
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **KuangChi Science Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of KuangChi Science Limited.

**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**
- (3) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 4 to 17 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 19 to 37 of this circular.

A notice convening the SGM to be held on 18 December 2015 at 2:00 p.m. at Units 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong is set out on pages 46 to 48 of this circular. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof should you so wish.

3 December 2015

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

“Announcements”	the announcements of the Company dated 6 and 17 November 2015 respectively in relation to, among other things, the Subscriptions
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“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 Subscriptions
“connected person”	has the meaning ascribed to it under the Listing Rules
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	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

DEFINITIONS

“Independent Financial Adviser” or “Pan Asia”	Pan Asia Corporate Finance Limited, a licensed corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of 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) 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 Sky Asia Subscription Agreement and the transactions contemplated thereunder at the SGM
“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
“Last Trading Day”	3 November 2015, being the day immediately preceding the date of the Subscription Agreements
“Latest Practicable Date”	27 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MACL”	Martin Aircraft Company Limited
“Mr. Ko”	Mr. Ko Chun Shun, Johnson, an executive Director
“New Horizon”	New Horizon Wireless Technology Limited, a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened on 18 December 2015 at 2:00 p.m. for the purpose of considering and, if thought fit, approving the Sky Asia Subscription and Sheung Ching Subscription
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company

DEFINITIONS

“Sheung Ching”	Sheung Ching Holding 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 SGM
“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 SGM
“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
“Subscriptions”	Sky Asia Subscription and Sheung Ching Subscription
“Subscription Agreements”	Sky Asia Subscription Agreement and Sheung Ching Subscription Agreement
“Subscription Price”	the subscription price of HK\$2.32 per Share
“Subscription Shares”	Sky Asia Subscription Shares and Sheung Ching Subscription Shares

* For identification purpose only

LETTER FROM THE BOARD



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

Executive Directors:

Dr. Liu Ruopeng (*Chairman*)
Dr. Zhang Yangyang (*Chief Executive Officer*)
Dr. Luan Lin (*Chief Technology Officer*)
Mr. Ko Chun Shun, Johnson

Registered Office:

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.

Independent non-executive Directors:

Dr. Liu Jun
Dr. Wong Kai Kit
Ms. Zong Nan

*Head office and Principal Place of
Business in Hong Kong:*

Unit 515-518, 5/F. Building 16W,
No. 16 Science Park West Avenue,
Hong Kong Science Park,
Pak Shek Kok,
New Territories, Hong Kong

Hong Kong, 3 December 2015

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

As set out in the Announcements, 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. Also 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with the information among other things, further details of:

- (a) the Sky Asia Subscription Agreement, a letter of advice from the Independent Board Committee to the Independent Shareholders, and 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;
- (b) the Sheung Ching Subscription Agreement; and
- (c) the Notice of SGM.

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 is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding. It 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.

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 circular;
- (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

LETTER FROM THE BOARD

- (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 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;
- (ii) 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); and
- (iii) 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.

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. Despite the price of the Shares went up sharply in October 2015, the Directors have noted that the daily closing price of the Shares during the 12-month period from 3 November 2014 to and including 3 November 2015 (the Last Trading Day) ranged from HK\$1.43 to HK\$5.76 and showed a sliding trend. The Subscription Price although represents a discount of approximately 29.7% over the closing price of HK\$3.30 per Share as quoted on the Stock Exchange as at the Last Trading Day, falls within the range. In addition, it represents (i) 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 (ii) 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 Directors believed the Group has made significant breakthrough and development in the novel space technologies and products, such as, the P12 jetpack of MACL has completed its current phase of manned flight testing and the Traveller which complements the Cloud to provide more cost efficiency platforms for telecommunications and big data services than satellites, has successfully taken off and completed related commercial testing in New Zealand. Having considered the above, 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;

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- (ii) the Independent Shareholders approving at the SGM 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 SGM 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 which held 2,958,000,000 Shares as at the Latest Practicable Date), 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 SGM.

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.

LETTER FROM THE BOARD

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. It is principally engaged in investment holding and is ultimately owned by Mr. Qi Liang, a third party who is independent of and not connected with the Company and its connected persons or their respective associates.

A limited partnership in which Mr. Qi holds approximately 12.42% interest as a limited partner and over which he has no management rights, has subscribed for around 42.8 million shares (the “**LP Subscription Shares in Longsheng**”) in 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) (“**Longsheng**”). The LP Subscription Shares in Longsheng represent approximately 3.27% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng shares under the Subscription (as defined in the Company’s Circular dated 17 July 2015. Longsheng is a company listed on the Shenzhen Stock Exchange and in which the Company on 25 March 2015 subscribed for 41,958,041 new shares representing 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 in Longsheng has not become effective because no approval of China Securities Regulatory Commission has been received. Save as aforesaid, (i) Mr. Qi currently has no shareholding, businesses and/or other relationship with the Company and its connected persons; and (ii) none of Mr. Qi and Sheung Ching has entered into or proposed to enter into any agreement, arrangement, understanding or undertaking, formal or informal, whether express or implied, with any of the Company’s connected persons.

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 circular;
- (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.

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Subscription Price

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

- (i) 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;
- (ii) 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); and
- (iii) 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.

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. Despite the price of the Shares went up sharply in October 2015, the Directors have noted that the daily closing price of the Shares during the 12-month period from 3 November 2014 to and including 3 November 2015 (the Last Trading Day) ranged from HK\$1.43 to HK\$5.76 and showed a sliding trend. The Subscription Price although represents a discount of approximately 29.7% over the closing price of HK\$3.30 per Share as quoted on the Stock Exchange as at the Last Trading Day, falls within the range. In addition, it represents (i) 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 (ii) 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 Directors believed the Group has made significant breakthrough and development in the novel space technologies and products, such as, the P12 jetpack of MACL has completed its current phase of manned flight testing and the Traveller which complements the Cloud to provide more cost efficiency platforms for telecommunications and big data services than satellites, has successfully taken off and completed related commercial testing in New Zealand. Having considered the above, 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 SGM the Sheung Ching Subscription Agreement and all the transactions contemplated thereunder (including the allotment and issue of the Sheung Ching Subscription Shares);

LETTER FROM THE BOARD

- (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 the last of 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 SGM seek approval for the Sheung Ching Subscription Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, 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 SGM in respect of the Sheung Ching Subscription. Nevertheless, Dr. Liu, Dr. Zhang and Dr. Luan together with their respective associates (including New Horizon which held 2,958,000,000 Shares as at the Latest Practicable Date), being connected persons of the Company and having material interests in the Sky Asia Subscription Agreement, agreed to abstain from voting on the relevant resolutions relating to the Sheung Ching Subscription at the SGM.

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.

PRINCIPAL ACTIVITIES OF THE GROUP

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

LETTER FROM THE BOARD

CAPITAL EXPENDITURE PLAN FOR THE COMING 12 MONTHS

The Company's capital expenditure plan for the coming 12 months is as follows:

No.	Cash outflows	CAPITAL	Percentage
		EXPENDITURE PLAN FOR 2016 HK\$'M	
1	Acquisition of land and the construction thereon	563	36%
2	Payment for global merger and acquisition	550	35%
	2.1 Completion of previous acquisitions	260	17%
	2.2 Potential merger and acquisition	290	18%
3	Production cost and plant and machineries for development and production	440	29%
	Total	1553	100%

For planning purpose, all major projects are classified within the following project types:

Land Acquisition – Purchase or acquisition of land, with or without a building structure.

- Approximately HK\$563,000,000 is intended to be used for the Company to complete the previous acquisition of land (the “**Previous Land Acquisition**”) in the 12 months.

The land is situated at Dongguan Eco Center, Eco Park Avenue and the intersection of Ruihe Road, with a total coverage of 26,800 square meters, to build KuangChi Space Science Centre. The payment of approximately HK\$96,000,000 for acquiring the land is expected to be made in December 2015. The construction costs of approximately HK\$467,000,000 is expected to be paid in May 2016.

The Company is in negotiation of acquisition of a new land site in the PRC for the purpose of constructing a new production base to expand and enhance its production capacity in Cloud, Traveller, Jetpack, Solarship and other products, so as to meet the demand of potential orders for such products and reduce logistic cost. Based on the available market information, it is expected that such land will cost about HK\$430,000,000, therefore, such amount is reserved from the proceeds of the Subscriptions.

Global merger and acquisition

- With the aim to provide growth and positive value to the Company, approximately HK\$550,000,000 (including the amount of approximately HK\$54,000,000 left unutilized from the previous subscriptions) is intended to be used for the merger and acquisition globally, of which approximately HK\$260,000,000 is intended to be used for the completion of previous acquisitions, namely MACL and Solar Ship Incorporation, and approximately HK\$290,000,000 of which is intended to be used for the potential merger and acquisition.

LETTER FROM THE BOARD

The expected payment dates of the consideration for the acquisitions of MACL and Solar Ship Incorporation are expected to be in January 2016 and October 2016 respectively.

