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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**(1) CONNECTED TRANSACTION – SUBSCRIPTION FOR NEW
SHARES BY SKY ASIA UNDER SPECIFIC MANDATE**
**(2) SUBSCRIPTION FOR NEW SHARES BY SHEUNG CHING
UNDER SPECIFIC MANDATE**

SKY ASIA SUBSCRIPTION

On 4 November 2015, the Company and Sky Asia entered into the Sky Asia Subscription Agreement pursuant to which Sky Asia conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 395,000,000 new Shares in cash at the Subscription Price of HK\$2.32 per Share.

Sky Asia is wholly owned by Kuang-Chi Hezhong, 35.09% equity interest of which is held by Dr. Liu, an executive Director and the Chairman of the Company. Dr. Liu is a connected person of the Company and Kuang-Chi Hezhong therefore is an associate under Chapter 14A of the Listing Rules. Accordingly, the Sky Asia Subscription Agreement constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the EGM seek approval for the Sky Asia Subscription Agreement and the transactions contemplated thereunder. As Dr. Zhang and Dr. Luan hold 17.54% and 15.79% equity interest in Kuang-Chi Hezhong respectively, they and Dr. Liu together with their respective associates (including New Horizon Wireless Technology Limited), being connected persons of the Company and having material interests in the Sky Asia Subscription Agreement, will abstain from voting on the relevant resolutions relating to the Sky Asia Subscription at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Sky Asia Subscription Agreement and the transactions contemplated thereunder. The Company has appointed Pan Asia Corporate Finance Limited as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The circular containing, among other things, details of the Sky Asia Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sky Asia Subscription Agreement is expected to be dispatched by the Company to the Shareholders on or before 27 November 2015.

SHEUNG CHING SUBSCRIPTION

On 4 November 2015, the Company and Sheung Ching entered into the Sheung Ching Subscription Agreement pursuant to which Sheung Ching conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 200,000,000 new Shares in cash at the Subscription Price of HK\$2.32 per Share.

The Company will at the EGM seek approval for the Sheung Ching Subscription Agreement and the transactions contemplated thereunder. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, after having made reasonable enquiries, the Directors take the view that no Shareholder is required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the Sheung Ching Subscription.

The circular, containing, among other things, further details of the Sheung Ching Subscription and the notice of the EGM is expected to be dispatched by the Company to the Shareholders on or before 27 November 2015.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 4 November 2015 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 9 November 2015.

SKY ASIA SUBSCRIPTION

On 4 November 2015, the Company and Sky Asia entered into the Sky Asia Subscription Agreement. Its principal terms are set out below:

Date

4 November 2015

Parties

- (a) the Company; and
- (b) Sky Asia.

Sky Asia Subscription Shares

Pursuant to the Sky Asia Subscription Agreement, the Company conditionally agreed to allot and issue, and Sky Asia conditionally agreed to subscribe for, 395,000,000 new Shares at the Subscription Price.

The Sky Asia Subscription Shares represent:

- (i) approximately 6.98% of the issued share capital of the Company as at the date of this announcement;
- (ii) approximately 6.52% of the issued share capital of the Company as enlarged by the allotment and issue of the Sky Asia Subscription Shares; and
- (iii) approximately 6.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$2.32 per Share represents:

- (i) a discount of approximately 29.7% over the closing price of HK\$3.30 per Share as quoted on the Stock Exchange as at 3 November 2015 being the date immediately preceding the date of the Sky Asia Subscription Agreement;
- (ii) a premium of approximately 8.92% to the average closing price of approximately HK\$2.13 per Share as quoted on the Stock Exchange for the last 30 trading days immediately preceding the date of the Sky Asia Subscription Agreement; and
- (iii) a premium of approximately 3.64 times to the net asset value of approximately HK\$0.50 per Share as at 31 December 2014 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,713,239,000 as at 31 December 2014 and 3,406,067,793 Shares in issue as at 31 December 2014).

