

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in the Bermuda with limited liability)*

**(Stock Code: 439)**

## **CHANGE IN USE OF PROCEEDS**

Reference is made to the circular of KuangChi Science Limited (the “**Company**”, together with its subsidiaries as the “**Group**”), in relation to, amongst others, subscription of new ordinary shares and new preferred shares dated 29 July 2014 (“**Circular**”), the announcement of the Company, in relation to, amongst others, subscriptions of new ordinary shares under general mandate dated 15 September 2014 (“**Announcement**”) and the 2018 Annual Report of the Company. Capitalised terms used herein shall have the same meanings as those defined in the Circular, Announcement and 2018 Annual Report unless the context otherwise requires.

The total proceeds from the fund-raising activities, including the subscriptions completed on 22 August 2014 and 29 September 2014 respectively, during the nine months period ended 31 December 2014 were approximately HK\$1,888,401,000. As disclosed in the 2018 Annual Report, as at 31 December 2018, approximately HK\$420,019,000 remained unutilised. As stated in the Circular and Announcement, the use of proceeds was intended to be applied as follows:

1. as to approximately HK\$55 million for payment of the research and development and technology development fee under the Outsourcing Agreement;
2. as to approximately HK\$1,090 million for acquisition of land site and construction of research and development and manufacturing facilities in respect of the near space and other innovative technology business;

3. as to approximately HK\$530 million to approximately HK\$552 million for research and development expenses in respect of the civil near space flying apparatus, novel space services and other innovative technology businesses (including staff costs, equipment, etc.); and
4. as to the remaining balance to fund future expansion of the Group's businesses and for general working capital of the Group.

Since the shares of the Company have been listed for over 4 years, having considered the changes in the business environment, in order to utilise the remaining balance of net proceeds in a more effective way and to facilitate efficient allocation of the Company's financial resources, the Board reviewed the utilisation of the remaining balance of net proceeds and resolved to reallocate the portion of the use of remaining balance of net proceeds as follows:

<b>Intended use of proceeds</b>	<b>Original allocation <i>HK\$'000</i></b>	<b>Revised allocation <i>HK\$'000</i></b>	<b>Utilisation as at the date of this announcement <i>HK\$'000</i></b>	<b>Remaining balance after revised allocation <i>HK\$'000</i></b>
Acquisition of land site and construction of manufacturing facilities and expansion of production capacity for the Future Technology Business (“ <b>acquisition and expansion for Future Technology Business</b> ”)	420,019	213,390	20,646	192,744
Research and development for products and expenses for the Future Technology Business (“ <b>Research and Development for Future Technology Business</b> ”)	–	153,629	26,731	126,898
General working capital	–	53,000	22,071	30,929
Global merger and acquisition of In-depth space services industry and products	–	–	–	–
<b>Total</b>	<b>420,019</b>	<b>420,019</b>	<b>69,448</b>	<b>350,571</b>

## **Reasons for Change in Use of Proceeds**

According to the original intended use of proceeds, all the remaining unutilised proceeds were intended to apply for acquisition and expansion for Future Technology Business. However, during the operation process and according to the development progress, the Board considered that the construction of its Dongguan building (for research and development purpose and for use as an office) would be completed in financial year 2019. There is no urge demand for capital investment in acquisition and expansion for Future Technology Business in the short term.

In view of the above and for better utilisation of the Group's resources, the Board plans to reallocate approximately HK\$154 million to Research and Development for Future Technology Business, focusing on the development of the Company's main business, including Super Intelligent Tracking System and HK\$53 million to finance general working capital and other general corporate uses. The Board had considered other options to finance the uses as mentioned above, such as bank loans or share placements under general mandate. However, the Board is of the view that bank loans will lead to further finance costs and share placements will dilute the interests of existing shareholders. The reallocation of the remaining unutilised proceeds will allow the Company to deploy its financial resources more effectively.

The Board considers that the above changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company. The Board is of the view that the reallocation is in line with the business strategy of the Group and will not adversely affect the operation and business of the Group and is in the best interests of the Company and the Shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds as set out in the Circular, Announcement, 2018 Annual Report and above, and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group.

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

Hong Kong, 24 June 2019

*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; and three independent non-executive directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Ms. Cao Xinyi.*