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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in KuangChi Science Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**CONTINUING CONNECTED TRANSACTIONS;
PROPOSED RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Lego Corporate Finance Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

A notice convening the SGM to be held at 11:30 a.m. on Friday, 22 May 2020 at 2nd Floor, Software Building, No. 9 Gaoxin Middle 1st Road, Nanshan District, Shenzhen, China is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event by 11:30 a.m. (Hong Kong time) on Wednesday, 20 May 2020 or not later than 48 hours before the time for holding the adjourned meeting (if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

Please see the section headed "PRECAUTIONARY MEASURES AT THE SGM" in this circular for measures being taken to try to prevent and control the spread of the Coronavirus Disease at the SGM.

7 May 2020

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PRECAUTIONARY MEASURES AT THE SGM

Shareholders should note that during the ongoing Novel Coronavirus (COVID-19) pandemic, the following precautionary measures will be taken at the SGM unless the Company should require otherwise:

1. Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius or refuses a temperature check will be denied entry into the meeting venue or be required to leave the meeting venue.
2. The Company requests each attendee to wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
3. No refreshments will be served, and no corporate gifts will be distributed.

Shareholders are reminded that physical attendance in person at the SGM is not necessary for the purpose of exercising their voting rights. Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and returning the proxy form enclosed with this document.

If any shareholder chooses not to attend the SGM in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our principal place of business in Hong Kong or to our email at info@kuang-chi.com. If any shareholder has any question relating to the SGM, please contact Tricor Secretaries Limited, the Company's Hong Kong branch share registrar at:

Tricor Secretaries Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Email: is-enquiries@hk.tricorglobal.com

Tel: (852) 2980 1333

Fax: (852) 2810 8185

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Annual Cap”	the maximum aggregate annual transaction values in respect of the continuing connected transactions contemplated under the Master Procurement Agreement for the Year 2020, the Year 2021 and the Year 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company
“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(s)”	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. Ji”	Dr. Ji Chunlin, an executive Director
“Dr. Liu”	Dr. Liu Ruopeng, the chairman of the Board, an executive Director and a controlling Shareholder
“Dr. Luan”	Dr. Luan Lin, an executive Director
“Dr. Zhang”	Dr. Zhang Yangyang, an executive Director
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors, namely, Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Choi Wing Koon, established to advise the Independent Shareholders in respect of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps
“Independent Financial Adviser”	Lego Corporate Finance Limited (力高企業融有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps
“Independent Shareholder(s)”	the Shareholder(s), other than those who are required by the Listing Rules to abstain from voting on the resolution approving the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps
“KCT Group”	Kuang-Chi Technologies and its subsidiaries
“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)
“Latest Practicable Date”	29 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2020 (or such other date agreed by the parties to the Master Procurement Agreements)
“Master Procurement Agreement”	the framework procurement agreement dated 30 March 2020 and entered into between the Company (for itself and on behalf of its subsidiaries) as purchaser and Kuang-Chi Technologies (for itself and on behalf of its subsidiaries) as vendor in respect of the procurement of the Wearable Smart Helmets

DEFINITIONS

“Nomination Committee”	the nomination committee of the Board
“PRC”	the People’s Republic of China which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Retiring Directors”	Dr. Ji and Mr. Choi Wing Koon
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held at 11:30 a.m. on Friday, 22 May 2020 for the purpose of considering and, if thought fit, approving the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps and the re-election of the Retiring Directors
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	value-added tax
“Wearable Smart Helmets”	the new generation of intelligent helmets with certification to be used in the artificial intelligent coverage system currently being developed by the Group
“Year 2020”	the year ending 31 December 2020
“Year 2021”	the year ending 31 December 2021
“Year 2022”	the year ending 31 December 2022
“%”	per cent.

Reference to time and dates in this circular are to Hong Kong time and dates.



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

Executive Directors:

Dr. Liu Ruopeng (*Chairman*)
Dr. Zhang Yangyang
Dr. Luan Lin (*Chief Executive Officer &
Chief Technology Officer*)
Dr. Ji Chunlin

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Non-executive Director:

Mr. Li Chiu Ho

*Head office and principal place
of business in Hong Kong:*

Unit 1220, 12/F.
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Independent non-executive Directors:

Dr. Liu Jun
Dr. Wong Kai Kit
Mr. Choi Wing Koon

7 May 2020

To the Shareholders

Dear Sir or Madam

**CONTINUING CONNECTED TRANSACTIONS;
PROPOSED RE-ELECTION OF RETIRING DIRECTORS
AND
NOTICE OF SPECIAL GENERAL MEETING**

(I) INTRODUCTION

Reference is made to the announcement of the Company dated 30 March 2020 regarding, among others, the Master Procurement Agreement and the continuing connected transactions contemplated thereunder and the announcements of the Company dated 21 October 2019 and 31 January 2020 regarding the appointments of the Retiring Directors.

LETTER FROM THE BOARD

The purpose of this circular is to:

- (a) provide you with further information relating to the continuing connected transactions contemplated under the Master Procurement Agreement;
- (b) set out other information of the Group as required under the Listing Rules;
- (c) set out the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and the recommendation and opinion of the Independent Board Committee after having considered the advice of the Independent Financial Adviser in relation to the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps;
- (d) provide you with further information relating to the proposed re-election of the Retiring Directors; and
- (e) give you notice of the SGM.

(II) MASTER PROCUREMENT AGREEMENT

On 30 March 2020, the Company (for itself and on behalf of its subsidiaries) (as purchaser) and Kuang-Chi Technologies (for itself and on behalf of its subsidiaries) (as vendor) entered into the Master Procurement Agreement in respect of the procurement of the Wearable Smart Helmets by the Group. The principal terms of the Master Procurement Agreement are set out as follows:

Date : 30 March 2020

Parties : (1) the Company (for itself and on behalf of its subsidiaries) (as purchaser)

(2) Kuang-Chi Technologies (for itself and on behalf of its subsidiaries) (as vendor)

Duration

The Master Procurement Agreement is for a term from the date on which the condition to the Master Procurement Agreement as set out below is fulfilled to 31 December 2022 (both dates inclusive), provided that either party to the Master Procurement Agreement may terminate the Master Procurement Agreement by giving the other not less than three months' prior written notice.

If either party should be in breach of any obligation under the Master Procurement Agreement, then the party not in breach may give notice to the breaching party to remedy such breach within a period of thirty (30) days. If the breach is not remedied within said period, the party complaining of breach may terminate the Master Procurement Agreement at any time and with immediate effect upon giving written notice to the breaching party.

LETTER FROM THE BOARD

Subject matter

Pursuant to the Master Procurement Agreement, KCT Group shall sell the Wearable Smart Helmets to the Group, provided that the Group may purchase the Wearable Smart Helmets from other third parties.

The Group may, as purchaser, from time to time during the term of the Master Procurement Agreement, enter into individual procurement agreement(s) (which may be in the form of purchase order(s) and/or purchase agreement(s)) with the KCT Group, as supplier, in respect of each batch of purchase, setting out the actual transaction arrangement(s), provided that such individual procurement agreement(s) shall always be subject to the terms of the Master Procurement Agreement.

