
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in KuangChi Science Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale 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
THE FINANCIAL SERVICES AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING****Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders****普頓資本有限公司
PROTON CAPITAL LIMITED**

A letter from the Board is set out on pages 3 to 11 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 12 to 13 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 14 to 31 of this circular.

A notice convening the SGM to be held at Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 10 August 2015 at 11:30 a.m. is set out on pages 36 to 37 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.

17 July 2015

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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 May 2015
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	KuangChi Science Limited, (stock code: 439), the ordinary shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Financial Services Agreement”	the agreement dated 11 May 2015 entered into between the Company and RGL in respect of provision of the Services by RGL Group to the Group
“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 Financial Services Agreement
“Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) 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 annual caps in relation to the transactions under the Financial Services Agreement
“Independent Shareholders”	Shareholders other than Mr. Ko and his associates
“Latest Practicable Date”	14 July 2015, 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

“Mr. Ko”	Mr. Ko Chun Shun, Johnson
“RFML”	REORIENT Financial Markets Limited, the entire issued share capital of which is wholly-owned by RGL
“RGL”	REORIENT Group Limited (stock code: 376), the ordinary shares of which are listed on the main board of the Stock Exchange
“RGL Group”	RGL and its associates
“Services”	services including but not limited to corporate finance services, brokerage, share placing and underwriting, asset management, financial advisory and related services
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 10 August 2015 at 11:30 a.m. 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 Financial Services 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the provision of the Services by RGL and/or any of its associates to the Group from time to time
“%”	per cent.

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 (*Chairman*)
Dr. Zhang Yangyang (*Chief Executive Officer*)
Dr. Luan Lin (*Chief Technology Officer*)
Mr. Ko Chun Shun, Johnson

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
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, 9th Floor
Wings Building
110–116 Queen's Road Central
Central
Hong Kong

17 July 2015

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS THE FINANCIAL SERVICES AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement dated 11 May 2015.

On 11 May 2015, the Company and RGL entered into the Financial Services Agreement pursuant to which the Group may from time to time engage RGL and/or any of its associates to provide the Services for a term commencing from the date of obtaining the Independent Shareholders' approval to 31 December 2017.

LETTER FROM THE BOARD

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 Financial Services Agreement and to convene the SGM to seek the approval of the Independent Shareholders with respect to the Financial Services Agreement and the related proposed annual caps.

FINANCIAL SERVICES AGREEMENT

Date : 11 May 2015

Parties : The Company
RGL

Mr. Ko, an executive Director, is the controlling shareholder of RGL.

Terms : The Financial Services Agreement shall become effective from the date when the Independent Shareholders approve the Financial Services Agreement and the transactions contemplated thereunder and the relevant proposed annual caps and for a term up to 31 December 2017. The parties may renew the Financial Services Agreement subject to the compliance with applicable laws and the Listing Rules.

Services : Under the Financial Services Agreement, the Group may from time to time engage RGL and/or any of its associates to provide the Services during the term of the Financial Services Agreement. Any and all Services, if RGL agrees to provide such Services or enter into such Transactions, shall be:

- (i) provided on normal commercial terms or terms comparable to those offered by RGL Group to independent third parties and those offered to the Group by independent third parties; and
- (ii) be subject to annual caps as proposed and announced by the Company, and if necessary approved by the Independent Shareholders, from time to time.

Detailed terms (including fees) of the Service(s) to be provided by RGL Group to the Group shall be specified in the individual services agreement governing such Service(s) and agreed between the relevant member of the Group and RGL Group respectively. Each individual services agreement shall be governed by the Financial Services Agreement.

LETTER FROM THE BOARD

The fees for the Services, which may include financial advisory fees, introduction fees, placing and/or underwriting commissions, brokerage and/or other related handling fees, will be determined on a case-by-case basis depending on the type of the Services to be provided:

- (i) financial advisory fees are generally determined based on the complexity of the relevant merger and acquisition (“**M&A**”) transaction or corporate exercise contemplated by the Group – the Company will consider, among other things, the time required to complete the Services to be rendered by RGL Group in respect of the relevant M&A transaction or corporate exercise, the urgency of the M&A transaction or corporate exercise as well as the complexity involved in terms of implications under the relevant rules and regulations and the relevant documentary requirements. Generally, M&A transactions or corporate exercises which involve multiple regulatory implications and extensive documentary requirements would take more time to complete and consequently attract higher financial advisory fees. The Company will compare the financial advisory fees charged by RGL Group to fee quotations which the Company will obtain (on a best endeavor basis) from at least two (2) independent financial advisory service providers (“**FA Firms**”) for the relevant M&A transaction or corporate exercise;
- (ii) introduction fees are generally determined based on a percentage of the value of the M&A transaction – the Company will consider the percentage of the fee charged by RGL Group over the total value of the M&A transaction and compare it with that of previous deals. RFML had so far introduced two M&A transactions to the Company (the “**Historical Transactions**”), the service fee of which represented up to approximately 5% of the transaction value. The Company does not expect the percentage of introduction fee for any future M&A transaction to be materially different from that under the Historical Transactions. The Company will also consider the benefits of the potential M&A transaction to the Company and its Shareholders as a whole and assess the value of the tie-up introduced by RGL Group under the potential M&A transaction by considering if the Group would be able to establish and source such similar transaction by its own means or through other networks;
- (iii) placing and underwriting commissions are generally determined based on a percentage of the funds raised – the Company will consider the prevailing market range of placing/underwriting commissions as disclosed in recent relevant announcements published by other listed issuers and make enquiry (on a best endeavor basis) of at least two (2) independent FA Firms as to the percentage of placing/underwriting commissions charged. The Company understands that the current market rate of placing/underwriting commissions ranges from 3% to 5% and the Company does not expect the placing/underwriting commissions to be charged by RGL Group to the Group under the Financial Services Agreement to be materially different from such market range; and

LETTER FROM THE BOARD

- (iv) brokerage and other related handling fees are generally determined based on a percentage of the value of the share trading transaction – the Company will consider the prevailing range of market rates by making enquiry (on a best endeavor basis) of at least two (2) independent FA Firms as to the percentage of brokerage fees charged and if available, the Company will also make reference to the percentage of brokerage fees disclosed in any recent announcements published by other listed issuers.

The historical amounts of fees charged by RGL Group in respect of the financial advisory fees and introduction fees from August 2014 up to the Latest Practicable Date ranged from approximately HK\$0.1 million to HK\$29.7 million.