The Company intends to use HK\$290,000,000 for potential acquisition of innovative technologies companies engaged in novel space and aviation industry, including but not limited to technologies related to manned or unmanned aircraft and material parts thereof. The proceeds of HK\$290,000,000 reserved from the proceeds of the Subscriptions is intended to be used to pay for the consideration of the potential acquisition target.

Research and development expenses and acquisition of related property plant and equipment

- Based on the relevant experience of the related machineries and facilities required, approximately HK\$440,000,000 is intended to be used for research and development expenses in the Novel Space Business and acquisition of related property plant and equipment. HK\$240,000,000 from the proceeds of the Subscriptions is reserved for such use. The Company intends to finance the remaining capital expenditure of HK\$200,000,000 by deployment of the proceeds left unutilized from the previous subscriptions proceeds.

The Company's capital expenditure plan for the coming 12 months are forward-looking statements made on the basis of subjective assumptions and judgments on future policies and economic conditions. These statements are subject to risks, uncertainties and assumptions. The actual results may differ materially from the forward-looking statements. Such statements do not constitute actual commitments to investors. Shareholders and Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

REASONS FOR THE SUBSCRIPTIONS AND USE OF PROCEEDS

In view of the Company's current financial position, it would be difficult for the Company to source funds from independent third parties other than Sheung Ching for business development of the Group (please see below for details). Sky Asia is a wholly owned subsidiary of Kuang-Chi Hezhong, which is, in turn, held by Dr.Liu, an executive Director and the Chairman of the Company, to 35.09%. The other shareholders of Kuang-Chi Hezhong are Dr. Zhang (17.54%), Dr. Luan (15.79%), Dr. Zhao Zhiya (15.79%) and Dr. Ji Chunlin (15.79%). With the background of these shareholders, Sky Asia is well-positioned to appreciate and support the development potential of the Group, particularly in respect of the Novel Space Business.

The Directors have considered other fund raising methods such as bank borrowing, share placement and rights issue/open offer, they had settled on the Sky Asia Subscription in addition to the Sheung Ching Subscription as their preferred method to raise funds in this case for the following reasons.

(a) Bank borrowing

The Directors approached a number of banks for loans, but the banks approached were less than enthusiastic in advancing loans to the Company due to the Company's current financial position. It should also be noted that bank borrowing would result in an additional interest burden on the Group and may not be achievable on favourable terms or on a timely basis, due to the possibility of the Company being subject to lengthy due diligence and negotiation processes with banks. Moreover,

LETTER FROM THE BOARD

banks are likely to impose stringent conditions on the loans which may adversely affect the borrower's flexibility in its operations. Such conditions may include, without limitation, stipulation of adequate security to be provided by the borrower, provision of personal guarantees on the part of the borrower's substantial shareholders, limited purposes for using the loans and other restrictive covenants. In light of the Company's current financial position, the Board considers that the bank borrowing option to be unfavourable and unsuitable to the Company and the Shareholders as a whole.

(b) Share placement

A placement of new Shares to independent third parties (a) would not offer the existing Shareholders the first opportunity to share the results of the Company and maintain their respective prorata shareholding in the Company; and (b) would immediately dilute the shareholding of the existing Shareholders.

(c) Rights issue/open offer

Although both rights issue and open offer would allow Shareholders to maintain their prorata shareholdings in the Company, they have a number of defects as fund raising methods. For example, (i) rights issue enables the Shareholders to trade in nil-paid rights which would cause the Company to incur additional administrative costs in setting up appropriate trading arrangement. Such additional costs would lower the total amount of net proceeds which might otherwise be raised. Moreover, the Company would have to spend more time to review the relevant documents, and liaise with the parties involved such as the share registrar, the underwriter, financial printer and other professional advisers; (ii) in view of the thin trading volume of the Shares, there is uncertainty as to the existence of a market to trade the nil-paid entitlements; and (iii) according to Rules 7.19(1) and 7.24(1) of the Listing Rules, all rights issues and open offers must be fully underwritten. The Company will find it difficult, given its current financial position, to find underwriters prepared to underwrite the rights issue/open offer.

The above-mentioned defects of the other fund raising methods, when balanced against the merits of the Sky Asia Subscription, which, among others, provides the Company with an opportunity to maintain ongoing relationship with the shareholders of Kuang-Chi Hezhong/Sky Asia, whose contributions will be beneficial to the long-term growth and development of the Group, have led the Directors to the view that raising funds by way of the Sky Asia Subscription in addition to the Sheung Ching Subscription is the preferred option in this case.

The gross proceeds and the net proceeds from the Subscriptions are approximately HK\$1,380.4 million and approximately 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 as follows:

- approximately HK\$430,000,000 is intended to be used for acquisition of a new land site in the PRC and construction of manufacturing facilities thereon. This new land site is different from the land site referred to in the Previous Land Acquisition;
- approximately HK\$500,000,000 is intended to be used for the completion of previous acquisitions and potential merger and acquisition globally;

LETTER FROM THE BOARD

- approximately HK\$240,000,000 is intended to be used for research and development expenses in the Novel Space Business and acquisition of related property plant and equipment; and

The Company intends to carry out 2 novel space research and development projects in the coming 12 months, namely “Martin Jetpack Project” and “Solar Ship Project”.

Martin Jetpack Project is about developing the practical jetpack, with potential usage in spanning search and rescue, military, recreational and commercial applications, both manned and unmanned. The major assets to be used are flight test facilities and production facilities for the jetpacks. The proposed commencement date of this project in the PRC is in the middle of 2016. The budgeted costs of this project is approximately HK\$170,000,000 subject to changes of the production size.

Solar Ship Project is about developing a transport platform, namely Solarship, by applying the solar electric hybrid aircraft design for low cost air-transport and the self-reliant building technology for deploying the Solarship to remote area camps. The major assets to be used are cutting machines, helium purifiers, radio frequency welders, heat seal machines and others required for the production of the Solarship. The proposed commencement date of this project in the PRC is in the middle of 2016. The budgeted costs of this project is approximately HK\$70,000,000 subject to changes of the production size.

- approximately HK\$210,000,000 is intended to be used as general working capital.

The breakdown for the intended use of approximately HK\$210,000,000 as general working capital is follows:

Staff cost:	HK\$120,000,000
Rental fee:	HK\$18,000,000
Advertising and marketing expense:	HK\$18,480,000
Consultants and legal fee:	HK\$18,000,000
Travelling expense:	HK\$14,400,000
Other operating expense:	HK\$21,120,000

Total: HK\$210,000,000

The Directors considered that the Subscriptions will allow the Company to raise additional immediate funds under the current unfavourable global financial conditions, and at a relatively low cost. Although the Company has considered alternative equity fund raising methods, having taken into account the above factors, the Directors considered that, the Subscriptions are appropriate means to raise funds and at the same time to maximize the business development of the Company.

Having consider the above, the Directors considered that:

- (i) the Subscriptions will provide the Company with adequate funds for financing potential mergers and acquisitions and capital expenditures, which would enable the Company to seize various opportunities in the Novel Space Business sector that it has planned to penetrate into;

LETTER FROM THE BOARD

- (ii) the Subscriptions will strengthen the Company's capital base and financial position while reducing the level of gearing, saving finance costs and in turn enhancing the Company's market competitiveness; and
- (iii) the terms of the Subscription Agreements are fair and reasonable.

Accordingly, the Directors considered that it is in the best interest of the Company and the Shareholders as a whole to enter into the Subscription Agreements.

As Sky Asia is wholly owned by Kuang-Chi He Zhong, the equity interest of which is held by Dr. Liu, Dr. Zhang and Dr. Luan as to 35.09%, 17.54% and 15.79% respectively, Dr. Liu, Dr. Zhang and Dr. Luan have abstained from voting on the resolutions of the Board for approving the Sky Asia Subscription Agreement and the transactions contemplated thereunder.

CHANGES IN SHAREHOLDING STRUCTURE AS A RESULT OF THE SUBSCRIPTIONS

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

	As at the Latest Practicable Date		Immediately after completion of the Subscriptions	
	Number of Shares	%	Number of Shares	%
New Horizon (<i>Note 1</i>) and Sky Asia	2,958,000,000	52.26%	3,353,000,000	53.60%
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	70.23%
Other Subscriber				
Sheung Ching	–	–	200,000,000	3.20%
Other Public Shareholders	1,661,975,668	29.36%	1,661,975,668	26.57%
Total Public Shareholders	1,661,975,668	29.36%	1,861,975,668	29.77%
Total	5,660,067,792	100.00%	6,255,067,792	100%

LETTER FROM THE BOARD

Notes:

1. New Horizon is owned as to 51% by Kuang-Chi Innovative Technology Limited and as to 49% by Kuang-Chi Hezhong. Kuang-Chi Innovative Technology Limited 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 is an executive Director. Starbliss Holdings Limited is wholly and beneficially owned by Mr. Ko.

