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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**CONNECTED TRANSACTION IN RELATION TO THE
PROCUREMENT AGREEMENT**

The Board announces that on 30 November 2022, Kuang-Chi Space, as vendor, entered into the Procurement Agreement with Foshan Shunde Guangqi, as purchaser, in respect of the procurement of Intelligent Tracking System For Factory.

As at the date of this announcement, (i) Kuang-Chi Space is an indirect wholly-owned subsidiary of the Company and Foshan Shunde Guangqi is an indirect wholly-owned subsidiary of Kuang-Chi Technologies; (ii) Dr. Liu is an executive Director and controlling shareholder of the Company and Dr. Zhang, Dr. Luan and Dr. Ji are executive Directors of the Company, therefore, Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules; and (iii) Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji collectively control the exercise of more than 30% of the voting power of the general meetings of Kuang-Chi Technologies and thus Kuang-Chi Technologies is an associate of Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji, and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules. As such, the entering into of the Procurement Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the Procurement Agreement are less than 5%, the entering into of the Procurement Agreement is subject to the reporting and announcement requirements under the Listing Rules but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

On 30 November 2022, Kuang-Chi Space, as vendor, entered into the Procurement Agreement with Foshan Shunde Guangqi, as purchaser, in respect of the procurement of Intelligent Tracking System For Factory.

Major terms of the Procurement Agreement are set out below.

THE PROCUREMENT AGREEMENT

Date: 30 November 2022

Parties: (1) Kuang-Chi Space (as vendor)
(2) Foshan Shunde Guangqi (as purchaser)

Subject matter: According to the Procurement Agreement, Kuang-Chi Space will procure a set of Intelligent Tracking System For Factory which comprises of hardware and software products for Foshan Shunde Guangqi and provide related deployed services. The scope of the Procurement Agreement will cover: (i) procurement of hardware products; (ii) procurement and installation of software products; and (iii) system integration.

The Intelligent Tracking System For Factory assists the factory to optimize the production management through multi-dimensional detections, such as the production procedures, with an aim to achieve (i) improvement in manufacturing execution; (ii) optimal production management efficiency and (iii) lower overall costs.

Consideration: RMB6,354,776.33, including VAT

Payment: Foshan Shunde Guangqi shall pay the Consideration to Kuang-Chi Space by bank transfer in the following manner:

- (1) upon the signing of the Procurement Agreement, Foshan Shunde Guangqi shall pay 30% of the Consideration within 15 business days;
- (2) upon all equipment involved in the project duly arrived and the inspection and acceptance list of equipment had been signed by both parties, Foshan Shunde Guangqi shall pay 30% of the Consideration as second payment within 15 business days;
- (3) once the Intelligent Tracking System For Factory was official deployed, and the final inspection was passed and the written confirmation by Foshan Shunde Guangqi was signed, Foshan Shunde Guangqi shall pay 35% of the Consideration as third payment within 15 business days; and
- (4) Foshan Shunde Guangqi shall pay the remaining 5% of the Consideration within 10 business days upon the expiration of warranty period (i.e. from the second day since the issuance of inspection report by Foshan Shunde Guangqi to the 365th day), provided that there is no quality issue in relation to the Intelligent Tracking System For Factory during the warranty period.

Kuang-Chi Space shall provide a valid and legal VAT invoice of equivalent amount before each payment to be made by Foshan Shunde Guangqi.

Indemnity:

Kuang-Chi Space shall indemnify Foshan Shunde Guangqi pursuant to the terms of the Procurement Agreement in the event of the following circumstances:

- (1) Kuang-Chi Space fails or refuses to perform its obligations under the Procurement Agreement (such as failure to provide after-sale service, technical support and training pursuant to the terms of the Procurement Agreement) and such failure or refusal continues after Foshan Shunde Guangqi's follow-up;
- (2) Kuang-Chi Space fails to deliver the Intelligent Tracking System For Factory in accordance with the agreed schedule;
- (3) Kuang-Chi Space fails to deliver the Intelligent Tracking System For Factory in accordance with the quality, functions, technical standard and quantity set out in the Procurement Agreement;
- (4) allegation of infringement of intellectual property rights in relation to the Intelligent Tracking System For Factory; and
- (5) Kuang-Chi Space breaches any of the confidentiality and anti-bribery clauses in the Procurement Agreement.

INFORMATION ON THE GROUP AND THE CONNECTED PERSON

The Group is principally engaged in the development of AI technology and related innovative products and provision of AI technology services and related solutions in various vertical fields (“**AI Business**”). Kuang-Chi Space is an indirect wholly-owned subsidiary of the Company and principally engaged in provision of in-depth space services and other innovative technology business.

