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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)

BUSINESS UPDATE IN RELATION TO THE ENTERING INTO OF THE CONTRACT IN RESPECT OF COMMUNICATION AND REMOTE SENSING SATELLITE NETWORK IN SOUTH AMERICA WITH ALYA

The purpose of this announcement is to keep the shareholders and potential investors of the Company informed of the latest business development of the Group.

THE ALYA-1 SYSTEM CONTRACT

The Board is pleased to announce that, on 16 October 2023, the Company entered into the Alya-1 System Contract with Alya. Pursuant to which the Group agrees to provide overall design for satellite network, satellite manufacturing, as well as coordination and facilities for satellite launching in respect of the communication and remote sensing satellite network in South America (Alya-1 System) for the construction of the Alya-1 System, which comprises the manufacturing of 108 integrated communication and remote sensing satellites and the construction of a satellite management center, a satellite data processing center as well as two ground stations, for the Total Contract Price of approximately US\$675 million.

Scope of Work

The scope of Work and services will be supplied by the Group including:

- (a) Overall design of the communication and remote sensing satellite network in South America (Alya-1 System);
- (b) Assembly, manufacturing and testing of 108 integrated communication and remote sensing satellites;

- (c) Coordination for launching services that enable the Launch of the communication and remote sensing satellite network in South America (Alya-1 System) to the Designated Orbit;
- (d) Construction of a satellite management center;
- (e) Construction of two satellite ground stations;
- (f) Construction of a satellite data processing center; and
- (g) Trainings for satellite control and operation.

Alya may, at its option and at its expenses, (i) not later than three (3) months prior to the scheduled date of the pre-shipment review of any spacecraft deliverable, order the Group to store any such spacecraft for a period of up to three (3) years from the date of the spacecraft pre-shipment review, and to provide certain services associated with storage of such spacecraft; (ii) request the Group to buy in-orbit insurance on its behalf; and (iii) in addition to the two ground stations original provided in the Contract, further request the Group to provide more ground stations.

Contract Price

The Total Contract Price is approximately US\$675 million. Alya shall make the Advance Payment, of US\$5 million, as down payment within one hundred and twenty (120) days after the Effective Date. The remaining balance of the Total Contract Price shall be payable according to each of the payment milestones upon the full, satisfactory and timely completion and delivery, as required, of the items of Work.

The Total Contract Price shall include any related trainings and documentations and related charges for insurance that the Group is required to take out or maintain under the Contract, technical support in respect of Alya's procurement of Launch and in-orbit insurance (but not including the procurement of Launch and in-orbit insurance by the Group on behalf of Alya unless Alya exercises option under the Contract) and shipping costs.

Effective Date of Contract

The Effective Date of the Contract is the date on which all of the following conditions are fulfilled: (i) the respective signing authorities of the parties have signed the Contract; (ii) Alya obtained all Brazil Governmental Approvals for performing all of its obligations under the Contract; (iii) the Group obtained the Governmental Approvals (save and except for the Launch approvals, which must be obtained by, at the latest, the date falling 18 months

following the Effective Date), for performing all of its obligations under the Contract, at the same time allowing Alya to enjoy the full benefit of the Contract; and (iv) the Group has received the Advance Payment of US\$5 million from Alya.

Commencement of Performance of Work

The Group shall commence the performance of the Work related to the design and construction of the Alya-1 System on the Effective Date.

Period of Completion of the Contract

The duration and phases of the Contract shall be:

- (a) The period for the overall construction of the Alya-1 System shall be five (5) years from the Effective Date to all of the Final Acceptance or the Qualified Acceptance of the satellite and the Final System Acceptance. The system construction is planned to be completed in three phases, with separate acceptance for each phase.
- (b) The Minimum Service Life of Satellite of the Alya-1 System shall be five (5) years from the date of completion of acceptance of the satellite launched into orbit.

Completion of the Contract

Unless terminated/ceased, the Contract shall be termed as “completed” on the date on which all Work has been delivered and, where applicable, achieved Qualified Acceptance or Final Acceptance (as the case may be).

