject matter of this circular has been approved by written shareholders’ approval pursuant to the Listing Rules and this circular is being despatched to the Shareholders for information only.

17 November 2021

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“2/F AMC Premises”	the entire second (2nd) floor of the AMC Premises
“AMC”	the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong
“AMC Premises”	several units on the second (2nd) and eighth (8th) floor of the AMC with a total gross floor area of approximately 178,205 square feet
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Commencement Date”	the date to be specified in a notice from the Lessor to the Lessee notifying the Lessee that the AMC Premises are ready for handover
“Company”	Hong Kong Aerospace Technology Group Limited (香港航天科技集團有限公司), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1725)
“Contract”	the total procurement of equipment and installation service contract dated 27 October 2021 and entered into between the Company and the Contractor, pursuant to which, the Contractor agreed to procure the Products, undertake the installation, and provide technical support services
“Contract Price”	the contract price payable by the Company to the Contractor under the Contract
“Contractor”	China Great Wall Industry Corporation, a company established in the PRC with limited liability and wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

## DEFINITIONS

“HKATH”	Hong Kong Aerospace Technology Holdings Limited (香港航天科技控股有限公司), a company incorporated in Hong Kong with limited liability and the controlling shareholder of the Company
“HKFRS 16”	the “Hong Kong Financial Reporting Standard 16 — Leases” issued by the Hong Kong Institute of Certified Public Accountants, sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Investment Requirement”	the machinery, plant and equipment investment in the amount of HK\$160 million to be provided by the Lessee for the commencement of its operations on the AMC Premises within 12 months from the Commencement Date
“Latest Practicable Date”	16 November 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lease Agreement”	the formal lease agreement to be entered into by the Lessor and the Lessee for the lease of the AMC Premises
“Lessee”	Hong Kong Satellite Manufacturing Limited (香港衛星製造有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Lessor”	Hong Kong Science and Technology Parks Corporation (香港科技園公司), being a body corporate formed under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	1 October 2022, being the latest date for the Commencement Date to take effect

## DEFINITIONS

“Offer to Lease”	the offer to lease letter issued by the Lessor and accepted and entered into by the Lessee on 17 September 2021, setting out the principal terms of the lease of the AMC Premises
“PRC or “China”	the People’s Republic of China, which, for the purpose of this circular, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Production Requirement”	a level of production amounting to HK\$100 million by the Lessee within 12 months from the Commencement Date on the AMC Premises
“Products”	the products, including satellites testing equipments, to be procured by the Contractor pursuant to the Contract
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Commencement Date”	tentatively to be on 1 April 2022
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*The English transliteration of the Chinese name(s) in this circular, where indicated with “\*”, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

*For the purposes of illustration only, amounts denominated in RMB in this circular have been translated into HK\$ at the rate of RMB1.00 = HK\$1.20. Such translation should not be constructed as a representation that the amounts in question have been, could have been or could be converted at any particular rate 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*)  
Mr. Lam Kin Fung Jeffrey  
Ms. Ku Ka Lee Clarie (*Vice Chairman*)  
Mr. Ma Fujun

*Non-executive Directors:*

Dr. Lam Lee G. (*Co-Chairman*)  
Dr. Yip Chung Yin  
Mr. Lam John Cheung-wah

*Independent non-executive Directors:*

Mr. Brooke Charles Nicholas  
Mr. Hung Ka Hai Clement  
Mr. Leung Kwong Ho  
Mr. Lo Chi Chung William

*Registered office in Cayman Islands:*

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

*Principal place of*

*business in Hong Kong:*  
13th Floor, St. John's Building  
33 Garden Road, Central,  
Hong Kong

17 November 2021

*To the Shareholders,*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION IN RELATION TO AN OFFER TO LEASE  
THE PREMISES IN THE ADVANCED MANUFACTURING CENTRE  
FOR SETTING UP A HONG KONG SATELLITE MANUFACTURING CENTRE  
AND**

