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## **KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

### **POSSIBLE MAJOR TRANSACTION – DISPOSAL MANDATE OF KCT SHARES**

#### **THE DISPOSAL MANDATE**

As disclosed in the Previous Announcements, the Company disposed of a total of 11,589,200 KCT Shares from 13 February 2023 to 24 July 2023. As at the date of this announcement, the Group 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.

In view of the prevailing market conditions and to prevent the Disposal Mandate from constituting a very substantial disposal as defined under Rule 14.06 of the Listing Rules (i.e. any applicable percentage ratio in relation to the Disposal is 75% or higher), the Company plans to obtain the Disposal Mandate from the Shareholders for the possible disposal of up to 33,000,000 KCT Shares (representing 1.53% of total issued capital of KCT based on publicly available information as at the date of this announcement) on open market transactions on the Shenzhen Stock Exchange during the Mandate Period.

For the details of the Disposal Mandate, please refer to the section headed “1. THE DISPOSAL MANDATE” of this announcement.

## **LISTING RULES IMPLICATIONS**

Assuming that all 33,000,000 KCT Shares held by the Group will have been disposed of within the Mandate Period at RMB14.82 per KCT Share, the closing price of KCT Share as at the trading day immediately before the date of this announcement, one or more of the applicable percentage ratios of the Possible Disposal when aggregated with the Announced Disposals which were conducted within 12 months of the previous 12-month period from the relevant Previous Disposal will exceed 25% but less than 75%, the Disposal Mandate may constitute a major transaction of the Company under Chapter 14 of the Listing Rules and shall be subject to the announcement, circular and the Shareholders' approval at the SGM. The Company will monitor the number of KCT Shares to be disposed of during the Mandate Period and ensure that the percentage ratios in relation to the Possible Disposal shall not exceed 75%.

The Company will seek the approval of the Shareholders at the SGM for the Disposal Mandate to allow the Company to dispose of up to 33,000,000 KCT Shares held by the Group during the Mandate Period.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Disposal Mandate. Accordingly, it is expected that no Shareholder is required to abstain from voting at the SGM.

The Company will despatch the circular containing, among others, (i) further details of the Disposal Mandate, and (ii) the notice of SGM on or before 30 August 2023.

## **WARNING**

**Shareholders and investors should note that there is no assurance that the Company will proceed with the Possible Disposal after the grant of the Disposal Mandate as the Possible Disposal is subject to the conditions as set out under the paragraph headed "1. THE DISPOSAL MANDATE – Manner of the Possible Disposal" of this announcement.**

**As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.**

## **1. THE DISPOSAL MANDATE**

As disclosed in the Previous Announcements, the Company disposed of a total of 11,589,200 KCT Shares from 13 February 2023 to 24 July 2023. As at the date of this announcement, 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. The shares of KCT are listed and freely tradable on the Shenzhen Stock Exchange.

In view of the prevailing market conditions and to prevent the Disposal Mandate from constituting a very substantial disposal as defined under Rule 14.06 of the Listing Rules (i.e. any applicable percentage ratio in relation to the Disposal is 75% or higher), the Company plans to obtain the Disposal Mandate from the Shareholders for the possible disposal of up to 33,000,000 KCT Shares (representing approximately 1.53% of the total issued capital of KCT based on publicly available information as at the date of this announcement) on open market transactions on the Shenzhen Stock Exchange during the Mandate Period.

### **Mandate Period**

The Mandate Period is the 12-month period from the date of the passing the relevant ordinary resolution at the SGM during which the Disposal Mandate shall remain effective, which provides sufficient time and flexibility to carry out the Possible Disposal.

### **Maximum number of shares of KCT to be disposed of under the Disposal Mandate**

The Disposal Mandate shall authorise and empower the Board to sell up to 33,000,000 KCT Shares, representing approximately 1.53% of the total issued capital of KCT based on publicly available information as at the date of this announcement.

### **Scope of authority**

The Board shall be authorised and empowered to determine, decide, execute and implement with full discretion all matters relating to the Possible Disposal, including but not limited to, the number of batches of Possible Disposal, the number of KCT Shares to be sold in each Possible Disposal, the timing of each Possible Disposal and the selling price (subject to the minimum selling price as set out below) during the Mandate Period.

