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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your ordinary shares in KuangChi Science Limited, you should at once hand this circular and the accompany form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

- (1) ADOPTION OF RESTRICTED SHARE AWARD SCHEME**  
**(2) SPECIFIC MANDATE TO ISSUE NEW ORDINARY SHARES UNDER**  
**RESTRICTED SHARE AWARD SCHEME**  
**(3) REFRESHMENT OF SCHEME MANDATE LIMIT**  
**AND**  
**(4) NOTICE OF SPECIAL GENERAL MEETING**

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A notice convening the SGM to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 10 December 2014 at 11:00 a.m. is set out on pages 28 to 30 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy for use at the SGM in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish.

24 November 2014

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“associate”	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 Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Employee(s)”	any full-time or part-time employee employed by any member of the Group (including without limitation any executive and non-executive director of any member of the Group)
“Excluded Employee”	any Employee who is resident in a place where the settlement of the Reference Awarded Sum and the related purchase expenses and the award of the Restricted Shares and/or the award of the Returned Shares and/or the vesting and transfer of Ordinary Shares pursuant to the terms of the Restricted Shares Share Scheme is not permitted under the laws and regulations of such place or where in the view of the Share Award Committee compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Employee
“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 People’s Republic of China
“Latest Practicable Date”	19 November 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Ordinary Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

## DEFINITIONS

“Participant(s)”	any Employee, advisor and consultant of any member of the Group
“Preferred Share(s)”	the convertible preferred share(s) of HK\$0.01 each in the share capital of the Company
“Reference Awarded Sum”	such amount, as determined by the Share Award Committee from time to time pursuant to the Scheme Rules, for the purchase of Restricted Shares
“Restricted Share Award Scheme”	the restricted share award scheme proposed to be approved and adopted by the Company
“Restricted Shares”	in respect of a Selected Participant, such number of Ordinary Shares purchased with the Reference Awarded Sum and allocated by the Trustee from the total number of Ordinary Shares purchased out of cash paid by the Company to the Trustee or such number of Returned Shares awarded by the Trustee pursuant to the Scheme Rules
“Returned Shares”	such Restricted Shares of the relevant Restricted Shares which are referable to a Selected Participant and which are not accepted or vested in accordance with the terms of the Restricted Share Award Scheme, or forfeited in accordance with the terms of the Restricted Share Award Scheme
“RS Award”	an award of Restricted Shares to a Selected Participant pursuant to the Restricted Share Award Scheme
“RSA Specific Mandate”	the specific mandate(s) granted by the Shareholders at the general meeting(s) of the Company authorising the Board to issue and allot new Ordinary Shares up to certain maximum number as approved at the relevant meeting(s)
“Scheme Mandate Limit”	the maximum number of Ordinary Shares which may be allotted and issued upon exercise of all share options granted under the Share Option Scheme which shall not exceed 10% of the Ordinary Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“Scheme Rules”	the rules related to the Restricted Share Award Scheme in its present or any amended form
“Selected Participant(s)”	Participant(s) selected by the Share Award Committee pursuant to the Scheme Rules for participation in the Restricted Share Award Scheme

## DEFINITIONS

“SGM”	the special general meeting of the Company to be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 10 December 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, approving, among other things, the proposed resolution(s) set out in this circular
“Share Award Committee”	the committee set up by the Board for the purpose of administrating the Restricted Share Award Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 31 July 2012
“Shareholder(s)”	holders of Ordinary Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trustee”	the trustee to be appointed by the Company which will hold Ordinary Shares for the benefit of the Selected Participants and others subject to the terms and conditions of the Trust Deed, or such other trustee as shall be appointed for the purposes set out herein
“%”	percentage

LETTER FROM THE BOARD



**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

*Executive Directors:*

Dr. Liu Ruopeng  
Dr. Luan Lin  
Dr. Zhang Yangyang  
Mr. Ko Chun Shun, Johnson  
Mr. Ng Man Chan

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Independent Non-executive Directors:*

Dr. Liu Jun  
Dr. Wong Kai Kit  
Mr. Lau Man Tak

*Head office and principal place of  
business in Hong Kong:*

Unit 906, 9th Floor  
Wings Building  
110–116 Queen's Road Central  
Central  
Hong Kong

24 November 2014

*To the Shareholders*

Dear Sir or Madam,

- (1) ADOPTION OF RESTRICTED SHARE AWARD SCHEME**  
**(2) SPECIFIC MANDATE TO ISSUE NEW ORDINARY SHARES UNDER**  
**RESTRICTED SHARE AWARD SCHEME**  
**(3) REFRESHMENT OF SCHEME MANDATE LIMIT**  
**AND**  
**(4) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with the relevant information in respect of the proposed (i) adoption of the Restricted Share Award Scheme; (ii) approval of the RSA Specific Mandate; and (iii) refreshment of Scheme Mandate Limit; and to give you notice of the SGM.

## LETTER FROM THE BOARD

### RESTRICTED SHARE AWARD SCHEME

The Board proposed to adopt the Restricted Share Award Scheme, pursuant to which, existing Ordinary Shares shall be purchased by the Trustee, and/or new Ordinary Shares may be allotted and issued to the Trustee pursuant to the RSA Specific Mandate, to hold on trust for the Selected Participants until such Restricted Shares are vested in accordance with the Scheme Rules. A summary of the principal terms of the Restricted Share Award Scheme is set out in Appendix I to this circular.

The purpose of the Restricted Share Award Scheme is to recognise and motivate the contribution of certain Participants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The Restricted Share Award Scheme also aims to build up an incentive mechanism for the Employees and help the Company in retaining its existing Employees and recruiting additional Employees.

Pursuant to the Scheme Rules, the Share Award Committee may, from time to time, at its absolute discretion select any Participant (excluding any Excluded Employee) after taking into various factors as it deems appropriate for participation in the Restricted Share Award Scheme as a Selected Participant. The Share Award Committee shall determine the Reference Awarded Sum for the purchase of the existing Ordinary Shares or for the issue of new Ordinary Shares to be awarded. The maximum vesting period of any RS Award under the Restricted Share Award Scheme shall be 10 years. In determining the Reference Awarded Sum and the vesting conditions, the Share Award Committee shall take into account, among other things, the performance of the relevant Participants and/or their contributions to the Group. The Share Award Committee shall also take into account the interests of the Company and its existing Shareholders as a whole.