**(2) MAJOR TRANSACTION IN RELATION TO THE ENTERING INTO OF  
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SERVICE CONTRACT FOR THE ESTABLISHMENT OF  
HONG KONG SATELLITE MANUFACTURING CENTRE**

## LETTER FROM THE BOARD

### INTRODUCTION

References are made to the announcements of the Company dated (i) 14 July 2021, 17 September 2021, 12 October 2021 and 12 November 2021, in relation to the lease of the AMC Premises; and (ii) 27 October 2021, in relation to the engagement of the Contractor to procure the Products, undertake the installation, and provide technical support services for the establishment of the Group's Hong Kong satellite manufacturing centre and testing centre at the 2/F AMC Premises.

On 17 September 2021, the Lessee, an indirect wholly-owned subsidiary of the Company, entered into the Offer to Lease in favour of the Lessor, pursuant to which the Lessee accepted the offer to rent from the Lessor the AMC Premises. Acceptance and returning of the Offer to Lease by the Lessee constitute a fully and effectually binding obligation on both the Lessor and the Lessee.

On 27 October 2021, the Company and the Contractor entered into the Contract, pursuant to which the Company agreed to engage the Contractor to, and the Contractor agreed to, procure the Products, undertake the installation, and provide technical support services for the establishment of the Group's Hong Kong satellite manufacturing centre and testing centre at the 2/F AMC Premises.

The purpose of this circular is to provide you with, among other matters, further details of the terms of the Offer to Lease, and the terms of the Contract; and other information as required under the Listing Rules.

### THE OFFER TO LEASE

Details of the Offer to Lease are set out below:

Date : 17 September 2021

Parties : Lessee: Hong Kong Satellite Manufacturing Limited  
(香港衛星製造有限公司)  
(being an indirect wholly-owned subsidiary of the Company)

Lessor: Hong Kong Science and Technology Parks Corporation (香港科技園公司)

The Lessor is a body corporate formed under the Hong Kong Science and Technology Parks Corporation Ordinance (Chapter 565 of the Laws of Hong Kong) on 7 May 2001, being a statutory body dedicated to empowering innovation and technology advancement in Hong Kong.

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

## LETTER FROM THE BOARD

The Lessor is mainly involved in facilitating the research and development and application of technologies in manufacturing and service industries in Hong Kong; and supporting the development, transfer and use of new or advanced technologies in Hong Kong.

AMC Premises : Several units on the second (2nd) and eighth (8th) floor of the AMC with a total gross floor area of approximately 178,205 square feet.

Lease term : Six (6) years commencing from the Commencement Date, which is tentatively to be on 1 April 2022.

The Lessor shall have the right to postpone the Target Commencement Date for a period of six (6) months. The Lessor shall be entitled to further extend the completion of works at the AMC Premises beyond the Long Stop Date as reasonably determined by the Lessor's authorised person.

The AMC Premises is under construction by the Lessor as at the Latest Practicable Date and the construction of the AMC Premises is expected to be completed in the first quarter of 2022. The Commencement Date under the Lease Agreement is dependent on the construction completion date of the AMC Premises.

Rent-free period : Six (6) months commencing from and inclusive of the Commencement Date, exclusive of any government rent, rate, property management charges and other outgoings payable in respect of the AMC Premises.

Usage : Manufacturing of commercial satellites and provision of smart city applications services and related business.

Rent : Rent for the first three years of the term of the lease shall be approximately HK\$39,272,000 per annum (subject to a six-month rent-free period commencing from and inclusive of the Commencement Date).

Rent for the following three years of the term of the lease shall be at the prevailing market rent of the AMC Premises to be mutually agreed by the parties, in any event no less than the existing rent, being approximately HK\$39,272,000 per annum.

The rent payable by the Group for the AMC Premises was determined with reference to the prevailing market rent for properties of similar use, floor area and location.



