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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

PROFIT WARNING

This announcement is made by KuangChi Science Limited (the “Company” and together with its subsidiaries, the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company (“Shareholders”) and potential investors that based on the preliminary review and analysis of the latest available unaudited management accounts of the Group, the Group are expected to record a loss of approximately HK\$27 million for the period ended 30 September 2014 as compared to a net profit of approximately HK\$2 million for the corresponding period ended 30 September 2013. The expected loss in the Group’s results for the period ended 30 September 2014 is analyzed as below.

PAPER BUSINESS

During the period ended 30 September 2014, the Group recorded a profit of the paper business segment of approximately HK\$2 million, before any impairment of goodwill. Due to the downturn of the profitability of the paper business, the Group expects that approximately HK\$9 million of impairment loss in respect of goodwill will be recognised for the period ended 30 September 2014.

THE NOVEL SPACE SERVICES AND OTHER INNOVATIVE TECHNOLOGY BUSINESS

As set out in the circular of the Company dated 29 July 2014 (the “Subscription Circular”), the Company intended to develop a new business segment relating to the near space and other innovative technology industry in parallel to its existing business. The Directors were of the view that the near space and other innovative technology industry offered attractive potential growth and return. Under the Outsourcing Technology Development Agreement

(the “OTDA”)(details of which have been set out in the Subscription Circular), the Group has appointed Kuang-Chi Innovative Technology Limited, an intermediate holding company since the completion of the subscription on 22 August 2014, to research and develop a civil near space flying apparatus. Pursuant to the OTDA, the total contract sum is approximately HK\$55 million, the testing and delivery of the flying apparatus is to be completed by 31 December 2014 and an amount equivalent to HK\$20 million was payable upon signing of the OTDA.

According to appropriate accounting standard, expenditure on research shall be recognized as an expense when it is incurred. The management considered the research and development of the flying apparatus as at 30 September 2014 was still in the research phases, therefore, approximately HK\$20 million was recognized as research expenses for the period ended 30 September 2014.

The information as contained in this announcement is only based on preliminary review by the Company’s management on the unaudited consolidated management accounts of the Group for the period ended 30 September 2014 and the information currently available, and is not based on the information reviewed by the auditors of the Company. The overall financial results of the Group for its financial period ended 30 September 2014 will only be ascertained when all the relevant results and valuation are finalised. We expect that the interim results of the Company for the period ended 30 September 2014 will be announced before end of November 2014.

By Order of the Board
KuangChi Science Limited
Dr. Liu Ruopeng
Chairman & Executive Director

Hong Kong, 7 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.