For the purpose of this circular, 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 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 circular. Save for the Subscriptions, the Company does not have any current plan on equity fund raising. The Company will continue to review its current and expected future funding requirements and explore different sources of funding as and when necessary having regard to the then market conditions.

SGM

A notice convening the SGM is set out on pages 46 to 48 of this circular, at which resolutions will be proposed to approve the Subscriptions Agreements and the transactions contemplated thereunder, and the grant of the Sky Asia Specific Mandate and the Sheung Ching Specific Mandate.

The Company will at the SGM:

- (i) seek approval from the Independent Shareholders for the Sky Asia Subscription Agreement and the transactions contemplated thereunder. As Dr. Liu, Dr. Zhang and Dr. Luan hold 35.09%, 17.54% and 15.79% equity interest in Kuang-Chi Hezhong respectively, they together with their respective associates (including New Horizon which held 2,958,000,000 Shares as at the Latest Practicable Date), being connected persons of the Company and having material interests in the Sky Asia Subscription Agreement, will abstain from voting on the relevant resolution(s) relating to the Sky Asia Subscription at the SGM; and
- (ii) seek approval from the Shareholders for the Sheung Ching Subscription Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, 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 relevant resolution(s) to be proposed at the SGM in respect of the Sheung Ching Subscription. Nevertheless, Dr. Liu, Dr. Zhang and Dr. Luan together with their respective associates (including New Horizon which held 2,958,000,000 Shares as at the Latest Practicable Date), being connected persons of the Company and having material interests in the Sky Asia Subscription Agreement, agreed to abstain from voting on the relevant resolutions relating to the Sheung Ching Subscription at the SGM.

LETTER FROM THE BOARD

A form of proxy for the SGM is enclosed with this circular, Whether or not you intend to be present at the SGM, you are advised to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong. Tricor Secretaries Limited, Level 22, Hopewell Centre 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

As the completion of the Subscriptions is subject to the fulfilment of the conditions precedent stated in the respective Subscription Agreements, the Subscriptions may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "Reasons for the Subscriptions and Use of Proceeds" above, the Directors (including the independent non-executive Directors) consider that the terms of the Sky Asia Subscription Agreement and Sheung Ching Subscription Agreement and the transactions contemplated thereunder respectively are fair and reasonable and on normal commercial terms and the Subscriptions are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend:

- (a) the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM to approve:
 - (i) the Sky Asia Subscription Agreement and the transactions contemplated thereunder; and
 - (ii) the grant of Specific Mandate for the allotment and issuance of the Sky Asia Subscription Shares;
- (b) the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM to approve:
 - (iii) the Sheung Ching Subscription Agreement and the transactions contemplated thereunder; and
 - (iv) the grant of Specific Mandate for the allotment and issuance of the Sheung Ching Subscription Shares.

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 19 to 37 of this circular and the information set out in the Appendix of this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

3 December 2015

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION – SUBSCRIPTION FOR NEW SHARES BY SKY ASIA UNDER SPECIFIC MANDATE

We refer to the circular (the “**Circular**”) dated 3 December 2015 issued by the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been formed to advise the Independent Shareholders in relation to the terms of the Sky Asia Subscription Agreement and the transactions contemplated thereunder; and the grant of the Sky Asia Specific Mandate. Pan Asia Corporate Finance Limited has been appointed by the Company as independent financial adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 19 to 37 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix of the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the terms of the Sky Asia Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are in the ordinary and usual course of business of the Company; and such terms are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution(s) to be proposed at the SGM to approve (i) the Sky Asia Subscription Agreement and the transactions contemplated thereunder; and (ii) the grant of the Sky Asia Specific Mandate for the allotment and issuance of the Sky Asia Subscription Shares.

Yours faithfully
For an on behalf of the
Independent Board Committee

Dr. Liu Jun

Dr. Wong Kai Kit

Ms. Zong Nan

Independent non-executive Directors

LETTER FROM PAN ASIA

The following is the full text of a letter of advice from Pan Asia, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Sky Asia Subscription.



Pan Asia Corporate Finance Limited

Unit 1504, 15th Floor
The Center
99 Queen's Road Central
Central
Hong Kong

3 December 2015

To: The Independent Board Committee and the Independent Shareholders of KuangChi Science Limited

Dear Sirs or Madams,

CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sky Asia Subscription, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 3 December 2015 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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. On the same day, the Company and Sheung Ching entered into the Sheung Ching Subscription Agreement under which 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 of HK\$2.32 per Share.

According to the Letter from the Board, Sky Asia is wholly owned by Kuang-Chi Hezhong, 35.09% equity interest of which is held by Dr. Liu, who is 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.

LETTER FROM PAN ASIA

The Company will seek approval for each of the Sky Asia Subscription Agreement and Sheung Ching Subscription Agreement and the transactions contemplated thereunder at the SGM. 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, which held 2.958 billion Shares as at the Latest Practicable Date), being connected persons of the Company and having a material interest in the Sky Asia Subscription Agreement, will abstain from voting on the relevant resolution(s) relating to the Sky Asia Subscription at the SGM. On the other hand, the Directors, having made reasonable enquiries, take the view that no Shareholder is required to abstain from voting on the ordinary resolution(s) to be proposed at the SGM in respect of the Sheung Ching Subscription.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Dr. Liu Jun, Dr. Wong Kai Kit and Ms. Zong Nan, has been established to advise the Independent Shareholders on (i) whether the terms of the Sky Asia Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Sky Asia Subscription is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Sky Asia Subscription Agreement and the transactions contemplated thereunder at the SGM. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard. For completeness, we also set out our view on the Sheung Ching Subscription Agreement in sub-section 7 below.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Sky Asia Subscription.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM PAN ASIA

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, its subsidiaries and associates as well as the Subscribers.

OUR QUALIFICATION AND INDEPENDENCE

Pan Asia has been licensed by the Securities and Futures Commission (the “SFC”) since 1992 and is a licensed corporation engaging in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

Mr. Cheung, who is the Chairman of Pan Asia and signs off on this letter, is licensed by the SFC as a Responsible Officer and a Principal licence holder of Pan Asia, and has over 20 years’ experience in the financial services industry in Hong Kong.

We confirm that we are not associated with the Company’s directors, substantial shareholders and their associates, and are of the view that we meet the independence guidelines set out in Rule 13.84 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in (i) the novel space and other innovative technology business (the “**novel space business**”), which applies the technology developed in respect of the civil near space flying apparatus to provide various novel space services, including but not limited to telecommunication, mineral exploration, space tourism and disaster detection, etc.; (ii) the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials (the “**paper business**”); and (iii) the property investment business (the “**property business**”), which was established to earn recurrent rental income and capture possible capital appreciation in the value of the properties held.

LETTER FROM PAN ASIA

The following tables summarise the financial information of the Group for the two years ended 31 December 2014 (Note 1) and the six months ended 30 June 2015, which have been extracted from the annual report of the Company for the period from 1 April to 31 December 2014 (the “AR 2014”) and the interim report for the six months ended 30 June 2015 (the “IR 2015”) respectively.

	For the period ended		For the 6 months ended	
	1/4/2014 – 31/12/2014	1/4/2013 – 31/3/2014	30/6/2015	30/6/2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	79,464	113,433	55,537	35,963
Profit (loss) before tax	(152,674)	(37,332)	(72,663)	(22,060)
Loss for the year/period	<u>(153,535)</u>	<u>(37,908)</u>	<u>(72,849)</u>	<u>(22,134)</u>

Note 1: The financial year end date of the Company has been changed to 31 December of each year to align with that of its subsidiaries incorporated in the PRC. Therefore, the financial year end date of 31 December 2014 in the audited consolidated financial statements covered the results for nine months from 1 April to 31 December 2014.

	As at		
	31/3/2014	31/12/2014	30/6/2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Total assets	189,715	1,936,751	2,358,500
Total liabilities	(22,550)	(218,510)	(345,937)
Net assets	<u>167,165</u>	<u>1,718,241</u>	<u>2,012,563</u>

(a) For the six months ended 30 June 2015

According to the IR 2015, the Group recorded unaudited consolidated revenue of approximately HK\$55.54 million for the six months ended 30 June 2015, representing an increase of 54.43% as compared to the six months ended 30 June 2014. The increase in revenue during the period under review was primarily due to the consultancy fee income from the novel space business, which was established in the second half of 2014.

The turnover contributed by the paper business during the period under review was approximately HK\$35.22 million, which decreased slightly from HK\$35.3 million of the corresponding period last year. According to the IR 2015, the paper business had not fully recovered from the weakening global demand and faced fierce competition in the printing and packaging industry as well as significant increase in labour costs during the review period.