## LETTER FROM THE BOARD

The rent payable by the Group for the AMC Premises is expected to be financed by internal resources, debt and/or equity financing of the Company, including but not limited to, the net proceeds from the subscription of shares of the Company. For details of the subscription, please refer to the announcements of the Company dated 29 October 2021 and 9 November 2021.

Property management charges : Property management charges shall be HK\$5 per square foot of the gross floor area of the AMC Premises per month, subject to increase by the Lessor and/or the manager from time to time.

Deposit : Prior to the Offer to Lease, the Lessee had paid an application deposit in the amount of HK\$200,000 (the “**Application Deposit**”) to the Lessor to bid for the lease of the AMC Premises.

Upon the entering into of the Offer to Lease, the Lessee had paid a sum in the amount of approximately HK\$4,226,000 (the “**Sum**”, together with the Application Deposit, the “**Advance Payment**”) to the Lessor, which shall constitute one (1) month’s rent, property management charges, government rent and rates on the Commencement Date.

Upon the entering into of the Lease Agreement, the Lessee shall pay a cash deposit (the “**Cash Deposit**”) equivalent to three (3) months’ rent, property management charges, government rent and rates.

Lease Agreement : The parties shall enter into the formal Lease Agreement for the lease of the AMC Premises.

Failure of the Lessee to execute the Lease Agreement and to pay the Cash Deposit, the Lessor shall have the right to (a) terminate the Offer to Lease, forfeit the Advance Payment, and claim for further losses or damages; or (b) continue to treat the Offer to Lease as valid and subsisting and deem the Lease Agreement had already been executed by the Lessee.

Lessee’s milestones : The Lessee undertook to provide the Investment Requirement, being the machinery, plant and equipment investment in the amount of HK\$160 million, and to complete the purchase and installation of all machinery, plant and equipment necessary for the commencement of its operations on the AMC Premises within 12 months from the Commencement Date.

## LETTER FROM THE BOARD

The Lessee also undertook to fulfill the Production Requirement, being to commence on the AMC Premises a level of production amounting to HK\$100 million within 12 months from the Commencement Date.

In the event the Lessee failed to meet the Investment Requirement and/or the Production Requirement within the stipulated deadline, on demand by the Lessor, the Lessee shall be obliged to pay an additional sum to the Lessor calculated at the rate of 0.7% of the monthly rent per day for each failure until such failure had been remedied.

Option to renew : The Lessee shall have the option to renew the lease for a further term of three (3) years.

The Lessee may exercise the option for renewal by giving the Lessor notice in writing not less than 18 months before the expiry of the term.

Termination : In the event that the Lessor is unable to obtain further extension of time beyond the Long Stop Date, either party shall be entitled to terminate the Offer to Lease by giving not less than seven (7) days' prior written notice to the other party, and the Lessor shall return to the Lessee the Advance Payment (without interest).

The Lessor shall have the right to terminate the lease by giving the Lessee six (6) months' prior notice in writing in the 30th month of the term.

### **(2) THE TOTAL PROCUREMENT OF EQUIPMENT AND INSTALLATION SERVICE CONTRACT**

On 27 October 2021, the Company and the Contractor entered into the Contract, pursuant to which the Company agreed to engage the Contractor to, and the Contractor agreed to, procure the Products, undertake the installation, and provide technical support services for the establishment of the Group's Hong Kong satellite manufacturing centre and testing centre at the 2/F AMC Premises.

Details of the Contract are set out below:

Date : 27 October 2021

Parties : (1) the Company; and  
(2) China Great Wall Industry Corporation (中國長城工業集團有限公司), being the Contractor

## LETTER FROM THE BOARD

The Contractor is a company established in the PRC with limited liability and wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council.

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

As a professional company promoting internationalised aerospace operation in China, the Contractor is committed to the internationalised aerospace development in China. The Contractor has developed into a system integrator of aerospace products and services, capable of providing comprehensive solutions, including commercial launch services, satellite in orbit delivery, satellite ground monitor and control station construction, satellite applications, project financing, insurance, personnel training and technology transfer and so on, to meet the multifaceted needs of customers with a full range of one-stop services, and is well-known in the international aerospace, financial and insurance industries.

