
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)

**DISCLOSEABLE AND CONNECTED TRANSACTION –
SUBSCRIPTION OF SHARES IN LONGSHENG
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 4 to 12 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on pages 13 to 14 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 15 to 28 of this circular.

A notice convening the SGM to be held at Units 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 11:00 a.m. is set out on pages 33 to 34 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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For illustration purposes, RMB is converted into HK\$ at RMB1 = HK\$1.25 in this circular.

The English translation of the PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations in Chinese, etc. included in this circular is included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

DEFINITIONS

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

“Announcements”	the announcements of the Company dated 25 March 2015, 31 March 2015 and 18 June 2015
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Days”	except Saturday, Sunday and statutory holidays in the PRC, not including Monday to Friday announced by the PRC government as rest days, but including Saturday and Sunday announced by the PRC government as working days
“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
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Dr. Liu”	Dr. Liu Ruopeng
“Dr. Luan”	Dr. Luan Lin
“Dr. Zhang”	Dr. Zhang Yangyang
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“KC Subscription”	subscription of the KC Subscription Shares pursuant to the KC Subscription Agreement
“KC Subscription Agreement”	the KC Subscription Agreement dated 25 March 2015 entered into between the Subscriber and Longsheng, as amended by the Supplemental Agreement
“KC Subscription Shares”	41,958,041 new Longsheng Shares to be subscribed by the Subscriber under the KC Subscription Agreement

DEFINITIONS

“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 KC Subscription
“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 KC Subscription
“Independent Shareholders”	Shareholders other than Dr. Liu, Dr. Luan and Dr. Zhang and their respective associates (including New Horizon Wireless Technology Limited)
“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
“Longsheng”	Zhejiang Longsheng Automotive Parts Stock Limited Corporation (浙江龍生汽車部件股份有限公司) (stock code: 002625.SZ), the shares of which are listed on the Shenzhen Stock Exchange
“Longsheng Share”	ordinary share of RMB1.00 each in the share capital of Longsheng
“PRC”	the People’s Republic of China (which for the purpose of the KC Subscription Agreement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“Price Adjustment”	the subscription price of each Longsheng Share shall be adjusted if Longsheng conducts any corporate actions involving ex-right or ex-dividend (includes distribution of cash dividends, issue of bonus shares or increase of issued share capital) from the date of determination of the subscription price up to the allotment and issue of the new Longsheng Shares under the Subscription
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened and held at Units 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 11:00 a.m. for the purpose of considering, and if thought fit, approving the KC Subscription
“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
“Subscriber”	Kuangchi Space Technology Company Limited (深圳光啟空間技術有限公司)
“Subscription”	proposed subscription of 1,006,993,000 new Longsheng Shares by ten subscribers, including the Subscriber
“Supplemental Agreement”	the supplemental agreement entered into between the Company and Longsheng dated 31 March 2015 to amend certain terms of the KC Subscription Agreement
“%”	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,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
SUBSCRIPTION OF SHARES IN LONGSHENG
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements.

On 25 March 2015 (after trading hours), the Subscriber and Longsheng entered into the KC Subscription Agreement, pursuant to which Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the consideration of RMB300 million (equivalent to approximately HK\$375 million).

LETTER FROM THE BOARD

On 31 March 2015 (after trading hours), the Subscriber and Longsheng entered into the Supplemental Agreement to amend the reference date for determining the minimum price per Longsheng Share in respect of the KC Subscription from 25 March 2015, being the date of the original announcement of the relevant board resolution by Longsheng, to 1 April 2015.

The Company received a letter dated 16 June 2015 from the Stock Exchange that the Stock Exchange exercised its discretion under Rule 14A.20 of the Listing Rules to deem Longsheng as a connected person in respect of the KC Subscription. So, the KC Subscription would constitute a connected transaction under Rule 14A.25 of the Listing Rules, and the Company is required to comply with the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for the KC Subscription.

The purpose of this circular is to give you, among other things, (i) information of the KC Subscription; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the KC Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the KC Subscription; (iv) the notice of the SGM; and (v) other information as required under the Listing Rules.

THE KC SUBSCRIPTION AGREEMENT

Date: 25 March 2015 (after trading hours)

Parties: (i) the Subscriber, a wholly-owned subsidiary of the Company, as the subscriber;
and
(ii) Longsheng, as the issuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Longsheng and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company. The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem Longsheng as a connected person in respect of the KC Subscription. In making the determination, the Stock Exchange has taken into account the following factors:

- (1) Dr. Liu is an executive Director. Dazi Ying Bang (as defined below) is an associate of Dr. Liu.
- (2) Longsheng has entered into an agreement with the Subscriber for the KC Subscription. Longsheng has also entered into an agreement with Dazi Ying Bang (which is a connected person) for the DZ Subscription (as defined below). The KC Subscription and the DZ Subscription form part of the Subscription proposed by Longsheng. They are related to each other and fall under the circumstances described in Rule 14A.20(1).

LETTER FROM THE BOARD

- (3) The Stock Exchange considers that Longsheng should be considered as connected person of the Company because:
- (a) Dr. Liu, Dr. Luan and Dr. Zhang are all executive Directors and are in a position to exercise significant influence over the Company. They have taken part in the Company's decision making process of, and approved, the KC Subscription in the board meeting. The major terms of the KC Subscription (including the subscription price and lock-up period) are the same as those agreed between Longsheng and Dazi Ying Bang.
 - (b) Dr. Liu, Dr. Luan and Dr. Zhang, through Kuang-Chi Hezhong, have substantial interests in Dazi Ying Bang which has agreed to subscribe for a 41.17% interest in Longsheng. It is possible for these connected persons to benefits from the KC Subscription by using the Company's resources to subscribe an interest in Longsheng and enhance their control over Longsheng after the Subscription.
 - (c) The undertaking given by the Subscriber would confer a benefit on Longsheng which would become an associate of Dr. Liu and Kuang-Chi Hezhong and therefore a connected person of the Company after the Subscription. Further, under the undertakings given by Dr. Liu and Kuang-Chi Hezhong to Longsheng, the connected persons may exercise influence over the Company to restrict the Company and its subsidiaries from engaging business that may compete with Longsheng.