LETTER FROM PAN ASIA

On the other hand, the Group's loss attributable to shareholders of the Company in the period under review was approximately HK\$65.09 million (comparative period: HK\$22.13 million). According to the IR 2015, the significant increase in the Group's loss was caused by the fact that unallocated corporate expenses of the Group had substantially increased from approximately HK\$4.9 million of the corresponding period in last year to approximately HK\$49.2 million in the period under review. The sharp increase in the amount of corporate expenses in the year was attributable to (i) the incurrence of legal and professional expenses, financial advisory expenses of approximately HK\$14.5 million (comparative period: HK\$75,000) in respect of acquisition activities; and (ii) the significant increase in general administrative staff costs from approximately HK\$1.84 million in the corresponding period last year to approximately HK\$22.55 million in the period under review as a result of the allocation of the share-based payment expenses for share options granted to certain directors and employees as at 26 August 2014.

(b) For the period ended 31 December 2014

According to the AR 2014, during the nine-month period ended 31 December 2014 (the "Period"), the Group recorded a turnover of approximately HK\$79.46 million (year ended 31 March 2014: HK\$113.43 million).

During the Period, the Group established the novel space business and generated revenue of approximately HK\$9.22 million. The turnover of the paper business, on the other hand, was approximately HK\$69.74 million (year ended 31 March 2014: HK\$112.65 million), and the decrease in turnover was caused by the weakening global demand and fierce competition in the printing and packaging industry as well as high labour and production costs. Leasing income of approximately HK\$0.5 million (year ended 31 March 2014: HK\$0.79 million) was also recognised.

According to the AR 2014, the Group's loss attributable to owners of the Company in the Period was approximately HK\$153.54 million (year ended 31 March 2014: loss attributable to owners of approximately HK\$37.9 million), and the increase in the Group's loss during the Period was attributable to, among others, (i) share-based payments; (ii) research and development ("R&D") expenses; and (iii) advisory fees.

(c) Subscription agreements entered into between May and September 2014

Between May and September 2014, the Company entered into subscription agreements of new Shares with a number of parties (collectively the "Previous Subscriptions"). Details of the Previous Subscriptions are summarised below.

On 29 May 2014, the Company entered into a subscription agreement with New Horizon and other investors, pursuant to which the Company agreed to allot and issue a total of 4.35 billion subscription shares (both Shares and preferred shares) at an issue price HK\$0.08 per subscription share. The total net proceeds from this subscription were approximately HK\$327 million. Details of the subscription and the subscribers were disclosed in the Company's circular dated 29 July 2014, and the Company's announcements dated 13 June 2014, 22 August 2014 and 17 February 2015.

LETTER FROM PAN ASIA

On 12 September 2014, 14 September 2014 and 15 September 2014, the Company entered into subscription agreements with 26 subscribers, pursuant to which the Company allotted and issued in aggregate 289.9 million Shares at the subscription price of HK\$5.386 per Share. The 26 subscribers were not connected persons of the Company. The subscription was completed on 29 September 2014 and the net proceeds received were approximately HK\$1.56 billion. Details of the subscription were disclosed in the Company's announcements dated 15 September 2014 and 29 September 2014.

The total proceeds from the Previous Subscriptions were approximately HK\$1.89 billion and they were applied to activities such as: (i) acquisition of land site and construction of manufacturing facilities etc; (ii) R&D; (iii) general working capital; and (iv) global merger and acquisition of novel space services industry and products. Please refer to pages 9-10 of the IR 2015 for details on the use of proceeds from the Previous Subscriptions.

2. Reasons for and benefits of the Sky Asia Subscription and proposed use of proceeds

In view of the Company's current financial position, it would be difficult for the Company to source funds from independent third parties for business development of the Group (please refer, for example, to sub-section 3 headed 'Financing alternatives' below for details). Sky Asia, on the other hand, is a wholly owned subsidiary of Kuang-Chi Hezhong, which is, in turn, held by Dr. Liu, an executive Director and the Chairman of the Company, to 35.09%. The other shareholders of Kuang-Chi Hezhong are Dr. Zhang (17.54%), Dr. Luan (15.79%), Dr. Zhao Zhiya (15.79%) and Dr. Ji Chunlin (15.79%). With the background of those shareholders, Kuang-Chi Hezhong, hence Sky Asia, is well-positioned to appreciate the development potential of the Group, particularly in respect of the novel space business.

The Company and Sky Asia entered into the Sky Asia Subscription Agreement on 4 November 2015, and the Subscription Price was arrived at after arm's length negotiations between the Company and Sky Asia with reference to (i) the recent trading performance of the Shares; and (ii) the business prospects of the Group.

On the assumption that the Subscriptions are successfully completed, the gross proceeds and net proceeds from them are approximately HK\$1,380.4 million and approximately HK\$1,380 million respectively.

According to the Directors, the Company intends to apply the amount of net proceeds from the Subscriptions to the following business activities approximately:

Activity	HK\$'000
1. Acquisition of land site and construction of manufacturing facilities thereon	430,000
2. Potential merger and acquisition globally	500,000
3. R&D expenses and acquisition of property, plant and equipment	240,000
4. General working capital	210,000
	<hr/>
	1,380,000
	<hr/> <hr/>

LETTER FROM PAN ASIA

It is noted that the planned usage of the net proceeds from the Subscriptions is in line with that of the Previous Subscriptions, which, as mentioned before, applied the funds raised to such business activities as: (i) acquisition of land site and construction of manufacturing facilities thereon etc; (ii) R&D; (iii) general working capital; and (iv) global merger and acquisition of novel space services industry and products. Given that the business activities for which net proceeds from the Subscriptions were intended are similar to that of Previous Subscriptions, we are of the view that the planned usage of proceeds from the Subscriptions is, on balance, fair and reasonable application of the funds raised and is in the interests of the Company and the Shareholders as a whole.

In addition to funding the above-mentioned business activities, the Subscriptions are expected to strengthen the Company's capital base and financial position while reducing the level of gearing and, in turn, enhancing the Company's market competitiveness. Please refer to sub-section 5 below for an illustration of the positive financial effects of the Sky Asia Subscription Agreement may have on the Group.

(a) Assessment of Company's funding needs

We reviewed the information and documents provided to us by the Company on its expansion plan and funding needs, and noted that the focus of the Company's development effort is on the novel space business which had already been so stated in the IR 2015 and the AR 2014. Accordingly, this is a business activity that the Company has all along earmarked for further development. Given this business focus, it is reasonable for the Company to allocate approximately HK\$240 million as R&D expenses. A further amount of approximately of HK\$200 million to be used in this regard will be financed by the deployment of the proceeds left utilised from the Previous Subscriptions.

In respect of the Company's other business activities to which proceeds from the Sky Asia Acquisition would be applied such as intended acquisition of land, we are satisfied with the bases of the Company's allocated amount for this business activity after reviewing the Company's information. As for the amount allocated to global merger and acquisition, it is noted that this amount is consistent with the amount disclosed in the IR 2015 and the AR 2014 for this activity. As regards the completion of the acquisition of the shares of Martin Aircraft Company Limited and Solar Ship Inc. (collectively the "**Previous Acquisitions**") (including the amount and timeline of payments), we were informed by the Company of the proposed timeline for further payments, and did not receive any evidence to contradict the Company's information. For details of the Previous Acquisitions, please refer to page 6 of the IR 2015 and pages 11-12 of the AR 2014. We also reviewed a schedule of the general working capital including such items staff cost, rental fee, advertising and marketing expense, consultant fees and are satisfied with its contents.

However, given the Company's current high cash position, arguments can be made as to whether or not there is a need to raise funds at this stage. We take the view that while the Sky Asia Subscription may raise the Company's cash position to a relatively high level immediately after the Sky Asia Subscription, this high level will taper off in a 12-month period. Please refer to below sub-section 5(d) headed 'Assessment of the Company's cash level after the Subscriptions' for our analysis of this issue. All told, we are satisfied with the bases of the Company's funding needs, and concur with the Directors that the Sky Asia Subscription is in the interests of the Company and the Shareholders as a whole.

LETTER FROM PAN ASIA

3. The choice of the Sky Asia Subscription over other alternatives

The Directors confirmed that, after considering other fund raising methods such as bank borrowing, share placement and rights issue/open offer, they had settled on the Sky Asia Subscription as their preferred method to raise funds in this case for the following reasons.

(a) *Bank borrowing*

The Directors approached a number of banks for loans, but the banks approached were less than enthusiastic in advancing loans to the Company due to the Company's current financial position. It should also be noted that bank borrowing would result in an additional interest burden on the Group and may not be achievable on favourable terms or on a timely basis, due to the possibility of the Company being subject to lengthy due diligence and negotiation processes with banks. Moreover, banks are likely to impose stringent conditions on the loans which may adversely affect the borrower's flexibility in its operations. Such conditions may include, without limitation, stipulation of adequate security to be provided by the borrower, provision of personal guarantees on the part of the borrower's substantial shareholders, limited purposes for using the loans and other restrictive covenants. In light of the Company's current financial position, the Board considers that the bank borrowing option to be unfavourable and unsuitable to the Company and the Shareholders as a whole.

