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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

TRADING UPDATE

References are made to the announcements dated 25 March 2015, 31 March 2015, 18 June 2015 and 5 February 2016 (the “**Announcements**”) made by the Company in respect of, among other things, the subscription of 41,958,041 new Longsheng Shares pursuant to the KC Subscription Agreement. Capitalized terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

In response to a feedback request of the CSRC, on 22 March 2016 (after trading hours), Longsheng published a supplemental announcements (the “**Longsheng Supplemental Announcements**”) on the website of the Shenzhen Stock Exchange (www.szse.cn) in respect of the KC Subscription Agreement. The Longsheng Supplemental Announcements contains information including the update on the business operations and development of the Group and certain undisclosed financial information. Please be noted that such financial information is expressed in Renminbi and has been audited by the PRC auditor of the subsidiaries of the Company, but has not yet audited by Deloitte Touche Tohmatsu, the auditor of the Company.

To ensure all investors receive consistent information, an extract on the information of the Group from the Longsheng Supplemental Announcements is attached to this announcement.

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

Hong Kong, 22 March 2016

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

Attachment to the announcement of KuangChi Science Limited in respect of trading update dated 22 March 2016#:

Guotai Junan Securities Co., Ltd.

Regarding

**Extract from the Reply on Feedback and Matters for
Verification in Oral Form about Document for
Application for Non-public Issuance of Shares of
Zhejiang Longsheng Auto Parts Co., Ltd.**

China Securities Regulatory Commission:

The supplementary feedback from your Commission notified in oral form on 23 February 2016 was received. Guotai Junan Securities Co., Ltd. has conducted serious study and implementation of the matters involved in such feedback and has hereby made the reply and explanation regarding the relevant issues as follows.

For purposes of making this reply in clearer manner, the following abbreviated terms are being adopted:

The Issuer, Company, Listed Company, Zhejiang Longsheng	refers to	Zhejiang Longsheng Auto Parts Co., Ltd.
This Issuance, this Non-public Issuance	refers to	The act in which the Issuer raised a fund in an amount of no more than RMB7,200,000,000 (inclusive of RMB7,200,000,000) in form of non-public issuance from ten specified investors, namely, Dazi Ying Bang, KuangChi Space Technology(光啟空間技術), Pengxin Mining, Yansong Investment(岩嵩投資), Xinyu Chaoyan Investment (新餘超研投資), Tianhui Qiangyang(天匯強陽), Zhenqi Jiasheng (真齊嘉盛), Juli Huaxing Investment Development (巨力華興投資發展), Shunyuju Investment Development (順宇居投資發展) and Yingxiefeng Investment(盈協豐投資發展).
KuangChi Group	refers to	The collective term for all enterprises and units controlled by Dr. Liu Ruopeng (劉若鵬博士) as disclosed in the Reply on Feedback in Oral Form about Document for Application for Non-public Issuance of Shares of Zhejiang Longsheng Auto Parts Co., Ltd. (《浙江龍生汽車部件股份有限公司關於非公開發行股票申請文件反饋意見之回復》)
KuangChi Advanced(光啟尖端)	refers to	Shenzhen KuangChi Advanced Technology Co., Ltd.(深圳光啟尖端技術有限責任公司)
KuangChi Science	refers to	KuangChi Science Limited
KuangChi Space Technology(光啟空間技術)	refers to	Shenzhen KuangChi Space Technology Co., Ltd. (深圳光啟空間技術有限公司)

KuangChi Dream	refers to	Shenzhen KuangChi Dream Technology Limited
Dazi Ying Bang	refers to	Tibet Dazi Ying Bang Industrial Development Co., Ltd.
Pengxin Group	refers to	Shanghai Pengxin Group Co., Ltd.
Pengxin Mining	refers to	Pengxin International Mining Co., Ltd.
Metamaterials	refers to	Metamaterials with physical characteristics exceeding the ordinary physical characteristics of traditional materials deried from the orderly design of the structure regarding the crucial physical rule for materials after making a breakthrough in the restrictions of some natural principles of appearance
Guotai Junan, Sponsor	refers to	Guotai Junan Securities Co., Ltd.
RMB/RMBTen Thousand/RMB A Hundred Million	refers to	Renminbi/Ten Thousand Chinese Yuan/A Hundred Million Chinese Yuan

Note: Should the total sum differs from the odd amount of the sum of each sub-item, this is caused by the rounding.

- I. Please describe the target for the sale of Cloud (“雲端號”) of KuangChi Group, such customers’ sources of funds for purchase, and the scope of services, profit model and specific arrangement in respect of maintenance and repair as agreed by and between KuangChi Group and such customers regarding the sale of the platform of Cloud (“雲端號”). Please also describe the service life of use of the platform of Cloud (“雲端號”).