The Share Award Committee comprises of three executive Directors, namely Dr. Liu Ruopeng, Dr. Luan Lin and Dr. Zhang Yangyang, and chief operation officer of the Company, namely Ms. Huang Weizi. The nomination committee of Company will not participate in selecting the Participants and the determination of their award. If the Selected Participant(s) is/are the member(s) of the Share Award Committee, such member(s) should not be counted in the quorum at the meeting of the Share Award Committee held for the purpose of considering the Selected Participant(s) and the Reference Awarded Sum and such member(s) should abstain from voting at that meeting.

The Trustee will be a third party independent of the Company and connected persons of the Company. The Directors will not have any interest in the Trustee. As at the Latest Practicable Date, the Group had approximately 850 employees, all of them are Participants under the Restricted Share Award Scheme. Given the number of Participants, the Directors consider that the Restricted Share Award Scheme is established for a wide scope of participants. Pursuant to the Scheme Rules, where any RS Award is granted to any connected persons of the Company, it shall not be granted where the connected persons' aggregate interests in the Restricted Share Award Scheme are 30% or above. Based on the above, the Directors consider that the Trustee will not be a connected person of the Company under Chapter 14A of the Listing Rules with reference to the scope of its participants and connected persons' aggregate interests.

## LETTER FROM THE BOARD

The Share Award Committee shall not make any further RS Award which will result in the aggregate number of Ordinary Shares awarded by the Board under the Restricted Share Award Scheme in excess of 5% of the issued Ordinary Shares as at the date on which the Board adopted the Restricted Share Award Scheme, i.e. the date of the SGM at which the ordinary resolution in respect of the Restricted Share Award Scheme is approved. In addition, the total number of new Ordinary Shares which may be allotted and issued to the Trustee under the Restricted Share Award Scheme shall not exceed 2.5% of the issued Ordinary Shares as at the date on which the Board adopted the Restricted Share Award Scheme.

In determining the limit of 5% for the aggregate number of the Restricted Shares and 2.5% for the aggregate number of new Ordinary Shares under the Restricted Share Award Scheme, the Board has taken into account, among other things, the following matters:

- (a) the Group's civil near space and other innovative technology business involves advanced technologies and requires a large number of experts and specialists in the relevant fields, the Board considers that retention of existing personnel as well as attracting capable talents are essential and beneficial for the continuing operations and the future business development and expansion of the Group; and
- (b) the limit of 5% under the Restricted Share Award Scheme is in line with market practice by making reference to the limit of similar share award schemes adopted by certain listed companies in Hong Kong.

The Board proposed to adopt the Restricted Share Award Scheme as part of a long term incentive plan for the Selected Participants. The Restricted Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. The Board considers that the Restricted Share Award Scheme is comparatively flexible in execution.

Under the Share Option Scheme, grantees shall pay the exercise price upon exercise of the relevant share options. The exercise price must be the higher of (i) the closing price of the Ordinary Share on the date of grant; and (ii) the average closing price of the Ordinary Share for the five business days immediately preceding the date of grant. The Selected Participants under the Restricted Share Award Scheme will be required to pay the grant price representing a discount of not less than 50% to the closing price of the Ordinary Share on the date of grant in obtaining the RS Award. The financial burden to the Selected Participants under the Restricted Share Award Scheme is substantially lower than that to the grantees under the Share Option Scheme.

In determining the grant price, the Share Award Committee shall take into account, among other things, the performance of the relevant Participants and/or their contributions to the Group, and the market price of the Ordinary Share at the date of grant of the RS Awards. The terms and conditions, including the vesting period, of any RS Award granted with grant price shall be subject to the Scheme Rules.



## LETTER FROM THE BOARD

Under the Restricted Share Award Scheme, the grant price, if any, shall be payable by the relevant Participants at the date of grant of the RS Awards. As set out in the preceding paragraph, the Restricted Share Award Scheme is not a share option scheme under Chapter 17 of the Listing Rules. The relevant Participants are not allowed to reject the RS Awards once they have accepted the RS Awards at the date of grant.

Under the accounting policies of the Company, the fair value of share options and Restricted Shares granted to participants is recognised as an expense with a corresponding increase in the other reserve within equity. The fair value of share options and Restricted Shares is measured at grant date using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the participants have to meet vesting conditions before becoming unconditionally entitled to the options and Restricted Shares, the total estimated fair value of the options and the Restricted Shares is spread over the vesting period, taking into account the probability that the options and Restricted Shares will vest. When participants are required to pay the grant price, the expenses recognised are reduced by the aggregate amount of the grant price paid and payable by participants and such amount received by the Trustee is recorded as a debit balance with the Trustee. If any of these participants leave the Group before the relevant Restricted Shares are vested, the grant price paid by such participants may be refunded and the refund amount, if any, is to be determined at the discretion of the Share Award Committee with reference to, among other things, the reason of the resignation, his/her past performance, or if the termination was due to any misconduct of the relevant selected Participants at the time of his/her resignation. The refund amount is recorded as a reduction to both the retained earnings and the balance with the Trustee.

The market capitalisation of all the new Restricted Shares which can be allotted and issued under the Restricted Share Award Scheme was approximately HK\$475.1 million based on the closing price of HK\$5.58 per Ordinary Share as quoted on the Stock Exchange as at the Latest Practicable Date. Assuming all the new Restricted Shares are allotted and issued, both the expenses and the shareholders' equity of the Group will be increased by approximately HK\$475.1 million.

