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**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 439)

**DISCLOSEABLE TRANSACTION –  
SUBSCRIPTION OF SHARES IN LONGSHENG  
AND  
CONNECTED TRANSACTION –  
APPOINTMENT OF FINANCIAL ADVISER**

**THE KC SUBSCRIPTION**

On 25 March 2015 (after trading hours), the Subscriber and Longsheng entered into the KC Subscription Agreement, pursuant to which Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the consideration of RMB300 million (equivalent to approximately HK\$375 million). The 41,958,041 new Longsheng Shares represent (i) approximately 13.95% of the existing issued share capital of Longsheng as at the date of the KC Subscription Agreement; and (ii) approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the KC Subscription is more than 5% but less than 25%, the KC Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

**The KC Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions precedent” in this announcement. As such, the KC Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **THE FA SERVICES**

The Company appointed RFML as its financial adviser to provide the FA Services on 25 March 2015. The Company has agreed to pay HK\$130,000 as remuneration for the FA Services provided by RFML.

The appointment of RFML to provide the FA Services constitutes a connected transaction for the Company. The service fees payable by the Company to RFML under the Previous Engagements and the current engagement of RFML 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 the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE KC SUBSCRIPTION**

On 25 March 2015 (after trading hours), the Subscriber and Longsheng entered into the KC Subscription Agreement.

Principal terms of the KC Subscription Agreement are set out below:

### **THE KC SUBSCRIPTION AGREEMENT**

Date: 25 March 2015 (after trading hours)

Parties: (i) the Subscriber, a wholly-owned subsidiary of the Company, as the subscriber; and  
(ii) Longsheng, as the issuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Longsheng and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

### **Subscription shares**

Subject to fulfilment of the condition of the KC Subscription and the terms set out in the KC Subscription Agreement, Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the subscription price of RMB7.15 per Longsheng Share. The 41,958,041 new Longsheng Shares represent (i) approximately 13.95% of the existing issued share capital of Longsheng as at the date of the KC Subscription Agreement; and (ii) approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

The Subscription (including the KC Subscription) conducted by Longsheng involves proposed subscription of totalling 1,006,993,000 new Longsheng Shares by ten subscribers (including the Subscriber). All the 1,006,993,000 new Longsheng Shares shall be allotted and issued at the same time.

### **Consideration**

The consideration for the KC Subscription Shares shall be RMB300 million (equivalent to approximately HK\$375 million) and is payable in cash by the Subscriber on or before the date specified by Longsheng after obtaining the formal approval from the CSRC in respect of the Subscription. The Group intends to use its internal resources to fund the consideration.

The subscription price of RMB7.15 per Longsheng Share was determined between the Subscriber and Longsheng after arm's length negotiations with reference to, among other things, the recent share prices of Longsheng Share.

### **Conditions precedent**

Completion of the KC Subscription is conditional upon the satisfaction (unless waived in accordance with the KC Subscription Agreement) of the following conditions:

- (a) approval by the board of directors of Longsheng and the shareholders of Longsheng in respect of (i) the Subscription; and (ii) a waiver to make a general offer as a result of the Subscription;
- (b) approval by the CSRC in respect of the Subscription;
- (c) there being no event, change or circumstance having any material adverse effect on Longsheng subsisting;
- (d) the representations and warranties by the Subscriber under the KC Subscription Agreement were true and accurate in all material respects at the date of the KC Subscription Agreement and remaining true, accurate, complete and not misleading in all material respects up to the date when the Subscriber is registered as a shareholder of Longsheng; and
- (e) the representations and warranties by Longsheng under the KC Subscription Agreement were true and accurate in all material respects at the date of the KC Subscription Agreement and remaining true, accurate, complete and not misleading in all material respects up to the date when the Subscriber is registered as a shareholder of Longsheng.

Longsheng has the right to waive condition (d) above and the Subscriber has the right to waive conditions (c) and (e) above.

