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KUANGCHI SCIENCE LIMITED

光 啟 科 學 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

PROFIT WARNING

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

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and potential investors of the Company that, based on the information currently available to the Board and the preliminary assessment of the Group’s unaudited consolidated management accounts for the year ended 31 December 2017 (“**FY2017**”), the Group expects that (i) the profit attributable to owners of the Company in FY2017 may range from approximately HK\$60 million to HK\$100 million as compared to the profit attributable to owners of the Company of approximately HK\$664 million in the year ended 31 December 2016 (“**FY2016**”) and (ii) it may record a net loss ranging from approximately HK\$40 million to HK\$80 million for FY2017 as compared to a net profit of approximately HK\$596 million for FY2016.

The decline in net profit for FY2017 is primarily attributable to:

- (i) provisions for impairment loss of goodwill and other intangible asset related to the jetpack products business and development costs incurred by Martin Jetpack Aircraft Company Limited, a non-wholly owned subsidiary of the Company, the details of which have been disclosed in the interim condensed consolidated financial information of the Company for the six months ended 30 June 2017. No such provision was made in FY2016;

- (ii) a decrease in gain on change in fair value of the subscription right (a derivative that measured at fair value through profit or loss (FVTPL)) of Kuang-Chi Technologies Company Limited (formerly known as “Zhejiang Longsheng Automotive Parts Corporation Limited”) for FY2017;
- (iii) a provision for impairment loss of carrying amount of investment in an associate and an available-for-sale investment in FY2017. Further financing is required to be obtained by the aforesaid investments to meet their development and business plan. After discussion and preliminary assessment by the Board on the financial position of these entities with reference to the latest available information, the Company intends to take a prudent approach and make a full provision for impairment on the carrying amounts of these investments. The loans provided by the Group to the aforesaid investments are also impaired in FY2017; and
- (iv) an increase in research and development expenditure in FY2017 for expansion of the business of the Group in FY2017.

The Company is still in the process of finalising the audited consolidated results of the Group for FY2017. The information contained in this announcement is only based on the information currently available to the Board and the Board’s preliminary assessment of the Company’s latest unaudited consolidated management accounts for FY2017 and is not based on any figures or information that has been audited or reviewed by the auditors or the audit committee of the Company. Therefore, the information contained in this announcement may be subject to adjustments after further internal review by the Board and the audit committee of the Company. The audited annual results of the Group for FY2017 may be different from what is disclosed in this announcement. Shareholders and potential investors of the Company are advised to read carefully the details of the financial information and performance of the Group for FY2017 that will be included in the annual results announcement of the Company for FY2017, which is expected to be published in March 2018.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 14 March 2018

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.