Termination of the Contract

- (a) Alya and the Company may terminate the Contract, any time upon mutual agreement.
- (b) Alya may, upon written notice to the Group, terminate immediately all or any portion of the Contract if the Group becomes bankrupt or insolvent or if the Group is in breach of the terms and conditions of the Contract.
- (c) The Group may, by written notice to Alya, terminate the Contract, if Alya is in breach of its payment obligations to the Group for a period of greater than six (6) months from the time payment is due.

Notwithstanding anything contained in the Contract to the contrary, Alya shall not exercise its rights to terminate the Contract: (1) in respect of a spacecraft, after Launch of such spacecraft; and (2) in respect of any deliverable item other than a spacecraft, after Final Acceptance of such deliverable item.

In-Orbit Performance Bond and Advance Payment Bank Guarantee of the Satellite

As the performance security of the Group under the Contract, the Group shall:

- (a) in respect of each satellite launched, submit the In-Orbit Performance Bond issued by a first class international bank and acceptable to Alya in favour of Alya by no later than one month after Launch. Each In-Orbit Performance Bond shall have the value of two-hundredths percent (0.02%) of the Alya-1 spacecraft price. The total In-Orbit Performance Bond for each phase is subject to a maximum of US\$50,000. The In-Orbit Performance Bond shall be continued for full system performance period equivalent to the Minimum Service Life of Satellite in respect of each satellite launched. The Group is required to pay Alya the in-orbit performance penalties if the service life of the satellites launched fails to meet the Minimum Service Life of Satellite; and
- (b) as security for the refund of the Advance Payment in the event of the Company's breach in the Contract and within 15 days upon receipt of the Advance Payment from Alya, the Company shall submit the Advance Payment Bank Guarantee issued by a first class international bank and acceptable to Alya in favour of Alya. The total Advance Payment Bank Guarantee amount is equivalent to 5% of the Advance Payment. The Advance Payment Bank Guarantee shall remain in force until the earlier of (i) the date falling 4 months following the Effective Date; or (ii) 90 days following termination of the Contract for any reason; and the Group shall extend the Advance Payment Bank Guarantee for a period as provided in the Contract.

INFORMATION ON ALYA

Alya is a private company in the space sector, which is incorporated in Salvador-Bahia, Brazil and has an experimental field in the region of Tucano, where it will carry out the calibration activities of in-orbit sensors, generating reliable satellite data, and will establish simulate areas to produce vegetation, soil and water parameters, producing algorithms that will help the artificial intelligence systems of in-orbit sensors to recognise identical parameters, creating alerts and enabling efficient monitoring.

Alya was also incorporated in Paris, France, as a way of globalising activities and a strategy of bringing together competences with previous experience, in more than a dozen commercial partnerships, adding a lot of value and reliability to its space activities with the Earth observation nanosatellites, developing shared mission systems.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Alya and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

REASONS AND BENEFITS ON ENTERING INTO THE ALYA-1 SYSTEM CONTRACT

The Group is principally engaged in (1) aerospace business (the “**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 supply of goods and services under the Contract is the ordinary course of business of the Group and is revenue in nature that does not constitute a transaction under the Rules Governing the Listing of Securities on the Stock Exchange.

The Directors are of the view that, the Alya-1 System Contract represents a milestone of the Group’s Aerospace Business development. The provision of the In-Orbit Performance Bond and the Advance Payment Bank Guarantee as security for the Group’s performance under the Alya-1 System Contract is part and partial of the Contract and, to the best information, knowledge and belief of the Company, it is common for many industries to provide such security. The Directors are also of view that the Alya-1 System Contract, including the Total Contract Price and provision as security in the form of the In-Orbit Performance Bond and the Advance Payment Bank Guarantee to guarantee the Group’s performance thereunder, are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Shareholders and potential investors of the Company should note that the Contract shall only take effect upon the fulfillment of various conditions set out under the paragraph headed “Effective Date of Contract”. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares and other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Advance Payment”	the first payment of US\$5,000,000, being down payment of the Alya-1 System Contract made by Alya to the Company
“Advance Payment Bank Guarantee”	a bank guarantee, the amount equivalent to 5% of the Advance Payment provided to Alya by the Company and issued by a first class international bank mutually agreed with the Company as security for refund the Advance Payment if the Company is in breach of the Contract