## LETTER FROM THE BOARD

The table below is for illustration only and sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon allotment and issue of all the new Ordinary Shares under the Restricted Share Award Scheme; and (iii) upon allotment and issue of all the new Ordinary Shares under the Restricted Share Award Scheme and the conversion in full of the Preferred Shares, assuming no other Ordinary Shares will be issued between the Latest Practicable Date and the date until all new Ordinary Shares have been issued:

	As at the Latest Practicable Date		Immediately after the issue of all the new Ordinary Shares under the Restricted Share Award Scheme		Immediately after the issue of all the new Ordinary Shares under the Restricted Share Award Scheme and the conversion in full of the Preferred Shares	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%
New Horizon Wireless Technology Limited (Note 1)	1,133,333,334	33.27%	1,133,333,334	32.46%	2,958,000,000	47.91%
World Treasure Global Limited (Note 2)	638,981,013	18.76%	638,981,013	18.30%	638,981,013	10.35%
Starbliss Holdings Limited (Note 3)	155,555,556	4.57%	155,555,556	4.46%	406,000,000	6.58%
REORIENT Global Limited (Note 3)	66,666,666	1.96%	66,666,666	1.91%	174,000,000	2.82%
REORIENT Financial Markets Limited (Note 3)	1	—	1	—	1	—
<i>Subtotal</i>	1,994,536,570	58.56%	1,994,536,570	57.13%	4,176,981,014	67.66%
Public shareholders	1,411,531,223	41.44%	1,411,531,223	40.43%	1,912,420,111	30.96%
Selected Participants	—	—	85,151,694	2.44%	85,151,694	1.38%
<b>Total</b>	<u>3,406,067,793</u>	<u>100.00%</u>	<u>3,491,219,487</u>	<u>100.00%</u>	<u>6,174,552,819</u>	<u>100.00%</u>

Notes:

1. New Horizon Wireless Technology Limited is owned as to 51% by Kuang-Chi Innovative Technology Limited (“Kuang-Chi”) and as to 49% by Shenzhen Kuang-Chi Hezhong Technology Limited. Kuang-Chi is a subsidiary of Shenzhen Dapeng Kuang-Chi Technology Limited, which is in turn a subsidiary of Shenzhen Dapeng Kuang-Chi Lianzhong Technology Limited Liability Partnership of which Dr. Liu Ruopeng is the controlling shareholder, and Dr. Liu Ruopeng is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited. Dr. Liu Ruopeng is the chairman of the Company and an executive Director.
2. World Treasure Global Limited is wholly and beneficially owned by Mr. Wong Hin Shek, a former executive Director.

## LETTER FROM THE BOARD

3. Mr. Ko Chun Shun, Johnson is an executive Director. Starbliss Holdings Limited is wholly and beneficially owned by Mr. Ko Chun Shun, Johnson. Both REORIENT Global Limited and REORIENT Financial Markets Limited are wholly owned by REORIENT Group Limited, of which Mr. Ko Chun Shun, Johnson is the controlling shareholder and an executive director.

The shareholding of the existing public Shareholders will be diluted from approximately 41.44% to approximately 40.43% upon the issue of all new Ordinary Shares under the Restricted Share Award Scheme.

Notwithstanding that the Company has the Share Option Scheme, taking into account that (i) the importance of retaining and motivating talented and experienced industry experts to the Group as set out in the preceding paragraphs; (ii) money payable by the Selected Participants under the Restricted Share Award Scheme for any RS Award is substantially less than the initial subscription money payable upon exercise of the subscription rights attaching to any share options under the Share Option Scheme; and (iii) the dilution effect to the shareholding interest of the existing public Shareholders is approximately 2.44% only (from approximately 41.44% to approximately 40.43%) upon allotment and issue of all new Ordinary Shares under the Restricted Share Award Scheme, the Board considers that the Restricted Share Award Scheme is a complementary measure to the Share Option Scheme and can optimise the remuneration structure of the Group's management and employees, and is beneficial for the continuing operations and the future business development and expansion of the Group.

The Restricted Share Award Scheme shall be effective from the proposed date of adoption of the scheme by the Shareholders and shall continue in full force and effect for a term of 10 years unless it is terminated as determined by the Board by a three month's prior notice before its expiry.

An application will be made to the Stock Exchange for the listing of and permission to deal in the new Ordinary Shares which may be granted pursuant to the Restricted Share Award Scheme.

The Share Award Committee may grant RS Award to a connected person of the Company. Where any grant of Restricted Shares (by way of allotment and issue of new Ordinary Shares under the RSA Specific Mandate) is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules, unless otherwise exempted under the Listing Rules.

To the extent that the Directors are aware having made all reasonable enquiries, none of the Shareholders is required to abstain from voting on the resolution in relation to the adoption of the Restricted Share Award Scheme.

## **LETTER FROM THE BOARD**

The Company will publish an announcement as soon as possible upon the granting by the Company of Restricted Share under the Restricted Share Award Scheme setting out the following details:

- (a) the date of grant;
- (b) the number of Restricted Shares granted;
- (c) where any of the grantees is a Director, chief executive or substantial shareholder of the Company, or an associate of any of them, the names of such grantees and the number of Restricted Shares granted to each of them; and
- (d) the vesting date.

The Company will disclose in its annual report and interim report the following information in respect of the Restricted Share Award Scheme:

- (a) the number of RS Awards granted under the Restricted Share Award Scheme during the year;
- (b) the number of RS Awards vested or lapsed during the year;
- (c) the amount of expense in relation to the Restricted Share Award Scheme recorded during the year;
- (d) the opening and closing balance of RS Awards to be vested; and
- (e) the total number of RS Awards granted under the Restricted Share Award Scheme and the total number of RS Awards available for grant in the future.

A copy of the Scheme Rules will be available for inspection at the Company's principal place of business in Hong Kong at Unit 906, 9/F, Wings Building, 110-116 Queen's Road Central, Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM and at the SGM.

### **RSA SPECIFIC MANDATE**

In accordance with the Scheme Rules, a specific mandate is proposed to be granted to the Board (i) specifying the maximum number of new Ordinary Shares that may underlie the Restricted Shares granted pursuant to the Restricted Share Award Scheme, and (ii) empowering the Board to allot, issue and deal with Ordinary Shares underlying the Restricted Shares granted pursuant to the Restricted Share Award Scheme, during the period between the SGM and the conclusion of the next annual general meeting of the Company or any earlier date as referred to in such resolution.

As at the Latest Practicable Date, the number of Ordinary Shares in issue is 3,406,067,793 Ordinary Shares. Subject to the passing of the resolution approving the adoption of the Restricted Share Award Scheme and the passing of the resolution approving the RSA Specific Mandate, and assuming that there is no change in the number of issued Ordinary Shares

## LETTER FROM THE BOARD

between the Latest Practicable Date and the date on which the Board adopted the Restricted Share Award Scheme, i.e. the date of the SGM at which the ordinary resolution in respect of the Restricted Share Award Scheme is approved, the maximum number of new Ordinary Shares which may be issued under the Restricted Share Award Scheme during the period between the SGM and the next annual general meeting of the Company (or any earlier date as aforesaid) pursuant to the RSA Specific Mandate will be 85,151,694 Ordinary Shares, representing approximately 2.5% of the Ordinary Shares in issue. Upon expiry of the RSA Specific Mandate after the next general annual meeting of the Company, the Company will seek the Shareholders' approval for the unutilised number of new Ordinary Shares to be issued under the Restricted Share Award Scheme thereafter, i.e. only Shareholders' approval for the unutilised number of new Ordinary Shares under the 2.5% scheme limit is to be obtained.