Subscription shares

Subject to fulfilment of the condition of the KC Subscription and the terms set out in the KC Subscription Agreement, Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the subscription price of RMB7.15 per Longsheng Share. The 41,958,041 new Longsheng Shares represent (i) approximately 13.95% of the existing issued share capital of Longsheng as at the date of the KC Subscription Agreement; and (ii) approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

In determining the number of Longsheng Shares to be subscribed by the Company, the Company has taken into consideration a number of factors including, but not limited to, the potential benefits relating to the development of a strategic business relationship in the future with Longsheng and the Group's working capital resources, the Group's investment plan in the foreseeable future and the upside potential on the holding of the Longsheng Shares.

The Subscription (including the KC Subscription) conducted by Longsheng involves proposed subscription of totalling 1,006,993,000 new Longsheng Shares by ten subscribers (including the Subscriber). All the 1,006,993,000 new Longsheng Shares shall be allotted and issued at the same time.

LETTER FROM THE BOARD

Consideration

The consideration for the KC Subscription Shares shall be RMB300 million (equivalent to approximately HK\$375 million) and is payable in cash by the Subscriber on or before the date specified by Longsheng after obtaining the formal approval from the CSRC in respect of the Subscription. The Group intends to use its internal resources to fund the consideration.

The subscription price of RMB7.15 per Longsheng Share was determined between the Subscriber and Longsheng after arm's length negotiations with reference to, among other things, the recent share prices of Longsheng Share after taking into account of the requirements under the Measures for the Administration of the Issue of Securities of Listed Companies (《上市公司證券發行管理辦法》) and the Implementation Rules for the Non-public Issue of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) issued by the CSRC (collectively, the "Measures").

According to the Measures, the subscription price of new shares under non-public issuance should not be less than 90% of the average trading price of the last 20 trading days immediately preceding the price determination date.

Conditions precedent

Completion of the KC Subscription is conditional upon the satisfaction (unless waived in accordance with the KC Subscription Agreement) of the following conditions:

- (a) approval by the board of directors of Longsheng and the shareholders of Longsheng in respect of (i) the Subscription; and (ii) a waiver to make a general offer as a result of the Subscription;
- (b) approval by the CSRC in respect of the Subscription;
- (c) there being no event, change or circumstance having any material adverse effect on Longsheng subsisting;
- (d) the representations and warranties by the Subscriber under the KC Subscription Agreement were true and accurate in all material respects at the date of the KC Subscription Agreement and remaining true, accurate, complete and not misleading in all material respects up to the date when the Subscriber is registered as a shareholder of Longsheng; and
- (e) the representations and warranties by Longsheng under the KC Subscription Agreement were true and accurate in all material respects at the date of the KC Subscription Agreement and remaining true, accurate, complete and not misleading in all material respects up to the date when the Subscriber is registered as a shareholder of Longsheng.

LETTER FROM THE BOARD

Longsheng has the right to waive condition (d) above and the Subscriber has the right to waive conditions (c) and (e) above. The Company considers that conditions (c) and (e) are normal commercial practice and customary terms for agreements which are similar in nature to the KC Subscription. The Directors will consider all relevant matters and must comply with all relevant Listing Rules requirements, including but not limited to Rule 3.08, prior to any of these conditions is waived. As at the Latest Practicable Date, the Company had no intention to waive any of these conditions.

Given that the Stock Exchange has exercised its discretion to deem Longsheng as a connected person in respect of the KC Subscription and so the KC Subscription constitutes a connected transaction, the KC Subscription is also conditional upon the passing of resolution by the Independent Shareholders in general meeting of the Company approving the KC Subscription.

The KC Subscription Agreement shall become effective upon the satisfaction of the following:

- (a) approval by the shareholders of Longsheng in respect of the KC Subscription Agreement and the Subscription;
- (b) approval by the independent shareholders of Longsheng for a waiver in respect of the obligations of Tibet Dazi Ying Bang Industrial Development Co., Ltd. (西藏達孜映邦實業發展有限責任公司) (“Dazi Ying Bang”), a company to be established by Shenzhen Kuang-Chi Hezhong Technology Limited (“Kuang-Chi Hezhong”) as its wholly-owned subsidiary, and the Subscriber to make a general offer for the Longsheng Shares as a result of the Subscription; and
- (c) approval by the CSRC in respect of the Subscription.

The controlling shareholder of the Company, New Horizon Wireless Technology Limited (“New Horizon”), is owned as to 51% by Kuang-Chi Innovative Technology Limited (“Kuang-Chi”) and as to 49% by Kuang-Chi Hezhong. Kuang-Chi 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 (“SZ Dapeng Kuang-Chi”) of which Dr. Liu Ruopeng is the controlling shareholder, and Dr. Liu Ruopeng is the controlling shareholder of Kuang-Chi Hezhong. Dr. Liu Ruopeng is the chairman of the Company and an executive Director. The shareholding structure of Kuang-Chi Hezhong as at the date of the KC Subscription Agreement and the Latest Practicable Date was set out below:

Name of shareholder	% shareholding interest
Dr. Liu	35.09
Dr. Zhang	17.54
Dr. Luan	15.79
Dr. Ji Chunlin	15.79
Dr. Zhao Zhiya	15.79
	<hr/>
Total	100.00
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LETTER FROM THE BOARD

Dr. Liu, Dr. Zhang and Dr. Luan are executive Directors, and Dr. Ji Chunlin and Dr. Zhao Zhiya are assistant general managers of the Company.

