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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
THE NEW MASTER AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

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

ALTUS CAPITAL LIMITED

A letter from the Board is set out on pages 3 to 8 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 9 to 10 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 19 of this circular.

A notice convening the SGM to be held at 3/F, Nexus Building, 77 Des Voeux Road Central, Hong Kong on 19 January 2015 at 11:00 a.m. is set out on pages 28 to 29 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registrar of the Company, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

30 December 2014

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 11 November 2014
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	KuangChi Science Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the main board of the Stock Exchange (Stock code: 439)
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Independent Board Committee”	the committee of the Company comprising all independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak, established to make recommendation to the Independent Shareholders in respect of the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement
“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annuals caps in relation to the transactions under the New Master Agreement
“Independent Shareholders”	Shareholders other than Mr. Ng and his associates
“Latest Practicable Date”	23 December 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Master Agreement”	the agreement entered into between Sky Will and New Spring Label on 29 February 2012 (as amended at the special general meeting of the Company held on 6 December 2013) for the printing and production services in relation to paper packaging products, paper gift items and promotional materials which will expire on 31 March 2015
“Mr. Ng”	Mr. Ng Man Chan, an executive Director, a director of Sky Will, and together with Ms. Li (being his associate) are interested in 50% issued share capital of New Spring Label
“Ms. Li”	Ms. Li Mi Lai, the spouse of Mr. Ng and a 30% beneficial owner of New Spring Label
“New Master Agreement”	the agreement entered into between Sky Will and New Spring Label on 11 November 2014 for the renewal of the Master Agreement for a term commencing from 1 January 2015 to 31 December 2017
“New Spring Label”	New Spring Label & Packaging Limited, a company incorporated in Hong Kong, in which Mr. Ng and Ms. Li have beneficial interests
“New Spring Label Group”	New Spring Label and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement
“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
“Sky Will”	Sky Will Printing & Packaging (Holdings) Limited, a company incorporated in the British Virgin Islands, is wholly owned by the Company
“Sky Will Group”	Sky Will and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



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
Dr. Zhang Yangyang
Dr. Luan Lin
Mr. Ko Chun Shun, Johnson
Mr. Ng Man Chan

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors:

Dr. Liu Jun
Dr. Wong Kai Kit
Mr. Lau Man Tak

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

Unit 906, 9/F
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

30 December 2014

*To the Shareholders or
Independent Shareholders (as the case may be)*

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
THE NEW MASTER AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement dated 11 November 2014.

In February 2012, Sky Will and New Spring Label entered into the Master Agreement, pursuant to which New Spring Label has engaged Sky Will Group for the provision of the printing and production services in relation to paper packaging products, paper gift items and promotional materials for the three years ending 31 March 2015. The term of the Master Agreement will expire on 31 March 2015. As the Company announced the change of its financial year end from 31 March to 31 December, the Company considers it appropriate to

LETTER FROM THE BOARD

align the period of future transactions in this regard with the Company's new financial year end. Accordingly, on 11 November 2014, the Sky Will entered into the New Master Agreement with New Spring Label for the printing and production services in relation to paper packaging products, paper gift items and promotional materials for a term commencing from 1 January 2015 to 31 December 2017.

The purpose of this circular is to provide the Shareholders with further information on the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement and to convene the SGM to seek the approval of the Independent Shareholders with respect to the New Master Agreement and the proposed annual caps in relation to the transactions under.

THE NEW MASTER AGREEMENT

Under the New Master Agreement, Sky Will has agreed either by itself or any members of Sky Will Group to provide to New Spring Label (either to itself or any members of New Spring Label Group) the printing and production services in relation to paper packaging products, paper gift items and promotional materials for a term commencing from 1 January 2015 to 31 December 2017.

The parties agreed that the fee for printing and production of the paper packaging products, paper gift items and promotional materials shall be determined upon arm's length negotiation on a case-by-case basis with reference to the relevant market price for similar types of products offered to independent third parties on a fair and reasonable basis. Considering that the products are made of the same type of raw materials, the printing and production of the products during the period of the New Master Agreement are regarded as if they are under the same group of transaction.

Payment shall be made by New Spring Label Group to Sky Will Group within 60 days from the date of delivery of the products.