Kuang-Chi Technologies is a company listed on the Shenzhen Stock Exchange and principally engaged in developing innovative advanced technology. Its core business includes metamaterial intelligent structure and equipment research, as well as the manufacture of seat function components for automobiles. Foshan Shunde Guangqi, which is an indirect wholly-owned subsidiary of Kuang-Chi Technologies and principally engaged in the manufacture of glass fiber reinforced plastic products; sales of glass fiber reinforced plastic products; manufacture of synthetic materials (excluding hazardous chemicals); sales of synthetic materials; engineering and technology research and experimental development; rental of special equipment; rental of mechanical equipment; rental services of storage facilities; non-residential real estate leasing; manufacture of high-performance fiber and composite material aviation parts; sales of high-performance fiber and composite material aviation parts; research and development of new material technology; research and development, manufacture and sales of functional composite material and its products; technology development, technical advisory, manufacture and sales of electronic products.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PROCUREMENT AGREEMENT

The Company believes that the procurement of Intelligent Tracking System For Factory under the Procurement Agreement is conducive to the further exploration of the AI business. At the same time, it would increase the income of the Company and further improve the economic efficiency of the Company, which is in line with the business model and strategic development needs of the Group. The Board considers that the procurement of the Intelligent Tracking System For Factory by Kuang-Chi Space under the Procurement Agreement is in the ordinary and usual course of business of the Company, which is consistent with the business development needs of the Company and would bring reasonable income and benefits to the Company.

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

BASIS OF THE CONSIDERATION

The Consideration was determined based on arm's length negotiations between the parties to the Procurement Agreement after taking into consideration of, among others, (a) the pricing of similar products and services; (b) the uniqueness of the requested functions and the level of customization; (c) length of the project; and (d) the reasonable costs and profits to be incurred for the Intelligent Tracking System For Factory to be provided by Kuang-Chi Space.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, (i) Kuang-Chi Space is an indirect wholly-owned subsidiary of the Company and Foshan Shunde Guangqi is an indirect wholly-owned subsidiary of Kuang-Chi Technologies; (ii) Dr. Liu is an executive Director and controlling shareholder of the Company and Dr. Zhang, Dr. Luan and Dr. Ji are executive Directors of the Company, therefore, Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules; and (iii) Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji collectively control the exercise of more than 30% of the voting power of the general meetings of Kuang-Chi Technologies and thus Kuang-Chi Technologies is an associate of Dr. Liu, Dr. Zhang, Dr. Luan and Dr. Ji, and therefore a connected person of the Company pursuant to Rule 14A.12 of the Listing Rules. As such, the entering into of the Procurement Agreement constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the transactions contemplated under the Procurement Agreement are less than 5%, the entering into of the Procurement Agreement is subject to the reporting and announcement requirements under the Listing Rules but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

As at the date of this announcement, Foshan Shunde Guangqi is an associate of Dr. Liu, Dr. Luan, Dr. Zhang and Dr. Ji. Since (i) Dr. Liu, an executive Director and a controlling shareholder of the Company and (ii) Dr. Luan, Dr. Zhang and Dr. Ji, all being executive Directors of the Company, have material interests in the transactions contemplated under the Procurement Agreement, each of Dr. Liu, Dr. Luan, Dr. Zhang and Dr. Ji has abstained from voting on the relevant written resolutions of the Board approving the Procurement Agreement and the transactions contemplated thereunder to avoid potential conflict of interest from a good corporate governance perspective. Save as disclosed above, no other Director has a material interest in the transactions contemplated under the Procurement Agreement and is required to abstain from voting for the aforesaid resolutions.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Kuangchi Science Limited, a company incorporated in Bermuda with limited liability and the ordinary shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB6,354,776.33, being the consideration payable by Foshan Shunde Guangqi to Kuang-Chi Space under the Procurement Agreement
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Liu”	Dr. Liu Ruopeng, the chairman of the Board, an executive Director and a controlling shareholder of the Company
“Dr. Luan”	Dr. Luan Lin, an executive Director of the Company
“Dr. Ji”	Dr. Ji Chunlin, an executive Director of the Company
“Dr. Zhang”	Dr. Zhang Yangyang, an executive Director of the Company
“Foshan Shunde Guangqi”	佛山順德光啟尖端裝備有限公司 (Foshan Shunde Guangqi Cutting Edge Equipment Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Kuang-Chi Technologies
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Intelligent Tracking System For Factory”	an Intelligent Tracking System For Factory comprising hardware and software products to be procured by Kuang-Chi Space and purchased by Foshan Shunde Guangqi pursuant to the Procurement Agreement
“Interested Director(s)”	Dr. Liu, Dr. Luan, Dr. Ji and Dr. Zhang
“Kuang-Chi Space”	深圳光啟空間技術有限公司 (Shenzhen Kuang Chi Space Technology Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Kuang-Chi Technologies”	Kuang-Chi Technologies Co., Ltd. (光啟技術股份有限公司), a PRC company listed on the Shenzhen Stock Exchange (stock code: 002625)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong and the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Procurement Agreement”	the procurement agreement dated 30 November 2022 entered into between Kuang-Chi Space as vendor and Foshan Shunde Guangqi as purchaser in respect of the procurement of the Intelligent Tracking System For Factory
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code of Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong

“VAT” value-added tax

“%” per cent.

* *for identification purposes only*

By order of the Board
KuangChi Science Limited
Cheng Chi Chung Kevin
Company Secretary

Hong Kong, 30 November 2022

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