Issue of new Ordinary Shares to connected persons of the Company under the Restricted Share Award Scheme will be made under the RSA Specific Mandate.

### REFRESHMENT OF SCHEME MANDATE LIMIT

The Share Option Scheme was adopted by the Company on 31 July 2012. The Scheme Mandate Limit was last granted at the annual general meeting of the Company held on 6 August 2013, pursuant to which the Directors were authorised to grant options carrying rights to subscribe for up to a maximum number of 144,950,112 Ordinary Shares, which represented 10% of the total issued Ordinary Shares as at the date of that meeting. On 26 August 2014, share options carrying rights to subscribe for up to 67,747,000 Ordinary Shares under the Share Option Scheme were granted by the Company. As at the Latest Practicable Date, save for the 67,747,000 share options granted on 26 August 2014 which remain outstanding or unexercised, no other share options were granted, lapsed, exercised or cancelled.

To provide the Company with greater flexibility in granting share options to eligible persons (including employees and Directors) of the Company under the Share Option Scheme as incentives or rewards for their contribution to the Group, the Board decided to seek the approval from the Shareholders at the SGM to refresh the Scheme Mandate Limit. The Directors consider that refreshment of the Scheme Mandate Limit is in the interest of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has 3,406,067,793 Ordinary Shares currently in issue. Assuming no further Ordinary Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the SGM, the maximum number of Ordinary Shares which may be issued upon the exercise of all the share options to be granted under the Scheme Mandate Limit as refreshed will be 340,606,779 Ordinary Shares, representing 10% of the issued Ordinary Shares as at the date of approval of the refreshed limit by the Shareholders at the SGM.

Pursuant to the Listing Rules, the limit on the number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Ordinary Shares of the Company (or its subsidiaries) in issue from time to time. No options may be granted under any schemes of the Company (or its subsidiaries) if this will result in the limit being exceeded. As at the Latest Practicable Date, the aggregate number of Ordinary Shares which may be issued

## **LETTER FROM THE BOARD**

upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company has not exceeded 30% of the Ordinary Shares in issue.

The refreshment of the Scheme Mandate Limit is conditional upon:

- (a) the passing of an ordinary resolution at the SGM to approve the refreshment of the Scheme Mandate Limit by the Shareholders; and
- (b) the Listing Committee of the Stock Exchange granting an approval for the listing of, and permission to deal in, such number of Ordinary Shares representing 10% of the Ordinary Shares in issue as at the SGM to be issued pursuant to the exercise of the share options to be granted under the Scheme Mandate Limit as refreshed.

Application will be made to the Stock Exchange for the listing of, and the permission to deal in the Ordinary Shares to be issued under the refreshed Scheme Mandate Limit.

### **SGM**

A notice convening the SGM is set out on pages 28 to 30 of this circular. A form of proxy for use at the SGM is enclosed herewith. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjournment thereof (as the case may be) should you so wish.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## LETTER FROM THE BOARD

### RECOMMENDATION

The Board believes that the proposed adoption of the Restricted Share Award Scheme, the proposed approval of the RSA Specific Mandate and the proposed refreshment of the Scheme Mandate Limit to be put before the SGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

Your attention is also drawn to the information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**KuangChi Science Limited**  
**Dr. Liu Ruopeng**  
*Chairman and Executive Director*

The following is a summary of the principal terms of the Restricted Share Award Scheme proposed to be approved at the SGM:

## INTERPRETATION

1. In these rules, unless the context otherwise requires, each of the following words and expressions shall have the meaning respectively shown opposite to it below:

“Adoption Date”	the date on which the Board adopted the Scheme Rules for the establishment of the Restricted Share Award Scheme, subject to approval by shareholders of the Company at the general meeting of the Company;
“Allocation Date”	the date on which the Trustee are informed of the allocation basis for the purpose of allocating the Ordinary Shares purchased by the Trustee in accordance with Rule 9;
“Articles”	the bye-laws of the Company from time to time;
“Award”	an award of Ordinary Shares purchased with the Reference Awarded Sum pursuant to Rule 8 or by the Trustee pursuant to Rule 32 to a Selected Participant pursuant to the Restricted Share Award Scheme;
“Board”	the board of Directors, such committee or such sub-committee or person(s) delegated with the power and authority by the board of Directors to administer the Restricted Share Award Scheme;
“Business Day”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and public holidays);
“Company”	KuangChi Science Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 439);
“Director(s)”	director(s) of the Company;
“Employee(s)”	any full-time or part-time employee employed by any member of the Group (including without limitation any executive and non-executive director of any member of the Group);



“Employees’ Behaviour Rules”	the behaviour codes adopted by the Company from time to time stipulating certain standards and rules which its employees must strictly adhere to;
“Excluded Employee”	any Employee who is resident in a place where the settlement of the Reference Amount and the award of the Restricted Shares and/or the award of the Returned Shares and/or the vesting and transfer of Ordinary Shares pursuant to the terms of the Restricted Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Share Award Committee compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Employee;
“Further Shares”	Ordinary Shares purchased by the Trustee out of cash income or net proceeds of sale of non-cash and non-scrip distributions declared and distributed by the Company in respect of Ordinary Shares held upon the Trust;
“Grant Date”	the date on which the Grant Letter is sent by the Company to the Selected Participant(s), or such other date as determined by the Share Award Committee;
“Grant Letter”	the letter to be sent by the Company to the Selected Participant(s) whereby the Selected Participant(s) are informed of the number of Restricted Shares to be granted to him, the adjustment thereof, the vesting conditions attached therewith and the lock-up of the Restricted Shares;
“Group”	the Company and its subsidiaries;
“Group Company”	the Company or any company which is its subsidiary;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited;