The Subscription Price was arrived at after arm's length negotiations between the Company and Sky Asia with reference to the recent trading performance of the Shares and the business prospects of the Group. The Directors consider that the Subscription Price and the terms of the Sky Asia Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Sky Asia Subscription Shares;
- (ii) the Independent Shareholders approving at the EGM the Sky Asia Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Sky Asia Subscription Shares);
- (iii) all the necessary consents and approvals in respect of the Sky Asia Subscription, the Sky Asia Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Sky Asia Subscription Shares) having been obtained; and
- (iv) any other approval as may be required by applicable laws, rules or regulations for the Sky Asia Subscription having been obtained.

The conditions stated above cannot be waived. In the event that any of the conditions is not fulfilled on or before 28 February 2016 (or such later date as may be agreed to by the Company in writing), the Sky Asia Subscription Agreement will cease and determine and all rights and obligations thereunder will be terminated save for any rights and obligations accrued before the termination.

Completion

Completion will take place on the third business day after the satisfaction of the last of the conditions (or such later date as may be agreed to by the Company in writing).

IMPLICATIONS UNDER THE LISTING RULES

Sky Asia is wholly owned by Kuang-Chi Hezhong, 35.09% equity interest of which is held by Dr. Liu, an executive Director and the Chairman of the Company. Dr. Liu is a connected person of the Company and Kuang-Chi Hezhong therefore is an associate under Chapter 14A of the Listing Rules. Accordingly, the Sky Asia Subscription Agreement constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the EGM seek approval for the Sky Asia Subscription Agreement and the transactions contemplated thereunder. As Dr. Zhang and Dr. Luan hold 17.54% and 15.79% equity interest in Kuang-Chi Hezhong respectively, they and Dr. Liu together with their respective associates (including New Horizon Wireless Technology Limited), being connected persons of the Company and having material interests in the Sky Asia Subscription Agreement, will abstain from voting on the relevant resolutions relating to the Sky Asia Subscription at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Sky Asia Subscription Agreement and the transactions contemplated thereunder. The Company has appointed Pan Asia Corporate Finance Limited as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SHEUNG CHING SUBSCRIPTION

On 4 November 2015, the Company and Sheung Ching entered into the Sheung Ching Subscription Agreement. Its principal terms are set out below:

Date

4 November 2015

Parties

- (a) the Company; and
- (b) Sheung Ching

To the best knowledge and belief of the Directors having made appropriate enquiries, Sheung Ching is a company incorporated in the British Virgin Islands and is ultimately owned by a third party who is independent of and not connected with the Company and its connected persons or their respective associates.

Sheung Ching Subscription Shares

Pursuant to the Sheung Ching Subscription Agreement, the Company conditionally agreed to allot and issue, and Sheung Ching conditionally agreed to subscribe for, 200,000,000 new Shares at the Subscription Price.

The Sheung Ching Subscription Shares represent:

- (i) approximately 3.53% of the issued share capital of the Company as at the date of this announcement;
- (ii) approximately 3.41% of the issued share capital of the Company as enlarged by the allotment and issue of Sheung Ching Subscription Shares; and

- (iii) approximately 3.20% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$2.32 per Share represents:

- (i) a discount of approximately 29.7% over the closing price of HK\$3.30 per Share as quoted on the Stock Exchange as at 3 November 2015 being the date immediately preceding the date of the Sheung Ching Subscription Agreement;
- (ii) a premium of approximately 8.92% to the average closing price of approximately HK\$2.13 per Share as quoted on the Stock Exchange for the last 30 trading days immediately preceding the date of the Sheung Ching Subscription Agreement; and
- (iii) a premium of approximately 3.64 times to the net asset value of approximately HK\$0.50 per Share as at 31 December 2014 (based on the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$1,713,239,000 as at 31 December 2014 and 3,406,067,793 Shares in issue as at 31 December 2014).