### **Contract Price**

The Contract Price payable by the Company shall be RMB214,000,000 (equivalent to approximately HK\$256,800,000). The Company shall pay the Contract Price based on milestones.

The Contract Price and the payment terms were determined after arm's length negotiations between the Company and the Contractor with reference to (i) the standard price list of the Products supplied by the Contractor to its customers which is comparable to the government indicated price list reviewed by the consultant of the Group who is a satellite aerospace expert, researcher and senior engineer with over 14 years of solid project experience in satellite design and manufacturing, measurement, operation and control, as well as aerospace business management experience, and (ii) the complexity and expected scope of the services to be carried out, net of discounts offered by the Contractor to the Company as an incentive to maintain long-term business relationship. As such, the Board is of the view that the Contract Price is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Contract Price will be funded by internal resources, debt and/or equity financing of the Company, including but not limited to, the net proceeds from the subscription of shares of the Company. For details of the subscription, please refer to the announcements of the Company dated 29 October 2021 and 9 November 2021.

## **LETTER FROM THE BOARD**

### **Scope of work and service of the Contractor**

Pursuant to the Contract, the Contractor is responsible for equipment facilities of the Hong Kong satellite manufacturing centre and testing centre at the 2/F AMC Premises. The center shall be equipped with relevant conditions fitting for satellite intelligent manufacturing and development in order to undertake assembly, integrated testing and satellites testing. The Contractor shall construct and build including but not limited to the vacuum thermal testing system, vibration testing system, magnetic testing system, pattern scanning testing system, Electromagnetic Compatibility (EMC) testing system and other satellite assembly process supporting equipment development in accordance with the contractual plan at the 2/F AMC Premises. The Contractor shall be responsible for (i) procuring relevant Products for each of the systems, including satellites and testing equipment as well as handling the export approval procedures for relevant Products; (ii) undertaking the installation, testing and debugging of the Products and systems at the 2/F AMC Premises; and (iii) providing technical support services, which include the provision of training in relation to the use of the Products, and technical support and warranty services for the Products.

Upon completion, inspection and acceptance of the installation of the Products, the Contractor shall provide a combination of online/offline training to the Group's technicians in Hong Kong and the PRC, on the basic knowledge on machinery and equipment use, satellite technology and theory, and satellite assembly, integration and test (AIT) process and drills. Thereafter, the Contractor shall provide the Group with online/offline technical support services for one (1) year, and online technical support services for another two (2) years.

### **Duration of the procurement and installation of the Products**

It is expected that the duration for the procurement and installation of the Products will be 15 calendar months (or as supplemented or amended by the Company and the Contractor in writing).

### **Warranty period**

The warranty period for the Products shall be one (1) year from the date of completion, inspection and acceptance of the installation of the Products.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF (1) THE OFFER TO LEASE; AND (2) THE CONTRACT**

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

In order to execute the "Golden Bauhinia Constellation" project, the Group needs to set up a satellite intelligent manufacturing center; a monitoring and operation control, application and data center for satellites; and also conduct corresponding research and development activities at the AMC Premises. The AMC is designed to support high value-added and

## **LETTER FROM THE BOARD**

advanced manufacturing in order for industries to embark on technologically innovative, high value-added and highly customised production. Considering that satellite manufacturing is a highly precised process carried out in a customised location, the Board believes that the design of the AMC fulfill such needs, and the lease of the AMC Premises will have a significant positive impact on the future development of the Group's aerospace business.

As such, the Board is of the view that the terms and conditions of the Offer to Lease are fair and reasonable, and the entering into of each of the Offer to Lease, and subsequently, the Lease Agreement, is in the interests of the Company and the Shareholders as a whole. In the event there is any major changes to the terms of the formal Lease Agreement, the Company will make further announcement(s) to update the Shareholders as and when appropriate.