In order to ensure that the terms for the Services offered by RGL Group to the Group will be no less favourable than those available from independent third parties, the Group has established internal control procedures including (i) shortlisting and obtaining (on a best endeavor basis) fee quotations from at least two (2) other FA Firms which are independent of the Company and its connected persons, and (ii) comparing such fee quotations as well as other qualitative factors (including reputation of the FA Firms and their previous work experience (if any), complexity of the potential M&A transaction or corporate exercise, delivery time, payment terms, response time, and if applicable, the charging rate with reference to previous deals) with those offered by RGL Group. Such information will be circulated to all the independent non-executive Directors (“INEDs”) for their consideration and if the INEDs are satisfied that the terms offered by RGL Group are on normal commercial terms or on terms no less favourable than those offered by independent FA Firms, a recommendation for the appointment of the relevant member of RGL Group will be put to the Board for final approval. In the case of a fundraising exercise, as stated above, the Company does not expect the placing/underwriting commissions charged by RGL Group to the Group under the Financial Services Agreement to be materially different from the market rate of 3% to 5%. In the event the placing/underwriting commission proposed by RGL Group exceeds 5% and (in the case of a placing exercise) an independent FA Firm is able to fulfill the required placee list (in accordance with the Company’s specified requirements (if any)) at a commission rate lower than that proposed by RGL Group, the Company will not engage RGL for the relevant fundraising exercise.

In cases where the potential M&A transaction is originated from or introduced by RGL Group, as such opportunities are unique to the originator/introducer, the aforesaid internal control procedures would not be applicable. The engagement of RGL Group in such opportunities will be considered by the Board on a case-by-case basis taking into consideration factors such as the benefits of the potential M&A transaction to the Company and its Shareholders, and the basis of determining the relevant introduction fee with reference to previous deals. As stated above, RFML had previously introduced the Historical Transactions to the Company, namely (i) the Group’s investment in Martin Aircraft Company Limited (“**Martin Jetpack**”) (details of which are set out in the Company’s announcements dated 19 December 2014 and 31 December 2014) (the “**Martin Transaction**”); and (ii) the Group’s investment in Solar Ship Inc. (details of which are set out in the Company’s announcement dated 7 April 2015) (the “**Solar Ship Transaction**”). At the relevant time of entering into each of the Historical Transactions, the respective service fee was negotiated at arm’s length after taking into account, among other things, the amount of work to be performed by RFML and the timing required to perform such services, particularly for the Martin Transaction, the Company and Martin Jetpack faced a tight timing to negotiate and resolve the structuring of the transaction as Martin Jetpack was conducting its initial public offering through the Australian Stock Exchange in parallel. The Company was of the view that RFML is familiar with

LETTER FROM THE BOARD

the business operations of the Group and the engagement of RFML in respect of each of the Historical Transactions would be beneficial to the Group then. The Directors had, at the relevant time, considered that the terms of the engagement of RFML to provide services in respect of the Martin Transaction and the Solar Ship Transaction respectively were fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Each M&A transaction is unique in nature and therefore the role and scope of services to be provided by RGL Group would be tailored specifically for each transaction. As such, it is not feasible for the Company to obtain fee quotations from other independent FA Firms for comparison purposes. The Company will instead make reference to the basis used in determining the introduction fees payable to RGL Group under the Historical Transactions as well as any further M&A transaction deals introduced by RGL Group and compare the percentage of the fees charged by RGL Group in respect of such transactions over the total transaction value. Based on such information available to the Company at the relevant time, the Board will determine whether the terms offered by RGL Group (including the fees) are on normal commercial terms. The Directors consider it sufficient to make reference to the Historical Transactions as well as any further M&A transaction deals introduced by RGL Group at the relevant time in determining whether the terms offered by RGL Group are on normal commercial terms. As stated above, the service fee under the Historical Transactions represented up to approximately 5% of the transaction value and the Company does not expect the percentage of introduction fee for any future M&A transaction to be materially different from such percentage. In the event the introduction fee proposed by RGL Group exceeds 5%, the Company will not engage RGL Group in respect of the relevant M&A transaction under the Financial Services Agreement.

Under all circumstances, in view of his interests in RGL, Mr. Ko will abstain from voting on the relevant Board resolutions pertaining to the engagement of RGL Group for the provision of any Service(s). In addition to the above, in compliance with the annual review requirements under the Listing Rules, the INEDs and the Company's auditors will review the Transactions on an annual basis and confirm among other things whether the Transactions have been carried out in accordance with the Financial Services Agreement. The Board considers that the internal control procedures established by the Group including the above steps form an adequate system of controls to ensure that the Transactions are conducted in accordance with the pricing policy under the Financial Services Agreement.

The Directors consider that sufficient information in respect of the basis of determination of the fees for the Services has been provided to the Shareholders. The Company will not make any announcement upon entering into each individual services agreement with RGL Group provided that the terms of the individual services agreement comply with the terms of the Financial Services Agreement.

Proposed annual caps for the Services

RGL Group was first engaged by the Group as its financial adviser in respect of a subscription of new ordinary shares and new preferred shares (details of which were set out in the Company's announcement dated 13 June 2014) (the "**Subscription**"). Since then, RGL Group has, from time to time, been providing financial advisory services to the Company.

The Company proposes to set annual caps for the fees payable to RGL Group in respect of the Services at HK\$60.0 million for each of the years ending 31 December 2015 (from the effective date of the Financial Services Agreement to 31 December 2015), 2016 and 2017.

LETTER FROM THE BOARD

The proposed annual caps were determined after considering, including but not limited to:

- (i) the estimated usage of the Services by the Group – after the completion of the Subscription which brought in Kuang-Chi Innovative Technology Limited as a strategic controlling Shareholder, the Group established a new business segment relating to the novel space services and other innovative technology industry and carried out significantly more M&A activities relating to this new business segment. The Group expects that such new business segment will continue to be the focus of the Group and consequently the level of M&A activities to be comparable to the level in the second half of 2014;
- (ii) the estimated amount of the Group's available funds for possible advisory and/or merger and acquisition transactions that may be conducted by the Group – the Group has considered the current available internal resources which would be available for M&A activities and the scale of any possible fundraising activities per year. The Company considers that it is not appropriate to disclose the amount of funds budgeted for M&A activities as well as the amount of funds to be possibly raised from fundraising activities as these amounts are merely an estimate and disclosing such information may mislead the market. The Company is of the view that sufficient information has been set out in this circular for the Independent Shareholders to consider whether the annual caps are fair and reasonable. The proposed annual caps was determined by the Company with reference to the aforesaid funding budgets and an estimated percentage of service fee of approximately 3%, such percentage being determined by the Company after considering, among others, (a) the historical percentage of service fee charged by RGL Group as well as other FA Firms in the market in respect of previous M&A transactions; and (b) the range of placing commission rate which the Company understands is normally charged by RGL Group and other FA Firms in the market;
- (iii) the historical amount of service fee charged by RGL Group in respect of services provided to the Group (a) in the second half of 2014 (since completion of the Subscription in August 2014) which amounted to approximately HK\$30.1 million, and (b) since August 2014 and up to the date of the Financial Services Agreement which amounted to approximately HK\$38.3 million; and
- (iv) a buffer of approximately 15% for any Services to be provided in respect of corporate exercises which do not constitute M&A transactions or fundraising activities as well as for any possible additional workload of the Services that may occur and other unforeseen circumstances which may affect the volume of the Services. As the Company may conduct other corporate exercises other than M&A transactions and fundraising activities, which amount cannot be estimated with certainty currently, and in order to cater for any possible additional workload due to unforeseen circumstances, the Company considers the buffer of 15% enables the Company to have the flexibility in choosing RGL Group or other independent FA Firms that it thinks fit and appropriate for the benefit of the Group. The proposed annual caps and the buffer of 15% does not represent any commitment of the Group to appoint RGL Group for the provision of the Services.