Pricing

Pursuant to the Master Procurement Agreement, KCT Group shall sell the Wearable Smart Helmets upon request by the Group, on terms and conditions (including the selling price of the Wearable Smart Helmets) to be agreed by the Group and KCT Group on arm's length basis and normal commercial terms. The price of the Wearable Smart Helmets shall be determined on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products available from independent third parties to the Group of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group), taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third parties;
- (ii) where no same or similar products are available from independent third parties, by reference to the factors which may affect the selling price of the Wearable Smart Helmets, such as the selling price of the Wearable Smart Helmets offered by KCT Group to other third parties; and
- (iii) in any event no less favourable to the Group than those offered by independent third parties to the Group in comparable transactions of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group).

As regards (i) above, the Group will obtain price quotes from at least two independent third parties to determine the prevailing market price of the same or substantially similar products.

As regards (ii) above, the Group will make reference to the selling price of the Wearable Smart Helmets offered by KCT Group to at least two other third parties at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group. The Group will also consider whether KCT Group can provide the Wearable Smart Helmets stably and quickly when determining the selling price of the Wearable Smart Helmets.

LETTER FROM THE BOARD

Where no reference price can be obtained under (i) and (ii) above, the price of the Wearable Smart Helmets shall be determined on a cost-plus basis that allows the Group to sell the Wearable Smart Helmets in the market to obtain a profit margin of not less than 15%.

Payment terms

The payment terms (including the mode of payment and credit terms) shall be negotiated between the parties before signing the individual procurement agreement(s), provided that the payment terms shall be no less favourable to the Group than the terms offered by the independent third parties to the Group for providing the same or similar goods to the Group of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group).

Based on the Group's past transactions with KCT Group, the consideration was paid by the Group to KCT Group upon satisfaction of quality check of the goods delivered and within thirty (30) business days after the submission of payment request by KCT Group to the Group in agreed form. The Group does not have past transaction with other independent third parties for the procurement of Wearable Smart Helmets.

Condition Precedent

The Master Procurement Agreement is conditional upon the approval of the Independent Shareholders of the Master Procurement Agreements and the transactions contemplated thereunder in accordance with the Listing Rules on or before the Long Stop Date. If the condition is not fulfilled on or before the Long Stop Date, the Master Procurement Agreement shall cease and terminate, save and except governing law and process agent and miscellaneous clauses shall remain in full force and effect, and no party thereto shall have any claim against the others save for claim (if any) in respect of any antecedent breach thereof.

Internal Controls

The Group will undertake the following internal control measures to monitor the pricing and terms of the transactions contemplated under the Master Procurement Agreement and ensure that the prices and terms offered by KCT Group to the Group will be no less favourable than prices and terms offered to the Group by independent third parties and that the Annual Caps are not exceeded:

- (1) the procurement officer of the Group will consider the availability of alternative products to the Wearable Smart Helmets in the market;
- (2) the procurement officer of the Group will compare the prices and terms of the supply of the Wearable Smart Helmets by KCT Group to the Group with the prices and terms of alternative or similar products (if any) offered by independent third parties to the Group on a quarterly basis;

LETTER FROM THE BOARD

- (3) the procurement officer of the Group will adhere to the relevant internal control policy of the Group on connected transactions in monitoring the prices and terms of supply of the Wearable Smart Helmets offered by KCT Group to the Group to ensure that they shall be no less favourable to the Group than those offered by independent third parties to the Group;
- (4) the audit committee of the Board will review the internal control measures performed by the procurement officer of the Group mentioned in (1) to (3) above on an annual basis;
- (5) the independent non-executive Directors will review and confirm that the pricing and terms of the transactions contemplated under the Master Procurement Agreement are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, on terms no less favourable to the Group than prices and terms offered by independent third parties to the Group on an annual basis; and
- (6) the auditors of the Company will review the pricing and terms of the transactions contemplated under the Master Procurement Agreement and the Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis.

Historical figures

KCT Group did not have sale transaction with the Group for the two years ended 31 December 2017 and 2018.

For the year ended 31 December 2019, KCT Group's sale of the Wearable Smart Helmets to the Group amounted to approximately RMB925,000, including VAT.

For the period from 1 January 2020 to 20 March 2020, KCT Group's sale of the Wearable Smart Helmets to the Group amounted to approximately RMB2.5 million, including VAT.

Annual Caps

The Annual Caps in respect of the transactions contemplated under the Master Procurement Agreement for the Year 2020, the Year 2021 and the Year 2022 will be RMB50.0 million (equivalent to approximately HK\$54.6 million) (including VAT), RMB54.0 million (equivalent to approximately HK\$59.0 million) (including VAT) and RMB58.0 million (equivalent to approximately HK\$63.3 million) (including VAT), respectively. Such Annual Caps are estimated primarily with reference to:

- (1) the historical sales amount of the Wearable Smart Helmets sold by KCT Group to the Group during the year ended 31 December 2019 and the period from 1 January 2020 to 20 March 2020;

LETTER FROM THE BOARD

- (2) the projected procurement volume of 2,700 units, 2,920 units and 3,135 units of the Wearable Smart Helmets by the Group in the Year 2020, the Year 2021 and the Year 2022 respectively; and
- (3) the projected purchase price of the Wearable Smart Helmets will remain stable at RMB18,500 per unit in the Year 2020, the Year 2021 and the Year 2022;

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

In view of the above, the Directors (excluding the independent non-executive Directors) are of the view that the Annual Caps for the Master Procurement Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(III) 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 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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owners of Kuang-Chi Technology who are not public shareholders are Dr. Liu, Dr. Zhang, Dr. Luan, Dr. Ji and Dr. Zhao Zhiya. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Kuang-Chi Technology is owned as to (i) 3.32% by a wholly-owned subsidiary of the Company; and (ii) 42.75% by a company which is ultimately owned as to 35.09% by Dr. Liu, 17.54% by Dr. Zhang, 15.79% by Dr. Luan, 15.79% by Dr. Ji and 15.79% by Dr. Zhao Zhiya.

(IV) REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER PROCUREMENT AGREEMENT

The procurement of the Wearable Smart Helmets from KCT Group is crucial as the Wearable Smart Helmets are part of the core technology of the artificial intelligent coverage system currently developed by the Group. The Wearable Smart Helmets, the new generation of intelligent helmets developed by KCT Group, can be used as the excellent terminal equipment empowered by the artificial intelligent coverage system for many customers. The Wearable Smart Helmets, being the first equipment to implement mobile deployment-based control scenarios, can generate an excellent artificial intelligence coverage network after being empowered by the artificial intelligent coverage system. It integrates multiple advanced technologies such as infrared thermal imaging, AR (augmented reality) display, communication sensing, advanced aerospace technology developed materials and multiple AI (artificial intelligence) technologies. With these advanced technologies, it had attracted many customers such as communities, sizable

LETTER FROM THE BOARD

enterprises and public event organizers to purchase. Its unaware and contactless temperature measurement features have also been a critical reason for being purchased by customers such as bus station, park and hospital for epidemic prevention. Such empowered helmets were initially launched by the Group in the market last year for testing market response, which was positive. The Group has decided to fully promote the empowered helmets to the market from February 2020. The Board considers that the procurement of the Wearable Smart Helmets from KCT Group will facilitate the Group's development in the business.

Accordingly, the Directors (including the independent non-executive Directors) are of the view that the terms of the Master Procurement Agreement are fair and reasonable and the transactions contemplated under the Master Procurement Agreement are on normal commercial terms and in the ordinary and usual course of business of the Group, and the entering into of the Master Procurement Agreement is in the interests of the Company and the Shareholders as a whole.