(b) *Share placement*

A placement of new Shares to independent third parties (a) would not offer the existing Shareholders the first opportunity to share the results of the Company and maintain their respective pro-rata shareholding in the Company; and (b) would immediately dilute the shareholding of the existing Shareholders. Moreover, the Company entered into the Previous Subscriptions between May and September 2014 before.

(c) *Rights issue/open offer*

Although both rights issue and open offer would allow Shareholders to maintain their pro-rata shareholdings in the Company, they have a number of defects as fund raising methods. For example, (i) rights issue enables the Shareholders to trade in nil-paid rights which would cause the Company to incur additional administrative costs in setting up appropriate trading arrangement. Such additional costs would lower the total amount of net proceeds which might otherwise be raised. Moreover, the Company would have to spend more time to review the relevant documents, and liaise with the parties involved such as the share registrar, the underwriter, financial printer and other professional advisers; (ii) in view of the thin trading volume of the Shares (please refer to Table 1 below), there is uncertainty as to the existence of a market to trade the nil-paid entitlements; and (iii) as per Rules 7.19(1) and 7.24(1) of the Listing Rules, all rights issues and open offers must be fully underwritten, the Company will find it difficult, given its current financial position, to find underwriters prepared to underwrite the rights issue/open offer which the Company wants to undertake.

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The above-mentioned defects of the other fund raising methods, when balanced against the merits of the Sky Asia Subscription, which, among others, provide the Company with an opportunity to maintain ongoing relationship with the shareholders of Kuang-Chi Hezhong/Sky Asia, whose contributions will be beneficial to the long-term growth and development of the Group, have led the Directors to the view that raising funds by way of the Sky Asia Subscription is the preferred option in this case.

Having taken into account (i) the need to fund the expansion of the Group's novel space business activity; (ii) the availability of and comparison with other financing alternatives as well as the weaknesses of each of these alternatives; and (iii) the Sky Asia Subscription may allow the Company to raise additional immediate funds at a relatively low cost, we concur with the Directors that the Sky Asia Subscription is, on balance, a funding raising method which is in the interests of the Company and the Shareholders as a whole.

The Directors further confirmed that the Company had not conducted any other equity fund raising activities in the past 12 months and apart from the Subscriptions, the Company had no current plan for similar exercise. However, the Company will continue to review its current and future funding requirements and explore different sources of funding as and when necessary having regard to the relevant market conditions at the time.

4. Principal terms of the Sky Asia Subscription Agreement

The principal terms of the Sky Asia Subscription Agreement are as follows:

Date:	4 November 2015
Parties involved:	(i) the Company, as issuer (ii) Sky Asia, as subscriber

The subscriber, Sky Asia, is a company incorporated in the British Virgin Islands (the "BVI") with limited liability on 10 April 2015, and is principally engaged in investment holding.

(a) 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 of HK\$2.32 per Share.

The Sky Asia Subscription Shares represent:

- (i) approximately 6.98% of the issued share capital of the Company as at the date of the 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.

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

(b) *The 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).

(c) *Conditions precedent*

Completion is conditional upon satisfaction of the following conditions:

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

The conditions precedent stated above cannot be waived. If any of the conditions precedent 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 lapse and all rights and obligations thereunder will be terminated save for any rights and obligations accrued before the termination.

(d) *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).

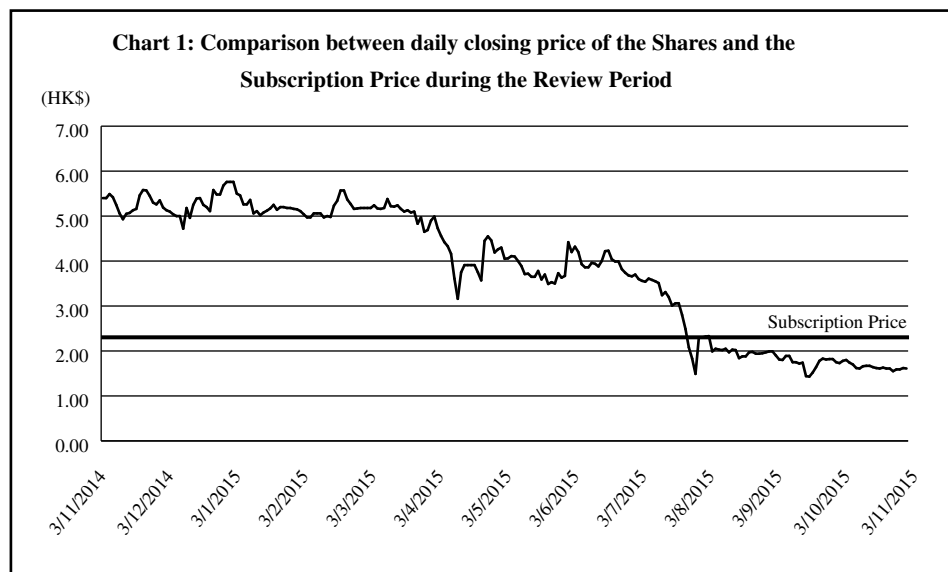
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4. Review of the Sky Asia Subscription Agreement

(a) Assessment of the Subscription Price

(i) Historical performance of the Share price

In order to assess the fairness and reasonableness of the Subscription Price, we reviewed the daily closing price of the Shares during the period from 3 November 2014 up to and including 3 November 2015, being the Last Trading Day (the “**Review Period**”), to illustrate the trading performance of the Shares in a 12-month period, which is a reasonably long period for comparison purpose. The comparison of the closing price of the Shares with the Subscription Price is illustrated in Chart 1 below:



We noted from Chart 1 that the daily closing price of the Shares had ranged from HK\$1.43 to HK\$5.76 during the Review Period. Hence, the Subscription Price of HK\$2.32 per Share falls within the said price range, and represents a premium of approximately 62.23% over the lowest closing price of HK\$1.43 recorded on 25 August 2015, and a discount of approximately 59.72% to the highest closing price of HK\$5.76 recorded on 24 December 2014. Notwithstanding this, we noted that the closing prices of the Shares in general showed a sliding trend during the Review Period and were below the Subscription Price for approximately three months between July and October 2015. In addition, the Shares were trading at a relatively low price, i.e. below the average price of HK\$3.73 per Share, in the last 30 trading days of the Review Period.

Having noted that (i) the financial performance of the Group as summarised in above sub-section 1 headed ‘Background information of the Group’ has been less than satisfactory lately; (ii) the closing price of the Shares exhibited a general sliding trend during the Review Period; and (iii) the Shares were trading at a relatively low price in the last 30 trading days of the Review Period, we concur with the Directors that it might not be easy for the Company to negotiate for a price with the independent third parties for subscription of the Shares which is higher than the recent trading price of the Shares.

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(ii) *Review on trading liquidity of the Shares*

Table 1 below sets out (i) the average daily trading volume of the Shares during the Review Period; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period in the Review Period:

Table 1: Daily trading volume of the Shares during the Review Period

Month	No. of trading days in each month	Total trading volume (No. of Shares)	Average daily trading volume (in Shares)	No. of outstanding Shares at the month end (in Shares)	Percentage of average daily trading volume to no. of outstanding Shares (%)
2014					
November	19	119,205,300	6,273,963	3,406,067,793	0.18
December	20	240,105,800	12,005,290	3,406,067,793	0.35
2015					
January	21	76,705,600	3,652,648	3,406,067,793	0.11
February	17	225,213,800	13,247,871	3,406,067,793	0.39
March	22	593,253,300	26,966,059	3,406,067,793	0.79
April	19	412,215,100	21,695,532	4,747,734,459	0.46
May	19	293,669,600	15,456,295	4,747,734,459	0.33
June	22	222,081,200	10,094,600	4,747,734,459	0.21
July	22	271,036,440	12,319,836	4,747,734,459	0.26
August	21	177,536,900	8,454,138	4,747,734,459	0.18
September	20	171,978,700	8,598,935	5,660,067,792	0.15
October	20	626,805,700	31,340,285	5,660,067,792	0.55
November	2	54,113,500	27,057,750	5,660,067,792	0.48
Average			15,166,323		0.34

Source: HKEx website (www.hkex.com.hk)

As per Table 1, the average trading volume of the Shares was thin during the Review Period, representing approximately 0.34% of the total number of issued Shares as at the end of the month/period on average during the Review Period. The low liquidity of the Shares means that it would be difficult for the Company to further raise sizeable funds due to the lack of interest from potential investors. This, together with the difficulties encountered in raising funds under the funding alternatives described in above sub-section 3, lead us to agree with the Directors that the Sky Asia Subscription is in the interests of the Company and Shareholders as a whole.

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(iii) Comparison against net asset value of the Company

In addition, we have considered the Subscription Price over the net asset value of the Company (the “NAV”). The Subscription Price of HK\$2.32 per Share represents a premium of approximately 364% over the NAV per Share of the Company of approximately HK\$0.5 (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).