If the registration of the subscribers under the Subscription as shareholders of Longsheng is not completed within 200 days from the effective date of the KC Subscription Agreement, provided that no fault by either party, either party may terminate the KC Subscription Agreement by giving written notice to the other party.

The KC Subscription Agreement may be terminated with the written consent of both the Subscriber and Longsheng.

Undertakings

Each of Dr. Liu, Kuang-Chi Hezhong and the Subscriber has provided an undertaking with Longsheng that each of Dr. Liu, Kuang-Chi Hezhong and the Subscriber and their respective controlled companies, with effect from completion of the Subscription, will not engage in any business which may compete with Longsheng and its subsidiaries during the period when Dr. Liu's and his concert parties' interest in the issued shares in Longsheng represents 5% or more (the "Undertakings"). As set out in the preceding paragraph, Dr. Liu is the controlling shareholder of each of SZ Dapeng Kuang-Chi and Kuang-Chi Hezhong. New Horizon is the controlling shareholder of the Company and is owned as to 51% and 49% by SZ Dapeng Kuang-Chi (through Kuang-Chi) and Kuang-Chi Hezhong respectively. As such, the Company is controlled by Dr. Liu and is legally bound by the Undertakings.

The Company considers that each of the Undertakings has no actual adverse effects to the Company's business development as the Company has no current intention to diversify into activities which competes with the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures. In addition, the Company has no relevant resources or technologies to diversify into activities which compete with the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures and equipment technology. The Company does not consider Longsheng as a target of competition and rather a potential client and/or business development partner. The Company does not envisage any potential business competition with Longsheng. Even in the absence of any undertaking, the Company has no relevant resources or technologies to diversify into the existing business and the proposed new business of Longsheng. The Company considers that none of the Undertakings impose any actual threats to the Company and/or restrict the Company's expected business development plan given the existing resources and technologies of the Company.

Completion

Longsheng shall register the KC Subscription Shares under the name of the Subscriber in accordance with the requirements of the CSRC and the Shenzhen Stock Exchange within ten Business Days after payment of the consideration in full by the Subscriber.

Lock-up undertakings

The Subscriber undertakes with Longsheng that it shall not dispose, transfer or sell any of the KC Subscription Shares for a period of 36 months from the completion of the KC Subscription.

LETTER FROM THE BOARD

INFORMATION ON LONGSHENG

Longsheng is principally engaged in (i) manufacturing and sale of automotive interior parts and automotive parts; (ii) sale of commercial vehicles, general machinery and instrumentation; and (iii) import and export business. Longsheng was owned as to approximately 32.64% by Mr. Yu Long Sheng and his spouse as at the Latest Practicable Date. The Longsheng Shares are listed on the Shenzhen Stock Exchange (stock code: 002625.SZ).

The audited consolidated financial information of Longsheng for the year ended 31 December 2013 and 2014, which has been prepared in accordance with PRC accounting standards, is summarised as follows:

	For the year ended	
	31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Profit before taxation	45.1	36.0
Profit after taxation	39.1	31.3

As at 31 December 2014, Longsheng has net assets of approximately RMB473.9 million. As at the Latest Practicable Date, trading in the Longsheng shares was suspended. The closing market price of Longsheng Share on 7 July 2015, being the last trading day immediately prior to the aforesaid suspension was RMB48.09 per share, representing a premium of approximately 572.6% over the subscription price of RMB7.15 per share.

Based on the information provided by Longsheng, among other things, Longsheng intends to extend its businesses into smart structure and equipment business. Longsheng is of the view that these businesses are the national strategic emerging industries, which have important roles in supporting and leading the overall economy and long-term development of the PRC, and are expected to bring huge development opportunities and positive outlook for Longsheng.

Based on the information provided by Kuang-Chi Hezhong, under the Subscription, Dazi Ying Bang shall subscribe for 538,461,538 Longsheng Shares (“DZ Subscription”), representing approximately 41.17% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

REASONS FOR AND BENEFITS OF THE KC SUBSCRIPTION

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.

LETTER FROM THE BOARD

Longsheng will focus on the development of the smart structure and vehicle equipment in terms of intelligence, energy conservation and safety enhancement for the use in road transport and also the rail transit sector. The functions of these devices and equipment can be extended if they are connected to the internet, it enables the users to real time remote control the vehicles including the equipment installed in, perform traffic monitoring service and also provide big-data collection service and analysis. The Group focuses on disruptive spaces technology and services and has recently test-launched the Cloud which is able to provide Wi-Fi telecommunication, ground monitoring service and it can fly over remote areas. The Cloud can provide a practicable solution to allow the smart structure and vehicle equipment accessing the internet with minimum delay time to enable their online functions. The Directors consider that the smart structure and vehicle equipment will complement the current business of the Group.

Through this investment and the future possible cooperation between the Group and Longsheng, the Directors consider Longsheng provides an opportunity for the Group to further penetrate the potential customers in the auto parts industry in the PRC.

Save for the decrease in working capital as a result of the payment of the consideration for the KC Subscription Shares of RMB300 million (equivalent to approximately HK\$375 million), the Directors do not consider that there is any disadvantage resulting from the KC Subscription to the Company.