Reply:

(I) Sales related to the platform of Cloud (“雲端號”)

As of 31 December, 2015, KuangChi Dream under KuangChi Science has entered into the Purchase Contract regarding the platform of Cloud (“雲端號”) with the governments of Guangdong, Guizhou and Hainan and with the platform companies in the Park Area. The particulars thereof are as follows:

1. *Purchase of Guangdong Platform of Cloud (“雲端號”)*

Purchaser: a state-owned platform company in a certain city in Guangdong Province (Party A)

Seller: Shenzhen KuangChi Dream Technology Limited (Party B)

Purchaser’s sources of funds: the governmental finance

Scope of the service agreed contractually: to complete the construction of a project regarding spatial information platform, to establish a smart park area system based on spatial information, including spatial information platform, remote sensing monitoring subsystem, super platform subsystem for wide area networks for Internet of Things (IoT), to implement collection and smart management of big data under the scope of coverage regarding product design, to demonstrate the application of various monitoring applications, platform for wide area networks for IoT and big data analysis for future governmental enterprises, to take the responsibility of operation (including aerial operation) during the 3-year term of quality guarantee, and to be responsible for daily maintenance related to operation, and production safety and control.

Profit model: The major profit model for the sale contract of the Cloud (“雲端號”) platform is: to generate sale revenues from the sale of products and to obtain the revenue from operating and maintenance services as probably agreed separately upon the expiry of the term of quality guarantee.

Maintenance and repair: the free-of-charge term of quality guarantee for the products shall be three years, providing on-site services and maintenance free of charge. Such term of quality guarantee shall commence from the qualified date regarding the final examination for acceptance of products. System software agreed contractually during the quality guarantee period shall be upgraded free of charge. The fees for upgrading upon the expiry of such term of quality guarantee shall be resolved by both Party A and Party B upon consultation.

2. *Purchase of Guizhou Platform of Cloud (“雲端號”)*

Purchaser: a certain state-owned platform company in Guizhou Province (Party A)

Seller: Shenzhen KuangChi Dream Technology Limited (Party B)

Purchaser’s sources of funds: the governmental finance

Scope of the service agreed contractually: to complete the construction of a project regarding the demonstration “Cloud” platform for spatial big data. The application scope includes monitoring of city management, monitoring of traffic flows, wireless IoT coverage, monitoring of tourist spots, forestry monitoring, monitoring and testing of water sources and quality, monitoring and testing of industrial pollution, disaster warning for mud-rock flow and others, anti-terrorist measures for maintaining stability, and monitoring of agriculture and grand health industry, to establish a smart city system based on spatial information, including spatial information platform, optical remote sensing subsystem, subsystem for wide area networks for IoT, and systems for collection, development, application and smart management of big data, to demonstrate the application of various monitoring applications, platform for wide area networks for IoT and big data analysis for future governmental enterprises.

Profit model¹: The major profit model for the sale contract of the Cloud (“雲端號”) platform is: to generate sale revenues from the sale of products and to obtain the revenue from operating and maintenance services as probably agreed separately upon the expiry of the term of quality guarantee.

Note 1: Before signing the purchase contract, Kuangchi Space Technology had entered into Agreement of intent with District Management Committee of a certain municipality in Guizhou Province in which the Subscriber is located in respect of the sales of the Cloud platform. Other agreement of the profit model includes revenue generated from the Cloud system operation and from other clients other than the government, the business model of sharing profit net of operating costs between the two parties.

Maintenance and repair:

the term of quality guarantee for the products supplied by Party B shall be three years commencing from the qualified date regarding the final examination for acceptance of products. As for the operation and maintenance of Cloud during the three years and based on the needs, Party B shall provide the personnel of Party A with the training in respect of technology and operating and maintenance services, free of charge and shall guarantee the normal operation of Cloud subsequently.

3. *Purchase of Hainan Platform of Cloud (“雲端號”)*

Purchaser: a state-owned platform company in a certain city in Hainan Province (Party A)

Seller: Shenzhen KuangChi Dream Technology Limited (Party B)

Purchaser’s sources of funds: the governmental finance

Scope of the service agreed contractually: first, to support the trial and testing of near-space flying vehicles; second, to provide an aerial platform for the construction of “smart cities”, and to provide public services including but not limited to monitoring of city management, monitoring of traffic flows, monitoring of seas; third, to provide enterprises with commercial services including big data and IoT coverage.

Profit model: the profit model of the project of Cloud platform mainly contains two parts: to generate sale revenues from the sale of products and to obtain the revenue from operating and maintenance services as probably agreed separately upon expiry of the term of quality guarantee; both Party A and Party B shall separately negotiate on the model, revenues and costs involved in the operation aiming at the implementation of commercial activities by using this equipment.

Maintenance and repair: Party B shall be responsible for the services including the use, management and maintenance of the equipment during the 3-year term of quality guarantee. As for the services beyond the term of quality guarantee, both Party A and Party B shall separately agree upon.

(II) Service Life of Cloud (“雲端號”) Platform

According to the explanation of KuangChi Science, the average service life of Cloud (“雲端號”) Platform under continuous use and regular maintenance shall be 10 years.