LETTER FROM THE BOARD

REASONS FOR THE FINANCIAL SERVICES AGREEMENT

The Group is principally engaged in (i) novel space services and other innovative technology business; (ii) the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment.

RGL is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services.

RFML is a wholly-owned subsidiary of RGL and is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. RFML has been providing financial advisory services to the Company for a number of transactions since the Subscription. Due to the historical connection and the cooperation relationship between the Group and RGL Group, the Company is of the view that RFML is familiar with the business operations of the Group and it is beneficial to enter into the Financial Services Agreement, as these transactions have facilitated and will continue to facilitate the Group's strategic corporate actions and development of the Group's business. In addition, transactions such as share placements and/or other corporate finance transactions may need to be conducted within a very tight timeframe. The need to obtain approval from Independent Shareholders on each occasion when there is a pending transaction may slow down or even limit the Group from seizing such opportunities as they arise and would be detrimental to the interest of the Group. Further, RGL Group will be encouraged to allocate more resources to initiate more business opportunities for the Group which in turn will result in more expedient and efficient services to the Group when compared to those services provided by independent third parties. The Company considers that the entering into the Financial Services Agreement is in the interest of the Group and that there are no disadvantages of the Transactions to the Company.

COMPLIANCE WITH THE LISTING RULES

Mr. Ko, an executive Director, is the controlling shareholder of RGL. RGL is an associate of Mr. Ko and thus transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules. Mr. Ko has a material interest in the Financial Services Agreement and has abstained from voting on the Board resolution in respect of the Financial Services Agreement.

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

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 Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement. Proton Capital Limited has been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement.

LETTER FROM THE BOARD

As stated above, RGL Group has, from time to time, been providing financial advisory services to the Company since the completion of the Subscription in August 2014. The amount of fees paid and payable to RGL Group for financial advisory services provided to the Group for the preceding 12 months will not exceed the threshold set out under the Listing Rules such that the service fees would require Independent Shareholders' approval before the resolution in respect of the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement is approved by the Independent Shareholders at the SGM. During the period up to the date of the SGM, prior to entering into any further engagements with RGL Group for the provision of financial advisory services, the Company will monitor the total amount of service fees paid and payable to RGL Group to ensure it does not exceed the relevant threshold.

On 29 May 2015, RGL published an announcement regarding, among other things, the subscription of new shares in RGL by a group of new investors (the "**RGL Subscription**"). Upon completion of the RGL Subscription, Mr. Ko will hold less than 30% equity interest in RGL. As a result, RGL will cease to be an associate of Mr. Ko and the transactions under the Financial Services Agreement would no longer constitute continuing connected transactions for the Company upon completion of the RGL Subscription. As at the Latest Practicable Date, RGL has not published any announcement on the completion of the RGL Subscription.

SGM

It is proposed that the SGM be convened and held at Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 10 August 2015 at 11:30 a.m. to consider and, if thought fit, approve the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement. A notice of the SGM is set out on pages 36 to 37 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. Ko and his associates who in aggregate were interested in 401,111,112 Shares (representing approximately 8.45% of the total Shares in issue) as at the Latest Practicable Date are required to and will abstain from voting at the SGM on the resolution to approve the Financial Services Agreement.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders on the Financial Services Agreement. Your attention is also drawn to the letter of advice from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Financial Services Agreement as set out on pages 14 to 31 of this circular.

LETTER FROM THE BOARD

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 Financial Services Agreement to be fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

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)

17 July 2015

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
THE FINANCIAL SERVICES AGREEMENT**

We refer to the circular dated 17 July 2015 (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 Financial Services 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 Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement as set out in the Circular. Proton Capital Limited 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 14 to 31 of the Circular.

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 Financial Services Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the 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 Financial Services 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 recommend the Independent Shareholders to support and to vote in favour of the resolution to approve the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services 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 full text of a letter of advice from Proton Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in the Circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Unit 1001, 10th Floor, Chuang's Tower,
30-32 Connaught Road Central, Hong Kong

17 July 2015

*To: The Independent Board Committee and the Independent Shareholders of
KuangChi Science Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS THE FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Financial Services Agreement and transactions contemplated thereunder and the proposed annual caps, particulars of which are set out in the letter from the Board (the “**Board’s Letter**”) contained in the circular to the Shareholders dated 17 July 2015 (the “**Circular**”) and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Board’s Letter, on 11 May 2015, the Company and RGL entered into the Financial Services Agreement pursuant to which the Group may from time to time engage RGL and/or any of its associates to provide services including but not limited to corporate finance services, brokerage, share placing and underwriting, asset management, financial advisory and related services (i.e. the Services) for a term commencing from the date of obtaining the Independent Shareholders’ approval to 31 December 2017.

As at the Latest Practicable Date, Mr. Ko, an executive Director, was the controlling shareholder of RGL. RGL is an associate of Mr. Ko and thus transactions contemplated under the Financial Services Agreement constitute continuing connected transactions of the Company under the Listing Rules. Mr. Ko has a material interest in the Financial Services Agreement and has abstained from voting on the Board resolution in respect of the Financial Services Agreement.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak, all of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders in respect of the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

On 29 May 2015, RGL published an announcement regarding, among other things, the subscription of new shares in RGL by a group of new investors (the “**RGL Subscription**”). Upon completion of the RGL Subscription, Mr. Ko will hold less than 30% equity interest in RCL. As a result, RGL will cease to be an associate of Mr. Ko and the transactions under the Financial Services Agreement would no longer constitute continuing connected transactions for the Company upon completion of the RGL Subscription. As at the Latest Practicable Date, RGL has not published any announcement on the completion of the RGL Subscription.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group or their respective associates and do not have any shareholding, direct or indirect, 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 as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we were engaged as an independent financial adviser to the Company (the “**Engagement**”) in respect of a discloseable and connected transaction of the Company (for details, please refer to the announcements of the Company dated 25 March 2015, 31 March 2015 and 18 June 2015). Under the Engagement, we were required to express our opinion on and give recommendation to the Independent Board Committee and Independent Shareholders in respect of the aforesaid transaction. Apart from normal professional fees payable to us by the Company in connection with the Engagement and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of their subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, conducted an independent

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in-depth investigation into the business and affairs of the Group, RGL and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments including any material change in market and economic conditions may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Financial Services Agreement, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Financial Services Agreement

As set out in the Board's Letter, the Group is principally engaged in (i) novel space services and other innovative technology business (the "**Novel Space Services Segment**"); (ii) the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials (the "**Paper Business Segment**"); and (iii) property investment. RGL is principally engaged in securities broking, placing and underwriting, and provision of consultancy and advisory services. RFML is a wholly-owned subsidiary of RGL and is a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. RFML has been providing financial advisory services to the Company for a number of transactions since the subscription of new ordinary shares and new preferred shares as announced by the Company on 13 June 2014 (the "**Subscription**").