In view of the above, the Directors believe that the terms of the KC Subscription are fair and reasonable and the KC Subscription is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Based on the applicable percentage ratios (as defined in the Listing Rules), the KC Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As set out in the preceding paragraph, the Stock Exchange exercised its discretion under Rule 14A.20 of the Listing Rules to deem Longsheng as a connected person in respect of the KC Subscription. So, the KC Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios (as defined in the Listing Rules), the KC Subscription is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The KC Subscription was approved by the Board on 25 March 2015. The Company considers that no Director has a material interest in the KC Subscription and therefore no Director has abstained from voting on the board resolution.

The KC Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent set out under the section headed "Conditions precedent" in this circular. As such, the KC Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

LETTER FROM THE BOARD

SGM

It is proposed that the SGM be convened and held at Units 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 11:00 a.m. to consider and, if thought fit, approve the KC Subscription. A notice of the SGM is set out on pages 33 to 34 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.

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in the transaction must abstain from voting on the resolution. For the same reasoning about the Stock Exchange to deem Longsheng as a connected person in respect of the KC Subscription, the Stock Exchange considers that Dr. Liu, Dr. Luan and Dr. Zhang and their respective associates (including New Horizon) should abstain from voting in the shareholder's meeting for approving the KC Subscription.

Dr. Liu, Dr. Luan and Dr. Zhang and their respective associates (including New Horizon) who in aggregate were interested in 2,045,666,667 Shares (representing approximately 43.09% 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 KC Subscription.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 13 to 14 of this circular which contains its recommendation to the Independent Shareholders on the KC Subscription. 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 KC Subscription as set out on pages 15 to 28 of this circular.

The Directors (including the independent non-executive Directors) consider that the terms of the KC Subscription are fair and reasonable and the KC Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix 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,

**DISCLOSEABLE AND CONNECTED TRANSACTION –
SUBSCRIPTION OF SHARES IN LONGSHENG**

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 KC Subscription, as set out in the Circular as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the KC Subscription 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 15 to 28 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 KC Subscription.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the terms of the KC Subscription as set out in the Circular are fair and reasonable and the KC Subscription is 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 KC Subscription.

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,

DISCLOSEABLE AND CONNECTED TRANSACTION – SUBSCRIPTION OF SHARES IN LONGSHENG

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the KC Subscription Agreement and transactions contemplated thereunder, 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 25 March 2015 (after trading hours), the Subscriber and Longsheng entered into the KC Subscription Agreement, pursuant to which Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the consideration of RMB300 million (equivalent to approximately HK\$375 million).

On 31 March 2015 (after trading hours), the Subscriber and Longsheng entered into the Supplemental Agreement to amend the reference date for determining the minimum price per Longsheng Share in respect of the KC Subscription from 25 March 2015 being the date of the original announcement of the relevant board resolution by Longsheng to 1 April 2015.

The Company received a letter dated 16 June 2015 from the Stock Exchange that the Stock Exchange exercised its discretion under Rule 14A.20 of the Listing Rules to deem Longsheng as a connected person in respect of the KC Subscription. So, the KC Subscription would constitute a connected transaction under Rule 14A.25 of the Listing Rules, and the Company is required to comply with the announcement, reporting and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules for the KC Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the applicable percentage ratios (as defined in the Listing Rules), the KC Subscription constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. As set out in the preceding paragraph, the Stock Exchange exercised its discretion under Rule 14A.20 of the Listing Rules to deem Longsheng as a connected person in respect of the KC Subscription. So, the KC Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Based on the applicable percentage ratios (as defined in the Listing Rules), the KC Subscription is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 KC Subscription. 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.

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 continuing connected transactions of the Company in connection with a financial services agreement (for details, please refer to the announcement of the Company dated 11 May 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 in-depth investigation into the business and affairs of the Group, Longsheng and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 KC Subscription, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the KC Subscription Agreement

Information on the Group

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"); (ii) the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment.

We note that the Company has since the Subscription, which resulted in change in controlling Shareholder, developed its business to the Novel Space Services. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on Longsheng

Longsheng is principally engaged in (i) manufacturing and sale of automotive interior parts and automotive parts; (ii) sale of commercial vehicles, general machinery and instrumentation; and (iii) import and export business. Longsheng was owned as to approximately 32.64% by Mr. Yu Long Sheng and his spouse as at the Latest Practicable Date. The Longsheng Shares are listed on the Shenzhen Stock Exchange (stock code: 002625.SZ).

As at 31 December 2014, Longsheng has net assets of approximately RMB473.9 million. As at the Latest Practicable Date trading in the Longsheng Shares was suspended, the closing market price of the Longsheng Shares on 7 July 2015, being the last trading day immediately prior to the aforesaid suspension, was RMB48.09 per share, representing a premium of approximately 572.6% over the subscription price of RMB7.15 per share.

The audited consolidated financial information of Longsheng for the year ended 31 December 2013 and 2014, which has been prepared in accordance with PRC accounting standards, is summarised as follows:

	For the year ended	
	31 December	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Profit before taxation	45.1	36.0
Profit after taxation	39.1	31.3

Based on the information provided by Longsheng, among other things, Longsheng intends to extend its businesses into smart structure and equipment business. Longsheng is of the view that these businesses are the national strategic emerging industries, which have important roles in supporting and leading the overall economy and long-term development of the PRC, and are expected to bring huge development opportunities and positive outlook for Longsheng.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on Kuang-Chi Hezhong

The controlling shareholder of the Company, New Horizon Wireless Technology Limited, is owned as to 51% by Kuang-Chi Innovative Technology Limited (“Kuang-Chi”) and as to 49% by Kuang-Chi Hezhong. Kuang-Chi 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 Ruopeng is the controlling shareholder, and Dr. Liu Ruopeng is the controlling shareholder of Kuang-Chi Hezhong. Dr. Liu Ruopeng is the chairman of the Company and an executive Director. The shareholding structure of Kuang-Chi Hezhong as at the date of the KC Subscription Agreement and the Latest Practicable Date was set out below:

Name of shareholder	% shareholding interest
Dr. Liu	35.09
Dr. Zhang	17.54
Dr. Luan	15.79
Dr. Ji Chunlin	15.79
Dr. Zhao Zhiya	15.79
	<hr/>
Total	100.00

Dr. Liu, Dr. Zhang and Dr. Luan are executive Directors, and Dr. Ji Chunlin and Dr. Zhao Zhiya are assistant general managers of the Company.