(V) IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, (i) Dr. Liu is an executive Director and a controlling Shareholder, and Dr. Zhang, Dr. Luan and Dr. Ji are executive Directors, thus Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules; and (ii) Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji collectively control the exercise of more than 30% of the voting power of the general meetings of Kuang-Chi Technologies and thus Kuang-Chi Technologies is an associate of Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji, and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules. As such, the transactions contemplated under the Procurement Agreement constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios relating to the Annual Caps for the continuing connected transactions contemplated under the Master Procurement Agreement is more than 5%, the continuing connected transactions contemplated under the Master Procurement Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Dr. Liu, Dr. Luan, Dr. Zhang and Dr. Ji have material interests in the transactions contemplated under the Master Procurement Agreement, Dr. Liu, Dr. Luan, Dr. Zhang and Dr. Ji have abstained from voting on the relevant resolutions of the Board approving the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps. Save as disclosed above, no other Director has a material interest in the transactions and is required to abstain from voting for the aforesaid resolutions.

LETTER FROM THE BOARD

(VI) PROPOSED RE-ELECTION OF RETIRING DIRECTORS

Any Director appointed pursuant to Bye-law 86(2) of the Bye-laws shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

In accordance with Bye-law 86(2) of the Bye-laws, Dr. Ji as executive Director, and Mr. Choi Wing Koon as independent non-executive Director shall hold office until the SGM and, being eligible, will offer themselves for re-election at the SGM.

The Nomination Committee has reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company's board diversity policy and the Company's corporate strategy, and the independence of all independent non-executive Directors. The Company considers that the retiring independent non-executive Director, Mr. Choi Wing Koon, is independent in accordance with the independence guidelines set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

The Nomination Committee is of the view that the two retiring Directors have extensive experience in different fields and professions that are relevant to the Company's business. In addition, their respective educational background, experience and knowledge allow them to provide valuable and relevant insights and contribute to the diversity of the Board. Accordingly, the Nomination Committee has recommended them to the Board for the re-election and the Board has endorsed the recommendations of the Nomination Committee and recommended all the two Retiring Directors to stand for re-election at the SGM.

Details of the Retiring Directors to be re-elected at the SGM are set out in Appendix I to this circular.

Save as disclosed in this circular, there are no other matters in relation to the proposed re-election of the Retiring Directors that need to be brought to the attention of the Shareholders.

(VII) RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 15 to 16 pages of this circular which contains its recommendation to the Independent Shareholders in relation to the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps and (ii) the letter from the Independent Financial Adviser set out on pages 17 to 30 of this circular which contains their advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps and the principal factors and reasons considered by them in formulating their advice.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the recommendation of the Independent Financial Adviser, considers that (i) the continuing connected transactions contemplated under the Master Procurement Agreement are in the ordinary and usual course of business of the Group and the entering into of the Master Procurement Agreement is in the interests of the Company and the Shareholders as a whole; (ii) the terms of the Master Procurement Agreement are on normal commercial terms and are fair and reasonable; and (iii) the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the SGM relating to the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

The Directors consider that the re-election of the Retiring Directors is in the interests of the Company and the Shareholders as a whole. The Directors recommends the Shareholders to vote in favour of the resolutions which will be proposed at the SGM relating to the re-election of the Retiring Directors.

(VIII) SGM

A notice convening the SGM to be held at 11:30 a.m. on Friday, 22 May 2020 at 2nd Floor, Software Building, No.9 Gaoxin Middle 1st Road, Nanshan District, Shenzhen, China is set out on pages SGM-1 to SGM-3 of this circular. Ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps and the re-election of the Retiring Directors. The voting at the SGM will be taken by poll.

In accordance with the Listing Rules, any connected person or Shareholders with a material interest in the Master Procurement Agreement, the transactions contemplated thereunder and the Annual Caps must abstain from voting on the relevant resolution at the SGM.

Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji were interested in the Master Procurement Agreement and the continuing connected transactions contemplated thereunder given their interest in Kuang-Chi Technologies, they and their respective associates shall abstain from voting at the SGM to approve the resolution in respect of the Master Procurement Agreement, the continuing connected transaction contemplated thereunder and the Annual Caps. Given that New Horizon Wireless Technology Limited and Sky Asia Holdings Limited are controlled as to more than 30% by Dr. Liu, New Horizon Wireless Technology Limited and Sky Asia Holdings Limited (“**Interested Shareholders**”) are associates of Dr. Liu and shall abstain from voting at the SGM to approve the resolution in respect of the Master Procurement Agreement, the continuing connected transaction contemplated thereunder and the Annual Caps. As at the Latest Practicable Date, the Interested Shareholders held 3,078,500,000 Shares. To the best knowledge, belief and information of the Directors, save for the Interested Shareholders who shall abstain from voting at the SGM to approve the resolution in respect of the Master Procurement Agreement, the continuing connected transaction contemplated thereunder and the Annual Caps, no Shareholder is required to abstain from voting at the SGM.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event by 11:30 a.m. (Hong Kong time) on Wednesday, 20 May 2020 or not later than 48 hours before the time for holding the adjourned meeting (if any). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof.

(IX) CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive) in order to determine the entitlement of the Shareholders to attend the SGM, during which period no transfer of the Shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 18 May 2020.

(X) FURTHER INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular and the notice of the SGM.

On behalf of the Board
KuangChi Science Limited
Dr. Liu Ruopeng
Chairman and Executive Director



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

7 May 2020

To the Independent Shareholders

Dear Sir or Madam

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 7 May 2020 of the Company (“**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps, details of which are set out in the Circular.

Lego Corporate Finance Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular which contains, among others, information on the Master Procurement Agreement, the continuing connected transactions contemplated thereunder (and the Annual Caps) as well as the letter from the Independent Financial Adviser set out on pages 17 to 30 of the Circular which contains its advice in respect of the terms of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of the Independent Financial Adviser as set out in its letter of advice, we concur with the view of the Independent Financial Adviser and consider that (i) the Master Procurement Agreement is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the transactions contemplated under the Master Procurement Agreement are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group.

Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

Yours faithfully

The Independent Board Committee

DR. LIU JUN
*Independent non-executive
Director*

DR. WONG KAI KIT
*Independent non-executive
Director*

MR. CHOI WING KOON
*Independent non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

7 May 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS – MASTER PROCUREMENT AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps, details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 7 May 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Board announces that on 30 March 2020, the Company (for itself and on behalf of its subsidiaries), as purchaser, and Kuang-Chi Technologies (for itself and on behalf of its subsidiaries), as vendor, entered into the Master Procurement Agreement in respect of the procurement of the Wearable Smart Helmets.

As one or more of the applicable percentage ratios relating to the Annual Caps for the continuing connected transactions contemplated under the Master Procurement Agreement is more than 5%, the continuing connected transactions contemplated under the Master Procurement Agreement are subject to the reporting, announcement, annual review and independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Choi Wing Koon, has been established to advise the Independent Shareholders as to (i) whether or not the terms of the Master Procurement Agreement and the Annual Caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Independent Shareholders should vote in favour of the relevant resolution to be proposed at the SGM to approve the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, there was no engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, amongst other things, (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the SGM and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps, except for its inclusion in the Circular and for the purpose of the SGM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

Background information of the Group

The Company is a company incorporated in Bermuda with limited liability with business focus in the research and development as well as manufacture of innovative products for future technology business, and provision of other innovative technology service solutions.