According to the Board's Letter, due to the historical connection and the cooperation relationship between the Group and RGL Group, the Company is of the view that RFML is familiar with the business operations of the Group and it is beneficial to enter into the Financial Services Agreement, as these transactions have facilitated and will continue to facilitate the Group's strategic corporate actions and development of the Group's business. In addition, transactions such as share placements and/or other corporate finance transactions may need to be conducted within a very tight timeframe. The need to obtain

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approval from Independent Shareholders on each occasion when there is a pending transaction may slow down or even limit the Group from seizing such opportunities as they arise and would be detrimental to the interest of the Group. Further, RGL Group will be encouraged to allocate more resources to initiate more business opportunities for the Group which in turn will result in more expedient and efficient services to the Group when compared to those services provided by independent third parties. The Company considers that the entering into the Financial Services Agreement is in the interest of the Group.

We noted that the Company has since the Subscription, which resulted in change in controlling Shareholder, developed its business to the Novel Space Services Segment. For the purpose of, among others, developing this new business segment, the Group entered into/conducted certain corporate/mergers and acquisitions exercises since the completion of the Subscription in August 2014.

As advised by the Directors, set out below is a summary of the transactions published by the Company since the Subscription up to the Latest Practicable Date in which RFML was engaged by the Company for provision of services:

Date of announcement/circular	Description
29 July 2014	The Subscription
15 September 2014	Subscription of new ordinary shares under general mandate
21 November 2014	Restricted share award scheme of the Company (the “ November 2014 Transaction ”)
19 December 2014	Subscription of an aggregate 52% of the enlarged shares of Martin Aircraft Company Limited ^{Note} (“ MACL ”) by stage. <i>Note:</i> According to the annual report of the Company for the nine months ended 31 December 2014, MACL aims at developing a practical jetpack and is currently in the final design stage. It has finally listed on the Australia Stock Exchange on 24 February 2015 and the Company has become the largest shareholder.
30 December 2014	Continuing connected transactions relating to the signing of a new master agreement and new annual caps in respect of the Paper Business Segment (the “ December 2014 Transaction ”)
25 March 2015	Discloseable transaction relating to subscription of shares in Zhejiang Longsheng Automotive Parts Stock Limited Corporation.

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Agreements in relation to subscription of shares (with option) in Solar Ship Inc., a company incorporated in Canada which is principally engaged in the design and building of hybrid aircraft.

The historical amounts of fees charged by RGL Group in respect of the financial advisory fees and introduction fees from August 2014 up to the Latest Practicable Date ranged from approximately HK\$0.1 million to HK\$29.7 million.

Based on the reasons provided by the Directors and the nature of the aforesaid transactions, we concur with the Directors that transactions such as share placements and/or other corporate finance transactions may need to be conducted within a very tight timeframe, the need to obtain approval from Independent Shareholders on each occasion when there is a pending transaction may slow down or even limit the Group from seizing such opportunities as they arise and might be detrimental to the interest of the Group. As such, we consider that there is a justifiable commercial rationale for the Company and it is in the ordinary course of business of the Group to enter into the Financial Services Agreement.

2. The Financial Services Agreement

We have extracted from the Board's Letter the major terms of the Financial Services Agreement as follows:

Term

The Financial Services Agreement shall become effective from the date when the Independent Shareholders approve the Financial Services Agreement and the transactions contemplated thereunder and the relevant proposed annual caps and for a term up to 31 December 2017. The parties may renew the Financial Services Agreement subject to the compliance with applicable laws and the Listing Rules.

Services

Under the Financial Services Agreement, the Group may from time to time engage RGL and/or any of its associates to provide the Services during the term of the Financial Services Agreement. Any and all Services, if RGL agrees to provide such Services or enter into such Transactions, shall be:

- (i) provided on normal commercial terms or terms comparable to those offered by RGL Group to independent third parties and those offered to the Group by independent third parties; and
- (ii) be subject to annual caps as proposed and announced by the Company, and if necessary approved by the Independent Shareholders, from time to time.

Detailed terms (including fees) of the Service(s) to be provided by RGL Group to the Group shall be specified in the individual services agreement governing such Service(s) and agreed between the relevant member of the Group and RGL Group respectively. Each individual services agreement shall be governed by the Financial Services Agreement.

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Pricing basis

The fees for the Services, which may include financial advisory fees, introduction fees, placing and/or underwriting commissions, brokerage and/or other related handling fees, will be determined on a case-by-case basis depending on the type of the Services to be provided:

- (i) financial advisory fees are generally determined based on the complexity of the relevant merger and acquisition (“**M&A**”) transaction or corporate exercise contemplated by the Group (“**Type 1 Service**”) – the Company will consider, among other things, the time required to complete the Services to be rendered by RGL Group in respect of the relevant M&A transaction or corporate exercise, the urgency of the M&A transaction or corporate exercise as well as the complexity involved in terms of implications under the relevant rules and regulations and the relevant documentary requirements. Generally, M&A transactions or corporate exercises which involve multiple regulatory implications and extensive documentary requirements would take more time to complete and consequently attract higher financial advisory fees. The Company will compare the financial advisory fees charged by RGL Group to fee quotations which the Company will obtain (on a best endeavor basis) from at least two (2) independent financial advisory service providers (“**FA Firms**”) for the relevant M&A transaction or corporate exercise;
- (ii) introduction fees are generally determined based on a percentage of the value of the M&A transaction (“**Type 2 Service**”) – the Company will consider the percentage of the fee charged by RGL Group over the total value of the M&A transaction and compare it with that of previous deals. RFML had so far introduced two M&A transactions to the Company (the “**Historical Transactions**”), the service fee of which represented up to approximately 5% of the transaction value. The Company does not expect the percentage of introduction fee for any future M&A transaction to be materially different from that under the Historical Transactions. The Company will also consider the benefits of the potential M&A transaction to the Company and its Shareholders as a whole and assess the value of the tie-up introduced by RGL Group under the potential M&A transaction by considering if the Group would be able to establish and source such similar transaction by its own means or through other networks;
- (iii) placing and underwriting commissions are generally determined based on a percentage of the funds raised (“**Type 3 Service**”) – the Company will consider the prevailing market range of placing/underwriting commissions as disclosed in recent relevant announcements published by other listed issuers and make enquiry (on a best endeavor basis) of at least two (2) independent FA Firms as to the percentage of placing/underwriting commissions charged. The Company understands that the current market rate of placing/underwriting commissions ranges from 3% to 5% and the Company does not expect the placing/underwriting commissions to be charged by RGL Group to the Group under the Financial Services Agreement to be materially different from such market range; and

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- (iv) brokerage and other related handling fees are generally determined based on a percentage of the value of the share trading transaction (“**Type 4 Service**”) – the Company will consider the prevailing range of market rates by making enquiry (on a best endeavor basis) of at least two (2) independent FA Firms as to the percentage of brokerage fees charged and if available, the Company will also make reference to the percentage of brokerage fees disclosed in any recent announcements published by other listed issuers.

We have enquired with and obtained the internal control procedures of the Company (the “**Procedures**”) in place to ensure that the Services to be provided will be on normal commercial terms or terms comparable to those offered by RGL Group to independent third parties and those offered to the Group by independent third parties.