As disclosed in the Board’s Letter, based on the information provided by Kuang-Chi Hezhong, under the Subscription, Tibet Dazi Ying Bang Industrial Development Co., Ltd. (西藏達孜映邦實業發展有限責任公司) (“Dazi Ying Bang”), a company to be established by Shenzhen Kuang-Chi Hezhong Technology Limited (“Kuang-Chi Hezhong”) as its wholly-owned subsidiary, shall subscribe for 538,461,538 Longsheng Shares, representing approximately 41.17% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

Reasons for and benefits of the KC Subscription

The Group is principally engaged in (i) the Novel Space Services; (ii) the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials; and (iii) property investment.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Board's Letter, Longsheng will focus on the development of the smart structure and vehicle equipment in terms of intelligence, energy conservation and safety enhancement for the use in road transport and also the rail transit sector. The functions of these devices and equipment can be extended if they are connected to the internet, it enables the users to real time remote control the vehicles including the equipment installed in, perform traffic monitoring service and also provide big-data collection service and analysis. The Group focuses on disruptive spaces technology and services and has recently test-launched the Cloud, being an important part of the Group's Novel Space Services, is able to provide Wi-Fi telecommunication, ground monitoring service and it can fly over remote areas. The Cloud can provide a practicable solution to allow the smart structure and vehicle equipment accessing the internet with minimum delay time to enable their online functions. The Directors consider that the smart structure and vehicle equipment will complement the current business of the Group. Through this investment and the future possible cooperation between the Group and Longsheng, the Directors consider Longsheng provides an opportunity for the Group to further penetrate the potential customers in the auto parts industry in the PRC. In view of the above, the Directors believe the terms of the KC Subscription are fair and reasonable and the KC Subscription is in the interests of the Company and the Shareholders as a whole.

We have noted from the annual report of the Company for the nine months ended 31 December 2014 (the "2014 Annual Report") that in February 2015, the Cloud was successfully launched in the Shenzhen Apollo Base of the Group. The Cloud covered an area of approximately 8,000 square kilometres and the maritime surveillance equipment collected real-time maritime information within the peripheral area of more than 200 kilometres from Shenzhen for 2,103 vessels on water sailing from 28 countries. Compared to the traditional platform, the water area under the surveillance of the Cloud is enlarged by 9 times. After the successful test launch of the Cloud in February 2015, the Group has also entered into a cooperation agreement with Parakou Shipping Limited for development of marine solutions and for conducting further commercial testing.

To further develop the application of the Cloud over the land and remote area, we understand from the Management that the Company has been looking for business partners in smart structure and vehicle equipment business and considered that the KC Subscription will pave the way for the development of a strategic business relationship in the future with Longsheng in view of the existing and future business of Longsheng.

Based on the reasons provided by the Directors and that the KC Subscription will pave the way for the development of a strategic business relationship in the future with Longsheng in view of the existing and future business of Longsheng and the KC Subscription will allow the Group to further develop the application of the Cloud over the land and remote area (i.e. transcending the existing applications in marine), we consider that it is fair and reasonable for the Company to enter into the KC Subscription Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The KC Subscription Agreement

Date: 25 March 2015 (after trading hours)

Parties: (i) the Subscriber, a wholly-owned subsidiary of the Company, as the subscriber;
and
(ii) Longsheng, as the issuer

The Subscription (including the KC Subscription) conducted by Longsheng involves proposed subscription of totalling 1,006,993,000 new Longsheng Shares by ten subscribers (including the Subscriber). All the 1,006,993,000 new Longsheng Shares shall be allotted and issued at the same time.

We noted from the Board's Letter and the 非公開發行A股股票預案(修訂稿) (Plan for non-public issuance of A shares (amended)*) published by Longsheng on 31 March 2015 (the "Document") that the KC Subscription is part of the Subscription, whereby a total of 1,006,993,000 new Longsheng Shares shall be allotted and issued at the same time by Longsheng to ten subscribers (including the Subscriber). Among the subscribers of the Subscription, Dazi Ying Bang shall subscribe for 538,461,538 Longsheng Shares, representing approximately 41.17% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription. We have enquired with and as confirmed by the Directors, save and except for Dazi Ying Bang and the Subscriber, the other eight subscribers of the Subscription are third parties independent of and not connected with the Company, Kuang-Chi Hezhong and their respective connected persons (the "Independent Subscribers").

Subscription shares and consideration

Subject to fulfilment of the condition of the KC Subscription and the terms set out in the KC Subscription Agreement, Longsheng has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe 41,958,041 new Longsheng Shares at the subscription price of RMB7.15 per Longsheng Share (subject to the Price Adjustment) (the "Subscription Price").

