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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 TRANSACTION
PROCUREMENT AGREEMENT WITH AN ASSOCIATE OF
CONTROLLING SHAREHOLDER**

The Board announces that on 28 June 2019, Kuang Chi Space, as purchaser, entered into the Procurement Agreement with Kuang-Chi Metamaterial, as vendor, in respect of the procurement of Optical Sensing Station and the Wearable Smart Helmets.

As at the date of this announcement, (i) Kuang Chi Space is an indirect wholly owned subsidiary of the Company and Kuang-Chi Metamaterial is a direct wholly owned subsidiary of Kuang-Chi Technologies; (ii) Dr. Liu is an executive Director and controlling shareholder of the Company and Dr. Zhang and Dr. Luan are both executive Directors. Thus Dr. Liu, Dr. Zhang and Dr. Luan are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules; and (iii) Dr. Liu, Dr. Zhang and Dr. Luan fall within the presumption of acting in concert as defined in Takeovers Code, collectively controlling the exercise of more than 30% of the voting power of the general meetings of Kuang-Chi Technologies and thus Kuang-Chi Metamaterial, a wholly owned subsidiary of Kuang-Chi Technologies, is an associate of Dr. Liu, Dr. Zhang and Dr. Luan, and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules. As such, the transaction contemplated under the Procurement Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the consideration payable by Kuang Chi Space to Kuang-Chi Metamaterial under the Procurement Agreement is more than HK\$3,000,000 and the applicable percentage ratios are more than 0.1% but less than 5%, the Procurement Agreement is subject to the reporting and announcement requirements under the Listing Rules but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

On 28 June 2019, Kuang Chi Space, an indirect wholly-owned subsidiary of the Company principally engaged in provision of in-depth space services and other innovative technology business, as purchaser, entered into the Procurement Agreement with Kuang-Chi Metamaterial as vendor, in respect of the procurement of Optical Sensing Station and the Wearable Smart Helmets.

Major terms of the Procurement Agreement are set out below.

THE PROCUREMENT AGREEMENT

Date: 28 June 2019

Parties: (1) Kuang Chi Space (as purchaser)
(2) Kuang-Chi Metamaterial (as vendor)

Goods procured: two models in total 300 pieces of Optical Sensing Station and 40 sets of Wearable Smart Helmets with certification

Consideration: RMB5,643,921, including VAT

Payment: Upon satisfaction of quality check of the goods delivered, the consideration shall be paid by the purchaser to the vendor within thirty (30) business days after the submission of payment request by the vendor to the purchaser in agreed form

The Board considers that the Procurement Agreement is fair and reasonable and on normal commercial terms.

INFORMATION ON THE GROUP AND THE CONNECTED PERSON

The Group is principally engaged in the research and development as well as manufacture of innovative products for future technology businesses, and the provision of other innovative technology service solutions. Kuang Chi Space is an indirect wholly-owned subsidiary of the Company principally engaged in provision of in-depth space services and other innovative technology business.

Kuang-Chi Technologies is a company listed on the Shenzhen Stock Exchange principally engaged in developing innovative advanced technology and its core business is in metamaterial intelligent structure and equipment research, as well as the manufacture of seat function components for automobiles. The metamaterial research and development team of Kuang-Chi Technologies has been absorbed into Kuang-Chi Metamaterial, which is a direct wholly owned subsidiary of Kuang-Chi Technologies, principally engaged in technical development, technical consultation, technical services, production and sales of electronical products, helmets, new materials, composite products, protective products, and their components.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT AGREEMENT

The procurement of the Optical Sensing Station and Wearable Smart Helmets from Kuang-Chi Metamaterial is crucial as the Optical Sensing Station and Wearable Smart Helmets are part of the core technology of the intelligent tracking system currently developed by the Company. High resolution optical sensing stations are required in order to meet a specific wide range of optical sensing coverage for conventional facial recognition technology. Few companies in the market, other than Kuang-Chi Metamaterial, can provide such optical sensing stations with the required specifications up to the satisfaction of the Group. Wearable Smart Helmets, the new generation of intelligent police helmets developed by Kuang-Chi Metamaterial, are to be used in complement with the Optical Sensing Station. The Board considers that the procurement of the Optical Sensing Station and Wearable Smart Helmets will facilitate the Group's development in the business.

Accordingly the Directors (including the independent non-executive Directors but excluding the Interested Directors) are of the view that the terms of the Procurement Agreement are fair and reasonable and the transaction contemplated under the Procurement Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group. The entering into of the Procurement Agreement is in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, (i) Kuang Chi Space is an indirect wholly owned subsidiary of the Company and Kuang-Chi Metamaterial is a direct wholly owned subsidiary of Kuang-Chi Technologies; (ii) Dr. Liu is an executive Director and controlling shareholder of the Company and Dr. Zhang and Dr. Luan are both executive Directors. Thus Dr. Liu, Dr. Zhang and Dr. Luan are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules; and (iii) Dr. Liu, Dr. Zhang and Dr. Luan fall within the presumption of acting in concert as defined in Takeovers Code, collectively controlling the exercise of more than 30% of the voting power of the general meetings of Kuang-Chi Technologies and thus Kuang-Chi Metamaterial, a wholly owned subsidiary of Kuang-Chi Technologies, is an associate of Dr. Liu, Dr. Zhang and Dr. Luan, and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules. As such, the transaction contemplated under the Procurement Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

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As Dr. Liu, an executive Director and a controlling shareholder of the Company, has material interests in the transaction contemplated under the Procurement Agreement, he has abstained from voting on the relevant written resolutions of the Board approving the Procurement Agreement and the transaction contemplated thereunder. Furthermore, Dr. Luan and Dr. Zhang, both the executive Directors of the Company, have also abstained from voting for the aforesaid written resolutions of the Board as they have interests in Kuang-Chi Technologies. Save as disclosed above, no other Director has a material interest in the transaction and is required to abstain from voting for the aforesaid resolutions.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Kuangchi Science Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Liu”	Dr. Liu Ruopeng, the chairman of the Board and executive Director and controlling shareholder of the Company
“Dr. Luan”	Dr. Luan Lin, an executive Director of the Company
“Dr. Zhang”	Dr. Zhang Yangyang, an executive Director of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Interested Director(s)”	Dr. Liu, Dr. Luan and Dr. Zhang

“Kuang-Chi Metamaterial”	深圳光啟超材料技術有限公司(Shenzhen Kuang-Chi Metamaterial Technology Company Ltd*), a company incorporated in PRC with limited liability and direct wholly owned subsidiary of Kuang-Chi Technologies
“Kuang Chi Space”	深圳光啟空間技術有限公司(Shenzhen Kuang Chi Space Technology Limited*), a company incorporated in PRC with limited liability and indirect wholly owned subsidiary of the Company
“Kuang-Chi Technologies”	Kuang-Chi Technologies Co., Ltd. 光啟技術股份有限公司, a PRC company listed on the Shenzhen Stock Exchange (stock code: 002625)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Optical Sensing Station”	Optical sensors which are used in the intelligent tracking system currently being developed by the Company
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong and the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Procurement Agreement”	the procurement agreement dated 28 June 2019 and entered into between Kuang Chi Space as Purchaser and Kuang-Chi Metamaterial as vendor in respect of the purchase of the Optical Sensing Station and the Wearable Smart Helmets
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code of Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong

“VAT”	value-added tax
“Wearable Smart Helmets”	the new generation of intelligent police helmets to be used in the intelligent tracking system currently being developed by the Company
“%”	per cent.

In this announcement, English translation of names in Chinese which are marked with “” are for identification purpose only.*

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

Hong Kong, 28 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.