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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 TRANSACTION IN RELATION TO THE DISPOSAL OF KCT SHARES

KCT DISPOSAL IN THE OPEN MARKET

As at the date of this announcement, the Group disposed of a total of 3,613,600 KCT Shares on the open market through a series of transactions during the period from 9 February 2023 to 13 February 2023, at the aggregate consideration of approximately RMB66,560,000 (exclusive of transaction costs). The average selling price (exclusive of transaction costs) of disposal of KCT Shares was approximately RMB18.42.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the KCT Disposal exceeds 5% and all applicable percentage ratios are less than 25%, the KCT Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

BACKGROUND

With reference to the 2022 Interim Report of the Company, as at 30 June 2022, the Group directly held 56,282,860 ordinary shares of KCT, representing 2.61% of the total issued shares of KCT as at 30 June 2022, with carrying amount of HK\$1,138,607,000 as at 30 June 2022. Based on the public information, the closing price of KCT shares on 30 December 2022 was RMB17.02, the carrying amount of the Group's KCT shares was approximately RMB957,900,000 (HK\$1,088,500,000) as at 31 December 2022. In view of the prevailing market conditions, the Board effected the disposal of KCT Shares held by the Group in order to fund our general working capital.

KCT DISPOSAL

During the period from 9 February 2023 to 13 February 2023, the Group disposed an aggregate of 3,613,600 KCT Shares (representing approximately 0.168% of the total issued shares of KCT based on publicly available information as at the date of this announcement), at the aggregate consideration of approximately RMB66,560,000 (exclusive of transaction costs) in the open market through the trading system of the Shenzhen Stock Exchange in the PRC. The average selling price (exclusive of transaction costs) of the KCT Shares was approximately RMB18.42. The consideration for the KCT Disposal represented the market price of the KCT Shares at the time of the KCT Disposal.

Upon the completion of the KCT Disposal, the Group directly held 52,669,260 ordinary shares of KCT, representing approximately 2.44% of the total issued capital of KCT based on publicly available information as at the date of this announcement.

As the KCT Disposal was conducted through the open market, the Company was not aware of the identities of the purchasers of the KCT Shares in the KCT Disposal. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the purchasers of the KCT Shares in the KCT Disposal and their ultimate beneficial owners are the Independent Third Parties.

FINANCIAL EFFECT OF THE KCT DISPOSAL

Subject to the review of the Company's auditor, based on the unaudited fair value of the shares of KCT Disposal was approximately RMB61,500,000 (HK\$71,510,000) as at 31 December 2022. After the KCT Disposal, the estimated sale proceeds (excluding related transaction costs) will be approximately RMB66,560,000 (HK\$77,395,000), the Group currently expects to recognize a fair value gain of approximately RMB5,060,000 (HK\$5,885,000) for the KCT Disposal in other comprehensive income for the year 2023.

INFORMATION ON KCT

KCT is a company listed on the Shenzhen Stock Exchange and principally engaged in developing innovative advanced technology. Its principal business is the development, production and sale of new generation of metamaterial equipment products.

The following information is extracted from the published documents of KCT:

	For the nine months ended 30 September 2022	For the year ended 31 December	
	<i>RMB'000</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	834,636	859,350	636,510
Profit before taxation	297,632	271,274	163,169
Net profit after taxation attributable to shareholders of KCT	<u>296,754</u>	<u>244,449</u>	<u>130,873</u>
Total assets	<u>9,322,620</u>	<u>8,953,266</u>	<u>8,647,378</u>

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFITS OF THE KCT DISPOSAL

The Company is an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of Stock Exchange and is principally engaged in investment holding. 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**”).

The Board intends to apply the net proceeds from the KCT Disposal to fund the general working capital of the Company.

The Board also considers that the terms and conditions of the KCT Disposal are fair and reasonable and in the best interests of the Company and the Shareholders as a whole after considering the financial needs of the Group.

LISTING RULES IMPLICATIONS

Since the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the KCT Disposal exceeds 5% and all applicable percentage ratios are less than 25%, the KCT Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	KuangChi Science Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party(ies) independent of the Company and connected persons of the Company
“KCT”	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)
“KCT Disposal”	the disposal of 3,613,600 KCT Shares during the period from 9 February 2023 to 13 February 2023 in the open market for an aggregate consideration of approximately RMB66,560,000
“KCT Share(s)”	shares in the share capital of KCT listed on the Shenzhen Stock Exchange and traded in RMB

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
KuangChi Science Limited
Mr. Cheng Chi Chung Kevin
Company Secretary

Hong Kong, 13 February 2023

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.