The Subscription Price was arrived at after arm's length negotiations between the Company and Sheung Ching with reference to the recent trading performance of the Shares and the business prospects of the Group. The Directors consider that the Subscription Price and the terms of the Sheung Ching Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions

Completion is conditional upon satisfaction of the following conditions:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Sheung Ching Subscription Shares;
- (ii) the Shareholders approving at the EGM the Sheung Ching Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Sheung Ching Subscription Shares);
- (iii) all the necessary consents and approvals in respect of the Sheung Ching Subscription, the Sheung Ching Subscription Agreement and the transactions contemplated thereunder (including the allotment and issue of the Sheung Ching Subscription Shares) having been obtained; and
- (iv) any other approval as may be required by applicable laws, rules or regulations for the Sheung Ching Subscription having been obtained.

The conditions stated above cannot be waived. In the event that any of the conditions is not fulfilled on or before 28 February 2016 (or such later date as may be agreed to by the Company in writing), the Sheung Ching Subscription Agreement will cease and determine and all rights and obligations thereunder will be terminated save for any rights and obligations accrued before the termination.

Completion

Completion will take place on the third business day after the satisfaction of all the conditions (or such later date as may be agreed to by the Company in writing).

IMPLICATIONS UNDER THE LISTING RULES

The Company will at the EGM seek approval for the Sheung Ching Subscription Agreement and the transactions contemplated thereunder. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, after having made reasonable enquiries, the Directors take the view that no Shareholder is required to abstain from voting on the ordinary resolutions to be proposed at the EGM in respect of the Sheung Ching Subscription.

The circular, containing, among other things, further details of the Sheung Ching Subscription and the notice of the EGM is expected to be dispatched by the Company to the Shareholders on or before 27 November 2015.

RANKING

The Subscription Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

APPLICATION FOR LISTING

The Company will make an application to the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

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 investments.

The gross proceeds and the net proceeds from the Subscriptions are approximately HK\$1,380.4 million and HK\$1,380 million respectively. The Company intends to apply the net proceeds from the Subscriptions for financing potential mergers and acquisitions, capital expenditures and general working capital.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The Company had 5,660,067,792 Shares in issue as at the date of this announcement. The table below is for illustrative purposes only and sets out the shareholding structure of the Company (i) as at the date of this announcement and (ii) upon allotment and issue of the Subscription Shares, assuming no other Shares will be issued between the date of this announcement and Completion:

| | As at the date of this announcement | | Immediately after completion of the Subscriptions | |
|--|--|-----------------------|--|--------------------|
| | Number of Shares | % | Number of Shares | % |
| New Horizon Wireless Technology Limited (<i>Note 1</i>) | 2,958,000,000 | 52.26% | 2,958,000,000 | 47.29% |
| World Treasure Global Limited | 638,981,013 | 11.29% | 638,981,013 | 10.22% |
| Starbliss Holdings Limited (<i>Note 2</i>) | 280,777,778 | 4.96% | 280,777,778 | 4.49% |
| REORIENT GROUP (<i>Note 2</i>) | 120,333,333 | 2.13% | 120,333,333 | 1.92% |
| <i>Sub-total</i> | 3,998,092,124 | 70.64% | 3,998,092,124 | 63.92% |
| The Subscribers | | | | |
| Sky Asia Holdings Limited | – | – | 395,000,000 | 6.31% |
| Sheung Ching Holdings Limited | – | – | 200,000,000 | 3.20% |
| <i>Sub-total</i> | – | – | 595,000,000 | 9.51% |
| Other Public Shareholders | 1,661,975,668 | 29.36% | 1,661,975,668 | 26.57% |
| Total | <u>5,660,067,792</u> | <u>100.00%</u> | <u>6,255,067,792</u> | <u>100%</u> |

Notes:

1. 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 is the controlling shareholder, and Dr. Liu is the controlling shareholder of Kuang-Chi Hezhong. Dr. Liu is the chairman of the Company and an executive Director.
2. Mr. Ko Chun Shun, Johnson is an executive Director. Starbliss Holdings Limited is wholly and beneficially owned by Mr. Ko Chun Shun, Johnson.