“Managers’ Behaviour Rules”	the behaviour codes adopted by the Company from time to time stipulating certain standards and rules which its managerial employees must strictly adhere to;
“Ordinary Shares”	ordinary shares of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Partial Lapse”	shall have the meaning as set out in Rule 14;
“Participant(s)”	any Employee, advisor and consultant of any member of the Group
“Reference Amount”	shall have the meaning as set out in Rule 8;
“Reference Awarded Sum”	such amount, as determined by the Share Award Committee from time to time pursuant to Rule 8, for the purchase of Restricted Shares;
“Related Income”	all income or distribution derived from an Ordinary Share held upon the Trust in the form of Ordinary Shares (including but not limited to, and any bonus Ordinary Shares and warrants, scrip Ordinary Shares and nil paid right, etc. received in respect of the Ordinary Share);
“Residual Cash”	being cash remaining in the trust fund in respect of a Restricted Share (including interest income derived from deposits maintained with licensed banks in Hong Kong, cash income and sale proceeds which have not been applied in the acquisition of Restricted Shares or Further Shares);
“Restricted Share Award Scheme”	the Restricted Share Award Scheme constituted by the rules hereof, in its present form or as amended from time to time in accordance with the provisions hereof;
“Restricted Shares”	in respect of a Selected Participant, such number of Ordinary Shares purchased with the Reference Awarded Sum and allocated by the Trustee from the total number of Ordinary Shares purchased out of cash paid by the Company to the Trustee or such number of Returned Shares awarded by the Trustee pursuant to Rule 32;

“Returned Shares”	such Restricted Shares of the relevant Restricted Shares which are referable to a Selected Participant and which are not accepted or vested in accordance with the terms of the Restricted Share Award Scheme (whether as a result of a Total Lapse or a Partial Lapse or otherwise, or such Ordinary Shares being deemed to be Returned Shares), or forfeited in accordance with the terms of the Restricted Share Award Scheme;
“Scheme Rules”	the rules related to the Restricted Share Award Scheme in its present or any amended form;
“Selected Participant(s)”	Participant(s) selected by the Share Award Committee pursuant to Rule 7 hereof for participation in the Restricted Share Award Scheme;
“Share Award Committee”	the committee set up by the Board for the purpose of administrating the Restricted Share Award Scheme;
“Specific Mandate”	the specific mandate(s) granted by the holders of the Ordinary Shares at the general meeting(s) of the Company authorising the Board to issue and allot new Ordinary Shares up to certain maximum number as approved at the relevant meeting(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	has the meaning ascribed to such term under Division 4 of Part 1 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) whether incorporated in Hong Kong or elsewhere;
“Total Lapse”	shall have the meaning as set out in Rule 13;
“Trust”	the trust constituted by the Trust Deed;
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time);
“Trust Period”	the period beginning with the Adoption Date and ending upon the first to happen of the following, namely:  (i) such date, being the 10th anniversary date of the Adoption Date; or

(ii) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); or

(iii) the date as may be informed by the Company that the Restricted Share Award Scheme shall be terminated;

“Trustee”

the trustee to be appointed by the Company which will hold Ordinary Shares for the benefit of the Selected Participants and others subject to the terms and conditions of the Trust Deed, or such other trustee as shall be appointed for the purposes set out herein;

“Vesting Date”

shall be the dates determined by the Share Award Committee and set out in the Grant letter.

2. In these Scheme Rules, save where the context otherwise requires:

2.1 unless the content requires otherwise wordings importing the singular shall include the plural and vice versa; words importing a gender shall include every gender and words importing persons include corporations;

2.2 the headings of the rules are inserted for convenience only and shall not limit, vary extend or otherwise affect the construction hereof;

2.3 references to any statute or statutory provision shall be construed as references to such statute or statutory provision as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory provision (whether with or without modification), and shall include any subsidiary legislation enacted under the relevant statute; and

2.4 references to persons shall include bodies corporate, corporations, partnerships, sole proprietorships, organisations, associations, enterprises, branches and entities of any other kind.

**PURPOSES AND OBJECTIVES**

3. The purpose of the Restricted Share Award Scheme is to recognise and motivate the contribution of certain Participants and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. The Restricted Share Award Scheme also aims to build up an incentives mechanism for the Employees and help the Company in retaining its existing Employees and recruiting additional Employees.
4. These rules serve to set out the terms and conditions upon which the incentive arrangement for the Participants shall operate.

**ADMINISTRATION**

5. The Restricted Share Award Scheme shall be subject to the administration of the Board and the Share Award Committee in accordance with these rules of the Restricted Share Award Scheme.
6. The Trustee will hold the Ordinary Shares and the income derived therefrom in accordance with the terms of the Trust Deed.

**OPERATION OF THE RESTRICTED SHARE AWARD SCHEME**

7. According to the Restricted Share Award Scheme, the Company may choose to purchase existing Ordinary Shares from the market or to issue new Ordinary Shares for the Restricted Share Award Scheme. Those Ordinary Shares will be held by the Trustee for the relevant Selected Participant(s) until such Ordinary Shares are vested with the relevant Selected Participant(s) in accordance with the provisions of the Restricted Share Award Scheme.

The Share Award Committee may, from time to time, at its absolute discretion select any Participant (excluding any Excluded Employee) after taking into various factors as it deems appropriate for participation in the Restricted Share Award Scheme as a Selected Participant. However, until so selected, no Participant shall be entitled to participate in the Restricted Share Award Scheme.

8. Subject to Rule 31, the Share Award Committee shall select the Selected Participant(s) and determine the Reference Awarded Sum for the purchase of the Ordinary Shares to be awarded, provided that if the Selected Participant(s) is/are the member(s) of the Share Award Committee, such member(s) should not be counted in the quorum at the meeting of the Share Award Committee held for the purpose of considering the Selected Participant(s) and the Reference Awarded Sum and such member(s) should abstain from voting at that meeting. The Share Award Committee shall having regard to the requirement under Rule 23, cause to be paid to the Trustee (or as it shall direct) from the Company's resources as soon as practicable in stages as determined by the Share Award Committee the Reference Amount, being the sum of (i) the aggregate of the Reference Awarded Sums awarded to all Selected Participants and (ii) the related purchase expenses

(including for the time being, the brokerage fee, stamp duty, SFC transaction levy, Stock Exchange trading fee and investor compensation levy and such other necessary expenses required for the completion of the purchase of all the Restricted Shares).

