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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**

Reference is made to the announcements of the Company dated 13 February 2023 and 4 May 2023 in relation to the Announced KCT Disposals (the “**Previous Announcements**”). The Board announces that, since the publication of the Previous Announcements, the Company has further disposed the KCT shares.

Further Disposal of KCT Shares

During the period from 5 May 2023 to 24 July 2023, further to the disposal of 8,435,600 KCT Shares as disclosed in the Previous Announcements, the Company has further disposed of a total of 3,153,600 KCT Shares through the open market at an aggregate consideration of approximately RMB51,102,696 (equivalent to approximately HK\$55,546,400) (exclusive of transaction costs).

LISTING RULES IMPLICATION

Pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules for the purpose of classification of the transactions, as the Announced KCT Disposals and the Further KCT Disposal involve the disposal of KCT Shares within a 12-month period, the Company is required to consider the effect of aggregation of the Announced KCT Disposals and the Further KCT Disposal as a series of transactions for the Company. Since the highest applicable percentage ratio in respect of (i) the Aggregate KCT Disposals (on an aggregated basis) and (ii) the Further KCT Disposal (on a standalone basis) both exceed 5% but is less than 25% and the Company had complied with the discloseable transaction requirement in respect of the Announced KCT Disposals, the Further KCT Disposal constitutes a discloseable transaction for the Company and it shall comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

For the avoidance of doubt, all applicable percentage ratio in respect of the De Minimis KCT Disposal (on a standalone basis) were less than 5% at the time of execution of the De Minimis KCT Disposal. As such, the Company was not then subject to any reporting, announcement and shareholders' approval requirement under Chapter 14 of the Listing Rules in respect of the De Minimis KCT Disposal.

With reference to the Previous Announcements and prior to the Further KCT Disposal, the Group directly held 47,847,260 ordinary shares of KCT, representing approximately 2.22% of the total issued capital of KCT based on publicly available information as at the date of this announcement.

In view of the prevailing market conditions, the Board intends to dispose further KCT Shares held by the Group and further announcement(s) will be made as and when appropriate if such further disposal(s) will result in higher transaction classification under Chapter 14 of the Listing Rules.

FURTHER KCT DISPOSAL

During the period from 5 May 2023 to 24 July 2023, the Group disposed an aggregate of 3,153,600 KCT Shares (representing approximately 0.146% 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 RMB51,102,696 (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 RMB16.20. The consideration for the Further KCT Disposal represented the market price of the KCT Shares at the time of the Further KCT Disposal.

Upon the completion of the Further KCT Disposal, the Group directly held 44,693,660 ordinary shares of KCT, representing approximately 2.07% of the total issued capital of KCT based on publicly available information as at the date of this announcement.

As the Further 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 Further 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 Further KCT Disposal and their ultimate beneficial owners are the Independent Third Parties.

FINANCIAL EFFECT OF THE FURTHER KCT DISPOSAL

Subject to the review of the Company's auditor, based on the audited fair value of the shares of the Further KCT Disposal was approximately HK\$60,549,965 as at 31 December 2022. After the Further KCT Disposal, the estimated sale proceeds (excluding related transaction costs) will be approximately HK\$55,546,400, the Group currently expects to recognize a fair value loss of approximately HK\$5,003,565 for the Further 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 3 months ended 31 March 2023 RMB'000	For the year ended 31 December 2022 2021 RMB'000 RMB'000	
Revenue	311,616	1,167,644	859,350
Net profit before taxation	100,708	376,628	271,274
Net profit after taxation	95,215	373,659	244,449
Net assets	<u>8,330,264</u>	<u>8,229,227</u>	<u>8,144,890</u>

INFORMATION OF THE GROUP AND REASONS FOR AND BENEFITS OF THE FURTHER 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 Further KCT Disposal to fund the Company’s business needs.

The Board also considers that the terms and conditions of the Further 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

Pursuant to Rule 14.22 and Rule 14.23 of the Listing Rules for the purpose of classification of the transactions, as the Announced KCT Disposals and the Further KCT Disposal involve the disposal of KCT Shares within a 12-month period, the Company is required to consider the effect of aggregation of the Announced KCT Disposals and the Further KCT Disposal as a series of transactions for the Company. Since the highest applicable percentage ratio in respect of (i) the Aggregate KCT Disposals (on an aggregated basis) and (ii) the Further KCT Disposal (on a standalone basis) both exceed 5% but is less than 25% and the Company had complied with the discloseable transaction requirement in respect of the Announced KCT Disposals; the Further KCT Disposal constitutes a discloseable transaction for the Company and it shall comply with the reporting and announcement requirements under Chapter 14 of the Listing Rules.

For the avoidance of doubt, all applicable percentage ratio in respect of the De Minimis KCT Disposal (on a standalone basis) were less than 5% at the time of execution of the De Minimis KCT Disposal. As such, the Company was not then subject to any reporting, announcement and shareholders’ approval requirement under Chapter 14 of the Listing Rules in respect of the De Minimis KCT Disposal.

DEFINITIONS

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

“Aggregate KCT Disposals”	the Announced KCT Disposals and the Further KCT Disposal
“Announced KCT Disposals”	the disposal of 8,435,600 KCT Shares during the period from 9 February 2023 to 4 May 2023 in the open market for an aggregate consideration of approximately RMB151,427,200, details of which were disclosed in the announcements of the Company dated 13 February 2023 and 4 May 2023
“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
“De Minimis KCT Disposal”	the disposal of 2,723,100 KCT Shares during the period from 5 May 2023 to 21 July 2023 in the open market for an aggregate consideration of approximately RMB44,797,369
“Director(s)”	director(s) of the Company
“Further KCT Disposal”	the disposal of 3,153,600 KCT Shares during the period from 5 May 2023 to 24 July 2023 in the open market for an aggregate consideration of approximately RMB51,102,696, which is inclusive of the De Minimis KCT Disposal
“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 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
Cheng Chi Chung Kevin
Company Secretary

Hong Kong, 24 July 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. Wu Zhili.