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## **KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF SKY WILL PRINTING & PACKAGING (HOLDINGS) LIMITED**

#### **THE DISPOSAL**

The board of directors of KuangChi Science are pleased to announce that on 26 October 2016 (after trading hours), KuangChi Science, as vendor, entered into the Sale and Purchase Agreement with Glory Wing, as purchaser, pursuant to which KuangChi Science has agreed to sell and Glory Wing has agreed to acquire the Sale Shares, representing the entire issued share capital of Sky Will for the Consideration of HK\$12,000,000.

On the same date, Kuangchi Science and New Able also entered into the Assignment Agreements to assign the loans due from the Disposal Group in aggregate of HK\$19,000,000 to Glory Wing for a consideration of HK\$19,000,000

#### **LISTING RULES IMPLICATIONS FOR KUANGCHI SCIENCE LIMITED**

Glory Wing is a company owned by the directors of Sky Will and the Disposal constituted a connected transactions but it is exempted from the circular, independent financial advice and shareholders' approval requirements. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal and the Assignment of Loans exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for KuangChi Science under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

## **The Sale and Purchase Agreement**

**Date:** 26 October 2016

### **Parties:**

- (1) Vendor: KuangChi Science
- (2) Purchaser: Glory Wing, the ultimate beneficial owners of which are Mr. Ng Man Chan and Ms. Li Mi Lai, who are directors of Sky Will

### **Assets to be disposed of**

Pursuant to the Sale and Purchase Agreement, KuangChi Science has agreed to sell and Glory Wing has agreed to acquire the Sale Shares, representing the entire issued share capital of Sky Will for a consideration of HK\$12,000,000. The consideration shall be paid by Glory Wing to KuangChi Science in cash at Completion.

### **The Assignment of Loan Agreements**

On the same date, KuangChi Science and New Able also entered into the Assignment Agreements to assign the loans due from the Disposal Group in aggregate of HK\$19,000,000 to Glory Wing for a consideration of HK\$19,000,000, of which \$10,000,000 shall be paid and completed on or before 2 November 2016, and HK\$9,000,000 shall be paid and completed by 15 November 2016.

### **Condition precedent**

The Completion of the Sale and Purchase Agreement is conditional upon the execution of the Assignment of Loan Agreements.

### **Completion**

Completion shall take place on or before 2 November 2016, or such other date as KuangChi Science and Glory Wing may agree in writing.

Upon Completion, Sky Will will cease to be a subsidiary of the Company.

### **Basis of determining the Consideration**

The Consideration was determined through arm's length negotiations between KuangChi Science and Glory Wing on a commercial basis with reference to the unaudited consolidated net assets of the Disposed Group of approximately HK\$11,436,000 as at 31 August 2016. The considerations pursuant to the Assignment of Loan Agreements are based on the actual amount of the loans advanced by KuangChi Science and New Able.

In view of the above, the directors of KuangChi Science consider that the considerations for the Disposal and the Assignment of Loans are fair and reasonable, and the Sale and Purchase Agreement and the Assignment of Loan Agreements are on normal commercial terms and are fair and reasonable, and the entering into of such agreements are in the interests of KuangChi Science and its shareholders as a whole. The Board of KuangChi has approved the Disposal and the Assignment of Loans contemplated herein and the independent non-executive directors have confirmed that the terms of the Disposal and the Assignment of Loans are fair and reasonable and on normal commercial terms and in the interests of the Company and its shareholders as a whole.

### **INFORMATION ABOUT THE DISPOSED GROUP**

The Disposed Group is principally engaged in printing & packaging business.

Set out below is the unaudited consolidated management accounts of the Disposed Group for the period from 1 January 2014 to 31 December 2014 and year ended 31 December 2015:

	<b>For the period from 1 April 2014 to 31 December 2014</b>	<b>Year ended 31 December 2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	69,737	74,669
Loss before tax	2,234	20,612
Loss after tax	3,075	20,612

The unaudited consolidated net assets of the Disposed Group as at 31 August 2016 was approximately HK\$11,436,000.

### **FINANCIAL EFFECT OF THE DISPOSAL AND INTENDED USE OF PROCEEDS**

Upon Completion, KuangChi Science expects to record an accounting gain on disposal of approximately HK\$0.5 million, being the difference between the Consideration and the unaudited consolidated net asset value of the Disposal Group at Completion.

The net proceeds from the Disposal and the Assignment of Loans after deducting related transaction costs and expenses are estimated to be approximately HK\$31 million. The Group intends to apply the net proceeds as general working capital.

## **REASONS FOR AND THE BENEFITS OF THE DISPOSAL FROM THE KUANGCHI SCIENCE PERSPECTIVE**

The Group is principally engaged in future technology products and services, whereas the Disposed Group is engaged in the manufacture and trading of paper packaging products. The business of the Disposed Group is not in line with the main business focus of the Group and therefore the board of directors of KuangChi Science considers that the Disposal provides an opportunity for the Group to realise its investment in the non-core business and focus all the resources to its future technology businesses.

## **LISTING RULES IMPLICATIONS FOR FRONTIER SERVICES**

Glory Wing is a company owned by the directors of Sky Will and the Disposal constituted a connected transactions but it is exempted from the circular, independent financial advice and shareholders' approval requirements. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal and the Assignment of Loans exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for KuangChi Science under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Assignment of Loans	The assignment the loans due from the Disposal Group to KuangChi Science and New Able in aggregate of HK\$19,000,000 to Glory Wing for a consideration of HK\$19,000,000
“Assignment of Loan Agreements”	the agreements for the assignment of the loans in aggregate of HK\$19,000,000 to Glory Wing by KuangChi Science and New Able
“Associate(s)”	has the meaning as ascribed to it in the Listing Rules (as the case may be)
“BVI”	the British Virgin Islands
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement
“Consideration”	HK\$12,000,000, being the consideration payable for the Sale Shares

“Disposal”	the disposal of the Sale Shares by KuangChi Science to Glory Wing pursuant to the Sale and Purchase Agreement
“Disposed Group”	Sky Will and its subsidiary
“Glory Wing”	Glory Wing Investments Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Ng Man Chan and Ms. Li Mi Lai
“Group”	KuangChi Science and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KuangChi Science”	KuangChi Science Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the stock exchange (stock code: 00439)
“New Able”	New Able Investments Limited, a wholly owned subsidiary of KuangChi Science
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 26 October 2016 and entered into between KuangChi Science and Glory Wing, in relation to the sale and purchase of the Sale Shares
“Sale Shares”	100 ordinary shares with par value of USD 1 each in the issued share capital of Sky Will, representing the entire issued share capital in Sky Will
“Sky Will”	Sky Will Printing & Packaging (Holdings) Limited, a company incorporated in BVI, the entire issued share capital of which is owned by KuangChi Science
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s)

“USD” United State dollar(s)

“%” per cent

By order of the board of directors  
**KuangChi Science Limited**  
**Liu Ruopeng**  
*Chairman and Executive Director*

Hong Kong, 26 October 2016

*As at the date of this announcement, the executive directors of KuangChi Science are Dr. Liu Ruopeng (Chairman), Dr. Zhang Yangyang, Dr. Luan Lin, and Mr. Ko Chun Shun Johnson; and the independent non-executive directors are Dr. Liu Jun, Dr. Wong Kai Kit and Ms. Cao Xinyi.*