The KC Subscription Agreement shall become effective upon the satisfaction of the following:

- (a) approval by the shareholders of Longsheng in respect of the KC Subscription Agreement and the Subscription;
- (b) approval by the independent shareholders of Longsheng for a waiver in respect of the obligations of Tibet Dazi Ying Bang Industrial Development Co., Ltd. (西藏達孜映邦實業發展有限責任公司) (“Dazi Ying Bang”), a company to be established by Shenzhen Kuang-Chi Hezhong Technology Limited (“Kuang-Chi Hezhong”) as its wholly-owned subsidiary, and the Subscriber to make a general offer for the Longsheng Shares as a result of the Subscription; and
- (c) approval by the CSRC in respect of the Subscription.

The controlling shareholder of the Company, New Horizon Wireless Technology Limited, is owned as to 51% by Kuang-Chi Innovative Technology Limited (“Kuang-Chi”) and as to 49% by Kuang-Chi Hezhong. Kuang-Chi is a subsidiary of Shenzhen Dapeng Kuang-Chi Technology Limited, which is in turn a subsidiary of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership of which Dr. Liu Ruopeng is the controlling shareholder, and Dr. Liu Ruopeng is the controlling shareholder of Kuang-Chi Hezhong. Dr. Liu Ruopeng is the chairman of the Company and an executive Director.

If the registration of the subscribers under the Subscription as shareholders of Longsheng is not completed within 200 days from the effective date of the KC Subscription Agreement, provided that no fault by either party, either party may terminate the KC Subscription Agreement by giving written notice to the other party.

The KC Subscription Agreement may be terminated with the written consent of both the Subscriber and Longsheng.

### **Completion**

Longsheng shall register the KC Subscription Shares under the name of the Subscriber in accordance with the requirements of the CSRC and the Shenzhen Stock Exchange within ten Business Days after payment of the consideration in full by the Subscriber.

### **Lock-up undertakings**

The Subscriber undertakes with Longsheng that it shall not dispose, transfer or sell any of the KC Subscription Shares for a period of 36 months from the completion of the KC Subscription.

## INFORMATION ON LONGSHENG

Longsheng is principally engaged in (i) manufacturing and sale of automotive interior parts and automotive parts; (ii) sale of commercial vehicles, general machinery and instrumentation; and (iii) import and export business. The Longsheng Shares are listed on the Shenzhen Stock Exchange (stock code: 002625.SZ).

The audited consolidated financial information of Longsheng for the year ended 31 December 2013 and 2014, which has been prepared in accordance with PRC accounting standards, is summarised as follows:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Profit before taxation	<b>45.1</b>	36.0
Profit after taxation	<b>39.1</b>	31.3

As at 31 December 2014, Longsheng has net assets of approximately RMB473.9 million.

Based on the information provided by Longsheng, among other things, Longsheng intends to extend its businesses into smart structure and equipment business. Longsheng is of the view that these businesses are the national strategic emerging industries, which have important roles in supporting and leading the overall economy and long-term development of the PRC, and are expected to bring huge development opportunities and positive outlook for Longsheng.

Based on the information provided by Kuang-Chi Hezhong, under the Subscription, Dazi Ying Bang shall subscribe for 538,461,538 Longsheng Shares, representing approximately 41.17% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

## REASONS FOR AND BENEFITS OF THE KC SUBSCRIPTION

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.

Longsheng will focus on the development of the smart structure and vehicle equipment in terms of intelligence, energy conservation and safety enhancement for the use in road transport and also the rail transit sector. The functions of these devices and equipment can be extended if they are connected to the internet, it enables the users to real time remote control the vehicles including the equipment installed in, perform traffic monitoring service and also provide big-data collection service and analysis. The Group focuses on disruptive spaces technology and services and has recently test-launched the Cloud which is able to provide Wi-Fi telecommunication, ground monitoring service and it can fly over remote areas. The Cloud can provide a practicable solution to allow the smart structure and vehicle equipment accessing the internet with minimum delay time to enable their online functions. The Directors consider that the smart structure and vehicle equipment will complement the current business of the Group.