II. Please describe the manner in which the sale revenues and operating costs of Cloud (“雲端號”) platform is recognized and please provide opinions as to whether the operating costs and the recognition of sale revenues of Cloud (“雲端號”) platform can match

Reply:

Cloud (“雲端號”) platform is systematic equipment of a new advanced platform series. Its production cycle is usually as long as 4 to 6 months (excluding general assembling for flying and post-maintenance). As for such products, KuangChi Science recognize the sale revenues and costs by percentage of completion method, Specifically, the production and delivery process of the Cloud platform is divided into the four stages of design, development, assembly and testing and post-maintenance. Upon signing the sales contract of the Cloud platform with the clients, based on the technical performance requirements and post-maintenance as agreed with the clients, calculations will be made on the expected total costs of the platform from design to post-maintenance, and on this base, the proportion of the actual costs incurred in each accounting period in the product delivery process to the expected total costs and the amount calculated by multiplying the proportion ratio with the contract amount, net of revenue recognized in the previous accounting periods, recognizing the sales income to be recognized in the relevant accounting period while carrying forward the costs of production delivery incurred in the accounting period. Meanwhile, the progress of the project at the relevant production delivery stage and the actual cost of production will be taken into the evaluation of the expected total costs at each accounting period. Adjustments will be made when necessary to ensure the reliability and relevance of the recognized revenue and costs.

To sum up the above, by understanding the production and delivery model of Cloud (“雲端號”) platform, and having access to the relevant sales contract of Cloud (“雲端號”) platform and the financial documents related to the recognition of the revenues and costs of Cloud (“雲端號”) platform and upon examination and verification, the Sponsor believes that the recognition of the operating costs and sale revenues of Cloud (“雲端號”) platform matches pursuant to the existing revenue and cost recognition method for Cloud (“雲端號”) platform.

III. Please describe the cooperation between KuangChi Group and Pengxin Holding together with its related parties in historical, current and future respect, and such on-going cooperation being implemented and the intent of future cooperation, and specify the specific contents of such cooperation

(I) The cooperation between KuangChi Group and Pengxin Holding together with its related parties in historical and current respect, and such on-going cooperation being implemented

Pursuant to the explanation made by KuangChi Group and the relevant contract provided by KuangChi Group, the cooperation between KuangChi Group and Pengxin Holding together with its related parties in historical, current and future respect, and such on-going cooperation being implemented are as follows:

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
1	Strategic Cooperation Framework Agreement (《戰略合作框架協議》)	<p>Party A: KuangChi Institute of Advanced Technology (深圳光啟高等理工研究院)</p> <p>Party B: Pengxin International Mining Co., Ltd. (鵬欣環球資源股份有限公司)</p>	<p>1. Both Party A and Party B have proposed to develop strategic cooperation regarding the following matters. Party A hereby authorizes Party B to commence negotiation and consultation with the relevant government in Africa for purposes of facilitating the following matters under cooperation:</p> <p>(1) Under the active cooperation between both parties, prospecting of mineral resources in DR Congo, South Africa and other countries in Africa is conducted by using near-space technology. As for the foregoing matters under the cooperation between Party A and Party, Party B is mainly responsible for facilitating the development of conducting corresponding consultation and negotiation with DR Congo and South African government with respect to the foregoing matters under cooperation while Party A is providing full support during the process of negotiating with Party B with respect to the matters under cooperation;</p>	<p>The Contract was signed and executed on 21 July 2014 and the performance thereof has been completed.</p>

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(2)			<p>Under the active cooperation between both parties, mining placed with priority will be carried out regarding mining resource projects with the value of mining in respect of said prospecting. Party A shall provide “aerial warehouse” technology as the focus for the cooperation while Party B shall provide the capital, experience, talents and daily management and operation of mine enterprises, as required by mining and selection of mines. Then, both parties will also actively invite the local government to collaborate with them. With respect to the mining placed with priority of said mining resource projects, Party A and Party B shall establish a joint venture whereby Party A shall contribute in form of a franchise and Party B shall contribute in other forms.</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(3)			Under the active cooperation between both parties, Party B shall represent both parties to negotiate and consult with the local government for obtaining the approval of the government in respect of the joint operating right regarding the projects concerning the development of Wifi (wireless communication), satellite television, meteorological monitoring, rescue for disasters, forest conservation and others in the locality. Then, both parties will also actively invite the local government to collaborate with them.	
2.			Upon signing of this Agreement, Party B has strived to reach the Strategic Cooperation Framework Agreement with the government of said African countries by the end of October 2014;	
3.			Party A has strived to arrange a visit to said African countries with respect to the near-space flying vehicle launched;	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
4.			Party B shall strive to arrange Party A and Party B for entering into a formal cooperative agreement with said African countries;	
5.			Both parties have confirmed that the arrangement for the agreed matters related hereto this Agreement shall be actually implemented and performed by the affiliate of Party A (KuangChi Science Ltd) and Party B or an affiliate of Party B.	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
2	Spatial Technology Consultation and Services Contract (《空間技術諮詢服務合同》) and its supplementary agreement	<p>Party A: Pengxin International Mining Co., Ltd.</p> <p>Party B: Shenzhen Kuangchi Space Technology Company Limited (深圳光啟空間技術有限公司)</p>	<p>1. Party A has entrusted Party B to carry out technical consultation regarding renovative technological and solution projects including spatial services in The Democratic Republic of Congo and has paid for the remuneration of consultation.</p> <p>2. The contents, requirements and format of the technological consultation performed by Party B are as follows:</p> <p>(1) Contents of consultation: wireless communication coverage and operation of wireless communication, exploitation and development of mining resources, satellite television, meteorological monitoring, space tourism, rescue for disasters, forest conservation and the relevant matters; and Party B's technology may be promoted to be applied and used in other aspects;</p>	<p>The Contract was signed and executed on 11 September 2014 and the performance thereof has been completed. Party B has received all of such remuneration regarding the technical consultation payable by Party A.</p>

