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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of Kuangchi Science Limited (the “**Company**”) dated 28 June 2019 (the “**Announcement**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

Further to the information disclosed in the Announcement, the Company wishes to provide to the shareholders of the Company and the potential investors with the following supplementary information:

BASIS UPON WHICH THE CONSIDERATION WAS DETERMINED

The consideration under the Procurement Agreement for two models of Optical Sensing Station, C600 and C1100, in total 300 pieces is RMB4,839,001 (including VAT). The unit prices (including VAT) for each model is RMB7,201.89 and RMB33,986.23, respectively, which are determined by the market scarcity of the products and profit margin of the products. The management discovered that there is no competitive relevant camera in market which can fulfil the requirement of the intelligent tracking system developed by the Company. For instance, the Company’s intelligent tracking system requires an effective coverage of 600 square meters and 2,000 square meters, but the management can only source the camera with effective coverage of 200 to 300 square meters in the market. The price for camera with effective coverage of 200 to 300 square meters is around RMB5,000, so the management considers that the prices for Optical Sensing Station model no. C600 with effective coverage

of 600 square meters and Optical Sensing Station model no. C1100 with effective coverage of 2,000 square meters are at around RMB7,200 and RMB34,000, respectively, are reasonable. Further, the profit margin of selling the camera by System Integrators in the market is around 10% to 13%. Based on the consideration under the Procurement Agreement, the Company can sell the Optical Sensing Station with a profit margin of 15.5%, which is above the market norm.

The consideration under the Procurement Agreement for 40 sets of Wearable Smart Helmets with certification is RMB804,920 (including VAT). The unit price (including VAT) for one set of Wearable Smart Helmet is RMB20,123, which is determined by the market scarcity of the products and the expected profit margin of the products. There is no alternative product to the Wearable Smart Helmet in the market therefore the management considers it necessary to procure from Kuang-Chi Metamaterial. Based on the consideration under the Procurement Agreement, the Company can sell the Wearable Smart Helmet with a profit margin of 15.5%, which meets the profit margin assessed and estimated by the management.

This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

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

Hong Kong, 3 July 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.