9. Within 45 Business Days on which the trading of Ordinary Shares has not been suspended or dealings by Directors are not prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time (or such longer period as the Trustee and the Board may agree from time to time having regard to the circumstances of the purchase concerned), after receiving the Reference Amount or the cash income or the deemed cash income of the Ordinary Shares held upon the Trust, the Trustee shall apply the same towards, as the case may be (a) the purchase of the maximum number of board lots of the Ordinary Shares or the Further Shares, respectively at the prevailing market price or (b) subscription of new Ordinary Shares in such total number to be determined by the Share Award Committee to be issued and allotted under the Specific Mandate. Any balance of the Reference Amount shall be returned by the Trustee to the Company forthwith after completion of the purchase or subscription. The Ordinary Shares so purchased or subscribed with the Reference Amount shall be allocated to the Selected Participant at such time and at such amount and with such vesting conditions as the Share Award Committee from time to time determines provided always that all Ordinary Shares purchased shall only be used for allocation under the Restricted Share Award Scheme and the Company must at least once every year during which the Restricted Share Award Scheme remains effective allocate such number of Ordinary Shares as the Share Award Committee deem appropriate for that particular year to the Selected Participant and the Company shall inform the Trustee of the details of the allocation of the Ordinary Shares within 7 Business Days (or such other period as the Trustee and the Share Award Committee may agree from time to time) before the Grant Letter is issued to the relevant Selected Participant. Ordinary Shares which are not so allocated shall be deemed as the Returned Shares for the purposes of the Restricted Share Award Scheme. For the avoidance of doubt, the Ordinary Shares so purchased shall form part of the capital of the trust fund of the Trust.

Where any Award is proposed to be granted to a Director, it shall not be granted where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time, including:

- (a) at any time when a Director possesses inside information in relation to the securities of the Company; and
- (b) on any day on which the financial results of the Company are published and during the period of:
  - (i) 60 days immediately preceding the publication date of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

- (ii) 30 days immediately preceding the publication date of the quarter results (if any) and half-yearly results of the Company or, if shorter, the period from the end of the relevant quarterly or half-yearly period up to the publication date of the results.

Where any Award is granted to any connected persons of the Company, it shall not be granted where the connected persons' aggregate interests in the Restricted Share Award Scheme are 30% or above.

10. Each Selected Participant will then be notified of the number of the Restricted Shares allocated to him, the adjustment thereof, the vesting conditions attached to such Restricted Shares and the lock-up of such Restricted Shares as soon as possible and in any event no later than 7 Business Days after the Allocation Date.
11. The Restricted Shares to be granted are subject to acceptance of the Selected Participants within the time as stipulated in the Grant Letter. Ordinary Shares not have been accepted by the Selected Participants shall be lapsed forthwith and become the Returned Shares which shall be dealt with in accordance with the Scheme Rules. The Trustee shall hold Returned Shares exclusively for the benefit of the Participants (excluding any Excluded Employee) as set out in Rules 32 and 33.
12. Unless otherwise determined by the Share Award Committee at its discretion, Restricted Shares held by the Trustee upon the Trust and which are referable to a Selected Participant shall not vest in that Selected Participant under the following circumstances:
  - 12.1 in the event of any failure of the Selected Participant to remain as an employee or advisor or consultant (as the case may be) of the Group Company on the relevant Vesting Date;
  - 12.2 in the event that the Selected Participant fails to achieve the key performance indicator or performance target or such other condition(s) as specified in the Grant Letter or the Selected Participant infringes any of the provisions of, where applicable, the Managers' Behaviour Rules and/or the Employees' Behaviour Rules or any rules adopted by the Board from time to time applicable to regulate the performance of the Participants;
  - 12.3 in the event that the Selected Participant(s) fails to return duly executed transfer documents prescribed by the Trustee for the relevant Restricted Shares within the stipulated period; and
  - 12.4 in the event of the death of Selected Participant.
13. Unless otherwise determined by the Share Award Committee at its discretion in the event (i) a Selected Participant fails to satisfy any condition as set out in the Grant Letter, or (ii) the Subsidiary by which a Selected Participant is employed or engaged (as the case may be) ceases to be a subsidiary of the company (or of a member of the Group), or (iii) an order for the winding-up of the Company is made or a resolution is passed for the

voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company) (each of these, an event of “Total Lapse”), the Award shall automatically lapse forthwith and all the Restricted Shares of such Award shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Restricted Share Award Scheme.

14. In the event (i) a Selected Participant is found to be an Excluded Employee or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee for the relevant Restricted Shares within the stipulated period (each of these, an event of “Partial Lapse”), unless otherwise determined by the Share Award Committee at its discretion, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Restricted Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Restricted Share Award Scheme.
15. Barring any unforeseen circumstances, unless otherwise agreed between the Share Award Committee and the Trustee, the Company shall send to the relevant Selected Participant (with a copy to the Trustee) a vesting notice together with such prescribed transfer documents which require the Selected Participant to execute to effect the vesting and transfer of the Restricted Shares on the relevant Vesting Date and subject to the receipt by the Trustee of (a) transfer documents prescribed by the Trustee and duly signed by the Selected Participant within the period stipulated by the Trustee in the vesting notice, and (b) a confirmation from the Company that all vesting conditions having been fulfilled, the Trustee shall transfer the relevant Restricted Shares to the relevant Selected Participant.
16. Any Award made hereunder shall be personal to the Selected Participant to whom it is made and shall not be assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to either the Reference Amount or the Restricted Shares granted to him pursuant to such Award or any of the Returned Shares under the Restricted Share Award Scheme.
17. In the event of any event or series of events of material adverse change or development in local, national, regional or international financial, political, industrial, economic, currency, military, conflict related, legal, fiscal, exchange control, regulatory, equity or market or other conditions having caused a drop in the share price of the Restricted Shares, the Share Award Committee may at its absolute discretion give the respective Selected Participant affected on the Vesting Date a compensatory award in such amount and in such form (whether by way of cash, Ordinary Shares or otherwise) as the Share Award Committee at its sole discretion considers appropriate. For the avoidance of doubt, such compensation award, if any, shall be paid by the Company to the affected Participant direct.



