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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

INSIDE INFORMATION
INVESTMENT IN GILO INDUSTRIES GROUP LIMITED

The Board wishes to announce that on 16 January 2017 (before trading hours), Advance Summit, a wholly-owned subsidiary of the Company, and Gilo entered into the Investment Agreement.

The Company will (i) subscribe for new capital of Gilo; and (ii) acquire certain existing ordinary shares of Gilo.

Upon completion of the Subscription and the Acquisition, Advance Summit will hold approximately 39.06% of the enlarged issued share capital of Gilo.

Based on the applicable percentage ratios, the Subscription and the Acquisition do not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Completion of the Investment Agreement and the transactions contemplated thereunder is subject to the fulfillment or waiver (as applicable) of the conditions as set out in the Investment Agreement. As such, the Subscription and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board wishes to announce that on 16 January 2017 (before trading hours), the Company and Gilo entered into the Investment Agreement.

REASONS FOR AND BENEFITS OF THE INVESTMENT AGREEMENT

The Group is principally engaged in (i) the research and development and manufacture of innovative products for future technology business, and the provision of other innovative technology service solutions; and (ii) property investment.

The Group and Gilo both share the common vision and will cooperate closely and jointly develop future space technologies and services solutions and committed to the application of advanced engine technologies and manufacturing expertise of Gilo to the future space technology product lines of the Group, so as to enhance the flight performance of future space technology product lines of the Group and accelerate the commercialisation of the Group's product lines generally.

Through the investment in Gilo, the Group can share the future technologies of the Group including engine materials manufacturing and computational data simulation technology to support the manufacturing and development of Gilo's engine products. On the other hand, the Group will benefit from outstanding performances of Gilo's high power density, compact size, light weight and low vibration engine products, which will enhance the flight performance of the Group's Martin Jetpack and other future space technology products generally. The Group considers this investment to provide support for the research and development of the Group's existing future space technology aircrafts and the enhancement of technical capabilities of the same.

The Directors consider that the Investment Agreement and the transactions contemplated thereunder are in the interests of the Company and its shareholders as a whole.

THE INVESTMENT AGREEMENT

Pursuant to the Investment Agreement, Advance Summit will (i) subscribe for new capital of Gilo; and (ii) acquire certain existing ordinary shares of Gilo.

The Investment will be comprised of three tranches. Upon obtaining all approvals required under the relevant foreign exchange laws and regulations of the PRC, the first tranche of investment will be made in the form of subscription of new ordinary shares of Gilo, representing approximately 19.14% of the enlarged issued capital of Gilo, at a consideration of GBP9,467,456 (equivalent to approximately HK\$89,372,785). Upon achieving certain product targets, obtaining international certifications for its products and meeting income provisions stipulated in the Investment Agreement by Gilo, the second tranche of investment will be made in the form of subscription of new ordinary shares of Gilo at a consideration of GBP8,260,355 (equivalent to approximately HK\$77,977,751) and acquisition of existing ordinary shares of Gilo at a consideration

of GBP1,751,480 (equivalent to approximately HK\$16,533,971). Upon the completion of the second tranche of investment, Advance Summit will hold approximately 33.74% of the enlarged issued share capital of Gilo. The third tranche of investment will be made in the form of subscription of new shares of Gilo at a consideration of GBP5,041,420 (equivalent to approximately HK\$47,591,005).

Completion of the Subscription and the Acquisition is subject to the fulfillment or waiver of the conditions set out in the Investment Agreement. Gilo will use its best endeavours to ensure that all conditions are satisfied as soon as reasonably practicable and in any event on or before 31 December 2019.

Upon completion of the Subscription and the Acquisition, Advance Summit will hold approximately 39.06% of the enlarged issued share capital of Gilo.

INFORMATION ON GILO

Gilo is principally engaged in the research and development and manufacturing for aviation and aerospace technology and solutions with a focus on the research and development and manufacturing for innovative engine technologies. Its engine products includes rotary engines for unmanned aeronautical vehicles, flying cars and rotary powered bikes and it develops groundbreaking solutions for civil, commercial and recreational aviation and aerospace applications.

Furthermore, Gilo is also a supplier of Martin Aircraft Company Limited (“**MACL**”), a subsidiary of the Company.

The Proposed Acquisition would allow the Company to integrate the technology, expertise and infrastructures that are owned by Gilo which in the long term would foster the growth and expansion of the Company in the future technology business and other innovative technology. Moreover, the Proposed Acquisition would allow the Company and Gilo to enhance economy of scale in production.

The Board considers that, through the Investment Agreement, both the Company and Gilo shall be able to form a win-win situation, and integrate each other’s advantages and resources so as to create higher commercial value for each other. Therefore, entering of the Investment Agreement is in the interests of the Company and Shareholders as a whole.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Gilo and its ultimate beneficial owner are collaborative suppliers independent of the Company and connected persons of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Based on the applicable percentage ratios, the Subscription and the Acquisition do not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

Completion of the Investment Agreement and the transactions contemplated thereunder is subject to the fulfillment or waiver (as applicable) of the conditions as set out in the Investment Agreement. As such, the Subscription and the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the existing ordinary shares of Gilo by a wholly-owned subsidiary of the Company at a total consideration of GBP1,751,480 (equivalent to approximately HK\$16,533,971) under the Investment Agreement
“Advance Summit”	Advance Summit Limited, a limited liability company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	KuangChi Science Limited (stock code: 439), the ordinary shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gilo”	Gilo Industries Group Limited
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“GBP”	Great Britain Pound, the lawful currency of the United Kingdom
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Investment Agreement”	the investment agreement entered into between the Company and Gilo dated 16 January 2017
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of new capital of Gilo at a total consideration of GBP22,769,231 (equivalent to approximately HK\$214,941,541)
“%”	percentage

By Order of the Board
KuangChi Science Limited
Liu Ruopeng
Chairman and Executive Director

Hong Kong, 16 January 2017

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. Cao Xinyi.

For illustration purposes, the exchange rate of GBP1.00 = HK\$9.44 has been used to convert GBP into HK\$ in this announcement.