In addition, in order to execute the "Golden Bauhinia Constellation" project, the 2/F AMC Premises had to undergo necessary refurbishment, including but not limited to the procurement and installation of satellites testing equipments. To select the Contractor as the supplier and contractor for the satellites assembly and testing center of the Group at the 2/F AMC Premises, the Board has taken into account of various factors of the Contractor, including (i) the prolonged track record of the Contractor of more than 30 years in aerospace technology industry including the aerospace infrastructure construction, (ii) the Contractor is the sole commercial organization authorized by the PRC government to provide commercial launch services, satellite systems and to carry out space technology cooperation; and (iii) the Contractor has the expertise in various areas of the aerospace technology industry.

The Board believes that leveraging on the technical know how and the expertise of the Contractor in the aerospace technology industry, the Contractor would be able to assist the Group to procure and install the necessary equipment and testing systems for its satellite manufacturing, and train the Group's technicians to handle the tasks at the 2/F AMC Premises. Hence, the installation of the Products at the 2/F AMC Premises and the technical support services provided by the Contractor will have a positive impact on the future development of the Group's aerospace business.

As such, the Board is of the view that the terms of the Contract are fair and reasonable, and the entering into of the Contract is in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE ENTERING INTO OF (1) THE OFFER TO LEASE; AND (2) THE CONTRACT**

#### **(1) The Offer to Lease**

Pursuant to HKFRS 16, the lease payments payable by the Group under the Lease Agreement will be recognised as right-of-use asset and lease liability amounting to approximately HK\$239 million in its consolidated statement of financial position. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The lease liability is recognised at the present value of the aggregated lease payments to be made over the lease term, discounted using the incremental borrowing rate. Lease

## LETTER FROM THE BOARD

liabilities will decrease upon the settlement of lease payments to the landlord accordingly. There would be no change in net assets on the consolidated statement of financial position of the Group immediately after the entering into of the Lease Agreement.

Regarding the impact on the consolidated income statement, the Group will incur a monthly depreciation expense of the right-of-use asset over the useful life on a straight line-basis amounting to approximately HK\$3.3 million.

### **(2) The Contract**

The aggregate consideration under the Contract is RMB214,000,000 (equivalent to approximately HK\$256,800,000). Upon completion of the Contract, purchases of equipment and its installation cost will result in an increase in the non-current assets of the Group of approximately RMB180,000,000 (equivalent to approximately HK\$216,000,000) and the cash and cash equivalents of the Group will be decreased in the same amount. Costs relating to training and technical support services of approximately RMB34,000,000 (equivalent to approximately HK\$40,800,000) will be expensed as and when the Contractor provides such services to the Group.

Given that AMC is under construction, it is expected that the purchases of equipment under the Contract will not have any immediate material impact on the earnings of the Group.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **(1) The Offer to Lease**

Pursuant to HKFRS 16, the entering into of the Offer to Lease will require the Group to recognise the AMC Premises as the right-of-use assets on its consolidated statement of financial position, thus the entering into of the Offer to Lease and the transaction contemplated thereunder will be regarded as an acquisition of asset by the Group under the Listing Rules.

As one or more of the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of aggregate value of the right-of-use assets recognised by the Group pursuant to HKFRS 16 and the Investment Requirement is more than 25% but less than 100%, the entering into of the Offer to Lease and the transactions contemplated thereunder constitute a major transaction for the Company, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the transactions contemplated under the Offer to Lease, and therefore no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the transactions contemplated under the Offer to Lease. HKATH is holding 212,850,100 Shares, representing approximately 68.88% of the issued share capital of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

Pursuant to Rule 14.44 of the Listing Rules, HKATH has given written approval to approve the Offer to Lease and the transactions contemplated thereunder. Accordingly, the written approval from HKATH will be accepted in lieu of holding a general meeting of the Company for approval of the entering into of the Offer to Lease and the transactions contemplated thereunder.