18. Save for the stamp duty or transaction levies payable in respect of the transfer by the Trustee to the Selected Participant of the relevant Restricted Shares, the Selected Participant shall be fully responsible for any tax arising from the receipt by him of the Restricted Shares including but not limited to salaries tax, capital gain tax. Should any arrangement be made at the request by the Selected Participant such that a designated financial institution is to pay first any tax to any relevant authority, the Selected Participant must repay such financial institution as soon as possible and in any event no later than 3 months after the payment has been made.
19. Any tax due on the granting or vesting of the Restricted Shares and expenses incurred in connection with the Restricted Share Award Scheme are to be borne by the Selected Participant absolutely. Any social security contributions legally due, if any, on the granting or vesting of the Restricted Shares shall be borne in such proportion as is required by the relevant law between the Selected Participant and the Group Company.
20. For the avoidance of doubt,
  - 20.1 a Selected Participant shall only have a contingent interest in the Restricted Shares which are referable to him subject to the vesting of such Ordinary Shares in accordance with the terms and conditions as set out in the Grant Letter but in no circumstance that a Selected Participant shall have any contingent interest in any Related Income derived from the Restricted Shares referable to him;
  - 20.2 a Selected Participant shall have no rights in the Residual Cash or any of the Returned Shares;
  - 20.3 no instructions may be given by a Selected Participant to the Trustee in respect of the Restricted Shares, and such other properties of the Trust;
  - 20.4 the Trustee shall not exercise the voting rights in respect of any Ordinary Shares held under the Trust (including but not limited to the Restricted Shares, the Returned Shares, any bonus Ordinary Shares and scrip Ordinary Shares).
21. All cash income and the sale proceeds of non-scrip distribution declared in respect of an Ordinary Share held upon the Trust will be applied towards the purchase of Further Shares.
22. Unless otherwise determined by the Share Award Committee at its discretion in the event a Selected Participant ceases to be, as the case may be, an Employee or the advisor or the consultant of any of the Group Company on the relevant Vesting Date, the award of the Restricted Shares in respect of the relevant Vesting Date shall lapse, such Restricted Shares shall not vest on the relevant Vesting Date and the Selected Participant shall have no claims against the Company or the Trustee.

23. No payment shall be made to the Trustee pursuant to Rule 8 and no instruction to acquire Ordinary Shares shall be given to the Trustee under the Restricted Share Award Scheme where any director is in possession of unpublished price sensitive information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.
24. In respect of the administration of the Restricted Share Award Scheme, the Company shall comply with all applicable disclosure regulations including without limitation those imposed by the Listing Rules from time to time.
25. Cash income of a Restricted Share shall be applied towards the purchase of Further Shares to be held upon trust as specified by the Board.

**TAKEOVER, RIGHTS ISSUE, OPEN OFFER, SCRIP DIVIDEND SCHEME, ETC**

26. If there occurs an event of change in control of the Company, whether by way of offer, merge; scheme of arrangement or otherwise, all the Restricted Shares shall immediately vest on the date when such change of control event becomes or is declared unconditional and such date shall be deemed the Vesting Date. Subject to the receipt by the Trustee of duly executed prescribed transfer documents on or before such time as the Trustee may determine, the Trustee shall transfer the Restricted Shares to the Selected Participant. For the purpose of this Rule 26, “control” shall have the meaning as specified in The Codes on Takeovers and Mergers from time to time.
27. In the event the Company undertakes an open offer of new securities in respect of any Ordinary Share which are held by the Trustee under the Restricted Share Award Scheme, the Trustee shall not subscribe for any new Ordinary Shares.
28. In the event the Company issues bonus warrants in respect of any Ordinary Shares which are held by the Trustee, the Trustee shall not subscribe for any new Ordinary Shares by exercising any of the subscription rights attached to the bonus warrants.
29. In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive scrip Ordinary Shares.
30. In the event the Company undertakes a consolidation of the Ordinary Shares, all fractional share arising out of such consolidation in respect of the Restricted Shares of a Selected Participant shall be deemed as Returned Shares for the purposes of the Restricted Share Award Scheme and shall not be transferred to the relevant Selected Participant on the relevant Vesting Date.

**SCHEME LIMIT**

31. The Share Award Committee shall not make any further Award which will result in the aggregate number of Ordinary Shares awarded by the Board under the Restricted Share Award Scheme in excess of 5% of the issued share capital of the Company as at the Adoption Date.

**RETURNED SHARES**

32. The Trustee shall hold Returned Shares exclusively for the benefit of all or one or more of the Participants (excluding any Excluded Employee), whether the awardee is a Selected Participant at the time of award, as the Trustee shall grant in accordance of the resolutions of the Share Award Committee.
33. When Returned Shares have been awarded, the Share Award Committee shall notify the Trustee accordingly.

**DISPUTES**

34. Any dispute arising in connection with the Restricted Share Award Scheme shall be referred to the decision of the Board who shall act as experts and not as arbitrators and whose decision shall be final and binding.

**ALTERATION OF THE RESTRICTED SHARE AWARD SCHEME**

35. The Restricted Share Award Scheme may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Selected Participant hereunder except with:
  - 35.1 the consent in writing of Selected Participant is obtained amounting to three fourths in nominal value of all Ordinary Shares so held by the Trustee on that date; or
  - 35.2 the sanction of a special resolution passed at a meeting of the Selected Participants.
36. For any such meeting of Selected Participants referred to in Rule 35 all the provisions of the Articles as to general meetings of the Company shall mutatis mutandis apply as though the Ordinary Shares then held by the Trustee on behalf of Selected Participants were a separate class of shares forming part of the share capital of the Company except that:
  - 36.1 not less than 7 days' notice of such meeting shall be given;
  - 36.2 a quorum at any such meeting shall be two Selected Participants present in person or by proxy;
  - 36.3 every Selected Participant present in person or by proxy at any of such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Restricted Share proposed to be awarded to him and held by the Trustee;
  - 36.4 any Selected Participant present in person or by proxy may demand a poll; and
  - 36.5 if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than 7 or more than 14 days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Selected Participants who are then present in person or by proxy shall

form a quorum and at least 7 days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Selected Participants who are then present in person or by proxy shall form a quorum.