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(2)			Party B shall second technical experts to The Republic of Congo to provide technological consultation and services upon being notified by Party A with reasonable period of time in advance;	
(3)			Party B's experts should conduct an on-site visit and correctly and thoroughly answer the issues related to the consultation raised by Party A or the personnel of the relevant government. Within the reasonable timeframe after replying to the consultation, such experts shall submit official consultation report for filing and reference by Party A and the relevant countries. The report shall include both Chinese and English versions;	
(4)			Party B's experts shall comply with the laws and relevant provisions of the locality and the country during their working in The Republic of Congo;	
(5)			All the costs of Party B's experts shall be borne by Party B (including the translation fees).	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
3.			Format of consultation: Party B shall provide consultation services in oral or written form.	
4.			Party B shall cope with Party A's progress for carrying out the consultation work.	
5.			The manner in which Party A pays Party B the remuneration for the technological consultation is:	
(1)			Total amount of the remuneration for the technological consultation shall be: RMB12,289,200	
(2)			The remuneration for the technological consultation shall be paid by Party A to Party B in a lump sum	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
6.			<p>Both parties shall confirm that the results of the technological consultation submitted by Party B shall be examined and accepted pursuant to the following standard and manner:</p> <p>(1) Within one month from the date on which the original contract was signed and executed and at the request of Party A, Party B shall arrange to be accompanied by the experts to reply to the issues related to the consultation regarding spatial technology on the site in The Republic of Congo and to complete 20% of the overall services;</p> <p>(2) Within three months from the date on which the original contract was signed and executed, to provide Party A with the preliminary draft of the consultation report and to complete 60% of the overall services on accumulative basis;</p> <p>(3) Within one month upon the receipt of the consultation report, Party A shall reply to the opinions on the preliminary draft of the consultation report and to complete 80% of the overall services on accumulative basis ;</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
3	Spatial Technology and Consultation and Services Contract (《空問技術諮詢服務合同》) and its supplementary agreement	Party A: Pengxin International Mining Co., Ltd. Party B: Shenzhen Kuangchi Space Technology Company Limited (深圳光啟空間技術有限公司)	<p>(4) Within six months from the date on which the original contract was signed and executed, Party B shall issue an official consultation report and Party A shall confirm in writing that all the services have been completed.</p> <p>1. Party A has entrusted Party B to carry out technical consultation regarding renovative technological and solution projects including spatial services in New Zealand and has paid for the remuneration of consultation.</p> <p>2. The contents, requirements and format of the technological consultation performed by Party B are as follows:</p> <p>(6) Contents of consultation: wireless communication coverage and operation of wireless communication, exploitation and development of mining resources, satellite television, meteorological monitoring, space tourism, rescue for disasters, forest conservation and the relevant matters; and Party B's technology may be promoted to be applied and used in other aspects;</p>	<p>The Contract was signed and executed on 21 November 2014 and the performance thereof has been completed. Party B has received all of such remuneration regarding the technical consultation payable by Party A.</p>

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(7)			Party B shall second technical experts to New Zealand to provide technological consultation and services upon being notified by Party A with reasonable period of time in advance;	
(8)			Party B's experts should conduct an on-site visit and correctly and thoroughly answer the issues related to the consultation raised by Party A or the personnel of the relevant government. Within the reasonable timeframe after replying to the consultation, such experts shall submit official consultation report for filing and reference by Party A and the relevant countries. The language used in the report shall include both Chinese and English versions;	
(9)			Party B's experts shall comply with the laws and relevant provisions of the locality and the country during their working in New Zealand;	
(10)			All the costs of Party B's experts shall be borne by Party B (including the translation fees).	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
			<p>Format of consultation: Party B shall provide consultation services in oral or written form.</p> <p>3. The manner in which Party A pays Party B the remuneration for the technological consultation is:</p> <p>(1) Total amount of the remuneration for the technological consultation shall be: RMB12,289,200</p> <p>(2) The remuneration for the technological consultation shall be paid by Party A to Party B in a lump sum</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
4.			<p>Both parties shall confirm that the results of the technological consultation submitted by Party B shall be examined and accepted pursuant to the following standard and manner: following standard and manner:</p> <p>(1) Within one month from the date on which the original contract was signed and executed and at the request of Party A, Party B shall arrange to be accompanied by the experts to reply to the issues related to the consultation regarding spatial technology on the site in The Republic of Congo and to complete 20% of the overall services;</p> <p>(2) Within three months from the date on which the original contract was signed and executed, to provide Party A with the preliminary draft of the consultation report and to complete 60% of the overall services on accumulative basis;</p> <p>(3) Within one month upon the receipt of the consultation report, Party A shall reply to the opinions on the preliminary draft of the consultation report and to complete 80% of the overall services on accumulative basis ;</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
4	Memorandum of Understanding (《諒解備忘錄》)	Air New Zealand Company Limited (新西蘭航空有限公司) ; KuangChi Science Company, Ltd. (光啟科學有限公司) ; Shanghai Pengxin (Group) Company Limited (上海鵬欣集團有限公司)	(4) Within six months from the date on which the original contract was signed and executed, Party B shall issue an official consultation report and Party A shall confirm in writing that all the services have been completed. 1. All parties are willing to jointly work together to undertake the balloon lift-off of New Zealand (hereinafter referred to as the “Project”). This Memorandum of Understanding has stated such conditions which all parties are willing to comply with for purposes of achieving the project collaboration.	The Memorandum was signed and executed on 21 November 2014 and the performance thereof has been completed.