### (2) The Contract

As one or more of the applicable percentage ratio under Rule 14.07 of the Listing Rules for the Contract is more than 25% but less than 100%, the entering into of the Contract and the transactions contemplated thereunder constitute a major transaction for the Company, and is subject to the reporting, announcement, circular and shareholders' approval requirements under the Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates has any material interest in the transactions contemplated under the Contract, and therefore no Shareholder is required to abstain from voting under the Listing Rules if the Company were to convene a general meeting for the approval of the transactions contemplated under the Contract. HKATH is holding 212,850,100 Shares, representing approximately 68.88% of the issued share capital of the Company as at the Latest Practicable Date.

Pursuant to Rule 14.44 of the Listing Rules, HKATH has given written approval to approve the Contract and the transactions contemplated thereunder. Accordingly, the written approval from HKATH will be accepted in lieu of holding a general meeting of the Company for approval of the entering into of the Contract and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is also drawn to the financial and general information set out in the appendices to this circular.

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020, respectively; and details of the financial information of the Group for the six months ended 30 June 2021 are disclosed in the interim report of the Company for the six months ended 30 June 2021, which have been published and are available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.hkatg.com](http://www.hkatg.com)):

- annual report of the Company for the year ended 31 December 2018 which was published on 16 April 2019 (pages 44 to 103)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416523.pdf>

- annual report of the Company for the year ended 31 December 2019 which was published on 7 April 2020 (pages 51 to 115)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0407/2020040700606.pdf>

- annual report of the Company for the year ended 31 December 2020 which was published on 28 April 2021 (pages 62 to 125)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042800837.pdf>

- interim report of the Company for the six months ended 30 June 2021 which was published on 15 September 2021 (pages 24 to 48)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0915/2021091500500.pdf>



## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, details of the Group's indebtedness are as follows:

	<b>As at 30 September 2021</b> <i>RMB'000</i> <i>(unaudited)</i>
<b>Current</b>	
Bank and other borrowings	109,269
Lease liabilities	<u>7,396</u>
	<u>116,665</u>
<b>Non-current</b>	
Bank and other borrowings	48,449
Loan from the ultimate holding company	41,503
Lease liabilities	<u>22,702</u>
	<u>112,654</u>
<b>Indebtedness of the Group</b>	<u>229,319</u>
<b>Bank and other borrowings</b>	

As at 30 September 2021, the Group had outstanding borrowings of approximately RMB158 million, comprising (i) bank borrowings of approximately RMB91 million and (ii) other borrowing of approximately RMB67 million. Bank borrowings were secured by pledged bank deposit, land-use rights, certain properties and equipment, a personal guarantee provided by a Director, a subsidiary of the Company and a corporate guarantee provided by the Company. Other borrowings were secured by a personal guarantee provided by a Director and a subsidiary of the Company.

### **Loan from the ultimate holding company**

As at 30 September 2021, the loan from the ultimate holding company was unsecured and unguaranteed, interest-free and repayable within 2 years.

### **Lease liabilities**

As at 30 September 2021, the Group had lease liabilities of approximately RMB30 million, among of which RMB0.3 million were secured by leased machinery.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 September 2021, the Group did not have any loan capital outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### 3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the existing cash and bank balances, other internal resources and available existing unutilised credit facilities, the Group has sufficient working capital for its present requirements and to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

### 5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As disclosed in the interim report of the Company for the six months ended 30 June 2021, trade friction between the United States of America (the “USA”) and China became more and more tightened, bringing uncertainties to the future development of the world economy, and slowing down the economic growth of both China and the world. Further, the outbreak of the novel coronavirus (COVID-19) (the “**Novel Coronavirus Outbreak**”) in early 2020 started to halt social and economic activities seriously nationwide. Under the strictly infection prevention and containment measures taken by the China government, the Novel Coronavirus Outbreak in China was gradually under control and the economic in China gradually recovered in the second half year of 2020. However, during the six months ended 30 June 2021, the sudden outbreak of variants of the coronavirus in different provinces across China still has adverse impacts to the business performance of the Group.

