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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 ANNOUNCEMENT  
FURTHER PROVISION FOR IMPAIRMENT OF INTANGIBLE ASSETS  
INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2017**

This announcement is made by KuangChi Science Limited (the “**Company**”) and its subsidiaries pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

Reference is made to the announcement dated 31 August 2017 (the “**Interim Results Announcement**”) in relation to the interim results of the Company and its subsidiaries for the six months ended 30 June 2017. Unless otherwise stated, definitions and terms used herein shall bear the same meanings as defined in the Interim Results Announcement.

As stated in the Interim Results Announcement, the Company and its subsidiaries made a provision for impairment of goodwill and intangible assets totaling approximately HK\$159,874,000 in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 related to the Jetpack products business. The such recoverable amount may be subject to the outcome of discussion between Martin Aircraft Company Limited (“**MACL**”), a non-wholly-owned subsidiary of the Jetpack products business of the Company, and its auditor in relation to MACL’s 2017 Annual Audit, of which such annual audit was not yet completed as at the date of the Company’s Interim Results Announcement.

The Company was informed by the board of directors of MACL that, (i) with respect to the carrying value of MACL's intangible assets, the board of directors of MACL believes there is value inherent within the intangible assets. However, the value in use of MACL's intangible assets was determined with reference to future cash flows which are based on subjective and highly sensitive assumptions. MACL has therefore decided to take a prudent view and would fully impair the intangible assets of New Zealand dollars (NZ\$) 17.6 million (approximately HK\$97.6 million), and (ii) recognise NZ\$2.2 million (approximately HK\$12.1 million) development costs as research and development expenses instead of as previously capitalised as intangible assets in MACL's consolidated management accounts provided to the Company because such development costs do not meet the intangible assets recognition criteria according to generally accepted accounting practice in New Zealand in MACL's audited financial statements for the year ended 30 June 2017 ("**MACL's 2017 Annual Financial Statements**") which is due to be published.

In view of the above, the Board of the Company has decided to make further provision for impairment and derecognition of intangible assets of the Jetpack products business. The impact on the condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2017 are summarised as follows:

- a decrease of an aggregate of HK\$35,407,000 (consisting of (i) the impairment assets and derecognition of intangible assets amount to HK\$34,181,000 and (ii) HK\$1,226,000 for impairment of fixed assets related to Jetpack product respectively) in the profit for the period of the Company and its subsidiaries from HK\$385,030,000 in the condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries for the six months ended 30 June 2017 in the Interim Results Announcement to HK\$349,623,000; and
- a decrease of HK\$38,832,000 (consist of (i) decrease of HK\$1,264,000 in fixed assets and (ii) HK\$37,568,000 in intangible assets) in total net assets of the Company and its subsidiaries from HK\$3,949,316,000 as stated in the condensed consolidated statement of financial position of the Company and its subsidiaries as at 30 June 2017 in the Interim Results Announcement to HK\$3,910,484,000. This was offsetted by the decrease in exchange reserve of HK\$3,425,000 resulted from the exchange realignment of NZ\$ to HK\$.

The above revisions to the condensed consolidated interim financial statements of the Group were not reviewed or audited by the Company's auditor, but were approved and adopted by the Board and reviewed by the Audit Committee of the Company. Shareholders and potential investors of the Company should not rely on the financial statements as contained in the Interim Results Announcement, but may read them in conjunction with the revisions above.

Further announcement(s) setting out the restated condensed consolidated interim financial statements of the Company and its subsidiaries for the six months ended 30 June 2017 will be made by the Company as soon as possible after MACL's 2017 Annual Financial Statements are finalized.

*For the purpose of this announcement, unless otherwise indicated, the exchange rate of NZ\$1.00 = HK\$5.5328 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.*

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

Hong Kong, 19 September 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. Dorian Barak; two non-executive Directors, namely Mr. Ko Chun Shun, Johnson and Mr. Song Dawei; and three independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Ms. Cao Xinyi.*