The 41,958,041 new Longsheng Shares represent (i) approximately 13.95% of the existing issued share capital of Longsheng as at the date of the KC Subscription Agreement; and (ii) approximately 3.21% of the issued share capital of Longsheng as enlarged by the allotment and issue of all new Longsheng Shares under the Subscription.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consideration for the KC Subscription Shares shall be RMB300 million (equivalent to approximately HK\$375 million) and is payable in cash by the Subscriber on or before the date specified by Longsheng after obtaining the formal approval from the China Securities Regulatory Commission* (中國證券監督管理委員會) (“CSRC”) in respect of the Subscription. The Group intends to use its internal resources to fund the consideration.

As confirmed by the Directors, the Subscription Price was determined between the Subscriber and Longsheng after arm’s length negotiations with reference to, among other things, the market prices of the Longsheng Shares after taking into account of the requirements under the Measures for the Administration of the Issue of Securities of Listed Companies* (《上市公司證券發行管理辦法》) and the Implementation Rules for the Non-public Issue of Shares by Listed Companies* (《上市公司非公開發行股票實施細則》) issued by the CSRC (collectively, the “CSRC Measures”).

According to the CSRC Measures, the subscription price of new shares under non-public issuance should not be less than 90% of the average trading price of the last 20 trading days immediately preceding the price determination date. We noted that the Subscription Price under the KC Subscription is RMB7.15 per Longsheng Share, which is not lower than (i) approximately RMB6.918 per Longsheng Share, being 90% of the adjusted average trading price (*Note*) of Longsheng Shares of the last 20 trading days immediately preceding the price determination date of 1 April 2015 and thus has complied with the CSRC Measures.

Note: Pursuant to the announcement of Longsheng dated 20 March 2015, a resolution was passed at the annual general meeting of Longsheng approving a capitalization issue whereby 7,000,522 Longsheng Shares would be issued to existing shareholders of Longsheng based on every 10 Longsheng Shares held. The average trading price of Longsheng Shares has been adjusted to ex-right basis accordingly.

We also noted from the Document that the Subscription Price is identical to the subscription price payable by Dazi Ying Bang and the Independent Subscribers under the Subscription.

To assess the fairness and reasonableness of the Subscription Price, we have considered the possibility of conducting a comparable analysis to compare the Subscription Price with the market prices of the shares of comparable companies listed on the Shenzhen Stock Exchange. However, in view of the turbulence of the stock markets in the PRC (“PRC Stock Markets”) since mid June 2015 and the resulting intervention actions from the CSRC and the PRC government authorities which include but not limited to The People’s Bank of China* (中國人民銀行), State-Owned Assets Supervision and Administration Commission of the State Council of the PRC* (中國國務院國有資產監督管理委員會), China Banking Regulatory Commission* (中國銀行業監督管理委員會), China Insurance Regulatory Commission* (中國保險監督管理委員會) and The Ministry of Public Security of the PRC* (中國公安部) to the PRC Stock Markets to, among others, encourage the purchase and/or discourage/restrict the disposal of listed shares so as to support the share prices of listed companies, we consider that the market prices of the comparable companies might have been distorted and thus it is not appropriate to conduct a comparable analysis. Neither we consider the use of historical market price of the comparable companies is appropriate for comparison purpose as the historical market price could not reflect the market perception on the latest development of the comparable companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As confirmed by the Management, the Company considers the KC Subscription as a strategic move to pave the way for the development of a strategic business relationship rather than a purely security investment, as such we consider that it is appropriate to consider the fairness and reasonableness of the Subscription Price based on the historical market prices of Longshen. The highest and lowest closing prices and the average closing price of Longsheng Shares as quoted on the Shenzhen Stock Exchange in each month during the period from 1 April 2014 up to and including the Latest Practicable Date (the “Review Period”) are as follows:

Month	Highest closing price (RMB)	Lowest closing price (RMB)	Average daily closing price (RMB)	No. of trading days of Longsheng Shares in each month
2014				
April	4.710	4.353	4.560	21
May (Note 1)	4.831	4.690	4.750	5
June (Note 1)	–	–	–	–
July (Note 1)	–	–	–	–
August (Note 1)	6.400	5.288	5.990	10
September	7.535	6.117	6.703	21
October	8.235	7.200	7.639	18
November	8.647	7.729	8.103	20
December	8.964	7.047	7.892	22
2015				
January (Note 2)	–	–	–	–
February (Note 2)	–	–	–	–
March (Note 2)	10.380	7.800	9.050	4
April	45.450	11.420	29.772	21
May	97.900	47.360	76.434	20
June	118.460	66.450	87.278	21
July (up to and including the Latest Practicable Date)	73.300	48.090	60.032	5

Source: Bloomberg

Notes:

1. Trading in the Longsheng Shares was suspended from 12 May 2014 to 17 August 2014 (both dates inclusive).
2. Trading in the Longsheng Shares was suspended from 2 January 2015 to 25 March 2015 (both dates inclusive).
3. Trading in the Longsheng Shares was suspended from 8 July 2015 to the Latest Practicable Date (both dates inclusive)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated by the above table, during the Review Period, the historical average daily closing prices of the Longsheng Shares per month has been higher than the Subscription Price since October 2014 (save and except for the months of January 2014 and February 2015 when trading of Longsheng Shares were suspended). The lowest and highest closing prices of the Longsheng Shares were RMB4.353 on 1 April 2014 and RMB118.46 on 2 June 2015, respectively, and the Subscription Price represents a premium of approximately 64.25% over and a material discount of approximately 93.96% to the aforesaid closing prices. The Subscription Price also represents a material discount of approximately 73.73% to the average closing price of the Longsheng Shares in the Review Period of approximately RMB27.215.