**DURATION AND TERMINATION**

37. The Restricted Share Award Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless sooner terminated as determined by the Board of Directors by a 3 months prior notice and the termination shall not affect any subsisting rights of any Selected Participant hereunder.
38. Upon termination,
- 38.1 all the Restricted Shares shall become vested on the Selected Participant on such date of termination save in respect of the Total Lapse, subject to the receipt by the Trustee of the transfer documents prescribed by the Trustee and duly executed by the Selected Participant within the period stipulated by the Trustee;
- 38.2 Returned Shares and such non-cash income remaining in the trust fund shall be sold by the Trustee, within 45 Business Days (on which the trading of the Ordinary Shares has not been suspended) of receiving notice of such termination of the Restricted Share Award Scheme (or such longer period as the Trustee and the Board may otherwise determine);
- 38.3 Residual Cash, net proceeds of sale referred to in Rule 38.2 hereof and such other funds remaining in the Trust (after making appropriate deductions in respect of all disposal costs, liabilities and expenses in accordance with the Trust Deed) shall be remitted to the Company forthwith after the sale (and in any event within 5 Business Days after the sale). For the avoidance of doubt, the Trustee may not transfer any Ordinary Shares to the Company nor may the Company otherwise hold any Ordinary Shares whatsoever (other than its interests in the proceeds of sale of such Ordinary Shares pursuant to Rule 38.2).
39. For the avoidance of doubt the temporary suspension of the granting of any Award shall not be construed as a decision to terminate the operation of the Restricted Share Award Scheme.

**MISCELLANEOUS**

40. The Restricted Share Award Scheme shall not form part of any contract of employment between the Company or any Subsidiary and any Employee, and the rights and obligations of any Employee under the terms of his or her office or employment shall not be affected by his or her participation in the Restricted Share Award Scheme or any right which he may have to participate in it and the Restricted Share Award Scheme shall afford such Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

41. The Company shall bear (not out of the cash, property or income of the Trust but out of its own resources) the costs of establishing, administering and maintaining the Restricted Share Award Scheme, including, for the avoidance of doubt, costs arising from communication as referred to in Rule 42, expenses incurred in the purchase of Ordinary Shares by the Trustee and stamp duty and normal registration fee in respect of the transfer of Ordinary Shares to Selected Participants on the relevant Vesting Date. For the avoidance of doubt, the Company shall not be liable for any tax or expenses of such other nature payable on the part of any Participant or the Trustee in respect of any sale, purchase, vesting or transfer of Ordinary Shares.
42. Any notice or other communication between the Company and any Participant may be given by sending the same by fax, post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong or such other address as notified to the Participant from time to time and in the case of a Participant, his or her or its address in Hong Kong as notified to the Company from time to time.
43. Any notice or other communication if served by post:—
  - 43.1 by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
  - 43.2 by a Participant shall not be deemed to have been received until the same shall have been received by the Company.
44. Any notice or other communication if served by fax such notice shall be deemed to be served at the time upon the obtaining of a machine-printed report confirming successful transmission.
45. The Company shall not be responsible for any failure by any Participant to obtain any consent or approval required for such Participant to participate in the Restricted Share Award Scheme or for any tax or other liability to which he/she may become subject as a result of his or her participation in the Restricted Share Award Scheme.
46. Each and every provision hereof shall be treated as a separate provision and shall be severally enforceable as such and in the event of any provision or provisions being or becoming unenforceable in whole or in part. To the extent that any provision or provisions are unenforceable they shall be deemed to be deleted from the Scheme Rules, and any such deletion shall not affect the enforceability of the Scheme Rules as remain not so deleted.
47. Where any grant of Restricted Shares is proposed to be made to any person who is a connected person of the Company within the meaning of the Listing Rules, the Company shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or shareholders' approval requirements, unless otherwise exempted under the Listing Rules.



**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

**NOTICE IS HEREBY GIVEN** that the Special General Meeting (the “Meeting”) of KuangChi Science Limited (the “Company”) will be held at 3/F, Nexxus Building, 77 Des Voeux Road Central, Hong Kong on 10 December 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, with or without modification, passing the following resolutions:

**ORDINARY RESOLUTION**

1. **“THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new ordinary shares of HK\$0.01 each in the share capital of the Company (the “Ordinary Shares”) underlying any restricted share awards (“RS Awards”) which may be granted pursuant to the Restricted Share Award Scheme (as defined in the circular to shareholders of the Company dated 24 November 2014), a copy of which is produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification, the Restricted Share Award Scheme be and is hereby approved and adopted and the directors of the Company (the “Directors”) be and are hereby authorised to grant RS Awards under and pursuant to the Restricted Share Award Scheme and do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Restricted Share Award Scheme.”
2. **“THAT**
  - (a) subject to paragraph (b) of this resolution and conditional upon resolution no. 1 in the notice of this meeting, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue, procure the transfer of and otherwise deal with ordinary shares underlying any RS Awards granted under the Restricted Share Award Scheme as and when the RS Awards vest be and is hereby approved;

## NOTICE OF SGM

- (b) no RS Awards shall be granted by the Directors if as a result of such grant the aggregate number of new ordinary shares underlying all RS Awards granted by the Directors (excluding RS Awards that have lapsed or been cancelled in accordance with the rules of the Restricted Share Award Scheme) shall exceed 2.5% of the number of ordinary shares in the Company in issue as at the date on which the Board adopted the Restricted Share Award Scheme, i.e. the date of passing of this resolution; and
  - (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
    - (iii) the revocation or variation of the approval given by this resolution by a resolution of members of the Company in general meeting.”
3. **“THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Ordinary Shares which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company on 31 July 2012 (the “Share Option Scheme”), representing 10% of the issued Ordinary Shares as at the date on which this ordinary resolution is passed, pursuant to the Share Option Scheme:
- (a) approval be and is hereby granted for refreshing the 10% mandate under the Share Option Scheme (the “Refreshed Scheme Mandate”) provided that the total number of Ordinary Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company and its subsidiaries (the “Group”) under the Refreshed Scheme Mandate shall not exceed 10% of the total number of issued Ordinary Shares as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Group (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and

## NOTICE OF SGM

- (b) the Directors be and are hereby authorised: (i) at their absolute discretion, to grant options to subscribe for Ordinary Shares within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with Ordinary Shares pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate.”

By order of the Board  
**KuangChi Science Limited**  
**Dr. Liu Ruopeng**  
*Chairman and Executive Director*

Hong Kong, 24 November 2014

*Registered office:*  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Principal place of business  
in Hong Kong:*  
Unit 906, 9th Floor  
Wings Building  
110–116 Queen’s Road Central  
Central  
Hong Kong

*Notes:*

1. Every member of the Company entitled to attend and vote at the above Meeting is entitled to appoint more than one proxy (if a member who is holder of two or more shares) to attend and vote for him/her on his/her behalf of the Meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy thereof, must be lodged with the Company’s share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or any adjourned meeting thereof.