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
2.			<p>All parties shall agree upon the following:</p> <p>(1) All parties shall each appoint and provide appropriate personnel for achieving the objective of this Memorandum;</p> <p>(2) All parties shall endeavour their best efforts to collaborate and honestly keep their words in respect of the matters related to the following projects:</p> <p>1) Air New Zealand(新西蘭航空) shall provide guidance and assistance regarding the safe operation of New Zealand, including: risk evaluation and lift-off site evaluation. Air New Zealand(新西蘭航空) shall collaborate with Shanghai Pengxin Group to interpret Part 101 of Rules of Civil Aviation and assist Shanghai Pengxin Group to understand such obligations that Shanghai Pengxin Group and KuangChi Science should perform under such Rule. If the temporary examination and approval has been passed, to provide the service regarding airspace control for the lift-off trial;</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
2)			<p>KuangChi Science shall provide all operation and materials required for the testing of lift-off at the farm of Shanghai Pengxin, including the provision of the balloon for lift-off trial and all relevant technology and the personnel support. To collaborate with Shanghai Pengxin Group, and to obtain all the necessary permits, examination and approval, and recognition for the lift-off trial from the New Zealand government;</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
3)	Shanghai Pengxin Group shall	provide the following: to provide a farm located in New Zealand and such facilities and equipment required for the lift-off trial to be conducted at the farm; to coordinate and use the infrastructure facilities in the farm base on the requirement of the lift-off trial; to contact all relevant governmental departments of New Zealand, and to assist KuangChi Science to obtain all the necessary permits, examination and approval, and recognition for the lift-off trial; to obtain all such other relevant permits, examination and approval, and recognition for allowing KuangChi Science to bring such equipment and tools required for the lift-off trial in the territory of New Zealand.		

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
3.			<p>Unless all parties have reached an agreement otherwise, this Memorandum shall terminate when any one of the following occasions has occurred:</p> <ol style="list-style-type: none"> <li data-bbox="539 485 608 1093">(1) All parties shall implement the official balloon lift-off service contract; <li data-bbox="660 442 810 1093">(2) All parties have not reached upon any official balloon lift-off contract within three months since this Memorandum has been signed and executed; <li data-bbox="863 442 975 1093">(3) 30 days after any party has submitted the notice for terminating this Memorandum to the other party. 	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
5	Strategic Cooperation Framework Agreement(《戰略合作框架協議》)	Party A: The Democratic Republic of Congo Party B: KuangChi Science Company, Ltd. (光啟科學有限公司)	1. Party A shall be responsible for coordinating for Party B and Party C to establish a joint venture (hereinafter referred to as the “Joint Venture”) for the provision of the right to use the resources including wireless communication spectrum and band width, and for the granting of the relevant necessary administrative permit when developing the relevant commercial operation for the Joint Venture; 2. Party B and Party C shall be responsible for the matters: <ol style="list-style-type: none"> <li data-bbox="903 434 1133 1091">(1) Party B and Party C shall jointly establish a joint venture in DR Congo and shall develop commercialized operation at the corresponding professionalized subsidiary which is invested and established by Party A, engaging in the following business: 	The Contract was signed and executed on 3 November 2014. At present, the Contract is being implemented while the progress is rather slow.

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(2)			<p>Within the three years in the future, the Joint Venture shall propose to invest no less than US1 billion and shall construct and provide full-coverage service regarding the real-time large data communication service (that is to implement high-speed low-price high-quality WiFi (wireless communication), and help Party A to implement popular online by the public; to implement quality and low-cost satellite broadcasting television network and coverage for the entire nation);</p>	
(3)			<p>The Joint Venture shall utilize Party B's technology to provide Party A with quality services of meteorological monitoring;</p>	
(4)			<p>The Joint Venture shall utilize Party B's technology to provide Party A with timely rescue services;</p>	
(5)			<p>The Joint Venture shall utilize Party B's technology to provide Party A with timely and effective forest conservation service;</p>	