(b) Market comparable analysis

(i) Comparison of Sky Asia Subscription with other subscriptions

In accessing the fairness and reasonableness of the Sky Asia Subscription, we compared the subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) of other listed companies announced from 1 July 2015 to the Last Trading Day, i.e. 3 November 2015. An exhaustive list of 23 subscriptions of new shares under specific mandate (including connected transaction and transaction with independent third party) were identified for comparison (the “Comparables”).

We are of the view that a review period of approximately four calendar months up to the Last Trading Day of 3 November 2015 is appropriate to capture the recent market practice for such subscriptions on the following grounds: (i) given the frequency of the occurrence of the Comparables in this 4-month review period (7 subscriptions in July 2015, 9 subscriptions in August 2015, 4 subscriptions in September 2015, 2 subscriptions in October 2015 and 1 subscription in November 2015), we are of the view that the terms of the Comparables can adequately capture the recent market conditions and sentiments for subscriptions of new shares under specific mandate; and (ii) there were 24 subscriptions in a 4-month period (including the Sky Asia Subscription), which number, in our view, constitute a reasonable number of Comparables for the purpose of comparison.

However, given the differences between the Comparables and the Group in terms of business nature, financial performance, financial position as well as funding requirements, we consider the Comparables might not constitute close reference with the Company’s proposed Subscription, but just a market general reference for the recent market practice in relation to the subscription price under other subscription of new shares under specific mandate (including connected transaction and transaction with independent third party) as compared to the relevant prevailing market share prices. Our findings are presented in Table 2 below.

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Table 2: Comparison of subscriptions of new shares under specific mandate from 1 July to 3 November 2015

Announcement date	Stock code	Name of Company	Subscription price (HK\$)	Closing price	Premium/ (discount)
				on the last trading day prior to the date of announcement/ the date of agreement	of subscription price over/(to) the closing price on the last trading day prior to the date of announcement/ the date of agreement
5 July 2015	475	Zhong Fa Zhan Holdings Ltd	2.100	2.450	(14.29)
7 July 2015	265	Orient Victory China Holdings Ltd	0.740	1.500	(50.67)
9 July 2015	1019	Convoy Financial Holdings Ltd	0.530	0.730	(27.40)
10 July 2015	8193	GreaterChina Professional Services Ltd	0.100	0.390	(74.36)
16 July 2015	149	China Agri-Products Exchange Ltd	0.245	0.390	(37.18)
16 July 2015	800	A8 New Media Group Ltd	0.570	0.650	(12.31)
28 July 2015	1191	Yueshou Environmental Holdings Ltd	0.145	0.740	(80.41)
13 August 2015	8021	WLS Holdings Ltd	0.0688	0.450	(84.72)
19 August 2015	8166	China Eco-Farming Ltd	0.150	0.151	(0.66)
24 August 2015	267	CITIC Ltd	3.000	3.240	(7.41)
27 August 2015	245	China Seven Star Holdings Ltd	0.190	1.880	(89.89)
28 August 2015	990	Theme International Holdings Ltd	0.100	0.440	(77.27)
28 August 2015	1019	Convoy Financial Holdings Ltd	0.350	0.370	(5.41)
30 August 2015	1363	CT Environmental Group Ltd	2.575	2.550	0.98
30 August 2015	809	Global Bio-chem Technology Group Company Ltd	0.230	0.345	(33.33)
31 August 2015	952	Quam Ltd	0.565	1.410	(59.93)
2 September 2015	850	PetroAsian Energy Holdings Ltd	0.130	0.167	(22.16)
3 September 2015	721	China Financial International Investment Ltd	0.200	0.920	(78.26)
17 September 2015	8237	Link Holdings Ltd	0.330	1.100	(70.00)
25 September 2015	6818	China Everbright Bank Company Ltd	4.896	3.430	42.75
13 October 2015	95	LVGEM (China) Real Estate Investment Co Ltd	2.200	2.510	(12.35)
26 October 2015	354	Chinasoft International Ltd	2.800	3.260	(14.11)
02 November 2015	1622	Redco Properties Group Ltd	4.430	5.280	(16.10)
			Minimum		(89.89)
			Maximum		42.75
			Average		(35.85)
06 November 2015	439	the Company	2.320	3.300	(29.70)

Source: HKEx website (www.hkex.com.hk)

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As shown in Table 2 above, out of the 23 Comparables, 21 of them showed discount to the closing price on their respective last trading day prior to the date of announcement/the date of the subscription agreement. The subscription prices of the Comparables ranged from a discount of approximately 89.89% to a premium of approximately 42.75% over the respective closing prices of their shares on the last trading days prior to the date of announcement/the date of the subscription agreement, with an average discount of 35.85% among the Comparables. The Subscription Price of HK\$2.32 per Share represents a discount of approximately 29.7% to the closing price of HK\$3.30 on the Last Trading Day. It is noted that the discount of 29.7% falls within the discount range of the Comparables and is less steep than the average discount of 35.85%.

(ii) *Other major terms of the Sky Asia Subscription Agreement*

In addition, we reviewed the other major terms of the Sky Asia Subscription Agreement, and are not aware of their being unusual and not on normal commercial terms.

Having taken into account that (i) the financial position of the Group, which is summarised in sub-section 1 above headed 'Background information of the Group', has been less than satisfactory recently; (ii) the Subscription Price falls within the range of the daily closing price of the Shares during the Review Period; (iii) the closing price of the Shares showed a general sliding trend during the Review Period; (iv) the Shares were trading at a relatively low price in the past 30 trading days of the Review Period; (v) the Subscription Price of HK\$2.32 per Share represents a discount of 29.7% and falls within the discount range of the Comparables, and is less steep than the average discount of 35.85%; (vi) the average trading volume of the Shares represented only approximately 0.34% of the total number of issued Shares as at the end of the month/period on average during the Review Period; (vii) the Subscription Price of HK\$2.32 per Share represents a premium of approximately 364% over the NAV per Share of the Company of approximately HK\$0.5; and (viii) all the other major terms of the Sky Asia Subscription Agreement are on normal commercial terms, we are of the view that the Subscription Price of HK\$2.32 per Share and the other terms of the Sky Asia Subscription Agreement are, on balance, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. Financial effects of the Sky Asia Subscription Agreement

(a) *Earnings*

According to the IR 2015, the Group recorded consolidated unaudited net loss attributable to the Shareholders of approximately HK\$65.09 million for the six months ended 30 June 2015. That the Company will receive net proceeds of approximately HK\$916.13 million from the Sky Asia Subscription will improve earnings of the Company immediately upon Completion, and result in an overall positive effect on the Group's prospects.

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(b) Net assets value

At the same time, the Sky Asia Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds of approximately HK\$916.13 million received from the Sky Asia Subscription; and (ii) an increase by the relevant amount in the issued capital and reserve of the Company. Upon Completion and assuming there is no other change to the balance sheet items since 30 June 2015 save for the changes caused by the Sky Asia Subscription, the net asset value of the Group will be increased by the amount of the net proceeds from the Sky Asia Subscription.

(c) Cash flow

According to the IR 2015, the Group had bank balances and cash of approximately HK\$1.576 billion as at 30 June 2015. Upon Completion, the liquidity and cash position of the Group will be improved as the Sky Asia Subscription will enable the Company to raise net proceeds of approximately HK\$916.13 million. Accordingly, the cash position, net current assets and current ratio of the Group are expected to be improved upon Completion, and the gearing ratio (based on total borrowing net of cash and cash equivalents over total capital) of the Group will be decreased.

It should, however, be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position or results of the Group will be upon Completion.

(d) Assessment of the Group's cash level after the Subscriptions

To assess the Group's cash position after the Subscriptions, we reviewed a number of documents provided to us by the Company, including (i) cash flow forecast of the Company from December 2015 to November 2016; (ii) forecast of financial position of the Company for one year ending 30 November 2016; (iii) forecast of change of financial position for one year ending 30 November 2016; and (iv) forecast of general working capital for one year ending 30 November 2016.

We noted that the Group's cash level was at a relatively high level as at 30 June 2015 (the cash to total assets level ratio was approximately 66.7%) and the next proceeds from the Subscriptions would increase the cash level by approximately HK\$1,380 million (with approximately HK\$916.13 million from the Sky Asia Subscription alone) and bring the cash to total assets level ratio to approximately 80%.

However, this high cash level experienced by the Group should be balanced by the following considerations. First, a total of HK\$260 million would be paid to complete the Previous Acquisitions next year. According to the Company's cash flow forecast, approximately HK\$110 million and HK\$150 million would be paid in January 2016 and August 2016 respectively to finalise the Previous Acquisitions. Second, approximately HK\$290 million was earmarked for potential merger and acquisition globally.

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Third, payments for the previous acquisition of land and construction thereon are due in December 2015 and May 2016 (i.e. approximately HK\$96.4 million in December 2015 and HK\$466.7 million in May 2016). Finally, the general working capital forecast is based on a 20% increment of the costs incurred from July to September 2015. This amount of increment was necessary to meet the Company's development plans.

