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USPACE Technology Group Limited

洲際航天科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE DISPOSAL

THE DISPOSAL

The Board hereby announces that, on 22 November 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Target Company entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Sale Interests at a consideration of RMB27,100,000.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor. Upon completion, the Vendor will no longer hold any equity interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial result of the Target Company will no longer be consolidated into the consolidated financial statements of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to fulfillment of the conditions precedent set out in the Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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Details of the Agreement are summarized as follow:

Date : 22 November 2024

Parties : (i) the Vendor, a wholly-owned subsidiary of the Company;

(ii) the Purchaser; and

(iii) the Target Company

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are the Independent Third Parties.

Asset to be disposed of

The Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Interests, being the entire paid-up capital of the Target Company of RMB58,100,000.

Consideration and Payment

The Consideration of RMB27,100,000 shall be payable by the Purchaser in the following manner:

1. on the day that the Purchaser having completed the due diligence review of the Target Company and the results of which being satisfactory to the Purchaser, the Purchaser shall pay eighty percent (80%) of the Consideration, being RMB21,680,000 (the “**First Installment of Consideration**”) in cash to the designated bank account of the Vendor;
2. twenty percent (20%) of the Consideration, being RMB5,420,000 (the “**Second Installment of Consideration**”), shall be paid in cash to the designated bank account of the Vendor by the Purchaser within three (3) business days after both the Purchaser receives the Notice (as defined below) from the Vendor and the change in the industrial and commercial registration of the Target Company and the relevant filing procedures have been completed.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, among other things, (i) the market value of the Target Properties as at 31 August 2024 of approximately RMB103.9 million with reference to the valuation report conducted by an independent professional valuer. The independent professional valuer adopted the direct comparison approach by making reference to comparable sale evidence as available in the relevant market or, where appropriate, the investment method by taking capitalization of rental income potential of the property interests; (ii) the unaudited net asset value of the Target Company as at 30 June 2024 of approximately HK\$40.4 million; and (iii) the factors set out in the paragraph headed "Reasons and Benefits for the Disposal" below.

Conditions Precedent

The completion of the Agreement shall be conditional upon and subject to the following conditions precedent:

- i. the Purchaser has completed the due diligence of the Target Company and the results of which being satisfactory to the Purchaser;
- ii. any guarantee provided by the Group in relation to the borrowings of the Target Company has been released;
- iii. the Target Company settles all amount due to the Group before the completion of the Agreement;
- iv. the Vendor agrees and signs the shareholder's resolution approving the Agreement and the transactions contemplated thereunder, the constitutional documents or relevant amendments regarding the change in shareholding structure upon the completion of the Agreement; and a copy of the relevant shareholder's resolution has been passed to the Purchaser;
- v. there are no listing rules, codes, laws or regulations, government departments, regulatory authorities, legal proceedings or other arrangements that prohibit or restrict the transfer of Sale Interests under the Agreement and the normal operation of the Target Company after the completion of the Agreement;
- vi. as of the date of the completion of the Agreement, the Company maintains its normal operation, and no events have occurred that have material adverse impact on the business valuation, including but not limited to any material adverse events in the area of business operation, financial condition, management, personnel arrangement, etc.; there are no material adverse changes to business operation, assets, financial condition, management, prospect, legal status and the regulatory environment of the Target Company;

- vii. the warranties and representation of the Vendor, the Purchaser and the Target Company as set out in the Agreement being true and accurate in material respects.

The Vendor shall issue a written notice to the Purchaser when all the above conditions precedents (except for the condition precedent (i)) is completely fulfilled or waived (the “**Notice**”).

As at the date of this announcement, none of the above conditions precedent have been fulfilled or waived.

Matters after the completion

The Target Company undertakes and the Vendor actively cooperates to complete the change in the industrial and commercial registration of the Target Company and the relevant filing procedures in relation to the Agreement within 20 business days after the Purchaser pays the First Installment of Consideration to the Vendor.

On the day that the Purchaser pays the First Installment of Consideration to the Vendor, the Purchaser is entitled to all rights and obligations as a shareholder of the Target Company pursuant to the articles of association of the Target Company and the Company Law of the PRC.

INFORMATION OF THE VENDOR

The Vendor is a company established in the PRC with limited liability and is principally engaged in the electronic manufacturing services in the PRC. The Vendor is a wholly-owned subsidiary of the Company.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in investment holding. The ultimate beneficial owner of the Purchaser is Mr. Huang Li Ming. He is well-experienced in the surface mount technology (“**SMT**”) industry and has established his own company in the PRC which is principally engaged in sales and lease of SMT machineries and its auxiliary components and provision of related maintenance service. To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are the Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC and is a wholly-owned subsidiary of the Vendor. As at 30 June 2024, the paid-up capital and unaudited net asset value of the Target Company was RMB58.1 million and RMB40.4 million, respectively. The principal business of the Target Company is property holding and its major asset is the Target Properties.

As at 30 June 2024, the net book value of the Target Properties is approximately RMB117.3 million, representing approximately 91.7% of the total assets of the Target Company. The Target Properties are located at No.11 Qingli 2nd Road, Shuikou Street, Huicheng District, Huizhou City, Guangdong Province, the PRC. The Target Properties consist of 4 buildings including one block of 7-storey workshop, one block of 9-storey dormitory, and two blocks of single-storey guard rooms with total gross floor area of approximately 45,255 sq. meter, among of which an area of approximately 42,500 sq. meter have been using by the Group as its production venue of EMS business (as defined below) and an area of approximately 2,600 sq. meter has been leased to an independent third party.