Number	Name of the Cooperative Contract	Major parties entering into the contract	Content of cooperation	Status of contract
(6)			<p>Upon completion of the construction, it is expected that the Joint Venture would realize USD0.5-0.6 billion of operating income for the first three years. Commencing from the fifth year, USD1.2-1.5 billion of operating income can be reached, generating the corresponding tax and employment opportunity for the locality of Party A.</p>	
(7)			<p>The Joint Venture shall complete the trial on the spatial service platform in respect of the real-time large data communication service in 2015;</p>	
(8)			<p>The Joint Venture shall officially commence the commercial operation in respect of the real-time large data communication service in 2016.</p>	

(II) The Intent of Future Cooperation Between KuangChi Group and Pengxin Holding together with its related parties

Pursuant to the explanation provided by KuangChi Group, as of now, the Group will have no intent and plan for further cooperation with Pengxin Holding after the existing cooperative contract between the Group and Pengxin Holding together with its related parties has been completed. Upon completion of this Non-public Issuance, Dr. Liu Ruopeng will become the de facto controller of Zhejiang Longsheng and he will try to urge Zhejiang Longsheng not to enter into any related party transaction with Pengxin Holding and its related parties

IV. Please describe whether there is any relationship in respect of equity interest, fund transaction and business collaboration between KuangChi Group together with its related parties and Pengxin Holding together with its related parties

(I) The relationship in respect of equity interest between KuangChi Group together with its related parties and Pengxin Holding together with its related parties

- 1. Pengxin Holding Company Ltd. (鵬欣控股有限公司) and EverChina International Holdings Company Limited (潤中國國際控股有限公司) hold some equity in KuangChi Science*

Pengxin Holding Company Ltd. acquired such 35,000,000 ordinary shares additionally issued by KuangChi Science at the subscription price being HKD5.386 per share in September 2014.

According to the register of shareholders of KuangChi Science and the securities transaction feedback record, as of 1 February 2016, Pengxin Holding Company Ltd. held 6,089,000 shares of the equity in KuangChi Science, accounting for approximately 0.11% of the ordinary shares issued by KuangChi Science.

EverChina International Holdings Company Limited (潤中國國際控股有限公司), a related party of Pengxin Holding, also subscribed 60,000,000 ordinary shares additionally issued by KuangChi Science in September 2014 at the subscription price of HKD5.386 per share.

According to the register of shareholders of KuangChi Science and relevant feedback transaction records, as of 1 February 2016, EverChina International Holdings Company Limited (潤中國國際控股有限公司) held 57,957,000 shares of KuangChi Science, accounting for approximately 1.01% of the ordinary shares issued by KuangChi Science.

2. *Dazi Pengxin Mining (達孜鵬欣資源) and Jilong Hehui proposes to make joint investment in the non-public issuance of Zhejiang Longsheng with KuangChi Group*

Zhejiang Longsheng published the Preliminary Proposal Regarding A-Shares of Non-public Issuance (Revised) (《非公開發行A股股票預案(修訂稿)》) on 1 April 2015 and the number of shares proposed to be issued non-publicly shall not exceed 1,006,993,000 shares. The fund thus raised shall not exceed RMB7.2 billion and would be used to invest in the fund-raising related to metamaterial intelligence structure and equipment. Among such, Dazi Ying Bang (達孜映邦) and KuangChi Space Technology (光啟空間技術), the relevant units of KuangChi Group, shall each propose to contribute RMB3.85 billion and RMB0.3 billion for subscribing Zhejiang Longsheng from such Non-public Issuance. Pengxin Mining Mining (達孜鵬欣資源), a related party of Pengxin Holding, shall propose to contribute RMB0.75 billion for subscribing Zhejiang Longsheng from such Non-public Issuance. Jilong Hehui, a related party of Pengxin Holding, shall propose to contribute RMB0.25 billion for subscribing Zhejiang Longsheng from such Non-public Issuance indirectly in the capacity as a limited partner of Tonglu Yansong.

According to the explanation provided by KuangChi Group, and save as the foregoing conditions, there has been no relationship in respect of equity shares between KuangChi Group together with its related parties and Pengxin Holding together with its related parties.

(II) The relationship in respect of fund transactions between KuangChi Group together with its related parties and Pengxin Holding together with its related parties

The fund transactions occurred between KuangChi Group together with its related parties and Pengxin Holding together with its related parties are as follows:

1. KuangChi Space Technology (光啟空間技術) and Pengxin Mining entered into the Spatial Technical Consultation and Services Contract (《空間技術諮詢服務合同》) in respect of the provision of spatial technical consultation and services to Pengxin Mining, with Pengxin Mining respectively in The Democratic Republic of Congo and New Zealand on 11 September 2014 and 21 November 2014. It was agreed in the Contract that Pengxin Mining was required to pay for an amount of RMB12,289,200 (and the total sum of the two Contracts being RMB24,578,400) for receiving the technical consultation and services from KuangChi Space Technology. As of 31 December 2015, KuangChi Space Technology has received the remuneration for the technical consultation and services in a total amount of RMB24,578,400 paid by Pengxin Mining pursuant to said contractual provisions.

