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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

CONNECTED TRANSACTIONS

INSTALLATION SERVICES AND EQUIPMENT PROCUREMENT CONTRACT

The Board announces that on 20 December 2017 (after trading hours), Zhiyun Information (an indirect wholly-owned subsidiary of the Company) and Photon Technology entered into the Installation Services and Equipment Procurement Contract, pursuant to which Zhiyun Information will procure WIFI network equipment for Photon Technology and provide related installation work and commissioning services to Photon Technology at a consideration of RMB8,060,000 (equivalent to approximately HK\$9,500,000).

Given that Dr. Liu is a controlling shareholder of Photon Technology, Photon Technology is regarded as a connected person of the Company under the Listing Rules, and the entering into of the Installation Services and Equipment Procurement Contract between Zhiyun Information and Photon Technology constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the amounts of the transactions contemplated under the Installation Services and Equipment Procurement Contract exceed 0.1% but are less than 5%, the transactions contemplated under the Installation Services and Equipment Procurement Contract are subject to the announcement and annual reporting requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that on 20 December 2017 (after trading hours), Zhiyun Information (an indirect wholly-owned subsidiary of the Company) and Photon Technology (of which Dr. Liu is its controlling shareholder) entered into the Installation Services and Equipment Procurement Contract, pursuant to which Zhiyun Information will procure WIFI network equipment for Photon Technology and provide related installation work and commissioning services to Photon Technology. The major terms of the Installation Services and Equipment Procurement Contract and other information relating thereto are set out below.

THE INSTALLATION SERVICES AND EQUIPMENT PROCUREMENT CONTRACT

Date: 20 December 2017

Parties

- (i) Zhiyun Information
- (ii) Photon Technology

Subject matters

According to the Installation Services and Equipment Procurement Contract, Zhiyun Information will procure WIFI network equipment for Photon Technology and provide related installation work and commissioning services at a consideration of RMB8,060,000 (equivalent to approximately HK\$9,500,000). The scope of the procurement and services will cover: 1) procurement of WIFI equipment; 2) procurement of network management, maintenance and operation service supporting platform and provision of related installation and commissioning services; 3) procurement of Mobile Agent Server message platform and provision of related installation and commissioning services; and 4) procurement WIFI network security equipment and provision of related installation and commissioning services.

Pricing policy

The consideration was negotiated and determined by the parties on an arm's length basis after taking into consideration of, among others, prevailing market conditions (including with reference to the market price (which is the price requested by independent third parties for the sales of same or similar equipment or for the provision of same or similar services), the scope of services and the level of manpower, expertise and resources required for the procurement of equipment for, and the provision of related installation work and commissioning services to, Photon Technology by Zhiyun Information.

REASONS FOR AND BENEFITS OF THE INSTALLATION SERVICES AND EQUIPMENT PROCUREMENT CONTRACT

Photon Technology is principally engaged in computer system integration business. Zhiyun Information is the leader in the industry of software products and embedded integrated software design, development, installation and commissioning business, and it possesses system platform installation and commissioning capabilities, as well as well-established hardware procurement pipelines. Given that Photon Technology does not possess a lot of experience in software installation and commissioning, while Zhiyun Information shall provide such services at a competitive price, the Company is of the view that the transaction is beneficial to both parties and in the interests of the Company and the shareholders as a whole.

The Directors (including all of the independent non-executive Directors) are of the view that the transactions are entered into in the ordinary and usual course of business of Zhiyun Information and are on normal commercial terms, or on terms no less favourable than those available to Zhiyun Information from independent third parties, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Dr. Liu, being a Director who has more than 30% interest in Photon Technology, has voluntarily abstained from voting on the resolutions of the Board approving the Installation Services and Equipment Procurement Contract and the transactions contemplated thereunder (the “**Resolutions**”). Dr. Luan Lin and Dr. Zhang Yangyang, Directors of the Company and each have certain minority interest in Photon Technology, have also voluntarily abstained from voting on the Resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Dr. Liu is a director and controlling shareholder of the Company and also a controlling shareholder of Photon Technology. Therefore, Photon Technology is a connected person of the Company under Chapter 14A of the Listing Rules, and transactions contemplated under the Installation Services and Equipment Procurement Contract constitute connected transaction of the Company under the Listing Rules.

As one or more of the applicable percentage ratios in respect of the amounts of the transactions contemplated under the Installation Services and Equipment Procurement Contract exceed 0.1% but are less than 5%, the transactions contemplated under the Installation Services and Equipment Procurement Contract are subject to the announcement and annual reporting requirements but are exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company and its subsidiaries are principally engaged in the research and development and manufacture of innovative products for future technology businesses, and the provision of other innovative technology service solutions.

Photon Technology is principally engaged in the research and development, technical consultancy and sales of electronic products and photonics products; sales of software; research and design, construction, on-site maintenance and technology consultancy of intelligent building projects and security technology and prevention systems; computer system integration; research and development and research and development of technical services of photonic net systems, smart technology related products.

Zhiyun Information is principally engaged in the consulting, design, operation and maintenance, operation and transfer of smart city projects; design, consulting, integration, services, operation and maintenance, technology transfer of intelligent systems; design, development, sales, consulting, maintenance and technology transfer of software products; design, consulting, integration, services, operation and maintenance, technology transfer of information systems; embedded integrated software development; design, development, consulting, sales, technology upgrades and maintenance and transfer of electronic products and equipment.

DEFINITIONS

“Board”	the board of Directors
“Company”	KuangChi Science Limited
“connected person”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“Dr. Liu”	Dr. Liu Ruopeng, a director and controlling shareholder of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Photon Technology”	深圳光啟智能光子技術有限公司 Shenzhen KuangChi Intelligent Photon Technology Limited*, an enterprise established in the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Zhiyun Information”	深圳光啟智雲信息科技有限公司 Shenzhen KuangChi Zhiyun Information Technology Limited*, an enterprise established in the PRC and a wholly-owned subsidiary of 深圳光啟空間技術有限公司 Shenzhen KuangChi Manned Space Technology Company Limited*, which is an enterprise established in the PRC and a wholly-owned subsidiary of 深圳光啟夢想科技有限公司 Shenzhen KuangChi Dream Technology Company Limited*, which is an enterprise established in the PRC and a wholly-owned subsidiary of the Alientech Limited, which is an enterprise incorporated in Hong Kong and a wholly-owned subsidiary of the Company

* For identification purpose only

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

Hong Kong, 20 December 2017

As at the date of this announcement, the board of directors 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.