“Alya”	Alya Satellite e Produção de Fotografias Aéreas LTDA., a company incorporated in Brazil
“Alya-1 System”	communication and remote sensing satellite network in South America which includes 108 satellites, the satellite management center, satellite data processing center and two ground stations
“Alya-1 System Contract” or “Contract”	the supply contract dated 16 October 2023 and entered into between Alya and the Group in relation to the supply of aerospace equipment, facilities, personnel, services and training for the construction of Alya-1 System
“Board”	the board of Directors
“Company”	Hong Kong Aerospace Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01725)
“Designated Orbit”	the orbit in which the Alya-1 System is intended to operate
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Contract comes into force and effect pursuant to its term and conditions
“Equipment”	materials, individual assemblies, components, parts, modules, sub-systems and complete systems
“Final Acceptance”	in respect of any item delivered under the Contract that accepted by Alya after the satisfactory completion of the in-orbit test
“Final System Acceptance”	when the Alya-1 System has demonstrated its in-orbit capability to fulfill all mission requirements

“Governmental Approvals”	any consent, permit, license, authorization/approval or agreement with any governmental authority required for the performance of the Contract (and including any governmental approvals required by each and any sub-contractor to enable such performance by the Group) and including all those: (1) required for the export and/or re-export of all data, Equipment, and Work; and (2) required for the performance of the Contract
“Group”	the Company and its subsidiaries
“In-Orbit Performance Bond”	a performance bond provided by the Group to Alya as security for proper performance of the satellites of the Alya-1 System
“Launch”	intentional ignition followed by either (i) physical separation of the Launch Vehicle from the launch pad and the ground support equipment; or (ii) total loss or destruction of the spacecraft and/or the Launch Vehicle, where “intentional ignition” means with respect to the Launch Vehicle, the point in time during the Launch countdown when the engine start command is sent to the Launch Vehicle for the purpose of Launch
“Launch Vehicle”	the launch vehicle designated by the Group by which the satellite of the Alya-1 System is to be launched into the space
“Minimum Service Life of Satellite”	the 1,825-day operational in-orbit period (equivalent to 5 years), starting from the acceptance of satellite of the Alya-1 System, during which the system shall meet all the requirements as provided in the Contract
“Qualified Acceptance”	after a review of the in-orbit test report, Alya makes a reasonable, good-faith determination that the in-orbit test results show the satellite has not met all of the requirements specified in the Contract, Alya shall notify the Group that it has taken qualified acceptance of the satellite
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Total Contract Price” initially of approximately US\$675 million, excluding the estimated amount of the cost of Launch and in-orbit insurance to be procured by the Group on behalf of Alya. The Total Contract Price may be adjusted upwards or downwards from time to time, to take account of price changes due to any options exercised by Alya, contract amendments made or other price adjustments made in accordance with the terms of the Contract

“Work” all labour, services, acts, including tests to be performed, and materials, articles, data, documentation, and developments, Equipment, matters and things to be furnished and rights to be transferred by the Group or sub-contractor(s) under the Contract, or any contract or subcontract entered into by the Group or sub-contractor(s)

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

Hong Kong, 16 October 2023

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Co-Chairman and Chief Executive Officer), Dr. Lam Lee G. (Co-Chairman), Mr. Lam Kin Fung Jeffrey, Ms. Ku Ka Lee Clarie (Vice Chairman) and Mr. Ma Fujun as executive Directors; Dr. Mazlan Binti Othman, Mr. Niu Aimin and Dr. Yip Chung Yin as non-executive Directors; and Mr. Brooke Charles Nicholas, Professor Chan Ka Keung, Ceajer, Mr. Hung Ka Hai Clement, Dr. Yuen Kwok Keung and Mr. Juan de Dalmau-Mommertz as independent non-executive Directors.