## **Manner of the Possible Disposal**

The Possible Disposal will be conducted on the open market on the Shenzhen Stock Exchange.

The Board will take into account the current market conditions and the prevailing market prices of the KCT Shares in respect of the Possible Disposal. The Possible Disposal shall be effected on the following conditions:

- a) the Possible Disposal shall be conducted on normal commercial terms and shall be fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- b) the price of the Possible Disposal shall be settled in cash;
- c) the selling price of each share of KCT shall be no less than a price that is 80% of the average closing price of the KCT Shares during the last three months immediately prior to the date of this announcement (excluding transaction costs);
- d) all of the percentage ratios under the Listing Rules for the Possible Disposal are below 75%;
- e) the Possible Disposal shall comply with relevant applicable laws and regulations, including any applicable trading regulations in Hong Kong and the PRC. The Group will also report on the progress of the Possible Disposal in the interim report as well as annual report of the Company in compliance with the Listing Rules. The Company will re-comply with the Listing Rules requirements and seek another shareholders' approval for the Possible Disposal in the event that the Possible Disposal cannot be completed within the Disposal Mandate;
- f) Since KCT is a company listed on the Shenzhen Stock Exchange, therefore the Possible Disposal shall also comply with all regulations mandated by the Shenzhen Stock Exchange and the China Securities Regulatory Commission, including but not limited to regulations in relation to pre-announcement and blackout period.

## **Basis for the determination of the minimum selling price for the shares of KCT**

The proposed minimum selling price per share of KCT is a price that is not less than 80% of the average closing price of KCT in the last three months immediately prior to the date of this announcement. The proposed minimum selling price is determined mainly by reference to the stock trading intermediary's recommendations and the following factors:

- a) the technology industry is heavily influenced by national policies and hence, the uncertainties in stock price movement during the one-year Mandate Period as a result of the potential change of national policies, capital market and stock market conditions; and
- b) in order to obtain a better selling price and minimize the negative impact on the share price of KCT, the minimum selling price shall not be set exceptionally low; at the same time, in order to achieve the smooth selling of shares, the minimum selling price shall not be set exceptionally high.

The Company's arrangements for the transaction volume, schedule and minimum selling price of the shares of KCT under the Disposal Mandate are based on the requirements of laws and regulations and the most conservative market conditions. The Company shall evaluate the market situation thoroughly and determine the transaction price and volume in order to achieve the optimal returns for the Company and the Shareholders.

## Counterparties

Since the Possible Disposal will be conducted on the open market on the Shenzhen Stock Exchange in full, the Company is unable to confirm, identify or disclose the identity of the counterparties nor their ultimate beneficial owners prior to the Possible Disposal.

## Capital restructuring of KCT

If and when there shall be any alteration to the nominal value of the shares of KCT as a result of consolidation, subdivision or reclassification, or issue of new shares of KCT to the Group during the Mandate Period, the number of shares of KCT to be disposed of under the Disposal Mandate shall be adjusted accordingly.

## 2. INFORMATION ON KCT

KCT is a company listed on the Shenzhen Stock Exchange and principally engaged in developing innovative advanced technology and the core business is in research and development, production and sale of new generation of metamaterial equipment products. Its main products include metamaterial intelligent structure and equipment as well as seat function components for automobiles.

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

	<b>For the 3 months ended 31 March 2023 RMB'000</b>	<b>For the year ended 31 December 2022 RMB'000</b>	<b>2021 RMB'000</b>
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	8,330,264	8,229,227	8,144,890

### **3. REASON AND BENEFIT OF THE POSSIBLE DISPOSAL**

The Possible Disposal will enable the Group to realize profits from the investment in KCT, generate revenue for the Group and (depending on the selling prices) realize profits from the investment, so as to relieve the pressure on the working capital of the Group. Looking forward, the Board intends to use the proceeds from the Possible Disposal for enhancing working capital and fund the Company's business needs.