We have reviewed and further advised by the Company that in order to ensure that the terms for the Services offered by RGL Group to the Group will be no less favourable than those available from independent third parties, the Group has established the Procedures including (i) shortlisting and obtaining (on a best endeavor basis) fee quotations from at least two (2) other FA Firms which are independent of the Company and its connected persons, and (ii) comparing such fee quotations as well as other qualitative factors (including reputation of the FA Firms and their previous work experience (if any), complexity of the potential M&A transaction or corporate exercise, delivery time, payment terms, response time, and if applicable, the charging rate with reference to previous deals) with those offered by RGL Group. Such information will be circulated to all the independent non-executive Directors (“**INEDs**”) for their consideration and if the INEDs are satisfied that the terms offered by RGL Group are on normal commercial terms or on terms no less favourable than those offered by independent FA Firms, a recommendation for the appointment of the relevant member of RGL Group will be put to the Board for final approval. In the case of a fundraising exercise, as stated above, the Company does not expect the placing/underwriting commissions charged by RGL Group to the Group under the Financial Services Agreement to be materially different from the market rate of 3% to 5%. In the event that the placing/underwriting commission proposed by RGL Group exceeds 5% and (in the case of a placing exercise) an independent FA Firm is able to fulfill the required placee list (in accordance with the Company’s specified requirements (if any)) at a commission rate lower than that proposed by RGL Group, the Company will not engage RGL for the relevant fundraising exercise.

We were further advised by the Company that in cases where the potential mergers and acquisitions transaction is originated from or introduced by RGL Group, as such opportunities are unique to the originator/introducer, the aforesaid Procedures would not be applicable. The engagement of RGL Group in such opportunities will be considered by the Board on a case by case basis taking into consideration factors such as the benefits of the potential M&A transaction to the Company and its Shareholders, and the basis of determining the relevant introduction fee with reference to previous deals. RGL Group had previously introduced two M&A transactions to the Company (the “**Historical Transactions**”). Due to the unique nature of the role of being an introducer, it is not feasible for the Company to obtain fee quotations from other independent FA Firms for comparison purposes. In negotiating the introduction fees with RGL Group, the Company will make reference to the basis used in determining the introduction fees payable to RGL Group under the Historical Transactions and compare the percentage of the fees charged by RGL Group

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in respect of the Historical Transactions over the total transaction value. Based on such information available to the Company, the Board will determine whether the terms offered by RGL Group (including the fees) are on normal commercial terms. The Directors consider it sufficient to make reference to the Historical Transactions as well as any further M&A transaction deals introduced by RGL Group at the relevant time in determining whether the terms offered by RGL Group are on normal commercial terms. The service fee under the Historical Transactions represented up to approximately 5% of the transaction value and the Company does not expect the percentage of introduction fee for any future M&A transaction to be materially different from such percentage. In the event the introduction fee proposed by RGL Group exceeds 5%, the Company will not engage RGL Group in respect of the relevant M&A transaction under the Financial Services Agreement.

Further, under all circumstances, in view of his interests in RGL, Mr. Ko will abstain from voting on the relevant Board resolutions pertaining to the engagement of RGL Group for the provision of any Service(s).

We noted that the Procedures has listed out the responsible persons and the procedures to follow for obtaining and selecting FA Firms for provision of the Services. According to the Procedures, the financial controller (the “**Financial Controller**”) and the company secretary (the “**Company Secretary**”) of the Company, after determining preliminarily if the proposed transaction is inside information and any Listing Rules implications, are responsible for short-listing at least 3 financial advisory service providers. The Company Secretary will then (a) compare the fee quotations and other qualitative factors including reputation of the FA Firms and their previous work experience (if any), complexity of the potential/proposed corporate/M&A transaction (including fundraising exercise), delivery time, payment terms, response time, and if applicable, will also consider the charging rate with reference to previous deals and make a preliminary selection of the FA Firm to be appointed; (b) report to the Chairman of the Board the shortlisted FA Firms (including their respective fees and terms) and at the same time the Company Secretary will inform the Chairman of the Board the FA Firm he has preliminarily selected to be appointed (including the basis of the selection); and (c) once sanctioned by the Chairman of the Board, the selected FA Firm to be appointed will be proposed to the Board for final approval by the Board. In the event that the FA firm preliminarily selected by the Company Secretary under (a) above is a connected person, the Company Secretary will refer the case to the INEDs for consideration and the Board shall determination the appointment of the FA Firm based on the recommendation of the INEDs.

According to Appendix 14 of the Listing Rules (Corporate Governance Code and Corporate Governance Report), company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. Company secretary is responsible for, among others, advising the board through the chairman and/or the chief executive on governance matters. In view of the role of the Company Secretary as prescribed in the Listing Rules and that, as confirmed by the Company, the Financial Controller and the Company Secretary are senior management of the Company and their would be actively involved in corporate exercises of the Company, we consider that it is appropriate for the Financial Controller and/or the Company Secretary (as appropriate) to be responsible for shortlisting, obtaining and preliminarily selecting FA firms for provision of the Services for the Board or the INEDs’ consideration.

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Regarding cases where the potential M&A transaction is originated from or introduced by RGL Group, we concur with the view of the Directors that such opportunities are unique to the originator/introducer and it would be impossible for the Company to solicit at least two other contemporaneous quotations with unrelated third parties for similar services. As a safeguard to protect the interests of the Company, the engagement of RGL Group in such opportunities will be considered by the Board (with Mr. Ko to abstain from voting on the relevant Board resolution) on a case by case basis taking into consideration factors such as the benefits of the potential M&A transaction to the Company and its Shareholders, and the basis of determining the relevant introduction fee with reference to previous deals. In the event the introduction fee proposed by RGL Group exceeds 5%, the Company will not engage RGL Group in respect of the relevant M&A transaction under the Financial Services Agreement. Also, in any event, all the connected transactions will be subject to the annual review requirements under the Listing Rules as discussed in the section headed “Measures to ensure compliance with the Listing Rules” of this letter.

Based on the aforesaid and in view that (i) the Company has established the Procedures which is applicable to all of the Services except for M&A transactions which are originated by RGL Group; (ii) in the event the introduction fee proposed by RGL Group exceeds 5%, the Company will not engage RGL Group in respect of the relevant M&A transaction under the Financial Services Agreement; (iii) Mr. Ko shall abstain from voting on the relevant Board resolution and the Company shall comply with the annual review and reporting procedures as required by the Listing Rules as discussed in the section headed “Measures to ensure compliance with the Listing Rules” at later part of this letter, we consider that the Company could ensure that the terms of the engagements of RGL Group are on normal commercial terms or on terms no less favourable than those offered by independent financial advisory firms. As confirmed by the Management, the expected Services to be provided by RGL Group under the Financial Services Agreement and the relevant pricing basis have been set out in the section headed “Financial Services Agreement” in the Board’s Letter and it is not expected that there will be any situation cover by the Financial Services Agreement where there is no previous deal or market or peer reference.

3. The proposed annual caps

The Company proposes to set annual caps for the fees payable to RGL in respect of the Services at HK\$60.0 million for each of the years ending 31 December 2015 (from the effective date of the Financial Services Agreement to 31 December 2015), 2016 and 2017.