We further noted that the Group's cash level starts dropping from February 2016 onward and stabilise at a level circa 30 June 2015 in November 2016. Likewise, the cash to total assets ratio starts to slide from a high of 76.8% in January 2016 to a low of 38.4% in November 2016.

We reviewed the bases of the forecasts provided by the Company to justify the considerations mentioned above and found them to be reasonable on balance. Further, we have not received, nor are we aware of, material evidence to challenge the Company's bases. For the reasons stated above, we are of the view that while the Sky Asia Subscription would increase the cash position of the Group to a high level at the time of the Subscriptions, the high cash level will subside in the months following the Subscriptions in light of the business activities mentioned above. All things considered, we are of the view that Sky Asia Subscription is fair and reasonable and in the interests of the Company and Shareholders as a whole.

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6. Effect of the Sky Asia Subscription on the shareholding structure of the Company

Table 3 below is for illustrative purposes only and sets out the shareholding structure of the Company (i) before Completion of the Sky Asia Subscription; and (ii) immediately after Completion of the Sky Asia Subscription, assuming no other Shares will be issued between Latest Practicable Date and Completion:

Table 3: shareholding of the Company before and immediately after Completion

Shareholders	Before Completion of the Sky Asia Subscription		Immediately after Completion of the Sky Asia Subscription	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
New Horizon (<i>Note 1</i>) and Sky Asia	2,958,000,000	52.26%	3,353,000,000	53.60%
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>	<u>3,998,092,124</u>	<u>70.64%</u>	<u>3,998,092,124</u>	<u>70.23%</u>
Other Subscriber				
Sheung Ching	–	–	200,000,000	3.20%
Other Public Shareholders	1,661,975,668	29.36%	1,661,975,668	26.57%
Total Public Shareholders	<u>1,661,975,668</u>	<u>29.36%</u>	<u>1,861,975,668</u>	<u>29.77%</u>
Total	<u><u>5,660,067,792</u></u>	<u><u>100.00%</u></u>	<u><u>6,255,067,792</u></u>	<u><u>100%</u></u>

Notes

1. New Horizon is owned as to 51% by Kuang-Chi Innovative Technology Limited and as to 49% by Kuang-Chi Hezhong. Kuang-Chi Innovative Technology Limited 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 is an executive Director. Starbliss Holdings Limited is wholly and beneficially owned by Mr. Ko. For the purpose of this letter of advice, 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 is the controlling shareholder and an executive director.

As illustrated in Table 3, the shareholding of the existing other public Shareholders in the Company would be reduced from approximately 29.36% before Completion to approximately 26.57% immediately after the Completion. Insofar as the dilution caused by the Sky Asia Subscription alone, it is a drop of approximately 1.9% (from 29.36% to 27.45%).

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Although there will be dilution effect to the shareholding interest of the existing other public Shareholders as a result of the Sky Asia Subscription, we have, however, taken into account (i) the reasons of the Sky Asia Subscription; and (ii) the terms of the Sky Asia Subscription Agreement and the transactions contemplated thereunder. They are found to be on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned. As a result, we are of the view that that the dilution effect to the shareholding interest of the existing other public Shareholders as a result of the Sky Asia Subscription is acceptable.

7. Our view on the Sheung Ching Subscription Agreement

It is noted that the terms of the Sheung Ching Subscription Agreement, which are summarised on pages 8-10 of the Circular, are similar to that of the Sky Asia Subscription. It is also noted from page 8 of the Circular that Sheung Ching, the subscriber company, is owned by an independent third party. For the above reasons and based on our analysis of the terms of the Sky Asia Subscription set out in the sub-sections above, we are also of the view that the Sheung Ching Subscription Agreement is fair and reasonable and in the interests of the Company and Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that (i) the terms of the Sky Asia Subscription Agreement and the Sheung Ching Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are in the ordinary and usual course of business of the Company; and that they are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend to the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the Sky Asia Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Pan Asia Corporate Finance Limited
Billy C. W. Cheung
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares held		Number of underlying Shares held			Total	Approximately percentage of total issued Shares
	Corporate Interests	Personal interests	Family interests	Corporate interests			
Dr. Liu	3,353,000,000(L) (note 2)	-	3,000,000(L) (note 3)	-	3,356,000,000(L)	59.29%	
	1,059,666,667(S) (note 4)	-	-	-	1,059,666,667(S)	18.72%	
Mr. Ko	401,111,112(L) (note 5)	-	-	178,888,889(L) (note 6)	580,000,001(L)	10.25%	
Dr. Zhang	-	23,000,000(L) (note 7)	-	-	23,000,000(L)	0.41%	
Dr. Luan	-	17,800,000(L) (note 8)	-	-	17,800,000(L)	0.31%	

Notes:

1. “L” represents long position in Shares/underlying Shares and “S” represents short position in Shares.
2. 2,958,000,000 Shares were held by New Horizon, being a wholly-owned subsidiary of Wireless Connection Innovative Technology Limited which is owned as to 51% by Kuang-Chi Innovative Technology Limited and as to 49% by Kuang-Chi Hezhong. Kuang-Chi Innovative Technology Limited 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 also the controlling shareholder of Kuang-Chi Hezhong. Accordingly, Dr. Liu is deemed to be interested in the same number of Shares held by New Horizon.

Sky Asia was interested in 395,000,000 Shares. Sky Asia is wholly owned by Kuang-Chi Hezhong. Dr. Liu, being the controlling shareholder of Kuang-Chi Hezhong, is deemed to be interested in the 395,000,000 Shares.
3. This represents the interests in the share options of the Company held by Ms. Huang Weizi (“**Ms. Huang**”), the spouse of Dr. Liu.
4. This represents a share charge given by New Horizon in favour of Ping An Bank Co. Ltd. (平安银行股份有限公司) over 1,059,666,667 Shares owned by New Horizon.
5. This represents the interests in (i) 280,777,778 Shares held by Starbliss Holdings Limited (“**Starbliss**”); (ii) 120,333,333 Shares held by REORIENT Global Limited (“**REORIENT Global**”); and (iii) 1 Share held by REORIENT Financial Markets Limited. Starbliss is ultimately wholly owned by Mr. Ko. Both REORIENT Global and REORIENT Financial Markets Limited are wholly owned by REORIENT Group, of which Mr. Ko is the controlling shareholder and an executive director. Accordingly, Mr. Ko is deemed to be interested in the same number of Shares held through Starbliss, REORIENT Global and REORIENT Financial Markets Limited.
6. This represents the interests in (i) 125,222,222 preferred shares of the Company held by Starbliss; and (ii) 53,666,667 preferred shares of the Company held by REORIENT Global.
7. This represents interests in the share options of the Company held by Dr. Zhang.
8. This represents interests in the share options of the Company held by Dr. Luan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or their respective associates had any interests or short position in the Shares or, in respect of equity derivatives, underlying Shares in, or debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders and other persons

As at the Latest Practicable Date, the following persons (other than a Director or chief executive of our Company) had an interest or a short position in the shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximately percentage of total issued Shares
Ms. Huang	Beneficial owner and interest	3,356,000,000(L) (note 2)	-	3,356,000,000(L)	59.29%
	of spouse	1,059,666,667(S) (note 3)	-	1,059,666,667(S)	18.72%
New Horizon	Beneficial owner	2,958,000,000(L)	-	2,958,000,000(L)	52.26%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Wireless Connection Innovative Technology Limited	Interest of controlled corporation	2,958,000,000(L)	-	2,958,000,000(L)	52.26%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Kuang-Chi Innovative Technology Limited	Interest of controlled corporation	2,958,000,000 (L)	-	2,958,000,000(L)	52.26%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Shenzhen Dapeng Kuang-Chi Technology Limited	Interest of controlled corporation	2,958,000,000(L)	-	2,958,000,000(L)	52.26%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership	Interest of controlled corporation	2,958,000,000 (L)	-	2,958,000,000(L)	52.26%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Kuang-Chi Hezhong	Interest of controlled corporation	3,353,000,000(L)	-	3,353,000,000 (L)	59.24%
		1,059,666,667(S)	-	1,059,666,667(S)	18.72%
Ping An Bank Co., Ltd. (note 4)	Person having a security interest in Shares	1,059,666,667(S) (note 5)	-	1,059,666,667(S)	18.72%

Name of Substantial Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximately percentage of total issued Shares
Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司)	Interest of controlled corporation	1,059,666,667(S)	–	1,059,666,667(S)	18.72%
World Treasure Global Limited (<i>note 6</i>)	Beneficial owner	638,981,013(L)	–	638,981,013(L)	11.29%
Central Faith International Ltd.	Interest of controlled corporation	638,981,013(L)	–	638,981,013(L)	11.29%
Starbliss	Beneficial owner	280,777,778(L)	125,222,222(L) (<i>note 7</i>)	406,000,000(L)	7.17%
Sky Asia	Beneficial owner	395,000,000		395,000,000	6.98%
Mr. Ye Cheng	Interest of controlled corporation	151,025,889(L)	187,833,333(L) (<i>note 8</i>)	338,859,222(L)	5.99%

