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## **KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

### **CONTINUING CONNECTED TRANSACTIONS THE NEW MASTER AGREEMENT**

On 11 November 2014, the New Master Agreement was entered into between Sky Will and New Spring Label, pursuant to which Sky Will has agreed (either by itself or any members of Sky Will Group) to provide to New Spring Label (either to itself or any members of New Spring Label Group) the printing and production services in relation to paper packaging products, paper gift items and promotional materials for a term commencing from 1 January 2015 to 31 December 2017.

New Spring Label is beneficially owned as to 20% by Mr. Ng Man Chan, an executive Director, and as to 30% by Ms. Li Mi Lai, the spouse of Mr. Ng Man Chan. New Spring Label is an associate of Mr. Ng Man Chan and a connected person of the Company. Transactions which will be conducted under the New Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps in relation to the transactions under the New Master Agreement exceed 25%, the New Master Agreement and the proposed annual caps for the three years ending 31 December 2017 are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) information of the New Master Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 2 December 2014. Mr. Ng Man Chan and his associates will abstain from voting at the SGM on the resolution to approve the New Master Agreement.

## **THE NEW MASTER AGREEMENT**

Reference is made to the announcements of the Company dated 5 March 2012 and 21 October 2013 in respect of the Master Agreement. The Board announces that on 11 November 2014, the New Master Agreement was entered into between Sky Will, a wholly-owned subsidiary of the Company, and New Spring Label to renew the terms of the Master Agreement.

Under the New Master Agreement, Sky Will has agreed (either by itself or any members of Sky Will Group) to provide to New Spring Label (either to itself or any members of New Spring Label Group) the printing and production services in relation to paper packaging products, paper gift items and promotional materials for a term commencing from 1 January 2015 to 31 December 2017.

The parties agreed that the fee for printing and production of the paper packaging products, paper gift items and promotional materials shall be determined upon arm's length negotiation on a case-by-case basis with reference to the relevant market price for similar types of products on a fair and reasonable basis.

In determining the selling price of products to each of the customers, Sky Will adopts a cost plus basis, among others, according to standard price list with existing customers, quality and specifications of materials used, complexity of craftsmanship involved and man-hour charging rate of different positions, etc, and further considers the product quality, quantity involved, delivery lead time, payment terms and as well as customers' responses, etc based on different specifications and conditions given by customers.

In order to ensure that the pricing of products selling to New Spring Label are on normal commercial terms and no less favourable to the Group than those selling to other existing customers, Sky Will monitors the price quotation and historical pricing from existing customers on the same or similar type of products as internal control procedures.

Payment shall be made by New Spring Label Group to Sky Will Group within 60 days from the date of delivery of the products.

The New Master Agreement is conditional upon approval by the Independent Shareholders pursuant to the Listing Rules.

## **HISTORICAL FIGURES/ANNUAL CAPS**

The actual amounts of service fee which were received and receivable by the Group under the Master Agreement up to 30 September 2014 are set out below:

	<i>HK\$'000</i>
For the year ended 31 March 2013	23,965
For the year ended 31 March 2014	40,842
1 April 2014 – 30 September 2014	14,408

The historical annual caps under the Master Agreement for the three years ending 31 March 2015 are set out below:

	<i>HK\$'000</i>
For the year ended 31 March 2013	24,000
For the year ended 31 March 2014	50,000
For the year ending 31 March 2015	60,000

### **PROPOSED ANNUAL CAPS**

The Board proposes to set the maximum aggregate value of the transactions contemplated under the New Master Agreement for each of the three years ending 31 December 2015, 2016 and 2017 as follows:

<b>Period</b>	<b>Total value not exceeding <i>HK\$'000</i></b>
1 January 2015 – 31 December 2015	30,000
1 January 2016 – 31 December 2016	30,000
1 January 2017 – 31 December 2017	30,000

The above annual caps have been determined based on: (i) the actual purchase order received by Sky Will Group from New Spring Label Group during the nine-month period from 1 January 2014 to 30 September 2014 (the “Historical Period”); (ii) the estimated transaction amounts during the three-month period from 1 October 2014 to 31 December 2014 having regard to the transaction amount during the Historical Period; and (iii) a 20% annual allowance to provide flexibility for possible variations in, among others, number of orders, cost of printing and labour costs.