2. In September 2014, Pengxin Holding Company Limited subscribed 35,000,000 ordinary shares additionally issued by KuangChi Science with the subscription price of HKD5.386 per share. The aggregate of the subscription amount was HKD188,510,000. KuangChi Science received fully-paid subscription amount paid by Pengxin Holding Company Ltd. on 29 September 2014.
3. In September 2014, Runzhong International Holding Co., Ltd. subscribed 60,000,000 ordinary shares additionally issued by KuangChi Science with the subscription price of HKD5.386 per share. The aggregate of the subscription amount was HKD323,160,000. KuangChi Science received fully-paid subscription amount paid by Runzhong International Holding Co., Ltd. on 29 September 2014.

According to the explanation provided by KuangChi Group, and save as the foregoing conditions, there has been no relationship in respect of fund transactions between KuangChi Group together with its related parties and Pengxin Holding together with its related parties.

(III) The relationship in respect of business collaboration between KuangChi Group together with its related parties and Pengxin Holding together with its related parties

For details of the relationship in respect of business collaboration between KuangChi Group together with its related parties and Pengxin Holding together with its related parties, please refer to the relevant content under “III” of this Reply.

According to the explanation provided by KuangChi Group, and save as the foregoing conditions, there has been no relationship in respect of business collaboration between KuangChi Group together with its related parties and Pengxin Holding together with its related parties.

To: China Securities Regulatory Commission

Upon receipt of your special enquiries raised on 29 February 2016 in connection with the application made by Zhejiang Longsheng Automotive Parts Stock Limited Corporation for the non-public offering of its shares, Guotai Jun’an Securities Company Limited has conducted relevant diligent research and prudent verification and prepared the following explanatory reply thereto.

The following abbreviations are adopted to make the explanatory reply more explicit:

Issuer, Company, Listed Company or Longsheng Shares	Zhejiang Longsheng Automotive Parts Stock Limited Corporation
Issue or Non-public Offering	The act by the Issuer to raise aggregated proceeds up to RMB7.2 billion by way of non-public offering from ten target subscribers including Dazi Yingbang (達孜映邦), KuangChi Space Technology (光啓空間技術), Dazi Pengxin Resources (鵬欣資源), Yansong Investment (岩嵩投資), Xinyu Chaoyan Investment (新餘超研投資), Tianhui Qiangyang (天匯強陽), Zhenqi Jiasheng (真齊嘉盛), Juli Huaxing Investment Development (巨力華興投資發展), Shunyuju Investment Development (順宇居投資發展) and Yingxiepeng Investment Development (盈協豐投資發展)
KuangChi Group	Collectively, all enterprises and units controlled by Dr. Liu Ruopeng as disclosed in the Reply of Zhejiang Longsheng Automotive Parts Stock Limited Corporation to the Feedback on the Application Document in Connection with the Non-public Offering of Shares (《浙江龍生汽車部件股份有限公司關於非公開發行股票申請文件反饋意見之回覆》)
KuangChi Top Technology	Shenzhen KuangChi Top Technology Limited (深圳光啓尖端技術有限責任公司)
KuangChi Science	KuangChi Science Limited
KuangChi Space Technology	Shenzhen KuangChi Space Technology Limited
KuangChi Dream	Shenzhen KuangChi Dream Technology Limited (深圳光啓夢想科技有限公司)
Pengxin Group	Shanghai Pengxin (Group) Limited (上海鵬欣(集團)有限公司)

Pengxin Resources	Pengxin International Mining Company Limited
Jilong Hehui	Jilong Hehui Industrial Limited (吉隆和匯實業有限公司)
Tonglu Yansong	Tonglu Yansong Investment Management Partnership Enterprise (Limited Partnership) (桐廬岩嵩投資管理合夥企業 (有限合夥))
Metamaterial	Extraordinary materials engineered in key physical dimensions on an orderly basis to obtain properties that are beyond the ordinary physical properties of traditional materials by pushing through the limitations of some apparent laws of nature
Guotai Jun'an or Sponsor	Guotai Jun'an Securities Company Limited
RMB/RMB ten thousand/ RMB hundred million	RMB/RMB ten thousand/RMB hundred million

Note: In this explanatory reply, any discrepancies in any tables between totals and sums of amounts listed are due to rounding.

2) **Novel space technology business**

The novel space technology business of KuangChi Group is designated to research the innovative applications of metamaterial technologies in new space technology, focuses on the development of flight and float platforms of a wide spectrum of heights from low-altitude airspace (below 1,000 metres) to near space (20-100 kilometres), and provides comprehensive space technology services such as high-definition observation, communications and broadcasting, satellite TV, meteorological monitoring, disaster relief, forest protection, manned travel and science experiments.

The industrial operation of KuangChi Group's novel space technology business is mainly conducted through KuangChi Science. Leveraging on the solid foundation of KuangChi Group in metamaterial technologies, KuangChi Science is committed to intensively boost the technological R&D, product production and promotion of industrialisation for the novel space technology business. In February and June of 2015, KuangChi Science conducted the first flight test of its core products, namely the "Cloud" platform and the "Traveller" commercial near space platform. The metamaterial technologies deployed allow these products to be structured with lightweight, high-strength, high-barrier, durable, rubbing-resistant and high load ratio properties, overcoming the critical technical barrier of the

traditional aerostats that are required to float for a prolonged period of time, and filling the market gap of the provision of data and information services through space platform within extensive coverage. Given the outstanding technological capability and satisfactory test result, the “Cloud” platform and the “Traveller” commercial near space platform have caught wide attention from potential customers upon the completion of their test launches. As of the end of 2015, KuangChi Science had entered into a series of supply contracts and strategic cooperation agreements with local governments of or parks in Guangdong Province, Guizhou Province, Hainan Province in respect of these products, with an aggregated contract amount of RMB408 million.

