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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**INSIDE INFORMATION ANNOUNCEMENT
THE STRATEGIC COOPERATION AGREEMENT
WITH THE GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF
THE CONGO AND PENGXIN
AND
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 11 September 2014 (the “Announcement”) in respect of, among other things, the Cooperation Agreements and the proposed formation of joint ventures. Capitalised terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

THE STRATEGIC COOPERATION AGREEMENT (“COOPERATION AGREEMENT”)

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that on 3 November 2014, the Company entered into the a tri-party cooperation agreement with the government of the Democratic Republic of the Congo (the “Congo Government”) and Pengxin International Mining Company Limited (鵬欣環球資源股份有限公司) (“Pengxin”), after the meetings and negotiation with the President of the Democratic Republic of the Congo, in relation to the proposed formation of a joint venture company (the “Proposed Joint Venture”) with the support of resources provided by the Congo Government, the Company and Pengxin for the purposes of including but not limited to broadcasting of telecommunication, mineral exploration, satellite television, meteorological surveillance, disaster rescue, forest protection as well as other applicable areas, using the existing knowledge and technology of the Group in relation to the novel space services technology and other innovative technology solutions in the Democratic Republic of the Congo.

PRINCIPAL TERMS OF THE COOPERATION AGREEMENT

Cooperation Parties

A: the government of the Democratic Republic of the Congo

B: KuangChi Science Limited

C: Pengxin International Mining Company Limited

Pursuant to the Cooperation Agreement:

- (1) the Congo Government will support the establishment of the Proposed Joint Venture by granting permission to use certain resources such as wireless communication spectrum and bandwidth and providing the relevant administrative permissions to be required for the operations of by the relevant business;
- (2) the Company and Pengxin will set up the Proposed Joint Venture in the Democratic Republic of the Congo to build and provide real-time big-data communication services (i.e. to provide high-speed, low-price and high-quality WiFi full coverage services, to help the Democratic Republic of the Congo in achieving universal access to the internet by the public, and to achieve high-quality and low-price nationwide satellite broadcast and television network coverage);
- (3) the initial aggregate investment in the Proposed Joint Venture is intended to be not less than USD1 billion in 3 years from the date of this Cooperation Agreement; The preliminary target revenue of the Proposed Joint Venture for the first 3 years is about USD500 million to USD600 million per year. The target revenue of the Proposed Joint Venture is about USD1.2 billion to USD1.5 billion per year from the fifth year and onwards;
- (4) as for providing the real-time big-data communication services, the Proposed Joint Venture is expected to complete the novel space services platform experiments in the year of 2015; and
- (5) the Proposed Joint Venture is expected to commence the commercial operation of the real-time big-data communication services in the year of 2016.

The parties to the Cooperation Agreement acknowledge that this Cooperation Agreement only provided for the overall roadmap of the cooperation between the parties, but, the Cooperation Agreement was intended to be non-binding among relevant parties (save for the provisions relating to intellectual property rights and confidentiality matters).

The definitive terms of the Proposed Joint Venture, such as the rights and obligations, the investment amount, the cost allocation and the profit distribution, etc; have not been set out in the Cooperation Agreement. Formal joint venture agreement will be entered into by the parties as and when appropriate. Further announcement(s) in relation to the formation of the joint ventures will be made by the Company accordingly if required by the Listing Rules.

About the Democratic Republic of the Congo

The Democratic Republic of the Congo covers a total area of about 2,345,000 square kilometers with a population over 71 million. It is the second largest country in Africa and the 11th largest in the world, with plenty of natural resources to be explored and other social affairs and services to be developed.

INFORMATION OF PENGXIN

Pengxin is engaged in mining, processing and sale of nonferrous metals. Pengxin is a company incorporated in the PRC and the issued shares of which are listed on Shanghai Stock Exchange (stock code: 600490). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Pengxin is a third party independent of the Company and connected persons of the Company and is not a connected person of the Company.

GENERAL

The Company will continue to develop its civil near space and other innovative technology industry business as disclosed in the Circular. The Company may enter into further agreements similar to the Cooperation Agreement in its ordinary and usual course of business. The Company from time to time is also discussing with different parties including potential customers, research institutions, strategic partners, etc, to explore different kinds of business co-operation and collaboration.

As the proposed cooperation may or may not be successfully completed, shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company has been halted from 9:00 a.m. on 4 November 2014 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on 5 November 2014.

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

Hong Kong, 4 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.