Through this investment and the future possible cooperation between the Group and Longsheng, the Directors consider Longsheng provides an opportunity for the Group to further penetrate the potential customers in the auto parts industry in the PRC.

In view of the above, the Directors believe that the terms of the KC Subscription are fair and reasonable and the KC Subscription is in the interests of the Company and the Shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the KC Subscription is more than 5% but less than 25%, the KC Subscription constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirements under the Listing Rules.

**The KC Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed “Conditions precedent” in this announcement. As such, the KC Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

#### **THE FA SERVICES**

The Company has appointed RFML as its financial adviser to provide financial advisory services in respect of the transactions contemplated under the KC Subscription Agreement (the “FA Services”).

The Company has agreed to pay HK\$130,000 as remuneration for the FA Services provided by RFML. The remuneration was negotiated at arm’s length after taking into account, among other things, the amount of work to be performed by RFML.

## **REASONS FOR THE ENGAGEMENT OF RFML TO PROVIDE THE FA SERVICES**

RFML 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).

RFML 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 RFML is familiar with the business operations of the Group and the engagement of RFML as its financial adviser in respect of the KC Subscription is beneficial to the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the engagement of RFML to provide the FA Services are fair and reasonable and on normal commercial terms and the engagement of RFML to provide the FA Services is 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 RFML is a wholly-owned subsidiary of RGL. RFML is an associate of Mr. Ko and thus a connected person to the Company. The appointment of RFML to provide the FA Services constitutes a connected transaction for the Company.

Since Mr. Ko became a connected person to the Company in August 2014, the Company has engaged RFML 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; (iii) the renewal of certain existing continuing connected transactions; and (iv) the investment in Martin Aircraft Company Limited, since August 2014 with a total service fees amounting to approximately HK\$30.2 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 circular (including independent financial advice) 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 RFML under the Previous Engagements and the current engagement in respect of the FA Services on an aggregate basis amounting to approximately HK\$30.3 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.

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 RFML 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
“Board”	the board of Directors
“Business Days”	except Saturday, Sunday and statutory holidays in the PRC, not including Monday to Friday announced by the PRC government as rest days, but including Saturday and Sunday announced by the PRC government as working days
“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
“CSRC”	China Securities Regulatory Commission
“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 PRC
“KC Subscription”	subscription of the KC Subscription Shares pursuant to the KC Subscription Agreement
“KC Subscription Agreement”	the KC Subscription Agreement dated 25 March 2015 entered into between the Subscriber and Longsheng
“KC Subscription Shares”	41,958,041 new Longsheng Shares to be subscribed by the Subscriber under the KC Subscription Agreement



“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longsheng”	Zhejiang Longsheng Automotive Parts Stock Limited Corporation (浙江龍生汽車部件股份有限公司) (stock code: 002625.SZ), the shares of which are listed on the Shenzhen Stock Exchange
“Longsheng Share”	ordinary share of RMB1.00 each in the share capital of Longsheng
“Mr. Ko”	Mr. Ko Chun Shun, Johnson
“PRC”	the People’s Republic of China (which for the purpose of the KC Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“RFML”	REORIENT Financial Markets Limited, the entire issued share capital of which is wholly-owned by RGL
“RGL”	REORIENT Group Limited (stock code: 376), the ordinary shares of which are listed on the main board of the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“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
“Subscriber”	Kuangchi Space Technology Company Limited (深圳光啟空間技術有限公司)
“Subscription”	proposed subscription of 1,006,993,000 new Longsheng Shares by ten subscribers, including the Subscriber
“%”	per cent.

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

Hong Kong, 25 March 2015

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

*For illustration purposes, RMB is converted into HK\$ at RMB1 = HK\$1.25 in this announcement.*

*The English translation of the PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations in Chinese, etc. included in this announcement is included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.*