### **REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENT**

The Group is principally engaged in (i) the near space and other innovative technology business; (ii) the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property management. Sky Will, a wholly-owned subsidiary of the Company, is principally engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials.

New Spring Label is principally engaged in manufacture and trading of plastic labels and related products and trading of packaging products.

New Spring Label does not have its printing facilities for packaging products and the printing production work of New Spring Label’s packaging products has been outsourced. In order to ensure the continual engagement of production of printing orders from New Spring Label, in February 2012, Sky Will and New Spring Label entered into the Master Agreement, pursuant to which New Spring Label has engaged Sky Will Group for the provision of the printing and production services in relation to paper packaging products, paper gift items and promotional materials for the three years ending 31 March 2015. Considering that New Spring Label has been engaging Sky Will Group for the provision of

the aforesaid services, the Company is of the view that it is beneficial to renew the Master Agreement to generate more business and revenue for the Group. The Master Agreement will expire on 31 March 2015. As set out in the announcement of the Company dated 11 November 2014, the Company has changed its financial year end date from 31 March to 31 December with effect from the year ending 31 December 2014. Accordingly, the terms of the New Master Agreement cover the three years from 1 January 2015 to 31 December 2017 to align with the financial year of the Company.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that the New Master Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, and that the terms and the proposed annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **COMPLIANCE WITH THE LISTING RULES**

New Spring Label is beneficially owned as to 20% by Mr. Ng Man Chan, an executive Director, and as to 30% by Ms. Li Mi Lai, the spouse of Mr. Ng Man Chan. Accordingly, New Spring Label is an associate of Mr. Ng Man Chan and a connected person of the Company. Transactions which will be conducted under the New Master Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps in relation to the transactions under the New Master Agreement exceed 25%, the New Master Agreement and the proposed annual caps for the three years ending 31 December 2017 are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) information of the New Master Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 2 December 2014. Mr. Ng Man Chan and his associates will abstain from voting at the SGM on the resolution to approve the New Master Agreement.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	KuangChi Science Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock code: 439)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Independent Board Committee”	the committee of the Company comprising all independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak, established to make recommendation to the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement
“Independent Financial Adviser”	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annuals caps in relation to the transactions under the New Master Agreement
“Independent Shareholders”	Shareholders other than Mr. Ng Man Chan and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Master Agreement”	the agreement entered into between Sky Will and New Spring Label on 29 February 2012 (as amended at the special general meeting of the Company held on 6 December 2013) for the printing and production services in relation to paper packaging products, paper gift items and promotional materials which will expire on 31 March 2015
“New Master Agreement”	the agreement entered into between Sky Will and New Spring Label on 11 November 2014 for the renewal of the Master Agreement for a term commencing from 1 January 2015 to 31 December 2017
“New Spring Label”	New Spring Label & Packaging Limited, a company incorporated in Hong Kong, in which Mr. Ng Man Chan and Ms. Li Mi Lai have beneficial interests
“New Spring Label Group”	New Spring Label and its subsidiaries
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Sky Will”	Sky Will Printing & Packaging (Holdings) Limited, a company incorporated in the British Virgin Islands, is wholly owned by the Company
“Sky Will Group”	Sky Will and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board  
**KuangChi Science Limited**  
**Dr. Liu Ruopeng**  
*Chairman and Executive Director*

Hong Kong, 11 November 2014

*As at the date of this announcement, the Board comprises five executive Directors, namely Dr. Liu Ruopeng, Dr. Luan Lin, Dr. Zhang Yangyang, Mr. Ko Chun Shun, Johnson and Mr. Ng Man Chan; and three independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak.*