On the basis that the Subscription Price (i) is identical to the subscription price payable by, among others, the Independent Subscribers under the Subscription; (ii) was determined based on the then market price of Longsheng Shares as quoted on the Shenzhen Stock Exchange after arm's length negotiation in compliance with the CSRC Measures; (iii) represents a material discount of approximately 73.73% to the average closing price of the Longsheng Shares in the Review Period of approximately RMB27.215; and (iv) lower than the historical average daily closing prices of the Longsheng Shares per month since October 2014 (save and except for the months of January 2014 and February 2015 when trading of Longsheng Shares were suspended), we consider the Subscription Price to be fair and reasonable.

Lock-up undertaking

The Subscriber undertakes with Longsheng that it shall not dispose, transfer or sell any of the KC Subscription Shares for a period of 36 months from the completion of the KC Subscription (the "Lock-Up Undertaking").

According to the CRSC Measures, non-public issuance of new shares is generally subject to a lock-up period of not less than (i) 36 months period for (a) the controlling shareholders, their beneficial owners, or their associates; (b) investors who obtain the controlling power upon the completion of the issuance; and (c) strategic investors as introduced by the board of the company; or (ii) 12 months period for the other investors from the date of the completion of the issuance.

According to the announcement of Longsheng dated 26 March 2015, (i) Dazi Ying Bang shall become the controlling shareholder of Longsheng upon completion of the Subscription; and (ii) in view that the Subscriber is a wholly owned subsidiary of the Company and Dr. Liu, the ultimate controlling shareholder of Dazi Ying Bang, has via New Horizon Wireless Technology Limited indirectly controlled 33.27% of the shares of the Company, the Subscriber is a party acting in concert with Dr. Liu.

We noted from the Document that apart from the Subscriber, all of the new Longsheng Shares to be allotted to, among others, the Independent Subscribers under Subscription are also subject to the same lock up period of 36 months from the date of issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On the basis that the Lock-Up Undertaking was granted by the Subscriber in view of the provisions of the CSRC Measures and all the new Longsheng Shares to be allotted under the Subscription (i.e. including those new Longsheng Shares to Dazi Ying Bang and the Independent Subscribers) are subject to the same lock up period, we consider that the Lock-Up Undertaking is fair and reasonable.

Undertakings

The Board's Letter disclosed that each of Dr. Liu, Kuang-Chi Hezhong and the Subscriber has provided an undertaking with Longsheng that each of Dr. Liu, Kuang-Chi Hezhong and the Subscriber and their respective controlled companies, with effect from completion of the Subscription, will not engage in any business which may compete with Longsheng and its subsidiaries during the period when Dr. Liu's and his concert parties' interest in the issued shares in Longsheng represents 5% or more (the "Undertakings"). As set out in the preceding paragraph, Dr. Liu is the controlling shareholder of each of SZ Dapeng Kuang-Chi and Kuang-Chi Hezhong. New Horizon is the controlling shareholder of the Company and is owned as to 51% and 49% by SZ Dapeng Kuang-Chi (through Kuang-Chi) and Kuang-Chi Hezhong respectively. As such, the Company is controlled by Dr. Liu and is legally bound by the Undertakings. The Company considers that each of the Undertakings has no actual adverse effects to the Company's business development as the Company has no current intention to diversify into activities which competes with the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures. In addition, the Company has no relevant resources or technologies to diversify into activities which compete with the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures and equipment technology. The Company does not consider Longsheng as a target of competition and rather a potential client and/or business development partner. The Company does not envisage any potential business competition with Longsheng. Even in the absence of any undertaking, the Company has no relevant resources or technologies to diversify into the existing business and the proposed new business of Longsheng. The Company considers that none of the Undertakings impose any actual threats to the Company and/or restrict the Company's expected business development plan given the existing resources and technologies of the Company.

We have enquired with the Management the background and noted from the CSRC Measures that listed issuers in PRC engaging in non-public issue of new shares should avoid industry competition and be independent. We also understand from the Management that neither the Group currently have any business which may compete with the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures nor the Group intends to diversify into such business activities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Rather, as discussed in the sub-section headed “Reasons for and benefits of the KC Subscription”, through this investment and the future possible cooperation between the Group and Longsheng, the Directors consider Longsheng provides an opportunity for the Group to further penetrate the potential customers in the auto parts industry in the PRC as the Cloud can provide a practicable solution to allow the smart structure and vehicle equipment accessing the internet with minimum delay time to enable their online functions. As confirmed by the Management, since the Group does not have the necessary technologies in smart structure and vehicle equipment (i.e. the existing business and the proposed new business of Longsheng in respect of the metamaterials smart structures), the Group, instead of expanding the application of the Cloud by setting up its own companies to engage in manufacturing and sales of smart structure and vehicle equipment, has been looking for potential business partners in this regard. The Directors consider that the smart structure and vehicle equipment of Longsheng will complement (i.e. rather than competing with) the current business of the Group. On the other hand, as confirmed by the Management, the Group’s Novel Space Services involve the application of the patented novel space technologies of the Group, which will serve as an entry barrier to deter potential competitors to enter into this business segment.

We have further reviewed the Undertakings and understand that the Undertakings were required because the Subscriber is required as a party acting in concert with Kuang-Chi Hezhong. In the event, among others, that the Subscriber cease to be a party acting in concert with Kuang-Chi Hezhong and own less than 5% of shares in Longsheng, the Undertakings shall cease to have any effect on the Group.

As in the case of initial public offerings and spin-off exercises, we consider that it is desirable for companies controlled by the same shareholder to have clear delineation of business and not to engage in competing business so that these companies will not compete with each other.