Looking forward, it is expected that the COVID-19 pandemic may still be fluctuating in China. However, the Group will strive to sustain long-term growth in its current business, strengthen its production capacity and enhance production efficiency to secure more business opportunities. The Board, while continuously monitoring macroeconomic developments and risks to the outlook, remains cautiously optimistic towards the performance of the Group in the future. The Group will also continue to proactively explore other aerospace-related business opportunities to diversify the Group’s business, and to explore new markets with growth potential.

As disclosed in the announcement of the Company dated 7 June 2021, the Company will commence the aerospace business, currently under the “Golden Bauhinia Constellation” project, which include (1) smart city with satellite big data applications and solutions; (2) satellite measurement and controlling; (3) satellite manufacturing; and (4) satellite launching. The Board may also, where appropriate, invest in suitable target entity(ies)/asset(s) to develop the Aerospace Business.

Looking forward to the second half of 2021, the market and economic environment remains uncertain with the spread of variants of the coronavirus and the tightened friction between the USA and China. The Group will strive to sustain long-term growth with the new Aerospace Business and the existing electronics manufacturing services business (“**EMS Business**”) by implementing the following business strategies:

#### **Aerospace Business**

- develop the “Golden Bauhinia Constellation” project, in order to provide aerospace data services in Guangdong-Hong Kong-Macau Greater Bay Area, to establish a dynamic monitoring service system not affected by weather conditions. Such aerospace data will facilitate cities in Greater Bay Area to achieve fine management and ecological environment construction of the full-cycle monitoring in the fields of agricultural monitoring, disaster prevention and mitigation, comprehensive urban governance, watershed control and so on;
- commence satellite launching business, in order to collect satellite data for the use in the Guangdong-Hong Kong-Macau Greater Bay Area to achieve sustainable development and innovation through the integration of information, refined management and artificial intelligence in urban areas;
- set up a satellite intelligent manufacturing center; a monitoring and operation control, application and data center for satellites to generate new revenue under aerospace business;
- continue to make efforts to expand the customer base and cooperating institutes, including government authorities and universities, to broaden the sources of revenue and diversify business risk;
- continue to strengthen the research and development capabilities so as to explore more business opportunities; and
- continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance the production efficiency.

**EMS Business**

- construct the Group’s own production plant on its own property in Daya Bay, the PRC to fulfil manufacturing orders from customers in Shenzhen, the PRC;
- continue to utilise its own production plant in Shuikou, Huizhou City, the PRC to fulfil manufacturing orders from customers in other areas;
- continue to make efforts to increase its sales to broaden the sources of revenue and diversify business risk, such as increase the sales of the Group’s printed circuit board assemblies (PCBAs), which can be broadly applied to electronic end products for banking and finance, telecommunication and smart device, taking advantage of the technology boom; and
- continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance the production efficiency.

## 1. 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.

## 2. DISCLOSURE OF INTERESTS

### (a) Interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), to be notified to the Company and the Stock Exchange or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (“**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

#### *Long position in the Shares*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of ordinary Shares held/ interested</b>	<b>Approximate percentage of shareholding</b>
Mr. Sun Fengquan	Interest of a controlled corporation ( <i>Note</i> )	212,850,100	68.88%

*Note:* These Shares are held by HKATH. The issued share capital of HKATH comprises 62.36% ordinary shares (class A) (“**Class A Shares**”) and 37.64% ordinary shares (class B) (“**Class B Shares**”), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited, which in turn is wholly-owned by Mr. Sun Fengquan, and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Accordingly, each of Vision International Group Limited and Mr. Sun Fengquan is deemed to be interested in all the Shares held by HKATH by virtue of the SFO.