Basis in determining the proposed annual caps

We have enquired with and understand from the Directors that in determining the proposed annual caps, the Board has based their estimates on:

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- (i) the estimated usage of the Services by the Group – after the completion of the Subscription which brought in Kuang-Chi Innovative Technology Limited as a strategic controlling Shareholder, the Group established a new business segment relating to the novel space services and other innovative technology industry and carried out significantly more M&A activities relating to this new business segment. The Group expects that such new business segment will continue to be the focus of the Group and consequently the level of M&A activities to be comparable to the level in the second half of 2014;
- (ii) the estimated amount of the Group's available funds for possible advisory and/or merger and acquisition transactions that may be conducted by the Group – the Group has considered the current available internal resources which would be available for M&A activities and the scale of any possible fundraising activities per year. The Company considers that it is not appropriate to disclose the amount of funds budgeted for M&A activities as well as the amount of fundraising activities as these amounts are merely an estimate and disclosing such information may mislead the market. The Company is of the view that sufficient information has been set out in the Circular for the Independent Shareholders to consider whether the annual caps are fair and reasonable. The proposed annual caps was determined by the Company with reference to the aforesaid funding budgets and an estimated percentage of service fee of approximately 3%, such percentage being determined by the Company after considering, among others, (a) the historical percentage of service fee charged by RGL Group as well as other FA Firms in the market in respect of previous M&A transactions; and (b) the range of placing commission rate which the Company understands is normally charged by RGL Group and other FA Firms in the market;
- (iii) the historical amount of service fee charged by RGL Group in respect of services provided to the Group (a) in the second half of 2014 (since completion of the Subscription in August 2014) which amounted to approximately HK\$30.1 million, and (b) since August 2014 and up to the date of the Financial Services Agreement which amounted to approximately HK\$38.3 million; and
- (iv) a buffer of approximately 15% for any Services to be provided in respect of corporate exercises which do not constitute M&A transactions or fundraising activities as well as for any possible additional workload of the Services that may occur and other unforeseen circumstances which may affect the volume of the Services. As the Company may conduct other corporate exercises other than M&A transactions and fundraising activities, which amount cannot be estimated with certainty currently, and in order to cater for any possible additional workload due to unforeseen circumstances, the Company considers the buffer of 15% enables the Company to have the flexibility in choosing RGL Group or other independent FA Firms that it thinks fit and appropriate for the benefit of the Group. The proposed annual caps and the buffer of 15% does not represent any commitment of the Group to appoint RGL Group for the provision of the Services.

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To assess the fairness and reasonableness of the proposed annual caps, we have reviewed the estimated annual usage of the Services by the Group and noted that the estimated annual usage of the Services by the Group as well as the estimated fees under the proposed annual caps is comparable to the level of M&A activities conducted by the Company in the second half of 2014 on an annualized basis. We also noted that the estimated percentage of service fee of approximately 3% for both of fundraising exercise (in the form of commission) and M&A Transactions (in the form of introductory fee) adopted in the calculation of the annual caps fall within the range as specified in the Procedures. We have also enquired with the Company as to the estimated amount of the Group's available funds for possible advisory and/or M&A transactions that may be conducted by the Group. We have also obtained and reviewed breakdown of the historical amount of service fee charged by RGL Group in respect of services provided to the Group since August 2014 (i.e. since RGL Group became a connected person of the Company) and up to the date of the Financial Services Agreement.

Apart from M&A transactions or fundraising activities, we noted that the Company may conduct other corporate exercises (for example the November 2014 Transaction and the December 2014 Transaction) and require brokerage services which amount, however, cannot be estimated with certainty currently, and in order to cater for any possible additional workload of the Services that may occur and other unforeseen circumstances which may affect the volume of the Services, we consider that it is fair and reasonable to include a buffer in the calculation of the proposed annual caps.

Pricing of the Services

Regarding the pricing of the Services, we were advised by the Company that the fees for the Services, which may include financial advisory fees, introduction fees, placing and/or underwriting commissions, brokerage and/or other related handling fees, will be determined on a case-by-case basis depending on the type of the Services to be provided, details of which were set out in the subsection headed "Pricing Basis" in the section head "The Financial Services Agreement" of this letter.

We understand that the fundraising exercise(s) under Type 3 Service may involve (a) open offer/rights issue; (b) placing of convertible bonds/notes; and (c) placing of new shares/top-up placing. To assess the fairness and reasonableness of the pricing basis of Type 3 Service, we have identified recent relevant fundraising exercises of companies listed on the Main Board of the Stock Exchange announced between 11 May 2015, being the date of the Financial Services Agreement, and 30 June 2015 (the "**Comparable(s)**"). For comparison purpose, all of the said fundraising exercises involved payment of commission with disclosure in announcements of the pricing basis of the commission charged by the relevant placing agent/underwriter.

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We believe that the Comparables are fair and indicative in reflecting the current market conditions. Independent Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in fundraising exercises. We noted that save for one Comparable (Vanke Property (Overseas) Limited) in which the placing agents charged flat fees, the commissions of the fundraising exercises of the Comparables were determined based on a percentage of the funds to be raised, i.e. tally with the pricing basis of Type 3 Services. Set out below is a summary of the Comparables and the relevant transactions.

(a) Open offer/right issue

Date of announcement	Company name	Stock code	Underwriting commission
2015.05.14	China Kingston Mining Holdings Limited	1380	3.50%
2015.05.14	Capital Estate Limited	193	2.00%
2015.05.15	Eternity Investment Limited	764	2.50%
2015.05.15	Hailiang International Holdings Limited	2336	0.75%
2015.05.20	China Strategic Holdings Limited	235	2.50%
2015.05.26	Universe International Holdings Limited	1046	3.50%
2015.05.27	APAC Resources Limited	1104	2.00%
2015.06.01	TCC International Holdings Limited	1136	1.20%
2015.06.04	PNG Resources Holdings Limited	221	2.50%
2015.06.08	China National Culture Group Limited	745	2.00%
2015.06.10	China Rare Earth Holdings Limited	769	3.50%
2015.06.29	IRC Limited	1029	5.00%
2015.06.29	Fujian Holdings Limited	181	2.50%
2015.06.23	AMCO United Holding Limited	630	3.50%
2015.06.25	Vanke Property (Overseas) Limited	1036	Flat fees
2015.06.26	King Stone Energy Group Limited	663	2.50%
		Min:	0.75%
		Max:	5.00%

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(b) Placing of convertible bonds/notes

Date of announcement	Company name	Stock code	Placing commission
2015.05.14	Wanjia Group Holdings Limited	401	2.00%
2015.05.17	Up Energy Development Group Limited	307	2.00%
2015.05.18	Energy International Investments Holdings Limited	353	1.50%
2015.05.21	Asia Resources Holdings Limited	899	1.25%
2015.06.03	The Hong Kong Building and Loan Agency Limited	145	3.00%
2015.06.04	Kiu Hung International Holdings Limited	381	1.50%
2015.06.05	SinoCom Software Group Limited	299	2.50%
2015.06.17	Sandmartin International Holdings Limited	482	5.00%
2015.06.23	China Investment Fund Company Limited	612	1.50%
2015.06.25	CCT Land Holdings Limited	261	4.00%
		Min:	1.25%
		Max:	5.00%

