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KUANGCHI SCIENCE LIMITED

光啟科學有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 439)

**INSIDE INFORMATION ANNOUNCEMENT
THE MEMORANDUM OF UNDERSTANDING
WITH AIRWAYS CORPORATION OF NEW ZEALAND LIMITED AND
SHANGHAI PENGXIN GROUP COMPANY LIMITED
AND
THE SPACE SERVICES TECHNOLOGY CONSULTATION AGREEMENT
WITH PENGXIN INTERNATIONAL MINING COMPANY LIMITED**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “Board”) of directors (the “Directors”) of the Company is pleased to announce that, witnessed by the President of the People Republic of China Mr. Xi Jinping and the New Zealand Prime Minister Mr. John Key, on 21 November 2014, the Company entered into the a tri-party memorandum of understanding (“MOU”) with Airways Corporation of New Zealand Limited and Shanghai Pengxin Group Company Limited to work together and undertake test launch(es) of the near space flying apparatus in New Zealand; meanwhile, the Group has entered into the space service technology consultation agreement with Pengxin Mining International Company Limited for the novel space services consultation in New Zealand. The signing ceremony was held in a China-New Zealand agri-tech industry showcase.

THE MEMORANDUM OF UNDERSTANDING

Date

21 November 2014

Parties

- (i) : The Company;
- (ii) : Airways Corporation of New Zealand Limited (“AIRWAYS”); and
- (iii) : Shanghai Pengxin Group Company Limited (“SPGC”)

The proposed cooperation under the MOU

The Parties will work together co-operatively and in good faith on the Project with:

- (a) AIRWAYS assisting to obtain relevant permissions for the operation of the near space flying apparatus in New Zealand’s airspace, including:
 - risk assessment; launch site assessment; reviewing Civil Aviation Rule (CAR) Part 101 to assist the Company with its understanding and the Company’s compliance obligations under such rule;
- (b) the Company contributing all the work and goods required for the test launches including:
 - providing the near space flying apparatus and all the relevant technology and personnel support; and assisting AIRWAYS and SPGC to obtain all necessary permits, approvals and consents from the New Zealand government that are necessary for the test launches;
- (c) SPGC:
 - contributing the use of its farm(s) located in New Zealand and all the necessary facilities and equipment on the farm(s) for the test launches;
 - liaising with all relevant New Zealand government authorities to assist the Company to obtain all necessary permits, approvals and consents for the test launches; and
 - obtaining all other relevant permits, approvals, consents and clearances required to enable the Company to bring into New Zealand the necessary equipment and tools required to undertake the launches.

Unless otherwise agreed, each Party shall be responsible for its own costs in relation to the matters outlined in this MOU.

All Parties acknowledge that the ultimate implementation of any launches of the near space flying apparatus is subject to: (i) agreement on the terms of formal documentation governing the arrangement (such as a contract for services); and (ii) each party satisfying itself (in its absolute and sole discretion) that all necessary approvals have been obtained. Accordingly, the execution of this MOU shall not imply any “agreement to agree” nor any further commitment beyond the scope of this MOU.

This MOU shall not be construed as creating a partnership or joint venture between the Parties nor shall it constitute any Party the agent of another for any purpose.

Each Party will retain all its own existing intellectual property rights in anything which it discloses or contributes in the course of the Project.

This MOU shall be governed by New Zealand law.

This MOU will terminate when the first of the following occurs:

- (i) The Parties execute a formal contract(s) implementing any near space flying apparatus launch services;
- (ii) The expiry of three months after the signing of this MOU if the Parties have not entered into any formal contract for the implementation of any launch of near space flying apparatus;
- (iii) The expiry of thirty days following written notice of termination from one party to the other.

THE SPACE SERVICES TECHNOLOGY CONSULTATION AGREEMENT

On 21 November 2014, Shenzhen Kuangchi Space Technology Company Limited (“Kuangchi Space Technology”), a wholly-foreign owned subsidiary of the Company, and Pengxin International Mining Company Limited (“Pengxin”) entered into the Space Services Technology Consultation Agreement (the “Consultation Agreements”) in relation to the consultation projects in New Zealand for the novel space services and innovative technology solutions

Pursuant to the Cooperation Agreements, the Kuangchi Space Technology will provide consultation services to Pengxin in areas, including but not limited to, coverage and boardcasting of telecommunication, mineral exploration, satellite television, meteorological surveillance, space tourism, disaster detection and forest protection, etc, using the existing knowledge and technology of Kuangchi Space Technology in relation to the space services technology and other innovative technology solutions. Kuangchi Space Technology would send technical experts to New Zealand to provide technical advisory services and on-site visits, and providing accurate and comprehensive consultation solutions to Pengxin and the government of New Zealand.

Pengxin agreed to pay Kuangchi Space Technology a consultation fee of RMB12,289,200 (equivalent to HK\$15,555,000) in aggregate at the time mutually agreed. Kuangchi Space Technology will provide technology consultation report to Pengxin within 6 month after the date of the Consultation Agreement, Pengxin will complete the inspection in 5 days of the date of the technology consultation report.

REASONS FOR THE COOPERATION

The Directors consider that entering into the MOU is in line with the Company's development in novel space services and other innovative technology business. The MOU also provide opportunities for the Group to demonstrate the technical feasibility and the competence of the near space flying apparatus and to commercialize the relevant novel space services in New Zealand.

INFORMATION OF AIRWAYS, SPGC AND PENGXIN

AIRWAYS is a worldwide provider of commercial Air Navigation Services (ANS) and is responsible for safely managing all domestic, military and international air traffic operating within New Zealand.

SPGC is a multi-national conglomerate with a diversified business scope covering real estate development, mining resources, modern agriculture and environmental technology.

Pengxin is engaged in mining, processing and sale of nonferrous metals. Pengxin is a company incorporated in the PRC and the issued shares of which are listed on Shanghai Stock Exchange (stock code: 600490).

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, AIRWAYS, SPGC and Pengxin are third party independent of the Company and connected persons of the Company and are not connected persons of the Company.

GENERAL

The Company will continue to develop its novel space services and other innovative technology business. The Company may enter into further agreements similar to this MOU or Cooperation Agreement in its ordinary and usual course of business. The Company from time to time is also discussing with different parties including potential customers, research institutions, strategic partners, etc, to explore different kinds of business co-operation and collaboration.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

By Order of the Board
KuangChi Science Limited
Dr. Liu Ruopeng
Chairman & Executive Director

Hong Kong, 21 November 2014

As at the date of this announcement, the Board comprises five executive Directors, namely Dr. Liu Ruopeng, Dr. Luan Lin, Dr. Zhang Yangyang, Mr. Ko Chun Shun, Johnson and Mr. Ng Man Chan; and three independent non-executive Directors, namely Dr. Liu Jun, Dr. Wong Kai Kit and Mr. Lau Man Tak.