Financial information of the Target Company

Based on the unaudited financial statements of the Target Company, the major unaudited financial information of the Target Company for the two years ended 31 December 2023 are summarized as follows:

	Year ended 31 December	
	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Loss before income tax	(8,072)	(3,179)
Loss after income tax	(8,072)	(3,179)

As at 30 June 2024, the amount due to the Group by the Target Company is RMB25.9 million and the unaudited net asset value of the Target Company was RMB40.4 million.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in (i) the aerospace business (the “**Aerospace Business**”), which includes (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling and (6) satellite launch; and (ii) the electronics manufacturing services business (the “**EMS Business**”), which includes assembling and production of the PCBAs and fully-assembled electronic products.

Due to the tense global trade situation, currency fluctuation, and intensified geopolitical risks, the Group's customers of the EMS Business have been facing business and operation challenges in particular the increasing production costs in the PRC. These factors affected the Group's overall revenue, putting pressure on the Group's financial results. The Group's revenue has been reduced by approximately 6.6% from RMB635.4 million for the year ended 31 December 2022 to RMB593.5 million for the year ended 31 December 2023, while the finance cost increased from RMB12.7 million for the year ended 31 December 2022 to RMB19.6 million for the year ended 31 December 2023. The loss of the Group increased by approximately 44.4% from approximately RMB154.3 million for the year ended 31 December 2022 to approximately RMB222.8 million for the year ended 31 December 2023. For the financial results of interim period, the Group's revenue from continuing operations reduced by approximately 12.8% from approximately RMB169.7 million for the six months period ended 30 June 2023 to approximately RMB148.0 million for the six months period ended 30 June 2024. The finance cost from continuing operations was RMB9.0 million and RMB9.7 million for the six months period ended 30 June 2023 and 2024, respectively. The loss of the Group decreased slightly from approximately RMB87.3 million for the six months period ended 30 June 2023 to approximately RMB86.4 million for the six months period ended 30 June 2024. The management of the Company has been exploring alternative solutions to improve the performance of the EMS Business as well as to lower the finance cost burden of the Group.

A majority portion of the Target Properties have been used by the Group as its own production base for the EMS Business. The management of the Company has conducted a review on the business model of the EMS Business and noticed that the current production capacity of the production base in the Target Properties have been under-utilized since the customers' order has been declining in the past two years. The management of the Company reviewed the order pipelines from its core customers and noticed that the scale of orders has not demonstrated a material growth. In view of the vacant area of the Target Properties, the management of the Company has rented out the entire fifth floor of the factory block of the Target Properties of approximately 2,600 sq. meter to an independent third party. However, the Company still bear all sorts of repair cost and management fee of the Target Properties to maintain the Target Properties in a usable condition.

The management of the Company considered that the Target Properties could not be fully utilized for production and it is not in the best interest of the Company to devote further financial resources to hold such properties from a long-term perspective. The Disposal allows the Group to realize its property investment, transfer the repayment obligations of bank borrowings of approximately RMB63.9 million of the Target Company to the Purchaser and reduce the finance cost burden of the Group.

Upon the completion of the Agreement, the Vendor will enter into a lease agreement with the Purchaser to lease a portion of the Target Properties of approximately 15,000 sq. meter for production and maintain its production activities in the existing location for a period of 12 months. The lease will be automatically renewed by notifying each party three months in advance. Certain production orders may be shifted to the Group's other production plant or an independent subcontractor.

Based on the above, the Directors are of the view that the terms of the Agreement and the transaction contemplated thereunder are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon the completion of the Agreement, the Vendor will no longer hold any equity interest in the Target Company, and the Target Company will cease to be a subsidiary of the Company. Accordingly, the financial result of the Target Company will no longer be consolidated into the consolidated financial statements of the Group upon the completion of the Agreement.

Based on the Consideration of RMB27,100,000 less the net asset value of the Target Company as at 30 June 2024 as well as the estimated transaction expenses, the Company may recognize an estimated loss of approximately RMB13.6 million from the Disposal.

The net proceeds from the Disposal, after deducting the estimated transaction expenses in relation to the Disposal, will be approximately RMB26.8 million in which RMB20.0 million will be allocated for repayment of bank borrowings and the remaining balance of approximately RMB6.8 million will be utilized for the general working capital of the Group's EMS Business.

The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to the review and final audit by the auditors of the Company.

IMPLICATIONS UNDER THE LISTING RULES

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The completion of the Agreement is subject to fulfillment of the conditions precedent set out in the Agreement and therefore the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Agreement” an agreement dated 22 November 2024 entered into between the Vendor, the Purchaser and the Target Company in relation to the Disposal

“Board”	the board of Directors
“Company”	USPACE Technology Group Limited (洲際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)
“Consideration”	the consideration in the amount of RMB27,100,000 payable by the Purchaser to the Vendor pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Interests pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Huizhou City Long Ming Technology Company* (惠州市隆明科技有限公司), a company established in the PRC and is wholly-owned by Mr. Huang Li Ming
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	the entire paid-up capital of the Target Company

“Share(s)”	ordinary share(s) of the Company
“Target Company”	Huizhou City Eternity Technology Company* (惠州市恒昌盛科技有限公司), a company established in the PRC and is a wholly-owned subsidiary of the Vendor
“Target Properties”	A parcel of land and buildings located at No. 11, Qingli 2nd Road, Shuikou Street, Huicheng District, Huizhou City, Guangdong Province, the PRC
“Vendor”	Huizhou City Eternity Company Limited* (惠州市弘盛昌科技有限公司), a company established in the PRC and is a wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 22 November 2024

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

* *For identification purpose only*