ANNUAL CAPS

The actual amounts of service fee which were received and receivable by the Group under the Master Agreement up to 30 September 2014 are set out below:

	<i>HK\$'000</i>
For the year ended 31 March 2013 (audited)	23,965
For the year ended 31 March 2014 (audited)	40,842
1 January 2014 – 30 September 2014 (unaudited)	17,083

LETTER FROM THE BOARD

The historical annual caps under the Master Agreement for the three years ending 31 March 2015 are set out below:

	<i>HK\$'000</i>
For the year ended 31 March 2013	24,000
For the year ended 31 March 2014	50,000
For the year ending 31 March 2015	60,000

The Board proposes the maximum aggregate value of the transactions contemplated under the New Master Agreement for each of the three years ending 31 December 2015, 2016 and 2017 as follows:

Period	Total value not exceeding <i>(HK\$'000)</i>
1 January 2015 – 31 December 2015	30,000
1 January 2016 – 31 December 2016	30,000
1 January 2017 – 31 December 2017	30,000

The New Master Agreement shall take effect from 1 January 2015 and the Master Agreement will no longer be effective. All transactions which will be conducted pursuant to the New Master Agreement will be subject to compliance with the new proposed annual caps for the three years ending 31 December 2017.

The above annual caps have been determined based on: (i) the actual purchase order received by Sky Will Group from New Spring Label Group during the nine-month period from 1 January 2014 to 30 September 2014 (the “**Historical Period**”); (ii) the estimated transaction amounts during the three-month period from 1 October 2014 to 31 December 2014 having regard to the transaction amount during the Historical Period; and (iii) a 20% annual allowance to provide flexibility for possible variations in, among others, the number of orders, cost of printing and labour costs.

The price and specifications of the products shall be set out in a separate purchase order in each of the transaction under the terms of the New Master Agreement. There are no prevailing market prices for the products that can be obtained from either a recognised exchange or independent organisation. In determining the selling price of products to each of the customers, Sky Will adopts a cost plus basis without pre-determined formula, among others, according to a standard price list of materials with existing customers, quality and specifications of materials used, complexity of craftsmanship involved and the man-hour charging rate of different positions, etc, and further considers the product quality, quantity involved, delivery lead time, payment terms and as well as customers’ responses, etc based on different specifications and conditions given by customers. In general, products made of better quality paper with higher complexity and longer man-hour involved are sold at a higher price. In order to ensure that the terms of the transactions during the period of the New Master Agreement are on normal commercial terms and no less favourable to the Company than those

LETTER FROM THE BOARD

offered to independent third parties, before entering into any purchase order, sales persons of the Sky Will Group's sales department shall compare the price(s) to be charged for the relevant products with the prices charged for the same/similar products under at least 2 comparable transactions within 2 months offered to independent third parties. The supervisors of the sales department shall review the comparison submitted to ensure that the price(s) to be charged to New Spring Label Group will be no less favourable to the Company than those offered to independent third parties. In the event that no such minimum number of comparable transactions with independent third parties are available, the responsible sales persons shall make reference to prices charged to independent third parties for products of similar quality and quantity. In view of the above, the Board considers that an adequate system of controls is in place to safeguard the terms of the transactions over the duration of the New Master Agreement are on normal commercial terms and no less favourable to the Company than those offered to independent third parties.

REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENT

The Group is principally engaged in (i) novel space services and other innovative technology business; (ii) the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment. Sky Will, a wholly-owned subsidiary of the Company, is principally engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials.

New Spring Label is principally engaged in manufacture and trading of plastic labels and related products and trading of packaging products.

New Spring Label does not have its printing facilities for packaging products and the printing production work of New Spring Label's packaging products has been outsourced. In order to ensure the continual engagement of production of printing orders from New Spring Label, in February 2012, Sky Will and New Spring Label entered into the Master Agreement, pursuant to which New Spring Label has engaged Sky Will Group for the provision of the printing and production services in relation to paper packaging products, paper gift items and promotional materials for the three years ending 31 March 2015. Considering that New Spring Label has been engaging Sky Will Group for the provision of the aforesaid services, the Company is of the view that it beneficial to renew the Master Agreement to generate more business and revenue for the Group. Moreover, considering that (i) Sky Will Group has sufficient production capacity to satisfy the purchase orders from both New Spring Group and independent third parties; and (ii) the terms offered to New Spring Group are no less favourable to the Company than those offered to independent third parties, the Board was not aware of any disadvantages of the transactions under the New Master Agreement for the Company. The Master Agreement will expire on 31 March 2015. As set out in the announcement of the Company dated 11 November 2014, the Company has changed its financial year end date from 31 March to 31 December with effect from the year ending 31 December 2014. Accordingly, the terms of the New Master Agreement covers the three years from 1 January 2015 to 31 December 2017 to align with the financial year of the Company.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the New Master Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, and that the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

COMPLIANCE WITH THE LISTING RULES

New Spring Label is beneficially owned as to 20% by Mr. Ng, an executive Director who did not hold any Shares as at the Latest Practicable Date, and as to 30% by Ms. Li, the spouse of Mr. Ng. Accordingly, New Spring Label is an associate of Mr. Ng and a connected person of the Company. Transactions which will be conducted under the New Master Agreement constitute continuing connected transactions of the Company under the Listing Rules. Mr. Ng is deemed to have a material interest in the New Master Agreement and has abstained from voting in the Board resolution approving the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the proposed annual caps under the New Master Agreement exceed 25%, the New Master Agreement and the proposed annual caps for the three years ending 31 December 2017 are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

It is proposed that the SGM be convened and held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 19 January 2015 at 11:00 a.m. to consider and, if thought fit, approve the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement. A notice of the SGM is set out on pages 28 to 29 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the registrar of the Company, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Mr. Ng and his associates will abstain from voting at the SGM on the resolution to approve the New Master Agreement.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak, has been formed to advise the Independent Shareholders in respect of the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement. Altus has also been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement.