Riding on the healthy industrialisation of the “Cloud” platform and the “Traveller” commercial near space platform, KuangChi Science recorded operating revenue of RMB364 million and net profit of RMB175 million from novel space technology business for 2015, representing an increase of 4,850.93% and 429.64% compared to the previous year, respectively.

Apart from the “Cloud” platform and the “Traveller” commercial near space platform, KuangChi Science is currently taking active initiatives to accelerate the research and development, production and industrial application of a range of innovative application products for novel space technology business through proprietary R&D and external acquisitions and mergers.

The following table sets forth the operating results of the novel space technology business of KuangChi Science for the past two years:

Unit: RMB ten thousand

Item	2015	2014
Operating revenue	36,427.03	735.76
Operating profit	19,744.23	-5,298.48
Gross profit	19,744.23	-5,298.48
Net profit	17,465.77	-5,298.48

Note 1: The industrial operation of KuangChi Science’s novel space business is mainly conducted through its controlled subsidiaries, Shenzhen Kuangchi Space Technology Company Limited and Shenzhen KuangChi Dream Technology Limited (深圳光啟夢想科技有限公司). The above financial data is derived by combining the financial data of these subsidiaries for each year. Both of the financial data of Kuangchi Space Technology for 2014 and 2015 have been audited. Since it was established on 28 November 2014, Shenzhen KuangChi Dream Technology Limited (深圳光啟夢想科技有限公司) did not commence operation in 2014 and thus, the financial data for the year was not audited individually, its financial data for 2015 has been audited.

Note 2: The significant improvement in the results of the novel space business for 2015 was mainly due to the fact that the core products, namely the “Cloud” platform and the “Traveller” commercial near space platform, completed their test launches and commercial tests with industrialised sales commenced in 2015.

(4) Major contracts regarding the novel space technology business of KuangChi Science

The “Cloud” platform and “Traveller” commercial near-space platform, the core products of the novel space technology business of KuangChi Science, completed their first flight tests in February and June respectively. The sales revenue of the “Cloud” platform constituted the main source of revenue of the novel space technology business of KuangChi Science for the year 2015. As at 31 December 2015, KuangChi Dream, a subsidiary of KuangChi Science, had entered into sales contracts in respect of the “Cloud” platform with the Guangdong, Guizhou and Hainan governments or platform companies in the park area, with a total contract amount of RMB0.408 billion, the details of which are as follows:

Contract	Purchaser	Seller	Sources of funds	Scope of services under the contract
Guangdong “Cloud” platform sales contract	A state-owned platform company in a certain city in Guangdong Province	KuangChi Dream	Governmental finance	To complete the construction of a project regarding spatial information platform, to establish a smart park area system based on spatial information, including spatial information platform, remote sensing monitoring subsystem, super platform subsystem for wide area networks for Internet of Things (IoT), to implement collection and smart management of big data under the scope of coverage regarding product design, to demonstrate the application of various monitoring applications, platform for wide area networks for IoT and big data analysis for future governmental enterprises, to take the responsibility of operation (including aerial operation) during the 3-year term of quality guarantee, and to be responsible for daily maintenance related to operation, and control of safe production.

Contract	Purchaser	Seller	Sources of funds	Scope of services under the contract
Guizhou “Cloud” platform sales contract	A state-owned platform company in a certain city in Guizhou Province	KuangChi Dream	Governmental finance	To complete the construction of a project regarding the demonstration “Cloud” platform for spatial big data. The application scope includes monitoring of city management, monitoring of traffic flows, wireless IoT coverage, monitoring of tourist spots, forestry monitoring, monitoring and testing of water sources and quality, monitoring and testing of industrial pollution, disaster warning for mud-rock flow and others, anti-terrorist measures for maintaining stability, and monitoring of agriculture and grand health industry, to establish a smart city system based on spatial information, including spatial information platform, optical remote sensing subsystem, subsystem for wide area networks for IoT, and systems for collection, development, application and smart management of big data, to demonstrate the application of various monitoring applications, platform for wide area networks for IoT and big data analysis for future governmental enterprises.
Hainan “Cloud” platform sales contract	A state-owned platform company in a certain city in Hainan Province	KuangChi Dream	Governmental finance	First, to support the trial and testing of near-space flying vehicles; second, to provide an aerial platform for the construction of “smart cities”, and to provide public services including but not limited to monitoring of city management, monitoring of traffic flows, monitoring of seas; third, to provide enterprises with commercial services including big data and IoT coverage.

This is the English translation of the information regarding the Group as disclosed in the Longsheng Announcements. In case of any inconsistency, the Chinese text shall prevail the English translation.