*Long position in the shares of HKATH, an associated corporation of the Company*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number and class of shares held/ interested</b>	<b>Percentage of shareholding</b>
Mr. Sun Fengquan	Interest of a controlled corporation ( <i>Note 1</i> )	6,236 Class A Shares and 225 Class B Shares	64.61%
Dr. Lam Lee G.	Beneficial owner	200 Class B Shares	2.00%
Dr. Yip Chung Yin	Interest of a controlled corporation ( <i>Note 2</i> )	107 Class B Shares	1.07%

*Notes:*

1. These shares are held by Vision International Group Limited. The issued share capital of Vision International Group Limited is wholly-owned by Mr. Sun Fengquan.
2. These shares are held by Sure Wealth Investment Limited. The issued share capital of Sure Wealth Investment Limited is wholly-owned by Dr. Yip Chung Yin and his family members.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

**(b) Interests and short positions of the Shareholders in the shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as it is known to the Directors or chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had or were deemed to have interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO:

*Long position in the Shares*

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares held/ interested</b>	<b>Approximate percentage of shareholding</b>
HKATH ( <i>Note 1</i> )	Beneficial owner	212,850,100	68.88%
Vision International Group Limited ( <i>Note 1</i> )	Interest of a controlled corporation	212,850,100	68.88%
Elite Foster International Investment Limited ( <i>Note 2</i> )	Beneficial owner	23,918,600	7.97%
Mr. Lu Wan Ching ( <i>Note 2</i> )	Interest of a controlled corporation	23,918,600	7.97%
Ms. Wong Yuk Ting ( <i>Note 3</i> )	Interest of spouse	23,918,600	7.97%

*Notes:*

1. These Shares are held by HKATH. Vision International Group Limited is interested in 6,641 ordinary shares (comprising 6,236 Class A Shares and 225 Class B Shares), representing 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) of the issued shares of HKATH. Therefore, Vision International Group Limited is deemed to be interested in all the Shares held by HKATH by virtue of the SFO.
2. These Shares are held by Elite Foster International Investment Limited, which is wholly-owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed to be interested in the Shares held by Elite Foster International Investment Limited by virtue of the SFO.
3. Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholders or its/his/her respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors, the controlling Shareholders or his/her/its/their close associates were appointed to represent the interests of the Company and/or the Group.

### 4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

### 5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the issue of this circular, and which are or may be material:

- (a) the construction contract dated 16 July 2020 and entered into between Huizhou City Eternity Technology Company Limited\* (惠州市恒昌盛科技有限公司), an indirect wholly-owned subsidiary of the Company, and Huizhou City Chunlin Construction Engineering Company Limited\* (惠州市春林建筑工程有限公司) (“**Chunlin Construction**”) for the construction work to be carried out by Chunlin Construction in Shuikou, Huizhou City, the PRC at a contract price of approximately RMB79,900,000;
- (b) the construction contract dated 5 July 2021 and entered into between Eternity Technology (Huizhou) Company Limited\* (恒達科技(惠州)有限公司), an indirect wholly-owned subsidiary of the Company, and Chunlin Construction for the construction work to be carried out by Chunlin Construction in Daya Bay, Huizhou City, the PRC at a contract price of approximately RMB165,000,000;



- (c) the Offer to Lease;
- (d) the Contract; and
- (e) the subscription agreement dated 29 October 2021 and entered into between the Company and Mr. Ma Alexander for the subscription of 9,000,000 new Shares at the subscription price of HK\$26.41 per subscription share.

## **6. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## **7. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group (excluding contracts expiring or which may be terminated by the Company within one year without payment of any compensation (other than statutory compensation)).

## **8. GENERAL**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The Company's headquarters and principal place of business in Hong Kong is at 13th Floor, St. John's Building, 33 Garden Road, Central, Hong Kong.
- (c) The Cayman Islands principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The company secretary of the Company is Ms. Cheng Ka Yan, who is a member of The Hong Kong Institute of Chartered Secretaries and The Hong Kong Institute of Certified Public Accountants.
- (f) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the website of the Company ([www.hkatg.com](http://www.hkatg.com)) for a period of 14 days commencing from the date of this circular:

- (a) the Offer to Lease; and
- (b) the Contract.