GENERAL

The Group is principally engaged in (i) novel space services and other innovative technology business; (ii) the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment. Sky Will, a wholly-owned subsidiary of the Company, is principally engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials.

New Spring Label is principally engaged in the manufacture and trading of plastic labels and related products and trading of packaging products.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM.

By order 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)

30 December 2014

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
THE NEW MASTER AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular dated 30 December 2014 (the “**Circular**”) issued by the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board to form the Independent Board Committee to advise you on the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement, as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement as set out in the Circular. Altus has been appointed as the Independent Financial Adviser to advise you and us in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 11 to 19 of the Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation to the New Master Agreement.

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of and the proposed annual caps in relation to the transactions under the New Master Agreement as set out in the Circular are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

recommend the Independent Shareholders to support and to vote in favour of the resolution to approve the New Master Agreement and the proposed annual caps in relation to the transactions under the New Master Agreement.

Yours faithfully

For and on behalf of the

Independent Board Committee

Dr. Liu Jun

*Independent Non-Executive
Director*

Dr. Wong Kai Kit

*Independent Non-Executive
Director*

Mr. Lau Man Tak

*Independent Non-Executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Altus Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions, which has been prepared for the purpose of incorporation in the Circular.

ALTUS CAPITAL LIMITED

21 Wing Wo Street
Central, Hong Kong

30 December 2014

The Independent Board Committee and Independent Shareholders

KuangChi Science Limited

Room 906, 9th Floor
110 – 116 Queen’s Road Central
Central
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS THE NEW MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions and the proposed annual caps relating thereto. Details of the continuing connected transactions and the terms of the New Master Agreement are set out in the “Letter from the Board” contained in the circular of the Company dated 30 December 2014 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 11 November 2014, the Company announced that the New Master Agreement was entered into between Sky Will and New Spring Label for the provision of the printing and production services in relation to paper packaging products, paper gift items and promotional materials (the “**Services**”) and specifying the terms adopted including the proposed annual caps. Subject to Independent Shareholder’s approval at the SGM, the New Master Agreement shall be effective from 1 January 2015 and shall expire on 31 December 2017.

Since New Spring Label is beneficially owned as to 20 % by Mr. Ng, an executive Director who did not hold any Shares as at the Latest Practicable Date and a director of Sky Will, and as to 30% by Ms. Li, the spouse of Mr. Ng, New Spring Label is an associate of Mr. Ng and therefore a connected person of the Company. Accordingly, the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Ng and his associates will abstain from voting on the resolution to approve the New Master Agreement at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak, has been established to consider the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps, and to give advice and recommendation to the Independent Shareholders as to whether the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole and on how to vote on the resolution to be proposed at the SGM.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps are in the interests of the Company and the Shareholders as a whole; (ii) whether the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps are (a) on normal commercial terms; (b) fair and reasonable so far as the Independent Shareholders are concerned; and (c) in the Company's ordinary and usual course of business; and (iii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the SGM in connection with the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regards to the continuing connected transactions, we have considered the following principal factors and reasons:

1. Background information of the Group and Sky Will Group

(a) Principal businesses

The principal activities of the Group are (i) the manufacture and sale of paper packaging products and paper gift items, and the printing of paper promotional materials; (ii) the novel space and other innovative technology business; and (iii) property investment.

Sky Will is a wholly-owned subsidiary of the Company. Sky Will Group is principally engaged in the manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials.

(b) Historical financial information of the Group

The following sets out the revenue of the Group for the two years ended 31 March 2013 and 2014, which have been extracted from the Company's 2014 annual report.

	Year ended 31 March	
	2013	2014
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue of paper business	80,825	112,648
Profit/(loss) of paper business	7,653	(29,687)
Revenue of property investment	353	785
Profit of property investment	1,562	667

Source: Company's 2014 annual report.

While revenue had increased, due to the weakening global demand and fierce competition in the printing and packaging industry, the order prices of the Group's products slightly decreased during the year ended 31 March 2014. Furthermore, the increase in minimum wage requirement in the People's Republic of China (the "PRC") together with the effect of the appreciation of Renminbi to Hong Kong Dollar has significantly increased the labour costs and other production costs of the Group. As a result, the Group recorded a loss of HK\$29.7 million for its paper business for the year ended 31 March 2014.