Given the volatility of the stock market, disposing of KCT shares at the best possible price requires prompt action at the right time and it is impracticable to seek prior Shareholders' approval for each disposal of some or all of the 33,000,000 KCT shares under the Disposal Mandate. To allow flexibility in effecting the Possible Disposal, the Company proposes to seek the Disposal Mandate for the Directors to dispose of part or all of the 33,000,000 KCT shares under the Disposal Mandate at appropriate times and prices.

Having considered the above, the Board is of the view that the Disposal Mandate and the transactions contemplated thereunder are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

### **4. FINANCIAL EFFECTS OF THE POSSIBLE DISPOSAL**

The Possible Disposal provides the Group with an opportunity to realize its investment in KCT.

Subject to the review of the Company's auditor, assuming the Disposal Mandate is exercised in full within the Mandate Period at RMB14.82 per KCT ordinary share, the Group is expected to receive the proceeds of RMB489,060,000 and recognize a fair value loss of approximately HK\$78,913,000 in other comprehensive income for the year 2023. The Group considers the Possible Disposal will enhance the liquidity of the Company.

Shareholders should be aware that the effect of the actual amount of proceeds, related transaction costs, taxes and tax surcharges on the net assets and earnings of the Group will depend on the actual selling price of the 33,000,000 ordinary shares of KCT under the Disposal Mandate.

## **5. LISTING RULES IMPLICATIONS**

Assuming that all 33,000,000 KCT Shares held by the Group will have been disposed of within the Mandate Period at RMB 14.82 per KCT Share, the closing price of KCT Share as at the trading day immediately before the date of this announcement, one or more of the applicable percentage ratios of the Possible Disposal when aggregated with the Announced Disposals which were conducted within 12 months of the previous 12-month period from the relevant Previous Disposal will exceed 25% but less than 75%, the Disposal Mandate may constitute a major transaction of the Company under Chapter 14 of the Listing Rules and shall be subject to the announcement, circular and the Shareholders' approval at the SGM. The Company will monitor the number of KCT Shares to be disposed of during the Mandate Period and ensure that the percentage ratios in relation to the Possible Disposal shall not exceed 75%.

The Company will seek the approval of the Shareholders at the SGM for the Disposal Mandate to allow the Company to dispose of up to 33,000,000 KCT shares held by the Group during the Mandate Period.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Disposal Mandate. Accordingly, it is expected that no Shareholder is required to abstain from voting at the SGM.

The Company will despatch the circular containing, among others, (i) further details of the Disposal Mandate, and (ii) the notice of SGM on or before 30 August 2023.

## 6. INFORMATION ON THE GROUP

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.

## 7. WARNING

**Shareholders and investors should note that there is no assurance that the Company will proceed with the Possible Disposal after the grant of the Disposal Mandate as the Possible Disposal is subject to the conditions as set out under the paragraph headed “1. THE DISPOSAL MANDATE – Manner of the Possible Disposal” of this announcement.**

**As such, Shareholders and investors are urged to exercise caution when dealing in the Shares.**

## 8. DEFINITIONS

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

“Announced Disposals”      the disposals of an aggregate 11,589,200 KCT Shares by the Company through the open market from 13 February 2023 to 24 July 2023 as disclosed in the Previous Announcements

“Board”                              the board of Directors of the Company

“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)”                              the director(s) of the Company

“Disposal Mandate”	a general and conditional mandate to be granted by the Shareholders to the Directors to dispose all or in part(s) of 33,000,000 KCT shares held by the Group during the Mandate Period
“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 of Hong Kong Limited (as amended from time to time)
“Mandate Period”	the 12-month period from the date of the passing the relevant ordinary resolution at the SGM during which the Disposal Mandate shall remain effective
“Possible Disposal”	the possible on-market disposal of up to 33,000,000 KCT shares held by the Group pursuant to the terms of the Disposal Mandate
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Announcements”	the three announcements of the Company dated 13 February 2023, 4 May 2023 and 24 July 2023, respectively, in respect of the Announced Disposals

“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be held and convened to consider, among others, the Disposal Mandate and the Possible Disposal
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage

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

Hong Kong, 9 August 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.*