For the purpose of this announcement, REORIENT Group comprises REORIENT Group Limited and its subsidiaries including REORIENT Global Limited and REORIENT Financial Markets Limited, both of which are wholly owned by REORIENT Group Limited, of which Mr. Ko Chun Shun, Johnson is the controlling shareholder and an executive director.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

No equity fund-raising activity has been conducted by the Company in the past twelve months immediately preceding the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended from 9:00 a.m. on 4 November 2015 pending the release of this announcement. An application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 9 November 2015.

Completion of the Subscriptions is subject to the satisfaction of the condition precedent to the Subscription Agreements. As the Subscriptions may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

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|----------------|--|
| “associate” | has the same meaning ascribed to it under the Listing Rules |
| “Board” | the board of the Directors |
| “business day” | a day (other than Saturday or Sunday or public holiday and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business |
| “Company” | KuangChi Science Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange |
| “Completion” | completion of the Subscription |
| “Director(s)” | the director(s) of the Company |
| “Dr. Liu” | Dr. Liu Ruopeng, an executive Director and the Chairman of the Company |
| “Dr. Luan” | Dr. Luan Lin, an executive Director and the Chief Technology Officer |

| | |
|-------------------------------|--|
| “Dr. Zhang” | Dr. Zhang Yangyang, an executive Director and the Chief Executive Officer |
| “EGM” | the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sky Asia Subscription and Sheung Ching Subscription |
| “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 |
| “Independent Board Committee” | an independent board committee of the board of the Company comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Sky Asia Subscription Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | Shareholders other than (i) Dr. Liu, Dr. Zhang, Dr. Luan and their respective associates (including New Horizon Wireless Technology Limited) and (ii) any other Shareholders who are required by the Listing Rules to abstain from voting in respect of the resolution(s) relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM |
| “Kuang-Chi Hezhong” | 深圳光啟合眾科技有限公司(Shenzhen Kuang-Chi Hezhong Technology Limited*), a limited company incorporated in the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Shares” | ordinary shares of HK\$0.01 each in the share capital of the Company |

| | |
|---------------------------------------|---|
| “Sheung Ching” | Sheung Ching Holdings Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Sheung Ching Specific Mandate” | the specific mandate for the allotment and issue of the Sheung Ching Subscription Shares, which is subject to approval by the Shareholders voting by way of poll at the EGM |
| “Sheung Ching Subscription” | subscription of the Sheung Ching Subscription Shares by Sheung Ching pursuant to the terms of the Sheung Ching Subscription Agreement |
| “Sheung Ching Subscription Agreement” | the subscription agreement dated 4 November 2015 entered into between Sheung Ching and the Company |
| “Sheung Ching Subscription Shares” | 200,000,000 Shares to be subscribed for by Sheung Ching under the Sheung Ching Subscription Agreement |
| “Sky Asia” | Sky Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Sky Asia Specific Mandate” | the specific mandate for the allotment and issue of the Sky Asia Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM |
| “Sky Asia Subscription” | subscription of the Sky Asia Subscription Shares by Sky Asia or its nominee pursuant to the terms of the Sky Asia Subscription Agreement |
| “Sky Asia Subscription Agreement” | the subscription agreement dated 4 November 2015 entered into between Sky Asia and the Company |
| “Sky Asia Subscription Shares” | 395,000,000 Shares to be subscribed for by Sky Asia or its nominee under the Sky Asia Subscription Agreement |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the subscription price of HK\$2.32 per Share |

“Subscription Shares”

Sky Asia Subscription Shares and Sheung Ching
Subscription Shares

By Order of the Board
KuangChi Science Limited
Zhang Yangyang
Executive Director

Hong Kong, 6 November 2015

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

* *For identification purpose only*