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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

CONNECTED TRANSACTION – APPOINTMENT OF FINANCIAL ADVISER

The Company appointed REORIENT as its financial adviser to provide the FA Services on 19 December 2014. As remuneration for the FA Services provided by REORIENT to the Company, the Company has agreed to pay for, and direct Martin Jetpack to allot and issue the Fee Shares to RGL or its associates upon completion of the Subscription. If the Subscription does not complete, no fee shall be payable to REORIENT. Based on the issue price of AUD0.4 per share, the aggregate service fee payable by the Company to REORIENT is approximately AUD4.7 million (equivalent to approximately HK\$29.7 million).

The appointment of REORIENT to provide the FA Services constitutes a connected transaction for the Company. Since REORIENT became a connected person to the Company, the Company engaged REORIENT as its financial adviser in respect of the Previous Engagements in August 2014 and October 2014. The service fees payable by the Company to REORIENT under the Previous Engagements and the current engagement of REORIENT to provide the FA Services on an aggregate basis are less than 5% for all the applicable percentage ratios. The Previous Engagements and the current engagement in respect of the FA Services, on an aggregate basis, are only subject to the reporting and announcement requirements and are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company may have failed to comply fully with Rule 14A.35 of the Listing Rules to issue this announcement as soon as practicable after the terms of the FA Services have been agreed.

INTRODUCTION

Reference is made to the announcement of the Company dated 19 December 2014 in respect of the Investment Agreement entered into between the Company and Martin Jetpack (the “Announcement”).

FA SERVICES

As disclosed in the Announcement, the Company and Martin Jetpack entered into the Investment Agreement on 19 December 2014 and the Company appointed REORIENT as its financial adviser to provide financial advisory services in respect of the transactions contemplated under the Investment Agreement (the “FA Services”).

The Company has agreed to pay Martin Jetpack the aggregate subscription money in respect of 11,686,364 new ordinary shares of Martin Jetpack (the “Fee Shares”) and the Fee Shares shall be allotted and issued to RGL or its associates as remuneration for the FA Services provided by REORIENT upon completion of the Subscription. Based on the issue price of AUD0.4 per share, the aggregate service fee payable by the Company to REORIENT is approximately AUD4.7 million (equivalent to approximately HK\$29.7 million) which fee was negotiated at arm’s length after taking into account, among other things, the amount of work to be performed by REORIENT and the success fee nature of the engagement.

The Fee Shares shall be allotted and issued to RGL or its associates conditional on (i) compliance with all applicable laws and regulatory requirements; and (ii) completion of the Subscription under the Investment Agreement. If the Subscription does not complete, no fee shall be payable to REORIENT.

REASONS FOR THE ENGAGEMENT OF REORIENT TO PROVIDE THE FA SERVICES

The Group is principally engaged in (i) novel space services and other innovative technology business; (ii) the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment.

REORIENT is a wholly-owned subsidiary of RGL and is a corporation licensed to carry out Type 1 (dealing in securities), 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).

REORIENT has been providing financial advisory services to the Company for a number of transactions since the subscription of new ordinary shares and new preferred shares as announced by the Company on 13 June 2014. The Company is of the view that REORIENT is familiar with the business operations of the Group and the engagement of REORIENT as its financial adviser in respect of the Investment Agreement is beneficial

to the Group, in particular, when the Company and Martin Jetpack faced a tight timing to negotiate and resolve the structuring of the transactions as Martin Jetpack was conducting its initial public offering through the Australian Stock Exchange in parallel.

The Directors (including the independent non-executive Directors) consider that the terms of the engagement of REORIENT to provide the FA Services are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Ko, an executive Director, is the controlling shareholder of RGL and REORIENT is a wholly-owned subsidiary of RGL. REORIENT is an associate of Mr. Ko and thus a connected person to the Company. The appointment of REORIENT to provide the FA Services constitutes a connected transaction for the Company.

Since REORIENT became a connected person to the Company, the Company engaged REORIENT as its financial adviser in respect of (i) the Group's restricted share award scheme; (ii) the subscription of new ordinary shares of the Company under general mandate; and (iii) the renewal of certain existing continuing connected transactions in August 2014 and October 2014 with total service fees amounting to approximately HK\$0.5 million (the "Previous Engagements"). The Previous Engagements were entered into within a 12-month period and fall within the de minimis threshold for exemption from reporting, announcement and independent shareholders' approval requirements on an aggregate basis. Under Rule 14A.81 of the Listing Rules, the Previous Engagements and the current engagement in respect of the FA Services have to be aggregated and treated as if they were one transaction. The total service fees payable by the Company to REORIENT under the Previous Engagements and the current engagement in respect of the FA Services on an aggregate basis amounting to approximately HK\$30.2 million are less than 5% for all the applicable percentage ratios. The Previous Engagements and the current engagement in respect of the FA Services, on an aggregate basis, are only subject to the reporting and announcement requirements and are exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company may have failed to comply fully with Rule 14A.35 of the Listing Rules to issue this announcement as soon as practicable after the terms of the FA Services have been agreed.

Mr. Ko, an executive Director, is also an executive director and the controlling shareholder of RGL. Mr. Ko has a material interest in the current engagement in respect of the FA Services and has abstained from voting on the board resolution in respect of the engagement of REORIENT to provide the FA Services.

DEFINITIONS

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

“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“AUD”	Australian dollar, the lawful currency of the Commonwealth of Australia
“Board”	the board of Directors
“Company”	KuangChi Science Limited (stock code: 439), the ordinary shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 People’s Republic of China
“Investment Agreement”	the investment agreement entered into between the Company and Martin Jetpack dated 19 December 2014
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Martin Jetpack”	Martin Aircraft Company Limited, a company incorporated in New Zealand which is principally engaged in the research and development of jetpacks
“Mr. Ko”	Mr. Ko Chun Shun, Johnson
“REORIENT”	REORIENT Financial Markets Limited
“RGL”	REORIENT Group Limited (stock code: 376), the ordinary shares of which are listed on the main board of the Stock Exchange

“Shareholder(s)”	holder(s) of the issued ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of certain new equity securities and new convertible securities in Martin Jetpack by the Company under the Investment Agreement
“%”	percentage

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

Hong Kong, 31 December 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.

For illustration purposes, the exchange rate of AUD1.00 = HK\$6.348 has been used to convert AUD into HK\$ in this announcement.