(c) Placing of new shares/top-up placing

Date of announcement	Company name	Stock code	Placing commission
2015.05.11	Sino Haijing Holdings Limited	1106	3.00%
2015.05.11	See Corporation Limited	491	2.50%
2015.05.11	CCT Land Holdings Limited	261	2.50%
2015.05.12	China Packaging Holdings Development Limited	1439	4.00%
2015.05.13	Prosperity Investment Holdings Limited	310	3.00%
2015.05.14	e-Kong Group Limited	524	2.50%
2015.05.15	Genvon Group Limited	2389	2.00%
2015.05.17	Up Energy Development Group Limited	307	5.00%
2015.05.17	Sinomax Group Limited	1418	3.50%
2015.05.18	Agritrade Resources Limited	1131	2.00%
2015.05.18	Energy International Investments Holdings Limited	353	1.50%
2015.05.20	China Strategic Holdings Limited	235	2.50%
2015.05.22	China NT Pharma Group Company Limited	1011	1.50%
2015.05.23	Forgegame Holdings Limited	484	1.20%
2015.05.26	eForce Holdings Limited	943	3.00%
2015.05.26	Universe International Holdings Limited	1046	3.50%
2015.05.26	Emperor Capital Group Limited	717	3.00%
2015.05.26	Rosedale Hotel Holdings Limited	1189	2.50%

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Date of announcement	Company name	Stock code	Placing commission
2015.05.27	China Silver Group Limited	815	2.00%
2015.05.28	Huiyin Household Appliances Holdings) Co., Ltd.	1280	2.00%
2015.05.28	Enterprise Development Holdings Limited	1808	3.00%
2015.05.28	Smartac Group China Holdings Limited	395	0.50%
2015.06.01	QPL International Holdings Limited	243	1.50%
2015.06.02	Sinoref Holdings Limited	1020	0.50%
2015.06.01	OP Financial Investments Limited	1140	2.00%
2015.06.01	China Renji Medical Group Ltd.	648	3.00%
2015.06.01	China Star Entertainment Limited	326	2.50%
2015.06.01	China MeiDong Auto Holdings Limited	1268	3.50%
2015.06.02	SMI Culture Group Holdings Limited	2366	2.50%
2015.06.03	ITC Corporation Limited	372	2.50%
2015.06.03	China Success Finance Group Holdings Limited	3623	1.00%
2015.06.03	The Hong Kong Building and Loan Agency Limited	145	3.00%
2015.06.04	HNA International Investment Holdings Limited	521	3.50%
2015.06.04	DeTeam Company Limited	65	3.50%
2015.06.04	Kingsoft Corporation Limited	3888	0.60%
2015.06.04	BeijingWest Industries International Limited	2339	2.50%
2015.06.04	Far East Holdings International Limited	36	2.50%
2015.06.05	Convoy Financial Holdings Limited	1019	3.50%
2015.06.05	Oi Wah Pawnshop Credit Holdings Limited	1319	5.50%
2015.06.08	China Aluminum Cans Holdings Limited	6898	3.00%
2015.06.10	SMI Holdings Group Limited	198	2.83%
2015.06.15	CITIC Dameng Holdings Limited	1091	1.25%
2015.06.15	Bestway International Holdings Limited	718	1.50%
2015.06.12	National Agricultural Holdings Limited	1236	2.50%
2015.06.18	Ceneric (Holdings) Limited	542	2.50%
2015.06.18	Neway Group Holdings Limited	55	2.50%
2015.06.18	China Ruifeng Renewable Energy Holdings Limited	527	0.50%
2015.06.17	China New Energy Power Group Limited	1041	1.50%
2015.06.19	Greenheart Group Limited	94	2.50%
2015.06.22	China Environmental Resources Group Limited	1130	2.00%
2015.06.23	China Investment Fund Company Limited	612	1.50%
2015.06.23	New Times Energy Corporation Limited	166	3.00%
2015.06.24	SMI Holdings Group Limited	198	3.00%
2015.06.24	Sunwah Kingsway Capital Holdings Limited	188	2.00%

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Date of announcement	Company name	Stock code	Placing commission
2015.06.26	China For You Group Company Limited	572	3.00%
2015.06.26	North Asia Resources Holdings Limited	61	1.00%
2015.06.30	China Automotive Interior Decoration Holdings Limited	48	1.00%
2015.06.30	Earthasia International Holdings Limited	6128	3.50%
		Min:	0.50%
		Max:	5.50%

As illustrated in the above tables, the commission involved in the above transactions of the Companies for (a) open offer/right issue range from a minimum of 0.75% to 5.00%; (b) placing of convertible bonds/notes range from a minimum of 1.25% to 5.00%; and (c) placing of new shares/top up placing range from 0.50% to 5.50% (the “**Market Ranges**”). We noted that the market rate of the commission for placing/underwriting as expected by the Company as disclosed in the Board’s Letter of 3% to 5% (the “**Expected Range**”) fall within the Market Ranges. Although the Expected Range is at the mid to higher end of the Market Ranges, the placing/underwriting commission payable by the Company will be affected by a number of factors including but not limited to market sentiment and urgency of the funding needs of the Group. As such, the Expected Range only represents the current view of the Company. As confirmed by the Management, if the fundraising plan of the Company materializes, the Company will consider the prevailing market range of placing/underwriting commissions as disclosed in recent relevant announcements published by other listed issuers and to follow the Procedures which shall include but not limited to making enquiry (on a best endeavor basis) of at least two (2) independent FA Firms as to the percentage of placing/underwriting commissions charged for comparison and consideration purpose, before making any decision in relation to fundraising.

Regarding the pricing basis of Type 4 Service, we have reviewed the pricing basis of brokerage companies for brokerage and fees as disclosed in the initial public offering exercises for listing on the Main Board of the Stock Exchange for the period 21 June 2015 to 30 June 2015, details of which are set out in the table below:

Date of prospectus	Company name	Stock code	Pricing basis of brokerage and other fees	Amount of brokerage
2015.06.21	Luzheng Futures Company Limited	1461	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.22	Cheng Xing Development Holdings Limited	2286	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.23	Guolian Securities Co., Ltd.	1456	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.23	Xinming China Holdings Limited	2699	A percentage on the value of the securities involved	1% of the value of the securities involved

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Date of prospectus	Company name	Stock code	Pricing basis of brokerage and other fees	Amount of brokerage
2015.06.23	Tsaker Chemical Group Limited	1986	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.24	Univeral Medical Financial & Technical Advisory Services Company Limited	2666	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.24	Tianyun International Holdings Limited	6836	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.25	PuraPharm Corporation Limited	1498	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.25	Harmonicare Medical Holdings Limited	1509	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.30	Golden Throat Holdings Group Company Limited	6896	A percentage on the value of the securities involved	1% of the value of the securities involved
2015.06.30	Zhongzhi Pharmaceutical Holdings Limited	3737	A percentage on the value of the securities involved	1% of the value of the securities involved

We noted that the brokerage firms involved in the above initial public offering exercises charge brokerage and other fees on the basis of the value of the securities involved which is tally with the pricing basis of Type 4 Services. The percentage of the brokerage of the companies as set out in the above table is for information only. The actual percentage of the brokerage and/or other fees to be paid by the Company under Type 4 Services may vary and, as confirmed by the Management, the Company will comply with the Procedures which shall include but not limited to making enquiry (on a best endeavor basis) of at least two (2) independent FA Firms for comparison and consideration purpose, before deciding whether to engage RGL Group or an independent FA Firm for provision of Type 4 Service.