Historical financial information

The following table summarises the financial information of the Group for the years ended 31 December 2017 and 2018 extracted from the annual report of the Company for the year ended 31 December 2018 (the “2018 Annual Report”) and the annual results announcement of the Company for the year ended 31 December 2019 (the “2019 Annual Results Announcement”), respectively.

	For the year ended 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
	(Restated)		
Revenue	306,192	158,406	61,555
Gross profit	129,641	18,843	10,185
Profit/(loss) before tax	283,471	(429,995)	(275,291)
Loss for the year	(66,612)	(497,616)	(275,904)
	As at 31 December		
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	787,477	429,611	245,879
Total assets	3,333,301	2,148,823	1,884,375
Total liabilities	799,252	716,908	792,420
Net assets	2,534,049	1,434,915	1,091,955

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2018 and 2019

The Group's revenue decreased by approximately 61.1% from approximately HK\$158.4 million for the year ended 31 December 2018 to approximately HK\$61.6 million for the year ended 31 December 2019. As stated in the 2019 Annual Results Announcement, such decrease was mainly caused by a decrease in revenue generated from the Group's "future space" technology products. The Group's net loss decreased from approximately HK\$497.6 million for the year ended 31 December 2018 to approximately HK\$275.9 million for the year ended 31 December 2019, mainly due to (i) a decrease of approximately HK\$116.2 million in an impairment loss on account receivable, contract assets and deposits for acquisition of plant and equipment; and (ii) a significant decrease of approximately HK\$114.5 million in research and development, selling and distribution and administrative expenses.

As at 31 December 2019, total asset of the Group amounted to approximately HK\$1,884.4 million of which trade and other receivables amounted to approximately HK\$302.6 million, representing approximately 16.1% of the total assets. Meanwhile, cash and cash equivalents amounted to approximately HK\$245.9 million, representing approximately 13.0% of the total assets. As at 31 December 2019, total liabilities of the Group amounted to approximately HK\$792.4 million of which trade and other payables amounted to approximately HK\$180.9 million, representing approximately 22.8% of the total liabilities; whilst bank and other borrowings amounted to approximately HK\$346.4 million, representing approximately 43.7% of the total liabilities.

As at 31 December 2019, total assets of the Group amounted to approximately HK\$1,884.4 million, representing a decrease of approximately 12.3% from approximately HK\$2,148.8 million as at 31 December 2018, which was mainly due to (i) the decrease in cash and cash equivalents of approximately HK\$183.7 million; (ii) the decrease in trade and other receivables of approximately HK\$69.8 million; and (iii) the absence of the prepaid land lease payments for the year ended 31 December 2019 as compared to an amount of approximately HK\$80.7 million for the year ended 31 December 2018.

As at 31 December 2019, total liabilities of the Group amounted to approximately HK\$792.4 million, representing a slight increase of approximately 10.5% from approximately HK\$716.9 million as at 31 December 2018, which was mainly due to (i) the increase in bank and other borrowings of approximately HK\$38.0 million; and (ii) the increase in trade and other payables of HK\$39.8 million.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2017 and 2018

The Group's revenue decreased by 48.3% from approximately HK\$306.2 million for the year ended 31 December 2017 to approximately HK\$158.4 million for the year ended 31 December 2018. As stated in the 2018 Annual Report, such decrease was mainly caused by a decrease in revenue generated from the Group's "future space" technology products. The Group's net loss increased from approximately HK\$66.6 million for the year ended 31 December 2017 to approximately HK\$497.6 million for the year ended 31 December 2018, mainly due to (i) a significant decrease in the gross profit of the Group from approximately HK\$129.6 million for year ended 31 December 2017 to approximately HK\$18.8 million for year ended 31 December 2018; and (ii) the absence of the after-tax gains arising from fair value changes of derivative financial assets for the year ended 31 December 2018 as compared to an amount of HK\$524 million for the year ended 31 December 2017.

As at 31 December 2018, total asset of the Group amounted to approximately HK\$2,148.8 million of which trade and other receivables amounted to approximately HK\$372.4 million, representing approximately 17.3% of the total assets. Meanwhile, cash and cash equivalents amounted to approximately HK\$429.6 million, representing approximately 20.0% of the total asset. As at 31 December 2018, total liabilities of the Group amounted to approximately HK\$716.9 million of which trade and other payables amounted to approximately HK\$141.1 million, representing approximately 19.7% of the total liabilities; whilst bank and other borrowings amounted to approximately HK\$22.8 million, representing approximately 3.2% of the total liabilities.

As at 31 December 2018, total assets of the Group amounted to approximately HK\$2,148.8 million, representing a decrease of approximately 35.5% from approximately HK\$3,333.3 million as at 31 December 2017, which was mainly due to (i) the reclassification of available-for-sale financial assets of approximately HK\$1,518.6 million to financial assets at fair value through other comprehensive income of approximately HK\$837.2 million; (ii) the decrease in cash and cash equivalents of approximately HK\$357.9 million; (iii) the decrease in time deposit of approximately HK\$180.1 million; and (iv) the decrease in trade and other receivables of approximately HK\$28.7 million, while partially offset by the increase in investments in associates of approximately HK\$33.8 million.

As at 31 December 2018, total liabilities of the Group amounted to approximately HK\$716.9 million, representing a slight decrease of approximately 10.3% from approximately HK\$799.3 million as at 31 December 2017, which was mainly due to (i) the decrease in trade and other payables of HK\$82.8 million; and (ii) the decrease in deferred income tax liabilities of approximately HK\$89.4 million, while partially offset by the increase in bank and other borrowings of approximately HK\$70.3 million.

Background information of the Connected Person

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. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the ultimate beneficial owners of Kuang-Chi Technologies who are not public shareholders are Dr. Liu, Dr. Zhang, Dr. Luan, Dr. Ji and Dr. Zhao Zhiya. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, Kuang-Chi Technology is owned as to (i) 3.32% by a wholly-owned subsidiary of the Company; and (ii) 42.75% by a company which is ultimately owned as to 35.09% by Dr. Liu, 17.54% by Dr. Zhang, 15.79% by Dr. Luan, 15.79% by Dr. Ji and 15.79% by Dr. Zhao Zhiya.

Reasons for and benefits of the continuing connected transaction under the Master Procurement Agreement

As disclosed in the Letter from the Board, the procurement of the Wearable Smart Helmets from KCT Group is crucial as the Wearable Smart Helmets are part of the core technology of the artificial intelligent coverage system currently developed by the Group. The Wearable Smart Helmets, the new generation of intelligent helmets developed and manufactured by KCT Group can be used as the excellent terminal equipment empowered by the artificial intelligent coverage system for many customers. The Wearable Smart Helmets, being the first equipment to implement mobile deployment-based control scenarios, can generate an excellent artificial intelligence coverage network after being empowered by the artificial intelligent coverage system. It integrates multiple advanced technologies such as infrared thermal imaging, AR (augmented reality) display, communication sensing, advanced aerospace technology developed materials and multiple AI (artificial intelligence) technologies. With these advanced technologies, it had attracted many customers such as communities, sizable enterprises and public event organisers to purchase. Its unaware and contactless temperature measurement features have also been a critical reason for being purchased by customers such as bus station, park and hospital for epidemic prevention. Such empowered helmets were initially launched by the Group in the market last year for testing market response, which was positive. The Group has decided to fully promote the empowered helmets to the market from February 2020. The Board considers that the procurement of the Wearable Smart Helmets from KCT Group will facilitate the Group's development in the business.

Taking into consideration that (i) the procurement of the Wearable Smart Helmets by the Group from KCT Group are related to the projects to be undertaken by the Group which are the Group's principal business and the Group has been purchasing from KCT Group historically; (ii) KCT Group has proven to be a reliable supplier to the Group at competitive prices, which is important to the operations and business of the Group; (iii) the Group may purchase the Wearable Smart

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Helmets from other third parties pursuant to the Master Procurement Agreement; (iv) the payment terms and selling price should be no less favorable to the Group than those offered by independent third parties to the Group in comparable transactions of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group); and (v) the mutual beneficial relationship between KCT Group and the Group, the Directors are of the opinion and we concur that the entering into of the Master Procurement Agreement is within the ambit of the businesses currently run by the Group and (a) is therefore conducted in the ordinary and usual course of the Group's businesses; (b) is on normal commercial terms; (c) is fair and reasonable; and (d) is in the interests of the Group and the Shareholders as a whole.

Principal terms of the Master Procurement Agreement

The principal terms of the Master Procurement Agreement are summarised below:

Date:	30 March 2020
Parties:	The Company (for itself and on behalf of its subsidiaries) (as purchaser); and Kuang-Chi Technologies (for itself and on behalf of its subsidiaries) (as vendor)
Duration:	The Master Procurement Agreement is for a term from the date on which the condition to the Master Procurement Agreement as set out below is fulfilled to 31 December 2022 (both dates inclusive), provided that either party to the Master Procurement Agreement may terminate the Master Procurement Agreement by giving the other not less than three months' prior written notice. If either party should be in breach of any obligation under the Master Procurement Agreement, then the party not in breach may give notice to the breaching party to remedy such breach within a period of thirty (30) days. If the breach is not remedied within said period, the party complaining of breach may terminate the Master Procurement Agreement at any time and with immediate effect upon giving written notice to the breaching party.

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Subject matter Pursuant to the Master Procurement Agreement, KCT Group shall sell the Wearable Smart Helmets to the Group, provided that the Group may purchase the Wearable Smart Helmets from other third parties.

The Group may, as purchaser, from time to time during the term of the Master Procurement Agreement, enter into individual procurement agreement(s) (which may be in the form of purchase order(s) and/or purchase agreement(s)) with the KCT Group, as supplier, in respect of each batch of purchase, setting out the actual transaction arrangement(s), provided that such individual procurement agreement(s) shall always be subject to the terms of the Master Procurement Agreement.

Payment terms: The payment terms (including the mode of payment and credit terms) shall be negotiated between the parties before signing the individual procurement agreement(s), provided that the payment terms shall be no less favourable to the Group than the terms offered by the independent third parties to the Group for providing the same or similar goods to the Group of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group).

Based on the Group's past transactions with KCT Group, the consideration was paid by the Group to KCT Group upon satisfaction of quality check of the goods delivered and within thirty (30) business days after the submission of payment request by KCT Group to the Group in agreed form. The Group does not have past transaction with other independent third parties for the procurement of Wearable Smart Helmets.

Condition precedent: The Master Procurement Agreement is conditional upon the approval of the Independent Shareholders of the Master Procurement Agreements and the transactions contemplated thereunder in accordance with the Listing Rules on or before Long Stop Date. If the condition is not fulfilled on or before the Long Stop Date, the Master Procurement Agreement shall cease and terminate, save and except governing law and process agent and miscellaneous clauses shall remain in full force and effect, and no party thereto shall have any claim against the others save for claim (if any) in respect of any antecedent breach thereof.

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Pricing

As disclosed in the Letter from the Board, pursuant to the Master Procurement Agreement, KCT Group shall sell the Wearable Smart Helmets upon request by the Group, on terms and conditions (including the selling price of the Wearable Smart Helmets) to be agreed by the Group and KCT Group on arm's length basis and normal commercial terms. The price of the Wearable Smart Helmets shall be determined on the following principles:

- (i) by reference to the prevailing market price of the same or substantially similar products available from independent third parties to the Group of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group), taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third parties;
- (ii) where no same or similar products are available from independent third parties, by reference to the factors which may affect the selling price of the Wearable Smart Helmets, such as the selling price of the Wearable Smart Helmets offered by KCT Group to other third parties; and
- (iii) in any event no less favourable to the Group than those offered by independent third parties to the Group in comparable transactions of the same period (i.e. at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group).

As disclosed in the Letter from the Board, as regards (i) above, the Group will obtain price quotes from at least two independent third parties to determine the prevailing market price of the same or substantially similar products.

As regards (ii) above, the Group will make reference to the selling price of the Wearable Smart Helmets offered by KCT Group to at least two other third parties at the time when the Group intends to purchase the Wearable Smart Helmets from KCT Group. The Group will also consider whether KCT Group can provide the Wearable Smart Helmets stably and quickly when determining the selling price of the Wearable Smart Helmets.

Where no reference price can be obtained under (i) and (ii) above, the price of the Wearable Smart Helmets shall be determined on a cost-plus basis that allows the Group to sell the Wearable Smart Helmets in the market to obtain a gross profit margin of not less than 15% (the "**Margin**"). We noted that the Group's gross profit margins for the years ended 31 December 2018 and 2019 ranged from 11.9% to 16.5% (the "**Range**"). In view of (i) the Margin is within the Range; (ii) the Margin is close to the higher end of the Range; and (iii) the Margin only represents the lowest gross profit margin the Group can accepted with reference to historical gross profit margin of the Group to guarantee the lowest gross profit of the Group while allow flexibility for the Group to accept businesses with higher gross profit margin, we concur with the Directors' view that the Margin is fair and reasonable.

As noted from the above, the price of the Wearable Smart Helmets offered by KCT Group to the Group would make reference to, among others, the prevailing market rate of the same or substantially similar products available from independent third parties to the Group of the same period (i.e. at the time when the

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Group intends to purchase the Wearable Smart Helmets from KCT Group), taking into account the price of the same or substantially similar products with comparable order quantities and quality offered by independent third parties, or if there are no same or similar products are available from independent third parties, by reference to the factors which may affect the selling price of the Wearable Smart Helmets, such as the selling price of the Wearable Smart Helmets offered by KCT Group to other third parties.

As discussed with the Management, we were given to understand that the Wearable Smart Helmet is an innovative and unique product introduced to the market for the first time, and thus currently there are no identical or substantially similar products available in the market. We have conducted research on the internet based on the specification of the Wearable Smart Helmet which substantiated the above. As further advised by the Management, as at the Latest Practicable Date, the Group has not purchased any identical or substantially similar products of Wearable Smart Helmet from independent suppliers given the unique features of the Wearable Smart Helmet. We have also sample checked two agreements and invoices between KCT Group and independent third party customers for comparable transactions during 2018 to 2020, which are exhaustive list of samples given they were the only sales of similar product of the Wearable Smart Helmets (being an elder model of the Wearable Smart Helmets with less functions) from KCT Group to its independent third party customers as advised by the Management, we therefore consider they are fair and representative. Based on the samples, we noted that (i) the payment term offered by KCT Group to the Group is within the range of those offered to independent third party customers in as stated in such agreements in which the payment terms of the Wearable Smart Helmets from KCT Group to its independent third party customers ranged from ten (10) business days to forty (40) business days after the submission of payment request by KCT Group to the Group in agreed form; and (ii) the gross profit margin of the Wearable Smart Helmets offered by KCT Group to the Group is lower than that offered by KCT Group to independent third party customers. The Management further confirmed that, up to as at the Latest Practicable Date, KCT Group has not sold any Wearable Smart Helmets to independent third party customers. Given the above, we concur with the Management that the pricing basis under the Master Procurement Agreement is fair and reasonable.

Internal controls

As stated in the Letter from the Board, internal control measures will be in place to ensure the transactions under the Master Procurement Agreement to be conducted on normal commercial terms and are fair and reasonable. We have obtained the relevant internal control policy of the Company which stipulate the procedures to be complied with in conducting connected transactions and reviewed the pricing standard under the Master Procurement Agreement. We noted that the procurement officer of the Group will consider the availability of alternative products to the Wearable Smart Helmets in the market, will compare and monitor the prices and terms of the supply of the Wearable Smart Helmets by KCT Group to the Group with the prices and terms of alternative or similar products (if any) offered by independent suppliers to the Group on a quarterly basis, to ensure that they shall be no less favourable to the Group than those offered by independent third parties to the Group. We also noted that the audit committee of the Board will review the aforementioned internal control measures performed by the procurement officer of the Group on an annual basis.

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Moreover, the auditors of the Company and the independent non-executive Directors will review and confirm of the pricing and terms of the transactions contemplated under the Master Procurement Agreement and the Annual Caps of such continuing connected transactions in compliance with the annual reporting and review requirements under the Listing Rules on an annual basis, and they are in the Group's ordinary and usual course of business and are fair and reasonable to the Group and in the interests of the Shareholders and the Group as a whole, on terms no less favourable to the Group than prices and terms offered by independent third parties to the Group on an annual basis.

Given that (i) the payment term offered by KCT Group to the Group is within the range of those offered to independent third party customers in comparable transactions; (ii) the gross profit margin of the Wearable Smart Helmets offered by KCT Group to the Group is lower than that offered by KCT Group to independent third party customers; and (iii) the internal control policies in place to the Master Procurement Agreement to be conducted on normal commercial terms, we are of the view that the above pricing mechanism is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Historical transaction amount

KCT Group did not have sale transaction with the Group for the two years ended 31 December 2017 and 2018.

For the year ended 31 December 2019, KCT Group's sale of the Wearable Smart Helmets to the Group amounted to approximately RMB925,000, including VAT.

For the period from 1 January 2020 to 20 March 2020, KCT Group's sale of the Wearable Smart Helmets to the Group amounted to approximately RMB2.5 million, including VAT.

Annual Caps

The Annual Caps in respect of the transactions contemplated under the Master Procurement Agreement for the Year 2020, the Year 2021 and the Year 2022 will be RMB50.0 million (equivalent to approximately HK\$54.6 million) (including VAT), RMB54.0 million (equivalent to approximately HK\$59.0 million) (including VAT) and RMB58.0 million (equivalent to approximately HK\$63.3 million) (including VAT), respectively. As disclosed in the Letter from the Board, such Annual Caps are estimated primarily with reference to:

- (1) the historical sales amount of the Wearable Smart Helmets sold by KCT Group to the Group in the year ended 31 December 2019 and the period from 1 January 2020 to 20 March 2020;
- (2) the projected procurement volume of 2,700 units, 2,920 units and 3,135 units of the Wearable Smart Helmets by the Group in the Year 2020, the Year 2021 and the Year 2022, respectively; and

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- (3) the projected purchase price of the Wearable Smart Helmets will remain stable at RMB18,500 per unit in the Year 2020, the Year 2021 and the Year 2022;

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

We have discussed with the Management and were given to understand that, after procurement of the Wearable Smart Helmets from KCT Group, the Group will process the Wearable Smart Helmets (including complementing the artificial intelligent coverage system) before selling the empowered Wearable Smart Helmets (the “**Empowered Helmet(s)**”) to the customers. As further advised by the Management, the Group had a trial run last year to test market response and anticipates that there will be a significant demand for the Empowered Helmets. Thus, the Group expects to commence mass production this year with active marketing.

In assessing the fairness and reasonableness of the Annual Caps, we have discussed with the Management about the bases and reviewed the sales agreements of the Group in relation to the Empowered Helmets entered into between the Group and its customers in February and March 2020 which based on the sales quantities stated in the sales agreements, the projected purchase amount of Wearable Smart Helmets from KCT Group amounted to approximately RMB0.5 million and RMB12.7 million, respectively. Given the Empowered Helmet is an innovative and unique product introduced to the market for the first time in February 2020 and the sales agreements in February and March 2020 are the exhaustive list of samples, we considered that they are fair and representative. Based on the quantities of the Empowered Helmets as stated in the sales agreements in the first quarter of 2020 and the purchase price of the Wearable Smart Helmets of RMB18,500 per unit, the Management expected that the annualised purchase from KCT Group amounting to approximately RMB52.8 million (equivalent to approximately HK\$57.6 million) (the “**Annualised Purchase Amount**”), representing approximately 105.6% of the Annual Cap for the year ending 31 December 2020. Despite the Annualised Purchase Amount is higher than the Annual Cap for the year ending 31 December 2020, taking into account (i) the Management further advised that one of the functions of the Empowered Helmets is to detect the body temperature of people walking in front of the person who wears the Empowered Helmet, it is expected that the Empowered Helmets would have high demand for securities purpose in view of the current pandemic; (ii) in addition to the above, the Empowered Helmet was a new product that was first brought to market, which it was in the market development stage that the demand might be stimulated and was expected to level off and grow stable at its maturity stage at the end of the year, and in fact, the projected purchase amount of Wearable Smart Helmet based on signed sales agreements as at the Latest Practicable Date for the year ending 31 December 2020 is approximately RMB19.9 million; (iii) based on the uniqueness of the Empowered Helmet and the expected

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stable growth in the maturity stage for the year ending 31 December 2021 and 2022; and (iv) the projection of the Management is referenced to (a) the increase in confirmed orders of the Empowered Helmet in March 2020 of approximately 2,816.7% as compared to that in February 2020; (b) the Annualised Purchase Amount; and (c) a compound annual growth rate of approximately 7.8% during the three years ending 31 December 2022 which follow the product life cycle theory, we concur with the Management's view that the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. However, as the Annual Caps related to future events and are based upon assumptions that may or may not remain valid for three years ending 31 December 2022, we express no opinion as to how closely the actual service income pursuant to the Master Procurement Agreement shall correspond to the Annual Caps.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to Rule 14A.59 of the Listing Rules pursuant to which (i) the values of the transactions under the Master Procurement Agreement must be restricted by the Annual Caps for the period concerned under the Master Procurement Agreement; (ii) the terms of the transactions under the Master Procurement Agreement must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the Master Procurement Agreement must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the Master Procurement Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the transactions contemplated under the Master Procurement Agreement are anticipated to exceed the Annual Caps, or that there are any proposed material amendment to the terms of the Master Procurement Agreement, as confirmed by the Directors, the Company shall re-comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) Master Procurement Agreement is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) the Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) the transactions contemplated under the Master Procurement Agreement are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Master Procurement Agreement, the continuing connected transactions contemplated thereunder and the Annual Caps, and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Gary Mui
Chief Executive Officer

Mr. Gary Mui is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the finance and investment banking industries.

In accordance with the Listing Rules, the following are the particulars of the Retiring Directors.

Dr. Ji Chunlin, aged 38, is the vice president and Chief Technology Officer of Kuang-Chi Institute of Advanced Technology. Dr. Ji was elected as a senior engineer of engineering technology in Shenzhen in 2019. He also serves as the deputy director of the State Key Laboratory of Metamaterial Electromagnetic Modulation Technology, a member of the Academic Committee and the National Standardization Committee on Electromagnetic Metamaterial Technology and Products, a fellow of the first batch of experts of Shenzhen Standard Experts Depository, and a member of the 100 Experts Committee of Artificial Intelligence and Big Data in China. He is the executive director of the computing and statistics branch of the Statistical Research Institute of China and the 10th Council of the National Statistical Society of China; the director of Shenzhen Key Laboratory of Information Science and Modeling Technology; and the director of Shenzhen Engineering Laboratory of New Materials and Computer Auxiliary Design, etc.

Dr. Ji received a doctoral degree in statistics from Duke University in the United States in 2009, and subsequently served as a postdoctoral fellow in the Statistics Department of Harvard University in 2010 and engaged in academical research. Dr. Ji has been acting as the Non-employee Representative Supervisor and the chairman of the Supervisory Committee of Kuang-Chi Technologies since June 2019. Dr. Ji has extensive research and development experiences in applied and fundamental research and technological product innovation of statistics, metamaterials, data science and machine learning. Dr. Ji joined the Company in February 2020.

Dr. Ji has entered into the letter of appointment with the Company and will hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, and thereafter subject to retirement by rotation at least once every three years at each annual general meeting, in accordance with the memorandum of association and the Bye-laws. The remuneration package for Dr. Ji will be determined by the Board with reference to his duty, responsibility and experience, and to prevailing market conditions, and is subject to annual review of the remuneration committee of the Board.

Mr. Choi Wing Koon (“Mr. Choi”), aged 42, holds a bachelor’s degree in Business Administration (Accounting) awarded by the Hong Kong University of Science and Technology in 1999. He also obtained a master’s degree in Business Administration awarded by the University of Hong Kong in 2014. Mr. Choi is a fellow of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. He has over 15 years of experience in accounting and the company secretarial field. Mr. Choi is currently the financial controller and company secretary of Huanxi Media Group Limited (stock code: 1003), the shares of which are listed on the Main Board of the Stock Exchange. He is currently an independent non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046), the shares of which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of G Neptune Berhad, a company listed on the ACE Market of Bursa Malaysia Securities Berhad from May 2014 to May 2017. Mr. Choi joined the Company in October 2019.

By an appointment letter entered into with the Company on 21 October 2019, Mr. Choi shall serve as an independent non-executive Director for a term of three years but he will be subject to re-election at the next general meeting of the Company in accordance with the Bye-laws. The director's fee payable to him is fixed at the rate of HK\$250,000 per annum, which was reviewed by the remuneration committee of the Company and determined by the Board with reference to his experience, duties and responsibilities in the Company as well as the current market rate.

Save as disclosed above, (i) the above two directors do not hold any directorship in other listed companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; (ii) the above two directors do not hold any other positions with the Company or other members of the Group; (iii) the above two directors do not have any relationship with any Directors, senior management or substantial or controlling Shareholders of the Company; and (iv) there is no information that should be disclosed pursuant to subparagraphs (h) to (v) of Rule 13.51(2) of the Listing Rules nor any other matters that need to be brought to the attention of the Shareholders.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and Chief Executive's Interests

Saved as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company has or was deemed to have any interest and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive of the Company would be taken or deemed to have under such provisions of the SFO); (ii) entered into the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Long position/short position in Shares

Name of Director	Nature of interest	Number of Shares held	Approximate percentage of total issued Shares (note 4)
Dr. Liu	interest of controlled corporations	3,078,500,000 (L) <i>(note 2)</i>	50.00%
		1,067,862,045 (S) <i>(note 3)</i>	17.34%
Dr. Liu Jun	Beneficial owner	80,000 (L)	0.001%

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.
2. This represents the interests in 3,078,500,000 Shares directly held by two companies: (1.) 3,078,000,000 Shares held by New Horizon Wireless Technology Limited ("**New Horizon**"), being a wholly-owned subsidiary of Wireless Connection Innovative Technology Limited which is owned as to 51% by Kuang-Chi Innovative Technology Limited and as to 49% by Shenzhen Kuang-Chi Hezhong Technology Limited. Kuang-Chi Innovative Technology Limited is a subsidiary of Shenzhen Dapeng Kuang-Chi Technology Limited, which is in turn a subsidiary of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Partnership (Limited Liability Partnership) of which Dr. Liu is the controlling shareholder, and Dr. Liu is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited; and (2.) 500,000 Shares held by Sky Aisa Holdings Limited ("**Sky Asia**"), being a wholly-owned subsidiary of Shenzhen KuangChi Youlu Technology Co., Ltd, which is wholly owned by Shenzhen Kuang-Chi Hezhong Technology Limited, and as mentioned above, Dr. Liu is the controlling shareholder. Accordingly, Dr. Liu is deemed to be interested in the Shares held by New Horizon and Sky Asia.
3. This represents the share charge given by New Horizon in favour of Shanghai Everbright Fortune Jinghui Investment Center (Limited Liability Partnership) over 1,067,862,045 Shares owned by New Horizon.
4. As of the Latest Practicable Date, the issued Shares were 6,156,928,860.

(B) Substantial Shareholders' or Others' Interests

Save as disclosed below, as at the Latest Practicable Date, so far as was known to any Director, there was no other person who had interest or a short position in the Shares, underlying Shares or debenture of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO or, who were expected, directly or indirectly, to be interested in 5% or more of the issued voting shares of any other member of the Company.

Name of Substantial Shareholder	Nature of interest	Number of		Approximate percentage of total issued Shares (note 14)
		Shares held	Total	
Ms. Huang Weizi (note 2)	Interest of spouse	3,078,500,000 (L)	3,078,500,000 (L)	50.00%
		1,067,862,045 (S)	1,067,862,045 (S)	17.34%
New Horizon (note 3)	Beneficial owner	3,078,000,000 (L)	3,078,000,000 (L)	49.99%
		1,067,862,045 (S)	1,067,862,045 (S)	17.34%
Wireless Connection Innovative Technology Limited (note 4)	Interest of controlled corporation	3,078,000,000 (L)	3,078,000,000 (L)	49.99%
		1,067,862,045 (S)	1,067,862,045 (S)	17.34%

Name of Substantial Shareholder	Nature of interest	Number of Shares held	Total	Approximate percentage of total issued Shares (note 14)
深圳大鵬光啟科技有限公司 (*Shenzhen Dapeng Kuang-Chi Technology Limited) (note 5)	Interest of controlled corporation	3,078,000,000 (L) 1,067,862,045 (S)	3,078,000,000 (L) 1,067,862,045 (S)	49.99% 17.34%
深圳大鵬光啟聯眾科技合夥企業(有限合夥) (*Shenzhen Dapeng Kuang-Chi Lianzhong Technology Partnership (Limited Liability Partnership) (note 6)	Interest of controlled corporation	3,078,000,000 (L) 1,067,862,045 (S)	3,078,000,000 (L) 1,067,862,045 (S)	49.99% 17.34%
深圳光啟合眾科技有限公司 (*Shenzhen Kuang-Chi Hezhong Technology Limited) (note 7)	Interest of controlled corporation	3,078,500,000 (L) 1,067,862,045 (S)	3,078,500,000 (L) 1,067,862,045 (S)	50.00% 17.34%
深圳光啟創新技術有限公司 (*Shenzhen Kuang-Chi Innovative Technology Limited) (note 8)	Interest of controlled corporation	3,078,000,000 (L) 1,067,862,045 (S)	3,078,000,000 (L) 1,067,862,045 (S)	49.99% 17.34%
上海光大富尊瓊璣投資中心(有限合夥) (*Shanghai Everbright Fortune Jinghui Investment Center (Limited Liability Partnership)) (note 9)	Person having a security interest in Shares	1,067,862,045 (L)	1,067,862,045 (L)	17.34%
光大富尊泰鋒投資管理(上海)有限公司 (*Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd) (note 10)	Interest of controlled corporation	1,067,862,045 (L)	1,067,862,045 (L)	17.34%
光大富尊投資有限公司 (*Everbright Fortune Investment Co., Ltd) (note 11)	Interest of controlled corporation	1,067,862,045 (L)	1,067,862,045 (L)	17.34%
Central Faith International Ltd.	Beneficial owner Interest of controlled corporation	354,000,000 (L) 618,981,013 (L) (note 12)	972,981,013 (L)	15.80%
World Treasure Global Limited	Beneficial owner	618,981,013 (L)	618,981,013 (L)	10.05%
Ye Cheng (note 13)	Interest of controlled corporation	347,471,988 (L)	347,471,988 (L)	5.64%

Notes:

1. "L" represents long position in Shares/underlying Shares and "S" represents short position in Shares.
2. This represents the interest in the Shares held by New Horizon and Sky Asia which Dr. Liu is deemed to be interested in. Ms. Huang Weizi, being the spouse of Dr. Liu, is deemed to be interested in the Shares held by New Horizon and Sky Asia.
3. Dr. Liu is a director of New Horizon.
4. Dr. Liu is a director of Wireless Connection Innovative Technology Limited.
5. Dr. Liu is an executive director and the legal representative of Shenzhen Dapeng Kuang-Chi Technology Limited. Dr. Zhang, Dr. Luan and Dr. Ji are directors of Shenzhen Dapeng Kuang-Chi Technology Limited.
6. Dr. Liu is the assigned representative of executive partner and the legal representative of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Partnership (Limited Liability Partnership).
7. Dr. Liu is an executive director and the general manager of Shenzhen Kuang-Chi Hezhong Technology Limited. Dr. Zhang is a supervisor of Shenzhen Kuang-Chi Hezhong Technology Limited.
8. Dr. Liu is an executive director, the general manager and the legal representative of Shenzhen Kuang-Chi Innovative Technology Limited.
9. 50% of equity interest of Shanghai Everbright Fortune Jinghui Investment Center (Limited Liability Partnership) is held by Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd.
10. 85% of equity interest of Everbright Fortune Evertop Investment Management (Shanghai) Co., Ltd is held by Everbright Fortune Investment Co., Ltd.
11. 100% of equity interest of Everbright Fortune Investment Co., Ltd. is held by Everbright Securities Company Limited.
12. This represents the interest in the Shares held by World Treasure Global Limited which is a wholly owned subsidiary of Central Faith International Ltd.
13. Mr. Ye Cheng is the sole owner of Cutting Edge Global Limited which have direct interest in 206,818,877 Shares and LUCKY TIME GLOBAL LIMITED which have direct interest in 140,653,111 Shares.
14. As of the Latest Practicable Date, the issued Shares were 6,156,928,860.

* *for identification purpose only*

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates had interests in businesses, other than being a Director and their respective close associates, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors were controlling Shareholders.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 31 March 2020, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited accounts of the Group were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation (other than statutory compensation)).

6. ADDITIONAL DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save for the Master Procurement Agreement and the transactions contemplated thereunder:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the businesses of the Group; and
- (b) none of the Directors had any direct or indirect interest in any asset which, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. QUALIFICATION AND CONSENT OF EXPERT

The following sets out the qualification of the expert who has given an opinion or advice which is included in this circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, the date to which the latest published audited accounts of the Company were made up.

Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 1220, 12/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the Master Procurement Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (c) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (d) the written consent referred to in paragraph headed "7. Qualification and Consent of Expert" of this appendix; and
- (e) this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of inconsistency.



KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of KuangChi Science Limited (“**Company**”) will be held at 11:30 a.m. on Friday, 22 May 2020 at 2nd Floor, Software Building, No.9 Gaoxin Middle 1st Road, Nanshan District, Shenzhen, China for the purposes of considering and, if thought fit, passing (with or without modifications), the following resolutions (“**Resolutions**”) as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT:**
 - (a) the entering into of the Master Procurement Agreement (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification) and the continuing connected transactions contemplated thereunder are hereby approved, ratified and confirmed and the Annual Caps set out in the circular (“**Circular**”) to shareholders of the Company dated 7 May 2020 be and are hereby approved (terms as defined in the Circular having the same meanings when used in this resolution); and
 - (b) the Directors acting together or by committee, or any Director acting individually, be and is/are hereby authorised to take all steps necessary on behalf of the Company whatever he or they may, in his/their absolute discretion, consider necessary, desirable or expedient for the purpose of, or in connection with, the implementing and/or to giving effect to the Master Procurement and the continuing connected transactions contemplated thereunder.”

NOTICE OF SGM

2. Each as a separate resolution, to re-elect the following retiring directors of the Company:
 - (a) Dr. Ji Chunlin as an executive director of the Company; and
 - (b) Mr. Choi Wing Koon as an independent non-executive director of the Company.

On behalf of the Board
KuangChi Science Limited
Dr. Liu Ruopeng
Chairman and Executive Director

7 May 2020

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Unit 1220, 12/F.
Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the Meeting. A proxy need not be a member of the Company but must attend the Meeting in person to represent you.
2. In the case of joint registered holders of shares of the Company ("**Shares**"), any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such Share as if he/she/it were solely entitled thereto, but if more than one of such joint registered holders are present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Shares, or his/her/its proxy, shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon a by 11:30 a.m. (Hong Kong time) on Wednesday, 20 May 2020 or not later than 48 hours before the time for holding the adjourned meeting (if any).
4. In order to determine the right to attend the Meeting, the register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive), during which period no transfer of the Shares will be effected. In order to be qualified for the attendance of the Meeting, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at the above address by no later than 4:30 p.m. on Monday, 18 May 2020.

NOTICE OF SGM

5. A form of proxy for use at the Meeting is enclosed with the circular of the Company dated 7 May 2020. Completion and return of the form of proxy should not preclude a member from attending and voting in person at the Meeting or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.
6. The Resolutions will be voted by way of poll as required by the Listing Rules.

As at the date of this notice, the board of directors comprises four executive directors, namely Dr. Liu Ruopeng, Dr. Luan Lin, Dr. Zhang Yangyang and Dr. Ji Chunlin; one non-executive director, namely Mr. Li Chiu Ho; and three independent non-executive directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Choi Wing Koon.