The management of the Company considers that the global economy continues to face exceptional uncertainties, in particular, the unresolved Europe debt crisis, the slow recovery in the U.S.A. as well as the expectation of slower growth in the People's Republic of China. As a consequence, the management of the Company believes market

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

sentiments will most likely remain weak and unpredictable for the upcoming years. Based on the observation of the management of the Company of the industry trend and performance of the Group for the six-months ended September 2014, they expect the results of the Group will continue to be adversely affected by such environment.

(c) Change of financial year end date

As set out in the announcement of the Company dated 11 November 2014, the Company has changed its financial year end date from 31 March to 31 December with effect from the year ending 31 December 2014. The change in financial year end date is to align its financial year end date with those of its subsidiaries incorporated in the PRC and the financial results of which are consolidated in the Company's consolidated accounts each year.

2. The Master Agreement

New Spring Label Group is principally engaged in the trading of label and packaging products. It does not have its own printing facilities for packaging products and the printing production work of New Spring Label's packaging products has been outsourced. Since Sky Will Group commenced providing the Services to New Spring Label Group, New Spring Label Group and Sky Will Group have formed a strong business relationship. Sky Will Group has become a trusted business partner and a major service provider for New Spring Label Group. To facilitate proper management of the use of the Services, on 29 February 2012, Sky Will and New Spring Label entered into the Master Agreement, which governs the ongoing production of printing orders for the three years ending 31 March 2015.

Pursuant to the approval obtained at the special general meeting of the Company held on 28 March 2012, annual caps were specified at HK\$24 million, HK\$26 million and HK\$28 million for the years ending 31 March 2013, 2014 and 2015, respectively. Due to the increase in business volume of New Spring Label Group in 2013, the demand for printing services had correspondingly increased. As a result, the Board anticipated the annual caps, as approved at the special general meeting of the Company held on 28 March 2012, for the years ending 31 March 2014 and 2015 would be exceeded. Accordingly, the annual caps for the years ending 31 March 2014 and 2015 were revised from HK\$26 million and HK\$28 million to HK\$50 million and HK\$60 million, respectively and approved by the then independent shareholders of the Company at the special general meeting of the Company held on 6 December 2013.

3. Key terms of the New Master Agreement

Due to the upcoming expiration of the Master Agreement on 31 March 2015 and in anticipation of the continued need for the Services by New Spring Label Group, the parties entered into the New Master Agreement. The New Master Agreement was entered into between Sky Will and New Spring Label, pursuant to which Sky Will has agreed, either by itself or through other members of Sky Will Group to provide to New Spring Label, to itself or any members of New Spring Label Group, the Services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the expiration of the Master Agreement on 31 March 2015 and the change of financial year end date of the Company, the duration of the New Master Agreement covers the three years from 1 January 2015 to 31 December 2017. This is to align with the financial year of the Company.

The New Master Agreement shall take effect from 1 January 2015 and the Master Agreement will no longer be effective. All transactions which will be conducted pursuant to the New Master Agreement will be subject to compliance with the new proposed annual caps for the three years ending 31 December 2017.

To assess the fairness and the reasonableness of the terms of the New Master Agreement, we have considered the following key terms of the New Master Agreement:

Pricing basis for the Services

As advised by the management of the Company, the products are to be provided to New Spring Label Group on normal commercial terms. The pricing for the Services is determined by the parties after arm's length negotiation on a case-by-case basis, as is the policy for all customers. In determining the pricing of the products, Sky Will Group takes into reference its existing price list of materials, the historical pricing for similar products, product quality, quantity involved, delivery lead time, payment terms as well as customers' responses, to ensure the pricing for the Services is fair and reasonable and on normal commercial terms. For each order's pricing, Sky Will Group will consider the labour hours required, the overhead costs to be allocated to the order, the cost of the specified materials and the destination of shipment. Products made of better quality paper and with higher complexity of craftsmanship involved will require more man power and hence, are sold at higher prices. Products offered to independent third parties and New Spring Label Group are priced based on the same price list of materials and the sales of products to New Spring Label Group and independent third parties are regarded as the same group of transactions to the Company. We have enquired with the management of the Group regarding the pricing process of the Group and have examined sales orders from New Spring Label Group and independent third party customers and confirmed our understanding as mentioned above.

We noted that (i) pricing in the industry is generally regarded as confidential company information; and (ii) the products manufactured by the Group are unique in nature. Therefore, and as advised by the management of the Company, there are no prevailing market prices for the products that can be obtained from either a recognised exchange or independent organisation. The Directors are of the view and we concur that it is not unusual that there are no prevailing market rates available given the tailor-made nature of the products and the lack of prevailing market rates available does not adversely impact the Company's ability to provide services to New Spring Label Group at fair, reasonable and competitive rates.