Regarding the pricing basis of Types 1 and 2 Services, we noted that they are comparable to the pricing basis of our firm for provision of similar services to clients, which, to the best of our knowledge and according to our experience, are generally in line with the market norm in Hong Kong's financial market. To our best knowledge, there is no authoritative textbook or public information on the aforesaid market norm. We noted that prior to Mr. Ko became a connected person of the Company in September 2014, the Company had engaged RFML for provision of Services in respect of the Subscription, i.e. when RFML was an independent third party to the Company, and the percentage of service fee paid thereunder was comparable to those set out in the Procedures. We have reviewed the percentages of fees charged by RGL Group (which included Types 1, 2 and 3 Services) after it became a connected person and noted that these were in general in line with the Procedures. Since we were not engaged as an independent financial adviser in respect of the foresaid engagements, we are not in a position to comment on the terms of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

aforesaid engagements. However, we noted from the published announcements of the Company in respect of these engagements (to the extent available), the Directors (including the INEDs) have confirmed that they considered the terms of the engagements of RFML are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

On the basis that (a) the estimated usage of the Services by the Group; (b) the estimated amount of the Group's available funds for possible advisory and/or merger and acquisition transactions that may be conducted by the Group; and (c) the percentages of service fees of the Services as adopted in the calculation of the annual caps are in line with the Procedures and are comparable to (i) the fee paid by the Company to RFML in respect of the Subscription when RFML was an independent third party to the Company; and (ii) the historical service fees charged by RFML in the past, we consider that proposed annual caps are fair and reasonable.

4. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under the Listing Rules, the Directors have confirmed that the Company will comply with the following during the term of the Financial Services Agreement:

- (i) each year the INEDs must review the continuing connected transactions and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - have not been approved by the Board;
 - are not, in all material respects, in accordance with the pricing policies of the Company if the continuing connected transactions involve provision of goods or services by the Company; have been entered into in accordance with the relevant agreements governing the continuing connected transactions; and
 - have exceeded the annual caps;

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- (iii) the Company will allow, and will procure that the counterparties will allow, the auditors of the Company with sufficient access to the relevant records of the continuing connected transactions for the purpose of reporting on the continuing connected transactions. The Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the INEDs and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

Having considered, in particular, (i) the restriction of the value of the continuing connected transactions by way of the annual caps; and (ii) the ongoing review by the INEDs and the auditors of the Company of the terms of the continuing connected transactions and the annual caps not being exceeded, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the continuing connected transactions under the Financial Services Agreement are in the ordinary and usual course of business of the Company; and (ii) the terms of the continuing connected transactions under the Financial Services Agreement and the proposed annual caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM for approving the continuing connected transactions under the Financial Services Agreement and the proposed annual caps.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director – Corporate Finance

Note: Ms. Josephine Lau has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2007, respectively. Ms. Lau has more than 14 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

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. 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 interests	Family interests	Corporate interests		
Dr. Liu Ruopeng (“Dr. Liu”)	2,045,666,667 (L) (note 2)	-	3,000,000 (L) (note 3)	912,333,333 (L) (note 4)	2,961,000,000 (L)	62.37%
	1,059,666,667 (S) (note 5)	-	-	-	1,059,666,667 (S)	22.32%
Mr. Ko	401,111,112 (L) (note 6)	-	-	178,888,889 (L) (note 7)	580,000,001 (L)	12.22%
Dr. Zhang Yangyang (“Dr. Zhang”)	-	15,000,000 (L) (note 8)	-	-	15,000,000 (L)	0.32%
Dr. Luan Lin (“Dr. Luan”)	-	9,900,000 (L) (note 9)	-	-	9,900,000 (L)	0.21%

Notes:

1. “L” represents long position in Shares/underlying Shares and “S” represents short position in Shares.
2. This represents the interests in 2,045,666,667 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 Ping An Bank Co. Ltd. (平安银行股份有限公司) over 1,059,666,667 Shares owned by New Horizon.
6. This represents the interests in (i) 280,777,778 Shares held by Starbliss Holdings Limited (“**Starbliss**”); (ii) 120,333,333 Shares held by REORIENT Global Limited (“**REORIENT Global**”); and (iii) 1 Share held by RFML. Starbliss is ultimately wholly owned by Mr. Ko. Both REORIENT Global and RFML are wholly owned by RGL, of which Mr. Ko is the controlling shareholder and an executive director. Accordingly, Mr. Ko is deemed to be interested in the same number of Shares held through Starbliss, REORIENT Global and RFML.
7. This represents the interests in (i) 125,222,222 preferred shares of the Company held by Starbliss; and (ii) 53,666,667 preferred shares of the Company held 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 or which were required to be entered in the register required to be kept under section 352 of the SFO.

Save as disclosed below, at the Latest Practicable Date, 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 of Part XV of the SFO:

- (1) Dr. Liu is a director of New Horizon, Wireless Connection Innovative 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 is a director of Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Kuang-Chi Hezhong Technology Limited.
- (3) Dr. Luan is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.
- (4) Mr. Ko is director of Starbliss.

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

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 December 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 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 December 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 Financial Services Agreement entered into between the Company and RGL, of which, as at the Latest Practicable Date, Mr. Ko, an executive Director, is the controlling shareholder, none of the Directors was materially interested in contracts or arrangements subsisting which were 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
Proton Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Proton Capital Limited 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

Proton Capital Limited 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 December 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, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including 10 August 2015 (except Saturdays and Sundays) and will be available for inspection at the SGM:

- (a) the Financial Services Agreement;
- (b) 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;
- (c) 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
- (d) 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.

NOTICE OF SGM



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 Unit 515-518, 5/F, Building 16W, No. 16 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong on Monday, 10 August 2015 at 11:30 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 agreement between the Company (together with its subsidiaries, the “**Group**”) and REORIENT Group Limited (“**RGL**”, together with its associates, the “**RGL Group**”) dated 11 May 2015 (the “**Financial Services Agreement**”) in respect of the provision of services including but not limited to corporate finance services, brokerage, share placing and underwriting, asset management, financial advisory and related services by RGL Group to the Group for the period commencing from the date this resolution is approved 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 Financial Services Agreement.”

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

Hong Kong, 17 July 2015

NOTICE OF SGM

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

*Head Office and Principal Place of
Business in Hong Kong:*
Unit 906, 9th Floor
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. 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 four executive directors, namely Dr. Liu Ruopeng, Dr. Luan Lin, Dr. Zhang Yangyang and Mr. Ko Chun Shun, Johnson; and three independent non-executive directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak.