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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 –  
FINANCIAL SERVICES AGREEMENT  
AND  
CONNECTED TRANSACTION –  
APPOINTMENT OF FINANCIAL ADVISER**

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.

The Company has appointed RFML as its financial adviser to provide the FA Services i.e. advisory services in respect of the entering into of the Financial Services Agreement.

Mr. Ko, an executive Director, is the controlling shareholder of RGL and RFML is a wholly-owned subsidiary of RGL. Each of RGL and RFML 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; and the engagement of RFML to provide the FA Services constitutes a connected transaction for the Company under the Listing Rules.

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.

A circular containing, among other things, (i) information on the Financial Services Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 2 June 2015. Mr. Ko and his associates will abstain from voting at the SGM on the resolution to approve the Financial Services Agreement.

Based on the applicable percentage ratios, the engagement of RFML to provide the FA Services in aggregate with the Previous Engagements are only subject to the reporting and announcement requirements and are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **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.

### **Proposed annual caps for the Services**

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.

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

- (i) the estimated usage of the Services by the Group;
- (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;
- (iii) the historical amount of service fee charged by RGL Group in respect of services provided to the Group since August 2014 and up to the date of the Financial Services Agreement; and
- (iv) a buffer for any possible additional workload of the Services that may occur and other unforeseen circumstances which may affect the volume of the Services.

### **THE FA SERVICES**

The Company has appointed RFML as its financial adviser to provide the FA Services. RFML has agreed (i) to provide the FA Services free of charge; and (ii) to reimburse the fee payable by the Company to the Independent Financial Adviser in respect of the Financial Services Agreement, which have been negotiated at arm's length after taking into account, among other things, the amount of work to be performed by RFML under the FA Services and that the Financial Services Agreement is expected to generate more future business to RGL Group.

### **REASONS FOR THE FINANCIAL SERVICES AGREEMENT AND THE ENGAGEMENT OF RFML TO PROVIDE THE FA SERVICES**

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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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. 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 overall business operations 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 business 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 each of (i) the entering into the Financial Services Agreement; and (ii) the engagement of RFML as its financial adviser in respect of the Financial Services Agreement, is in the interest of the Group.

The Directors (excluding the independent non-executive Directors, whose views will be provided after taking into account the opinion and advice from the Independent Financial Adviser) are of the view that the terms of the Financial Services Agreement are fair and reasonable and on normal commercial terms or better and the Financial Services Agreement is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the terms of the engagement of RFML to provide the FA Services are fair and reasonable and on normal commercial terms or better and the engagement of RFML to provide the FA Services is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Ko, an executive Director, is the controlling shareholder of RGL and RFML is a wholly-owned subsidiary of RGL. Each of RGL and RFML 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; and the engagement of RFML to provide the FA Services constitutes a connected transaction for the Company under the Listing Rules.

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 SGM will be convened at which an ordinary resolution will be proposed to consider, and if thought fit, to approve the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement. The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the terms of 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 to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) information on the Financial Services Agreement; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice convening the SGM is expected to be despatched to the Shareholders on or before 2 June 2015. Mr. Ko and his associates will abstain from voting at the SGM on the resolution to approve the Financial Services Agreement.

Since Mr. Ko became a connected person to the Company in August 2014, the Company has engaged RFML as its financial adviser in respect of the Previous Engagements with total service fees amounting to approximately HK\$30.3 million. Under Rule 14A.81 of the Listing Rules, the Previous Engagements and the FA Services have to be aggregated and treated as if they were one transaction. Based on the applicable percentage ratios, the engagement of RFML to provide the FA Services in aggregate with the Previous Engagements are only subject to the reporting and announcement requirements and are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ko, an executive Director, is also an executive director and the controlling shareholder of RGL. Mr. Ko has a material interest in the current engagement in respect of the Financial Services Agreement and the FA Services and has abstained from voting on the board resolution in respect of the Financial Services Agreement and the engagement of RFML to provide the FA Services.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the same meaning ascribed to it 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 to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FA Services”	the advisory services being provided by RFML to the Company in respect of the Financial Services Agreement

“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 dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of and the proposed annuals caps in relation to the transactions under the Financial Services Agreement
“Independent Shareholders”	Shareholders other than Mr. Ko and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Ko”	Mr. Ko Chun Shun, Johnson
“Previous Engagements”	previous engagements of RGL Group by the Group since August 2014 comprising: (i) the Group’s restricted share award scheme; (ii) the subscription of new ordinary shares of the Company under general mandate; (iii) the renewal of certain existing continuing connected transactions; (iv) the investment in Martin Aircraft Company Limited; and (v) the proposed subscription of shares in Zhejiang Longsheng Automotive Parts Stock Limited Corporation

“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 brokerage, share placing and underwriting, asset management, financial advisory, corporate finance services and related services
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the terms of the Financial Services Agreement and the proposed annual caps in relation to the transactions under the Financial Services Agreement
“Shareholder(s)”	holder(s) of the issued ordinary share(s) of HK\$0.01 each in the share capital 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.

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

Hong Kong, 11 May 2015

*As at the date of this announcement, the Board 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.*