To stay competitive, we have been advised that the Group will continue monitoring its pricing strategies and quality of services and will use its best endeavour to transact with counterparties that offer more favourable terms. The Group consistently updates the price list to ensure the accuracy of costs to be allocated to orders, which ultimately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

determines the pricing. In addition to the terms offered by the counterparties, the Company also considers factors such as the corporate background, creditworthiness and reliability of the counterparties; their ability to execute transactions in accordance with the contractual terms; and their understanding of the needs of the Company in order to maximise the Company's overall interest in a particular transaction and minimise the costs.

To ensure the transactions as contemplated under the New Master Agreement are on normal commercial terms and no less favourable to the Company than those offered to independent third parties, the sales persons of Sky Will Group's sales department, before accepting purchase orders, shall make reference to prices of products, which are made of similar materials, charged to independent third parties, paying particular attention to the pricing breakdown of the raw materials of such orders. The responsible sales persons shall make reference to at least two comparable transactions offered to independent third parties within the preceding two months and if no such minimum number of comparable transactions with independent third parties is available, the responsible sales persons shall make reference to unit selling prices of products with similar complexity of craftsmanship and manpower used. The supervisors of the sales department shall review the comparison submitted to ensure that the price(s) to be charged to New Spring Label Group will be no less favourable to the Company than those offered to independent third parties. We are of the view that the above internal control procedures provide an effective framework for ensuring the selling prices of the products are on normal commercial terms and no less favourable to the Group than those offered to independent third parties. With the above controls in place, we are of the view that the transactions as contemplated under the New Master Agreement will be on commercial terms and no less favourable to the Company than those offered to independent third parties.

Credit terms of the Services

The management of the Company has confirmed that Sky Will Group usually grants credit terms ranging from 30 days to 60 days to its customers. The length of the credit terms is determined based on the years of relationship, credibility of the customer, payment record, volume of sales and market conditions. We noted that the majority of Sky Will Group's customers were granted credit terms of 60 days and that during the term of the current Master Agreement, Sky Will Group had similarly granted a credit term of 60 days to New Spring Label Group. We have examined the aging analysis of trade receivables of New Spring Label and are not aware of any long aged outstanding balances due from New Spring Label. We have also examined payment records from New Spring Label Group and confirmed our understanding as mentioned above. Therefore, given the longstanding business relationship, volume of business, credibility and good payment record of New Spring Label Group, the credit term of 60 days granted to New Spring Label Group is fair and reasonable.

Based on the above factors, we consider that the transactions contemplated under the New Master Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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4. Reasons for entering into the New Master Agreement

New Spring Label Group and Sky Will Group have formed a strong business relationship due to New Spring Label Group's on-time payment record and credibility. Furthermore, as stated above, for the years ended 31 March 2013 and 2014, Sky Will Group's sales to New Spring Label Group amounted to approximately HK\$24.0 million and HK\$40.8 million respectively, representing 29.5% and 36.0% of the Group's revenue, respectively. The Company is therefore of the view that it is beneficial to enter into the New Master Agreement to maintain a reliable source of income for the Group for an additional term of three years ending 31 December 2017. Furthermore, as New Spring Label Group has its own marketing team to target different customers, the Group is able to cover a wider market by providing Services to New Spring Label Group.

Having considered (i) the principal activities of the Group and the recurring nature of the transactions; and (ii) the transactions contemplated under the New Master Agreement which would enhance the income base of the Group, we consider that the New Master Agreement is fair and reasonable and in the interests of the Company and the Independent Shareholders as whole.

5. Proposed annual caps

In assessing whether the proposed annual caps are fair and reasonable, we have considered the following:

(a) Historical financial information

The following sets out the Group's sales to New Spring Label Group for the two years ended 31 March 2013 and 2014, which have been extracted from the Company's 2014 annual report.

Year ended	Actual sales to New Spring Group	Existing annual caps	Initial annual caps
31 March 2013	HK\$23.97 million	HK\$24 million	HK\$24 million
31 March 2014	HK\$40.84 million	HK\$50 million	HK\$26 million
31 March 2015	N/A	HK\$60 million	HK\$28 million

Source: Company's 2014 annual report.