Notes:

- “L” represents long position in Shares/underlying Shares and “S” represents short position in Shares.
- This represents:
 - the interest in the 2,958,000,000 Shares held by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon;
 - the interest in the 395,000,000 Shares held by Sky Asia which is being wholly owned by Kuang-Chi Hezhong, of which Dr. Liu is the controlling shareholder. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by Sky Asia; and
 - the interests in 3,000,000 share options held by Ms. Huang.
- This represents the share charge given by New Horizon in favour of Ping An Bank Co. Ltd. over 1,059,666,667 Shares owned by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.
- Ping An Bank Co., Ltd. is owned as to 50.20% by Ping An Insurance (Group) Company of China, Ltd.
- This represents a share charge given by New Horizon in favour of Ping An Bank Co., Ltd. over 1,059,666,667 Shares owned by New Horizon.
- World Treasure Global Limited is wholly owned by Central Faith International Ltd.
- This represents the interests in the preferred shares of the Company held by Starbliss.
- This represents the interests in the preferred shares of the Company held by Mr. Ye Cheng through Cutting Edge Global Limited and Lucky Time Global Limited.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware that there is any party (not being a Director) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such shares

Save as disclosed below, as at the Latest Practicable Date, none of the Directors is a director or employee of the companies which have an interest in the ordinary shares and underlying ordinary shares of the Company as disclosed under the provisions of Divisions 2 and 3 Part XV of the SFO:

- (1) Dr. Liu is a director of New Horizon, Wireless Connection Innovation Technology Limited, a director of Kuang-Chi Innovative Technology Limited, Kuang-Chi Hezhong and Shenzhen Dapeng Kuang-Chi Technology Limited.
- (2) Dr. Zhang is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.
- (3) Dr. Luan is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.
- (4) Mr. Ko, is director of Starbliss, Insula Holdings Limited, Gainhigh Holdings Limited and REORIENT Global.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the controlling Shareholders or their respective associates had any interests in businesses which compete or may compete with the business of the Group or had any other conflict of interests which any such person has or may have with the Group.

4. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there is no existing or proposed service contract between any of the Directors and any member of the Group other than service contracts that are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

9. EXPERT AND CONSENT

- (a) The following is the qualification of Pan Asia, who has been named in this circular and has given opinions and advices which are contained in this circular:

Name	Qualifications
Pan Asia Corporate Finance Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Pan Asia did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Pan Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it is included.
- (d) As at the Latest Practicable Date, Pan Asia did not have any direct or indirect interests in any assets which have since 31 December 2014 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to, any member of the Group.
- (e) The letter and recommendation from Pan Asia are given as of the date of this circular for incorporation herein.

10. MATERIAL CONTRACTS

Saved as disclosed below, no material contracts (not being contract entered into in the ordinary course of business carried out by the Group), have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) On 29 May 2014, the Company and New Horizon, Starbliss Holdings Limited, Grand Consulting Management S.A, Lucky Time Global Limited, Cutting Edge Global Limited, REORIENT Global Limited entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares, comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares (including 1,341,666,666 Tranche A Preferred Shares and 1,341,666,666 Tranche B Preferred Shares) at an issue price of HK\$0.08 per subscription share;
- (b) On 20 June 2014, Sky Will Printing & Packaging (Holdings) Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Amplewood International Limited to dispose of the entire issued capital of Miracle True Investment Limited at consideration of approximately HK\$12,000,000;
- (c) On 12 September 2014, 14 September 2014 and 15 September 2014, the Company entered into subscription agreements pursuant to which the Company has conditionally agreed to allot and issue aggregate 289,900,000 ordinary shares at the subscription price of HK\$5.386 per Share;
- (d) On 3 November 2014, the Company entered into 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**”) in relation to the proposed formation of a joint venture company 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;
- (e) On 19 December 2014, the Company and MACL entered into an investment agreement, pursuant to which upon MACL fulfilling certain conditions, the Company will (i) acquire up to 15,000,000 ordinary shares of MACL at an issue price of AUD0.40 per share from certain shareholders of MACL; (ii) subscribe for 40,813,636 new ordinary shares in MACL at an issue price of AUD0.40 per share; (iii) subscribe for convertible securities that are convertible into 57,500,000 new ordinary shares of MACL at an issue price of AUD0.40 per share; and (iv) subject to the completion of the subscription of the new ordinary shares per (ii) above, the Company is to incorporate a company in Hong Kong together with MACL in which the Company will contribute AUD2,000,000 and will hold 51% of interest;
- (f) On 25 March 2015, the Company and Longsheng entered into a subscription agreement, pursuant to which Longsheng conditionally agreed to issue, and the Company conditionally agreed to subscribe for 41,958,041 new shares of Longsheng at a consideration of RMB300,000,000;

- (g) On 3 April 2015, the Group and Solar Ship Inc. (“**Solar Ship**”) entered into an investment agreement for the subscription up to approximately 54.42% of the outstanding common shares of Solar Ship by stages;
- (h) the Sky Asia Subscription Agreement; and
- (i) the Sheung Ching Subscription Agreement.

11. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company in Hong Kong is located at Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (b) The branch share registrar of the Company in Hong Kong is Tricor Secretaries Limited which is situated at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (c) The Company is in the process of identifying suitable candidate to fill in the vacancy of company secretary.
- (d) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in the case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the Sky Asia Subscription Agreement;
- (c) the Sheung Ching Subscription Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (e) the letter from Pan Asia, the text of which is set out on pages 19 to 37 of this circular;
- (f) the written consent of Pan Asia as referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (g) the documents not stated in this current paragraph headed “Documents available for Inspection” but referred to in the paragraph headed “Material Contracts” in the Appendix of this circular.

NOTICE OF SPECIAL GENERAL MEETING



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of KuangChi Science Limited (the “**Company**”) will be held at Units 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on 18 December 2015 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (i) the Sky Asia Subscription Agreement dated 4 November 2015 entered into between the Company as issuer and Sky Asia as subscriber 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 (a copy of the Sky Asia Subscription Agreement has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Sky Asia Subscription Shares, the allotment and issue of the Sky Asia Subscription Shares pursuant to the Sky Asia Subscription Agreement (the “**Sky Asia Specific Mandate**”) be and is hereby approved and the Sky Asia Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the directors of the Company (each a “**Director**”, collectively, the “**Directors**”) by the shareholders of the Company in the annual general meeting of the Company held on 22 May 2015 or such other general or specific mandate(s) that may have been granted to the Directors prior to the passing of this resolution; and
- (iii) any one Director be and is hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable or expedient for the purpose of or in connection with the Sky Asia Subscription Agreement and to make and agree to such variations of a non-material nature in or to the terms of the Sky Asia Subscription Agreement as he may in his absolute discretion consider desirable or necessary”

NOTICE OF SPECIAL GENERAL MEETING

2. “**THAT:**

- (i) the Sheung Ching Subscription Agreement dated 4 November 2015 entered into between the Company as issuer and Sheung Ching as subscriber 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 as the Subscription Price of HK\$2.32 per Share (a copy of the Sheung Ching Subscription Agreement has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (ii) conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Sheung Ching Subscription Shares, the allotment and issue of the Sheung Ching Subscription Shares pursuant to the Sheung Ching Subscription Agreement (the “**Sheung Ching Specific Mandate**”) be and is hereby approved and the Sheung Ching Specific Mandate is in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 22 May 2015 or such other general or specific mandate(s) that may have been granted to the Directors prior to the passing of this resolution; and
- (iii) any one Director be and is hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as he may in his absolute discretion consider necessary or desirable or expedient for the purpose of or in connection with the Sheung Ching Subscription Agreement and to make and agree to such variations of a non-material nature in or to the terms of the Sheung Ching Subscription Agreement as he may in his absolute discretion consider desirable or necessary”

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

Hong Kong, 3 December 2015

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (a) The register of members of the Company will be closed from Tuesday, 15 December 2015 to Friday, 18 December 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to attend the SGM, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 14 December 2015.
- (b) Any member of the Company entitled to attend and vote at the SGM shall be entitled to appoint a proxy to attend and vote instead of him/her. A proxy needs not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her to attend and vote on his/her behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be lodged at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be).
- (d) Completion and delivery of the form of proxy shall not preclude members from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should they so wish, and in such event, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.
- (e) Where there are joint registered holders of any share(s) of the Company, any one of such persons may vote at any meeting, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share(s) shall be accepted to the exclusion of the votes of the other joint holders.

As at the date of this notice, the executive directors of the Company are, namely, Dr. Liu Ruopeng, Dr. Zhang Yangyang, Dr. Luan Lin and Mr. Ko Chun Shun, Johnson; the independent non-executive directors of the Company are, namely Dr. Liu Jun, Dr. Wong Kai Kit and Ms. Zong Nan.