On the basis that (i) the Undertakings were granted in view of the requirements of the CSRC Measures; (ii) the Group and Longsheng are engaging in completely different business, the Company has no relevant resources or technologies to diversify into the existing business and the proposed new business of Longsheng and therefore the Undertakings have no adverse impact on the Group; (iii) Longsheng provides an opportunity for the Group to further penetrate the potential customers in the auto parts industry in the PRC; (iv) it is not desirable for companies controlled by the same shareholder to compete with each other; and (v) the Undertakings shall cease to have any effect on the Group once, among others, the Subscriber cease to be a party acting in concert with Kuang-Chi Hezhong and own less than 5% of shares in Longsheng, we consider that it is fair and reasonable for the Subscriber to enter into the Undertakings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Possible financial effects of the KC Subscription

According to the latest annual report of the Company for the nine month ended 31 December 2014 (“2014 Annual Report”), the Group has bank and cash balance of approximately HK\$1,485.82 million as at 31 December 2014. We have discussed with the Management the liquidity of the Group and as advised by the Management that the Group, after taking into account of its latest bank and cash balance and the expected material future capital commitment including the consideration of the KC Subscription of RMB300 million (equivalent to approximately HK\$378 million), the Management expects that the KC Subscription will not have adverse impact to the liquidity of the Group.

The Management currently expects that the Longsheng Shares will be recognised initially at cost in the Group’s financial statements as non-current assets and subsequently measured as its quoted price (fair value/market value). In view of the market price of the Longsheng Shares since the price determination date of 1 April 2015, the Management currently considers the Subscription will not have adverse impact to the assets and liabilities of the Group.

According to the 2014 Annual Report, the Group’s gearing ratio as of 31 December 2014, defined as the percentage of the total interest bearing debt to net asset value, was approximately 8.24%. As confirmed by the Management, as the Longsheng Shares will be recognised initially at cost in the Group’s financial statements as non-current assets, the KC Subscription will not have any impact on the gearing ratio of the Group.

Shareholders should note that the above are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the KC Subscription. In view of the possible financial effects of the Subscription as illustrated above and based on the information available to us up to the Latest Practicable Date, we currently do not aware of the disadvantage of the KC Subscription to the Company save and except for the decrease in working capital as a result of the payment of the consideration for the KC Subscription Shares of RMB300 million (equivalent to approximately HK\$375 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated in this letter, we are of the opinion that (i) the terms of the KC Subscription Agreement are on normal commercial terms; (ii) the terms of the KC Subscription are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the KC Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the KC Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the proposed resolution in this regard.

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

* *For identification purpose only*

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) <i>(note 2)</i>	-	3,000,000(L) <i>(note 3)</i>	912,333,333(L) <i>(note 4)</i>	2,961,000,000(L)	62.37%
	1,059,666,667(S) <i>(note 5)</i>	-	-	-	1,059,666,667(S)	22.32%
Mr. Ko	401,111,112(L) <i>(note 6)</i>	-	-	178,888,889(L) <i>(note 7)</i>	580,000,001(L)	12.22%
Dr. Zhang Yangyang (“Dr. Zhang”)	-	15,000,000(L) <i>(note 8)</i>	-	-	15,000,000(L)	0.32%
Dr. Luan Lin (“Dr. Luan”)	-	9,900,000(L) <i>(note 9)</i>	-	-	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 REORIENT Financial Markets Limited. Starbliss is ultimately wholly owned by Mr. Ko. Both REORIENT Global and REORIENT Financial Markets Limited are wholly owned by REORIENT Group Limited, 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 REORIENT Financial Markets Limited.
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 for Securities Transactions by Directors of Listed Issuers or which were required to be entered in the register required to be kept under section 352 of the SFO.

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 Ruopeng 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 Yangyang is a director of Shenzhen Dapeng Kuang-Chi Technology Limited, an employee of Shenzhen Kuang-Chi Hezhong Technology Limited.
- (3) Dr. Luan Lin is a director of Shenzhen Dapeng Kuang-Chi Technology Limited.
- (4) Mr. Ko Chun Shun, Johnson, is a director of Starbliss.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were 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.

4. 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).

5. COMPETING BUSINESS

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

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

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 agreement dated 11 May 2015 entered into between the Company and REORIENT Group Limited in respect of provision of, among others, financial advisory services by REORIENT Group Limited and its associates to the Group (the "Financial Services Agreement"), 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.

7. 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.

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.

8. 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 KC Subscription Agreement;
- (b) the Supplemental Agreement; and
- (c) the Financial Services Agreement.

9. 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 Units 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 11:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution of the Company.

ORDINARY RESOLUTION

“THAT:

- (a) the agreement dated 25 March 2015 between Kuangchi Space Technology Company Limited (the “Subscriber”, a wholly-owned subsidiary of the Company) and Zhejiang Longsheng Automotive Parts Stock Limited Corporation (“Longsheng”) (the “KC Subscription Agreement”) in respect of the subscription of 41,958,041 new shares of Longsheng (the “Longsheng Shares”) at an issue price of RMB7.15 each (a copy of the KC Subscription Agreement is tabled at the meeting and marked “A” and initialled by the chairman of the meeting for identification purpose), and the supplemental agreement dated 31 March 2015 between the Subscriber and Longsheng (the “Supplemental Agreement”) in respect of the amendment of the reference date for determining the minimum price per Longsheng Share from 25 March 2015 to 1 April 2015 (a copy of the Supplemental Agreement is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and
- (b) any director(s) of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute and deliver all such documents and deeds, and do all such acts, matters and things as they may in their discretion consider necessary or desirable to implement and/or effect the transactions contemplated by the KC Subscription 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.