As mentioned in paragraph 2 above, we noted that there was a substantial increase in sales to New Spring Label during the year ended 31 March 2014, pursuant to which the Group adjusted the initial annual caps in order to cope with the increased demand. According to the management of the Company with reference to the financial performance of the Group for the year ended 31 March 2014 and the six-months ended 30 September 2014 as described in paragraph 1 above, demand did not grow as expected in the six-months ended 30 September 2014 due to the weakening market conditions in the printing and packaging industry.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Basis for determining the proposed annual caps

The proposed annual caps are HK\$30 million for each of the years ending 31 December 2015, 2016 and 2017. As set out in the “Letter from the Board”, the Directors have taken into account the following factors in determining the proposed annual caps:

- (i) *The actual purchase orders received by Sky Will Group from New Spring Label Group during the nine-months period from 1 January 2014 to 30 September 2014, the estimated transaction amounts during the three-months period from 1 October 2014 to 31 December 2014 and annual allowance to provide flexibility for possible variations.*

According to the recorded amount of sales and the sales orders received from New Spring Label Group for the nine-months ended 30 September 2014 provided by the management of the Company, a substantial portion of the expected orders for the year ending 31 December 2014 have been secured. We noted the amount of sales to New Spring Label Group up to the Latest Practicable Date is consistent with the representations of the management of the Company, taking into account the annual allowance. Therefore, we concur with the management of the Company that the proposed annual cap of HK\$30 million, is fair and reasonable.

- (ii) *The Group’s expectation of New Spring Label Group’s future business needs.*

We have considered the Group’s historical average annual sales of approximately HK\$32 million to New Spring Label Group over the term of the Master Agreement up until 30 September 2014 and the management of the Company’s expectation on the medium term outlook of the printing and packaging industry as mentioned in paragraph 1, and we concur with the expectation of the management of the Company that sales to New Spring Label Group will remain at similar levels for the years ending 31 December 2015, 2016 and 2017.

Given (i) the long term business relationship between Sky Will Group and New Spring Label Group; (ii) sales to New Spring Label Group up to the Latest Practicable Date; and (iii) the expectation of the management of the Company, we are of the view that the proposed annual caps are justifiable, fair and reasonable so far as the Independent Shareholders are concerned and the interests of the Shareholders and the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps are in the interests of the Company and the Shareholders as a whole; (ii) the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps are (a) on normal commercial terms; (b) are fair and reasonable so far as the Independent Shareholders are concerned; and (c) are in the Company's ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the continuing connected transactions as contemplated under the New Master Agreement and the proposed annual caps thereof at the SGM.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Executive Director

Mr. Chang Sean Pey ("Mr. Chang") is a Responsible Officer of Altus Capital Limited licensed to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 15 years of experience in banking, corporate finance and advisory, and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Pursuant to Rule 13.84 of the Listing Rules, Altus Capital Limited is independent of the Company. In particular, Altus Capital Limited has not acted as an independent financial adviser of the Company's other transactions in the last two years from the date of the Circular.

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) Interests of Directors and chief executives

As at the Latest Practicable Date, the following Directors or chief executives of the Company or their associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”).

Name of Director	Number of Shares held	Number of underlying Shares held			Total	Approximately percentage of total issued Shares
	Corporate interests	Personal interest	Family interests	Corporate interests		
Dr. Liu Ruopeng (“Dr. Liu”)	1,133,333,334(L) <i>(note 2)</i>	—	3,000,000(L) <i>(note 3)</i>	1,824,666,666(L) <i>(note 4)</i>	2,961,000,000(L)	86.93%
	986,000,000(S) <i>(note 5)</i>	—	—	—	986,000,000(S)	28.95%
Mr. Ko Chun Shun Johnson (“Mr. Ko”)	1,208,222,223(L) <i>(note 6)</i>	—	—	357,777,778(L) <i>(note 7)</i>	1,566,000,001(L)	45.98%
Dr. Zhang Yangyang (“Dr. Zhang”)	—	15,000,000(L) <i>(note 8)</i>	—	—	15,000,000(L)	0.44%
Dr. Luan Lin (“Dr. Luan”)	—	9,900,000(L) <i>(note 9)</i>	—	—	9,900,000(L)	0.29%

Notes:

1. “L” represents long position in Shares/underlying Shares and “S” represents short position in Shares.
2. This represents the interests in 1,133,333,334 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 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. Accordingly, Dr. Liu is deemed to be interested in the same number of Shares held by New Horizon.
3. This represents the interests in the share options of the Company held by Ms. Huang Weizi (“**Ms. Huang**”), the spouse of Dr. Liu.
4. This represents the interests in the preferred shares of the Company held by New Horizon.
5. This represents a share charge given by New Horizon in favour of Rosier Investments Limited (“**Rosier**”) over 986,000,000 Shares owned by New Horizon.
6. This represents the interests in (i) 155,555,556 Shares held by Starbliss Holdings Limited (“**Starbliss**”); (ii) 66,666,666 Shares held by REORIENT Global Limited (“**REORIENT Global**”); (iii) 1 Share held by REORIENT Financial Markets Limited (“**RFML**”); and (iv) 986,000,000 Shares given by New Horizon in favour of Rosier as the share charge. Starbliss is ultimately wholly owned by Mr. Ko. Both REORIENT Global and RFML are wholly owned by REORIENT Group Limited, of which Mr. Ko is the controlling shareholder and an executive director. Rosier is owned as to approximately 41.7% by Starbliss. Accordingly, Mr. Ko is deemed to be interested in the same number of Shares held through Starbliss, REORIENT Global, RFML and Rosier.
7. This represents the interests in (i) 250,444,444 preferred shares of the Company held by Starbliss; and (ii) 107,333,334 preferred shares of the Company by REORIENT Global.
8. This represents interests in the share options of the Company held by Dr. Zhang.
9. This represents interests in the share options of the Company held by Dr. Luan.

Save as disclosed above, at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

(b) Substantial Shareholders' Interest

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (“**Substantial Shareholders**”) (other than the Directors or the chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of total issued Shares
Ms. Huang	Beneficial owner and interest of spouse	1,133,333,334(L) <i>(note 2)</i>	1,827,666,666(L) <i>(note 3)</i>	2,961,000,000(L)	86.93%
		986,000,000(S) <i>(note 4)</i>	—	986,000,000(S)	28.95%
New Horizon	Beneficial owner	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Wireless Connection Innovation Technology Limited	Interest of controlled corporation	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Shenzhen Dapeng Kuang-Chi Technology Limited	Interest of controlled corporation	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership	Interest of controlled corporation	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Shenzhen Kuang-Chi Hezhong Technology Limited	Interest of controlled corporation	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Kuang-Chi Innovative Technology Limited	Interest of controlled corporation	1,133,333,334(L)	1,824,666,666(L)	2,958,000,000(L)	86.85%
		986,000,000(S)	—	986,000,000(S)	28.95%
Starbliss	Beneficial owner and person having a security interest in Shares	1,141,555,556(L) <i>(note 5)</i>	250,444,444(L) <i>(note 6)</i>	1,392,000,000(L)	40.87%
Rosier	Person having a security interest in Shares	986,000,000(L)	—	986,000,000(L)	28.95%
World Treasure Global Limited <i>(note 7)</i>	Beneficial owner	638,981,013(L)	—	638,981,013(L)	18.76%

Name of Substantial Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Total	Approximate percentage of total issued Shares
Mr. Wong Hin Shek	Interest of controlled corporation	638,981,013(L)	—	638,981,013(L)	18.76%
Cutting Edge Global Limited (“ Cutting Edge ”) (note 8)	Beneficial owner	155,555,556(L)	250,444,444(L) (note 9)	406,000,000(L)	11.92%
Ms. Yu Nan	Interest of controlled corporation	155,555,556(L)	250,444,444(L)	406,000,000(L)	11.92%
Grand Consulting Management S.A. (“ Grand Consulting ”) (note 10)	Beneficial owner	77,777,778(L)	125,222,222(L) (note 11)	203,000,000(L)	5.96%
Ms. Liu Shu Ling	Interest of controlled corporation	77,777,778(L)	125,222,222(L)	203,000,000(L)	5.96%
Lucky Time Global Limited (“ Lucky Time ”) (note 12)	Beneficial owner	77,777,778(L)	125,222,222(L) (note 13)	203,000,000(L)	5.96%
Ms. Guo Shanling	Interest of controlled corporation	77,777,778(L)	125,222,222(L)	203,000,000(L)	5.96%
Insula Holdings Limited (note 14)	Interest of controlled corporation	66,666,666(L)	107,333,334(L) (note 15)	174,000,000(L)	5.11%
Gainhigh Holdings Limited (note 14)	Interest of controlled corporation	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%
REORIENT Group Limited (note 14)	Interest of controlled corporation	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%
REORIENT Global (note 14)	Beneficial owner	66,666,666(L)	107,333,334(L)	174,000,000(L)	5.11%

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. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.
3. This represents the interests in (i) 3,000,000 share options held by Ms. Huang; and (ii) 1,824,666,666 preferred shares of the Company held by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.
4. This represents the share charge given by New Horizon in favour of Rosier over 986,000,000 Shares owned by New Horizon. Ms. Huang, being the spouse of Dr. Liu, is deemed to be interested in the same number of Shares held by New Horizon.
5. This represents the interests in (i) 155,555,556 Shares; (ii) a share charge given by New Horizon in favour of Rosier over 986,000,000 Shares owned by New Horizon.
6. This represents the interests in the preferred shares of the Company held by Starbliss.
7. World Treasure Global Limited is wholly owned and beneficially owned by Mr. Wong Hin Shek, a former executive Director.
8. Cutting Edge is wholly owned by Ms. Yu Nan.
9. This represents the interests in the preferred shares of the Company held by Cutting Edge.
10. Grand Consulting is wholly owned by Ms. Liu Shu Ling.
11. This represents the interests in the preferred shares of the Company held by Grand Consulting.
12. Lucky Time is wholly owned by Ms. Guo Shanling.
13. This represents the interests in the preferred shares of the Company held by Lucky Time.
14. REORIENT Global is a wholly-owned subsidiary of REORIENT Group Limited. Gainhigh Holding Limited, a controlling shareholder of REORIENT Group Limited, is a subsidiary of Insula Holdings Limited.
15. This represents the interests in the preferred shares of the Company held by REORIENT Global.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

Save as disclosed below, none of the Directors is a director or employee of the companies which have an interest in the ordinary shares and underlying ordinary shares of the Company as disclosed under the provisions of Divisions 2 and 3 Part XV of the SFO:

- (1) Dr. Liu Ruopeng is a director of New Horizon, Wireless Connection Innovation Technology Limited, a director and an employee of Kuang-Chi Innovative Technology Limited, Shenzhen Kuang-Chi Hezhong Technology Limited and Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership.
- (2) Dr. Zhang Yangyang is a director of Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Kuang-Chi Hezhong Technology Limited.
- (3) Dr. Luan Lin is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.
- (4) Mr Ko Chun Shun, Johnson, is director of Starbliss, Rosier and Insula Holdings Limited, Gainhigh Holdings Limited and REORIENT Group Limited.

3. LITIGATION

As far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor its subsidiaries was involved in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

4. MATERIAL ADVERSE CHANGE

Save for the loss attributable to owners of the Company of approximately HK\$31.9 million for the six months ended 30 September 2014 set out in the interim results announcement of the Company for the six months ended 30 September 2014 dated 26 November 2014, the Directors confirm that there was no material adverse change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Group were made up.

5. SERVICE CONTRACTS

At the Latest Practicable Date, none of the Directors had any service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING BUSINESS INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, controlling Shareholder or substantial Shareholder or their respective associates had any interest in a businesses (other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or member of the Group) which compete or is likely to compete directly or indirectly with the business of the Group or had any other conflict of interests with the Group.

7. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest in any assets which had been, since 31 March 2014 (being the date to which the latest published audited financial statements of the Group were made up), 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.

Apart from the Master Agreement and the New Master Agreement entered into between Sky Will and New Spring Label in which, as at the Latest Practicable Date, New Spring Label owned as to 20% by Mr. Ng, being an executive Director, and 30% by Ms. Li, spouse of Mr. Ng, none of the Directors was materially interested in contract or arrangement subsisting which was significant in relation to the business of the Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion and advice, which is contained in this circular:

Name	Qualification
Altus Capital Limited	a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under to SFO

Altus has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

9. EXPERT'S INTEREST

Altus has confirmed that, as at the Latest Practicable Date:

- (a) it did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

- (b) it did not have any direct or indirect interest in any assets which had since 31 March 2014 (being the date to which the latest published audited consolidated financial statements of the Company were made up) 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.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the office of the Company at Unit 906, 9/F, Wings Building, 110–116 Queen’s Road Central, Central, Hong Kong from the date of this circular up to and including 19 January 2015 (except Saturdays and Sundays) and will be available for inspection at the SGM:

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

11. GENERAL

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text.



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 the special general meeting (the “**Meeting**”) of KuangChi Science Limited (the “**Company**”) to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 19 January 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

“**THAT:**

- (a) the terms of and the proposed annual caps in relation to the transactions under the master agreement between Sky Will Printing & Packaging (Holding) Limited (“**Sky Will**”, together with its subsidiaries, “**Sky Will Group**”) and New Spring Label & Packaging Limited (“**New Spring Label**”, together with its subsidiaries, “**New Spring Label Group**”) dated 11 November 2014 (“**New Master Agreement**”) in respect of the printing and production services in relation to paper packaging products, paper gift items and promotional materials provided by Sky Will (either by itself or any members of Sky Will Group) to New Spring Label (either to itself or any members of New Spring Label Group) for the period commencing from 1 January 2015 and ending on 31 December 2017 be and are hereby approved; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute any such other documents, instruments and agreements and to do any such acts or things deemed by him to be incidental to, ancillary to or in connection with the New Master Agreement.”

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

Hong Kong, 30 December 2014

NOTICE OF SGM

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head Office and Principal Place of
Business of Hong Kong:*
Unit 906, 9/F
Wings Building
110–116 Queen’s Road Central
Central
Hong Kong

Notes:

1. Every member of the Company entitled to attend and vote at the above Meeting is entitled to appoint more than one proxy (if a member who is holder of two or more shares) to attend and vote for him/her on his/her behalf of the Meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. 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 lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjourned meeting thereof.
4. As at the date of this notice, the board of directors of the Company comprises five executive directors, namely Dr. Liu Ruopeng, Dr. Luan Lin, Dr. Zhang Yangyang, Mr. Ko Chun Shun, Johnson and Mr. Ng Man Chan; and three independent non-executive directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak.