
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 advisers.

If you have sold or transferred all your shares in Kinergy Corporation Ltd., you should hand this circular together with the accompanying form of proxy at once 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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Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION OF EQUITY BY CAPITAL INJECTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser



**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 8 to 20 of this circular. A letter from the Independent Board Committee is set out on pages 21 and 22 of this circular. A letter from Lego Corporate Finance Limited is set out on pages 23 to 41 of this circular.

A notice convening the EGM to be held by way of electronic means on Tuesday, 15 December 2020 at 9:30 am is set out on pages 51 to 53 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Boardroom Share Registrar (HK) Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. The Company will be conducting the EGM by way of electronic means at its registered office at 1 Changi North Street 1, Lobby 2, Singapore 498789. The Company will observe safe distancing measures in conducting the EGM. Shareholders should note that due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and **Shareholders will not be able to attend the EGM in person.**

* For identification purposes only

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PRECAUTIONARY MEASURES FOR THE EGM

Date, Time and Conduct of EGM

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 of Singapore, the EGM will be held by way of electronic means on Tuesday, 15 December 2020 at 9.30 a.m.. The Company will be conducting the EGM by way of electronic means at its registered office at 1 Changi North Street 1, Lobby 2, Singapore 498789. The Company will observe safe distancing measures in conducting the EGM.

Notice of EGM, Circular and Proxy Form

Printed copies of the Notice of EGM, this circular and the Proxy Form will be sent to Shareholders. The Notice of EGM, this circular and the Proxy Form may also be accessed at the Company's website at <http://www.kinergy.com.sg/>.

Attendance at the EGM

Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and Shareholders will not be able to attend the EGM in person.

Participation at the EGM

Alternative arrangements have been made by the Company to allow Shareholders to participate at the EGM via electronic means. Such alternative arrangements include:

- (a) arrangements by which Shareholders may electronically access the EGM proceedings and observe and/or listen to the live audio-visual webcast or live audio-only stream;
- (b) arrangements by which Shareholders may submit comments, queries and/or questions to the chairman of the EGM (the "**Chairman of the Meeting**") in advance of the Meeting;
- (c) arrangements by which the Board and the management may address substantial and relevant comments, queries and/or questions before the EGM; and
- (d) arrangements by which Shareholders must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM.

Details of the steps for pre-registration for the live audio-visual webcast or live audio-only stream, submission of comments, queries and/or questions in advance of the Meeting and submission of Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the EGM are set out in Appendix II to this circular titled "**Alternative Arrangements**".

PRECAUTIONARY MEASURES FOR THE EGM

Key Dates and Times	Actions to be taken by Shareholders
5 p.m. on Friday, 11 December 2020	Deadline for Shareholders to: (a) pre-register for the live audio-visual webcast or live audio-only stream; and (b) submit comments, queries and/or questions in advance of the EGM.
9.30 a.m. on Sunday, 13 December 2020	Deadline for Shareholders to submit Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the EGM.
12 p.m. on Monday, 14 December 2020	Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream and who have been verified by the Company's Share Registrar, Boardroom Share Registrars (HK) Limited, will receive an email which will contain the user ID and password details as well as the URL to access the live audio-visual webcast or the toll-free telephone number to access the live audio-only stream (the " Confirmation Email "). Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream but who have not received the Confirmation Email by 12 p.m. on Monday, 14 December 2020, should contact the Company at ir@kinergy.com.sg .
9.30 a.m. on Tuesday, 15 December 2020	Shareholders may participate at the EGM via electronic means by: (a) accessing the URL in the Confirmation Email and entering the user ID and password to access the live audio-visual webcast; or (b) calling the toll-free telephone number to access the live audio-only stream.

Important Reminder

Due to the constantly evolving COVID-19 situation in Singapore, the Company may be required to change the arrangements for the EGM at short notice. For the latest updates on the arrangements for the EGM, Shareholders should check the Company's website at the <http://www.kinergy.com.sg/>.

DEFINITIONS

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

“AMAC”	Asset Management Association of China (中國證券投資基金業協會)
“Announcement”	the announcement of the Company dated 6 November 2020 relating to, amongst other things, the Capital Injection Agreement and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“AUM”	assets under management, being the total paid-up contribution of each Target Fund
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks generally are open for business in the PRC
“BVI”	the British Virgin Islands
“Capital Injection”	the proposed subscription for the new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) by Kinergy IME under the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 6 November 2020 entered into between Kinergy IME, Chongqing CEL and the Target Company in respect of the Capital Injection
“CE Hong Kong”	China Everbright Holdings Company Limited (中國光大集團有限公司), a company incorporated in Hong Kong with limited liability on 10 May 1983 and one of our Controlling Shareholders, which indirectly holds approximately 49.74% shares in CEL and is a subsidiary of China Everbright Group
“CE Venture”	China Everbright Venture Capital Limited, a company incorporated in BVI on 8 April 1999 and one of our Controlling Shareholders, which directly holds 100% shares in Diamond Wealth and is directly wholly-owned by CEL
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and one of the controlling shareholders of the Company
“CEL Group”	collectively, CEL and its subsidiaries from time to time

DEFINITIONS

“China Everbright Group”	China Everbright Group Ltd.* (中國光大集團股份公司), a company established in the PRC with limited liability on 12 November 1990 and one of our Controlling Shareholders, which directly holds 100% shares in CE Hong Kong and is held as to approximately 55.67% by Huijin and approximately 44.33% by the Ministry of Finance
“Chongqing CEL”	Chongqing CEL Equity Investment Management Co., Ltd.* (重慶光控股權投資管理有限公司), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — Chongqing CEL” of this circular
“CIC”	China Investment Corporation* (中國投資有限責任公司), a company established in the PRC with limited liability on 28 September 2007, which is wholly-owned by the State Council and holds 100% interest in Huijin
“Company”	Kinergy Corporation Ltd. (光控精技有限公司), a company incorporated in Singapore with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Capital Injection
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Diamond Wealth”	Diamond Wealth Global Limited, a limited liability company incorporated in the BVI on 22 January 2016, which is wholly owned by CE Venture and is one of our Controlling Shareholders
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for considering, and if thought fit, approving the Capital Injection Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“Haimen Health Fund”	Haimen CEL Health and Elderly Care Industry Investment Partnership (Limited Partnership)* (海門光控健康養老產業投資合夥企業(有限合夥)), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — The Target Company — Haimen Health Fund” of this circular
“Huijin”	Central Huijin Investment Limited* (中央匯金投資有限責任公司), a state-owned investment company established in the PRC on 16 December 2003 with limited liability indirectly and wholly owned by the State Council through CIC, which directly holds approximately 55.67% equity interest in China Everbright Group
“Independent Board Committee”	the independent committee of the Board comprising all of the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Capital Injection Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Capital Injection Agreement and the transactions contemplated thereunder
“Independent Shareholders”	with respect to the Capital Injection Agreement, Shareholders other than (i) CEL and its associates (i.e. CE Venture and Diamond Wealth); (ii) Mr. Du and his associate (i.e. Sino Expo) and (iii) any other Shareholders who are required by the Listing Rules to abstain from voting at the EGM in respect of the resolution(s) relating to the Capital Injection Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	any third party independent of and not connected with the Company and its connected persons
“Jinguan Electric”	Jinguan Electric Co., Ltd.* (金冠電氣股份有限公司), a joint stock company established in the PRC on 28 March 2005
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company

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“Kinergy IME”	Kinergy Intelligent Manufacturing Equipment (Nantong) Co. Ltd.* (精技智能裝備(南通)有限公司), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — Kinergy IME” of this circular
“Latest Practicable Date”	24 November 2020, being the latest practicable date before printing of this circular for ascertaining information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Ministry of Finance”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Du”	Mr. Du Xiaotang, an executive Director and one of the controlling shareholders of the Company
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — The Target Company — Nantong Intelligent Fund” of this circular
“Nantong Semiconductor Fund”	Nantong CEL Semiconductor Industry Investment Fund Partnership (Limited Partnership)* (南通光控半導體產業投資基金合夥企業(有限合夥)), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — The Target Company — Nantong Semiconductor Fund” of this circular
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proxy Form”	the proxy form accompanying this circular
“RMB”	Renminbi, the lawful currency of the PRC
“S\$”	Singapore Dollar, the lawful currency of Singapore
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	shares(s) of the Company

DEFINITIONS

“Shareholder(s)”	shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“Sino Expo”	Sino Expo Holdings Limited, a company incorporated in the BVI on 28 June 2016 which is wholly owned by Mr. Du, one of the controlling shareholders of the Company
“SMEE”	Shanghai Micro Electronics Equipment (Group) Co., Ltd.* (上海微電子裝備(集團)股份有限公司), a joint stock company established in the PRC on 7 March 2002
“SMEE Group”	collectively, SMEE and its subsidiaries
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), which is more particularly described in the section headed “Letter from the Board — III. Information of the parties to the Capital Injection Agreement — The Target Company” of this circular
“Target Fund(s)”	Nantong Intelligent Fund, Nantong Semiconductor Fund and Haimen Health Fund, and each a “Target Fund”
“%”	per cent

In this circular, amounts denominated in S\$ have been converted into RMB at the rate of RMB1.00 = S\$0.20 for the purpose of illustrations.

* For identification purposes only



Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

Executive Directors:

Mr. Lim Kuak Choi Leslie
(Chief Executive Officer)
Mr. Du Xiaotang
Mr. Lim Khin Mann
Mr. Tay Kim Kah

Non-executive Directors:

Mr. Yang Ping *(Chairman)*
Mr. Tsang Sui Cheong Frederick

Independent Non-executive Directors:

Mr. Ng Tiak Soon
Dr. Senerath Wickramanayaka
Mudiyanselage Sunil
Wickramanayaka
Professor Zhang Wei

*Registered Office and Principal Place
of Business in Singapore:*

1 Changi North Street 1
Singapore 498789

*Principal Place of Business
in Hong Kong:*

31/F
148 Electric Road
North Point
Hong Kong

27 November 2020

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION OF EQUITY BY CAPITAL INJECTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

The Board refers to the Announcement of the Company dated 6 November 2020 in relation to the Capital Injection Agreement and the transactions contemplated thereunder.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information which will help you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM in relation to the Capital Injection Agreement and the transactions contemplated thereunder.

II. THE CAPITAL INJECTION AGREEMENT

On 6 November 2020 (after trading hours), Kinergy IME, Chongqing CEL and the Target Company entered into the Capital Injection Agreement, pursuant to which Kinergy IME agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) in cash, out of which (i) RMB31.26 million will be contributed as registered capital of the Target Company and (ii) the remaining RMB20.84 million will be credited to the capital reserve of the Target Company. Upon Completion, the registered capital of the Target Company will increase from RMB30 million to RMB61.26 million and the Company (through Kinergy IME) will hold approximately 51.03% of the equity interest of the Target Company, and the equity interest in the Target Company held by Chongqing CEL will be reduced to approximately 48.97%. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results and positions of the Target Company will be consolidated into the accounts of the Group.

The principal terms of the Capital Injection Agreement are summarized as follows:

- Date: 6 November 2020
- Parties: (1) Kinergy IME;
- (2) Chongqing CEL; and
- (3) The Target Company.

Subject matter to be acquired

Kinergy IME agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) in cash, out of which (i) RMB31.26 million will be contributed as registered capital of the Target Company and (ii) the remaining RMB20.84 million will be credited to the capital reserve of the Target Company. Upon Completion, the registered capital of the Target Company will increase from RMB30 million to RMB61.26 million, and the Company (through Kinergy IME) will hold approximately 51.03% of the equity interest of the Target Company, and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

LETTER FROM THE BOARD

Amount of capital contribution

The Capital Injection of RMB52.1 million (equivalent to approximately S\$10.42 million) will be payable in cash by Kinergy IME within seven Business Days from the date on which the Independent Shareholders' approval for the Capital Injection Agreement and the Capital Injection has been obtained at the EGM.

Basis of the amount of capital contribution

The Capital Injection of RMB52.1 million was determined by the parties to the Capital Injection Agreement after arm's length negotiations taking into account the following principal factors: (i) the future funding requirements of the Target Company for fulfilling the second and third installments of its capital commitments for Nantong Intelligent Fund, which are expected to be RMB15 million each payable by the Target Company in 2021 and 2022, respectively, and the remaining RMB22.1 million for a new private equity fund focusing in the intelligent manufacturing industry with an expected target size of RMB1 billion to be co-established by the Target Company and a government authority of the PRC within the next one year; (ii) the net asset value of approximately RMB50.0 million of the Target Company as at 30 June 2020; (iii) the synergies expected to be generated between the Group and the Target Company upon Completion as stated in the section headed "Reasons for and benefits of the Capital Injection" below; and (iv) the potential investment return of the Target Company, as the general partner of the Target Funds, upon the expiration of the Target Funds.

The Group intends to finance the Capital Injection by internal resources.

Conditions precedent

The Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent on or before the Completion Date unless the parties otherwise agree:

- (a) the completion of due diligence in relation to the business, legal, financial and other conditions or prospects of the Target Company to the reasonable satisfaction of Kinergy IME;
- (b) approval from the Independent Shareholders having been obtained at the EGM for, among others, the Capital Injection Agreement and the Capital Injection in accordance with the Listing Rules; and
- (c) all major transaction documents in relation to the Capital Injection having been signed, Kinergy IME having received all the relevant signed documents and the Capital Injection Agreement becoming effective.

Save and except condition (b) above, Kinergy IME may waive in writing any of the above conditions precedent at any time before Completion.

As the Latest Practicable Date, condition (a) had been satisfied.

LETTER FROM THE BOARD

Board composition

The board of the directors of the Target Company shall be formed within ten Business Days after the Completion and comprise three directors. Kinergy IME and Chongqing CEL will be entitled to nominate two and one directors of board of the directors of the Target Company, respectively. The board of the directors of the Target Company will appoint a general manager of the Target Company.

Investment decision-making committee

The Target Company shall change the composition, members and decision-making procedures of the investment decision-making committee (投資決策委員會) of each Target Fund within 30 Business Days after the Completion. Each of Kinergy IME and Chongqing CEL is entitled to nominate two members of the investment decision-making committee of each Target Fund. Each member of the investment decision-making committee of the Target Funds shall have one vote. After the Completion, the investment decision-making committee of Nantong Intelligent Fund shall comprise five members (including one member nominated by one of the limited partners of Nantong Intelligent Fund, Nantong Hengbang Investment Management Limited* (南通恒邦投資管理有限公司), which is wholly-owned by the Administrative Committee of Nantong Economic and Technological Development Zone* (南通市經濟技術開發區管理委員會) and an Independent Third Party), while the investment decision-making committees of Nantong Semiconductor Fund and Haimen Health Fund shall comprise four members. The decisions made by the investment decision-making committee of each Target Fund shall be passed by at least three fifth of the committee members.

Completion

Completion shall take place within seven Business Days from the date on which Independent Shareholders' approval for the Capital Injection Agreement and the Capital Injection has been obtained at the EGM, or such later date as the parties to the Capital Injection Agreement may agree in writing.

III. INFORMATION OF THE PARTIES TO THE CAPITAL INJECTION AGREEMENT

Kinergy IME

Kinergy IME is a limited liability company established in the PRC on 2 April 2020 and a wholly-owned subsidiary of the Company. The principal business of Kinergy IME is investment holding.

Chongqing CEL

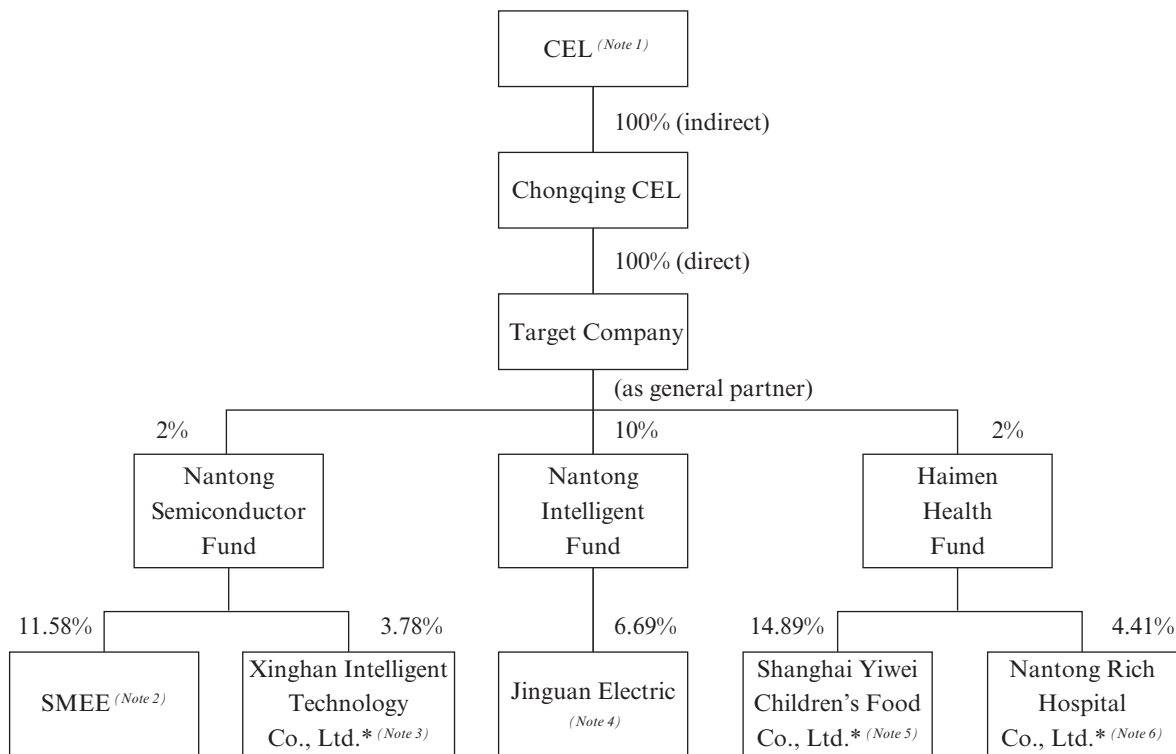
To the best knowledge, information and belief of the Directors having made all reasonable enquires, Chongqing CEL is an investment holding company established in the PRC with limited liability on 7 June 2011 and wholly owned by CEL, one of the controlling shareholders of the Company. Thus, it is a connected person of the Company.

The Target Company

The Target Company is a limited liability company established in the PRC on 6 July 2015 with an initial registered capital of RMB10 million. The initial paid-up capital of RMB10 million of the Target Company was fully contributed by Chongqing CEL in cash. The registered capital of the Target Company was increased from RMB10 million to RMB30 million on 20 December 2018, the additional capital was fully paid up by Chongqing CEL in cash. The Target Company has been a direct wholly-owned subsidiary of Chongqing CEL since its incorporation. It is principally engaged in equity fund raising activities for non-listed corporations and related consultation services. The Target Company is a registered private equity fund manager (私募基金管理人) with the AMAC in the PRC which currently manages the Target Funds, namely Nantong Intelligent Fund, Nantong Semiconductor Fund and Haimen Health Fund.

LETTER FROM THE BOARD

Set out below is the group structure of the Target Company as at the date of this circular:



Notes:

1. As at the Latest Practicable Date, China Everbright Group held 100% of the total issued share capital of CE Hong Kong; CE Hong Kong held 100% of the total issued share capital of each of Datten Investments Limited and Everbright Investment & Management Limited; Datten Investments Limited held 100% of the total issued share capital of Honorich Holdings Limited, which in turn held approximately 49.38% of the total issued share capital of CEL; and Everbright Investment & Management Limited held approximately 0.36% of the total issued share capital of CEL. China Everbright Group is held as to approximately 55.67% by Huijin, which is indirectly and wholly owned by the State Council through CIC, and approximately 44.33% by the Ministry of Finance.
2. SMEE Group is principally engaged in the development, design, manufacture, sales and provision of technical services of semiconductor equipment, pan-semiconductor equipment and high-end intelligent equipment in the PRC. SMEE Group has three main product categories, namely (i) mask aligner; (ii) laser application and optical inspection; and (iii) special application.
3. Xinghan Intelligent Technology Co., Ltd. is principally engaged in the research and development, manufacturing, processing and sale of embedded smart security products in the PRC, including magnetic stripe cards, smart cards, smart systems and radio frequency identification (electronic tags).
4. Jinguan Electric is principally engaged in the research, development and manufacturing of power system lightning arresters, transformers, reactive power compensation devices and substation intelligent online monitoring devices in the PRC.

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5. Shanghai Yiwei Children Food Co., Ltd. is principally engaged in the technology development, technology consulting, and technology services of children's food in the PRC.
6. Nantong Rich Hospital Co., Ltd. is the medical service center in southeast Nantong and the only high-level general hospital in Nantong Economic and Technological Development Area, and an indirect non-wholly owned subsidiary of Rici Healthcare Holdings Limited (Stock code: 1526).

Nantong Intelligent Fund

Nantong Intelligent Fund is a limited partnership established on 12 September 2019 and completed the filing with the AMAC on 30 April 2020. It is principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC. The initial size of the Nantong Intelligent Fund is RMB500 million (equivalent to approximately S\$100 million). The capital commitment of the Target Company (as general partner) and the Group via Kinergy EMS (as limited partner) in the Nantong Intelligent Fund is RMB50 million and RMB100 million, representing 10% and 20% of the total capital commitment, respectively. As at the Latest Practicable Date, Nantong Intelligent Fund had an AUM of RMB200 million, of which RMB20 million was contributed by the Target Company and RMB40 million was contributed by Kinergy EMS.

The initial duration of Nantong Intelligent Fund is five years commencing from 12 September 2019. The first three years is the investment period and the two years commencing from the expiration of such investment period is the divestment period of Nantong Intelligent Fund. Both the investment period and divestment period of Nantong Intelligent Fund may be extended for one year.

The management fee of Nantong Intelligent Fund is 2% p.a. (pre-tax basis) on the AUM. As at the Latest Practicable Date, (i) Nantong Intelligent Fund had a total investment amount of approximately RMB98.39 million, which had been invested in approximately 6.69% equity interests in Jinguan Electric, and (ii) the Group was directly interested in approximately 1.22% equity interests in Jinguan Electric.

Nantong Semiconductor Fund

Nantong Semiconductor Fund is a limited partnership established on 19 December 2018 and completed the filing with the AMAC on 11 February 2019. It is principally engaged in equity investments in enterprises in the design, research and development, manufacturing, sales and trading of high-end semiconductor equipment, pan-semiconductor equipment, intelligent equipment, industry 4.0, high-end equipment, intelligent manufacturing, TMT, and other related fields in the PRC. The target size of the Nantong Semiconductor Fund is RMB500 million (equivalent to approximately S\$100 million). The Nantong Semiconductor Fund has an initial operating period of four years from 19 December 2018, which may be further extended by two years upon expiry of the initial operating period. The capital commitment of

LETTER FROM THE BOARD

the Target Company (as general partner) in the Nantong Semiconductor Fund is RMB10 million, representing 2% of the total capital commitment. As at the Latest Practicable Date, Nantong Semiconductor Fund had an AUM of RMB500 million, of which RMB10 million was contributed by the Target Company.

The management fee of Nantong Semiconductor Fund is 1% p.a. (pre-tax basis) on the AUM. As at the Latest Practicable Date, (i) Nantong Semiconductor Fund had a total investment amount of approximately RMB472.01 million, approximately RMB450.62 million of which had been invested approximately in 11.58% equity interests in SMEE, and the remaining RMB21.39 million had been invested in 3.78% equity interests in Xinghan Intelligent Technology Co., Ltd.* (星漢智能科技股份有限公司); and (ii) the Group was directly interested in approximately 0.4% equity interests in SMEE.

Haimen Health Fund

Haimen Health Fund is a limited partnership established on 16 August 2017 and completed the filing with the AMAC on 7 February 2018. It is principally engaged in equity investments in enterprises in the health and elderly care industry in the PRC. The target size of the Haimen Health Fund is up to RMB2 billion (equivalent to approximately S\$0.4 billion). The initial duration of Haimen Health Fund is six years commencing from 16 August 2017. The first four years is the investment period and the two years commencing from the expiration of such investment period is the divestment period of Haimen Health Fund. The divestment period of Haimen Health Fund may be extended for one year. As at the Latest Practicable Date, Haimen Health Fund had an AUM of RMB441.5 million, of which RMB8.83 million (i.e. 2% of its AUM) was contributed by the Target Company.

The management fee of Haimen Health Fund is 2% p.a. (pre-tax basis) on the AUM. As at the Latest Practicable Date, Haimen Health Fund had a total investment amount of RMB170 million, RMB70 million of which had been invested in 14.89% equity interests in Shanghai Yiwei Children's Food Co., Ltd.* (上海伊威兒童食品有限公司) and the remaining RMB100 million had been invested in approximately 4.41% equity interests in Nantong Rich Hospital Co., Ltd.* (南通瑞慈醫院有限公司).

LETTER FROM THE BOARD

Financial information

Set out below is the financial information of the Target Company for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	For the year ended		For the nine
	31 December		months ended
	2018	2019	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Revenue	9,684	12,370	11,666
Net profit before tax	7,322	9,227	10,226
Net profit after tax	5,399	6,891	7,669

The unaudited net asset value of the Target Company as at 30 September 2020 is approximately RMB52.45 million (equivalent to approximately S\$10.49 million).

Immediately upon the Completion, the Target Company will be owned as to approximately 51.03% by Kinergy IME and approximately 48.97% by Chongqing CEL, and the Target Company will become an indirect non-wholly owned subsidiary of the Company. The financial results and position of the Target Company will be consolidated into the accounts of the Group upon Completion.

IV. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

The Company is a limited liability company incorporated in Singapore. The principal activities of the Group are to provide contract manufacturing, design, engineering and assembly for the semiconductor industry, and the design, manufacture and sale of automated machines, apparatus, systems, and equipment. The Capital Injection reflects the Group's strategy of continually seeking expansion opportunities, while the Group endeavours to continue to strength its market position in its principal businesses, it has been exploring opportunities to expand and diversify its operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, as well as access to new markets and customers.

The Target Company is a private equity fund manager and currently manages the Target Funds. The investment objectives of the Target Company as a private equity fund manager are to make equity investments in high-end equipment, semiconductor equipment, advanced manufacturing and other related industries. The Target Funds have invested in five investment targets in total. For details of the investment targets, please refer to the paragraph headed "III. Information of the parties to the Capital Injection Agreement — The Target Company" of this section. In particular, Jinguan Electric has submitted application for listing on the Shanghai Stock Exchange in June 2020, while SMEE, has been undergoing the guidance in preparation for listing on the Shanghai Stock Exchange. It is expected that optimistic return will be generated for the Target Company as a general

LETTER FROM THE BOARD

partner of the Target Funds after the listings of the investment targets are materialised and/or through divestment of the investment targets upon the expiration of the Target Funds.

After the Completion, Kinergy IME will be entitled to nominate (i) two directors of the board of directors of the Target Company and (ii) two members of the investment decision-making committee of each Target Fund. Kinergy IME expects to nominate Mr. Lim Kuak Choi Leslie, who is the chief executive officer of the Company and an executive Director, and Mr. Tay Kim Kah, who is an executive Director, to act as the directors of the Target Company and members of the investment decision-making committee of each Target Fund. Mr. Lim Kuak Choi Leslie has over 40 years of experience in the semiconductor, electronics and chemical trading industries, while Mr. Tay Kim Kah has over 50 years of experience in accounting and finance, among which 15 years is in the semiconductor industry. In addition, Mr. Yang Ping and Mr. Du are currently members of the investment decision-making committees of all the Target Funds. After the Completion, it is expected that Mr. Yang Ping will also be nominated by Chongqing CEL and, together with Mr. Lim Kuak Choi Leslie and Mr. Tay Kim Kah, will form the board of directors of the Target Company. Meanwhile, it is expected that Mr. Yang Ping and Mr. Du will continue to be members of the investment decision-making committee of each Target Fund after the Completion. Mr. Yang Ping has been the chairman of the Board and a non-executive Director since 2019. He is also the chief investment officer of CEL. Mr. Yang Ping is in charge of the business of secondary market asset management, Everbright (Qingdao) Investment, Super Project Acquisition Fund Department II and Everbright Prestige Capital of the CEL Group. Previously, Mr. Yang Ping was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund, Everbright Ashmore China Real Estate Fund and venture capital funds. Before joining the CEL Group in December 2007, Mr. Yang Ping served as Head of the Research Institute of China Southern Securities Co. Ltd. and a private equity fund in China, where he was responsible for macro-industry and company research and investment of private equity funds, and achieved excellent performance. Mr. Du has been an executive Director since 2017. Mr. Du has over 16 years of experience in corporate finance, capital market, private equity investment (including semiconductor industry-related investment), merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du is currently a department managing director of CEL and a director of Everbright (Qingdao) Investment Co., Limited.

The purpose of the Capital Injection is to bring about the synergy of the principal business of the Target Company and the Group in order to achieve financial benefits. Among the Target Funds managed by the Target Company as a general partner, Nantong Semiconductor Fund and Nantong Intelligent Fund focus on equity investments in the semiconductor equipment and intelligent manufacturing industries, and the new private equity fund to be co-established by the Target Company and the government authority of the PRC, for which the Group can provide valuable advice with respect to investment opportunities to generate optimistic investment return for the Target Funds by leveraging the Group's strong business network, solid industry experience and knowledge as well as strength in upstream and downstream resources in the field of semiconductor process equipment industry.

LETTER FROM THE BOARD

The Group expects to provide valuable recommendations to the Target Company, through the participation in the board of directors of the Target Company and the investment decision-making committees of the Target Funds, for identifying potential investment targets with a particular focus within the semiconductor equipment and intelligent manufacturing industries, enhance investment returns by analyzing and benchmarking the operating data and financial statements of the potential investee companies to their industry peers and introduce more limited partners to invest in the Target Funds and other new private equity fund(s) that the Target Company may establish from time to time by introducing and marketing new investment strategies and portfolios for the Target Company. Furthermore, the acquisition of the Target Company through the Capital Injection may lay down the foundation of the long-term strategic cooperation between the Group and the investee companies of the Target Funds, and develop direct business relationships between the Group and the potential as well as existing investee companies (including both upstream and downstream companies in the field of semiconductor process equipment industry), which will eventually create synergies with the Group as a whole, and accelerate the Group's expansion of footprint in the semiconductor process equipment industry in the PRC. In addition to the Group's existing investment in the Nantong Intelligent Fund, SMEE and Jinguan Electric, the Directors believe that the Group's strategic acquisition of the Target Company and participation in the fund management business will further allow the Group to diversify its business risk and financial returns, and in turn generate optimistic return to the Company and hence the Shareholders upon the divestment of the Target Funds in the long run. Moreover, the Group has been seeking investment opportunities to strengthen its financial investments so as to enhance the long-term growth potential of the Group. In light of the Capital Injection, the Group expects to enhance its capital use efficiency and hopes to receive long-term investment income from the Target Company.

It is intended that RMB30 million of the amount of capital contribution for the Capital Injection will be used by the Target Company, as general partner, to fulfil the second and third instalments of its capital commitments of Nantong Intelligent Fund of RMB15 million each, which are expected to be made in 2021 and 2022, respectively. The remaining RMB22.1 million is expected to be invested by Target Company as general partner in a new private equity fund focusing in the intelligent manufacturing industry with an expected target size of RMB1 billion to be co-established by the Target Company and a government authority of the PRC within the next one year.

The Directors consider that the terms of the Capital Injection Agreement are fair and reasonable, and that the Capital Injection is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

V. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CEL, being one of the controlling shareholders of the Company, indirectly held 100% interest in Chongqing CEL, which in turn held 100% interest in the Target Company. Accordingly, each of Chongqing CEL and the Target

LETTER FROM THE BOARD

Company is a connected person of the Company; and therefore the Capital Injection Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Injection is more than 5% but all applicable percentage ratios are less than 25%, the Capital Injection Agreement constitutes a discloseable and connected transaction of the Company and subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

VI. RECOMMENDATION

Based on its views set out above, the Board (other than the independent non-executive Directors whose opinions and recommendations are contained in the letter from the Independent Board Committee, the text of which is set out on pages 21 and 22 of this circular) recommends that the Independent Shareholders vote in favour of the resolutions concerning the Capital Injection Agreement and the transactions contemplated thereunder.

Your attention is drawn to the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 21 and 22 of this circular. Your attention is also drawn to the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 41 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Capital Injection Agreement are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the resolutions concerning the Capital Injection Agreement and the transactions contemplated thereunder to be proposed at the EGM.

VII. THE EGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

The EGM will be held by way of electronic means on Tuesday, 15 December 2020 at 9:30 am. A notice to convene the EGM is set out on pages 51 to 53 of this circular.

At the EGM, ordinary resolutions will be proposed to the Capital Injection Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Capital Injection Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Your attention is drawn to the letter from the Independent Board Committee to the Shareholders, the text of which is set out on pages 21 and 22 of this circular.

LETTER FROM THE BOARD

The non-executive Director of the Company and chairman of the Board, Mr. Yang Ping (who is also the chairman and general manager of Chongqing CEL and the chief investment officer of CEL), the executive Director of the Company, Mr. Du (which is also a department managing director of CEL and a member of the investment decision-making committee of the Target Funds), and the non-executive Director of the Company, Mr. Tsang Sui Cheong Frederick (who is the supervisor of Chongqing CEL, the supervisor of the Target Company and the chief risk officer of CEL) have abstained from voting on the relevant resolutions of the Board.

To the best knowledge of the Directors, CEL together with its associates (i.e. CE Venture and Diamond Wealth), which were interested in 262,906,380 Shares (representing approximately 30.66% of the total Shares in issue) as at the Latest Practicable Date, Mr. Du together with his associate (i.e. Sino Expo), who were interested in 8,193,704 Shares (representing approximately 0.96% of the total Shares in issue) as at the Latest Practicable Date, and any Shareholders who are required by the Listing Rules to abstain from voting, will abstain from voting at the EGM regarding the Capital Injection Agreement and the transactions contemplated thereunder.

In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 14 December 2020 to Tuesday, 15 December 2020 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Tuesday, 15 December 2020 will be entitled to attend and vote at the EGM.

VIII. FURTHER INFORMATION

Your attention is also drawn to the additional information set out on pages 42 to 47 of this circular.

Yours faithfully,
By Order of the Board
Kinergy Corporation Ltd.
Lim Kuak Choi Leslie
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Shareholders:



Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

27 November 2020

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION OF EQUITY BY CAPITAL INJECTION**

We refer to the circular of the Company (the “**Circular**”) dated 27 November 2020 and despatched to the Shareholders which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Shareholders in respect of the Capital Injection Agreement and the transactions contemplated thereunder, details of which are set out in the section headed “Letter from the Board” in the Circular. Lego Corporate Finance Limited (“**Lego**”) has been appointed to advise the Independent Board Committee in this regard.

Details of the advice and the principal factors Lego has taken into consideration in rendering its advice are set out in the section headed “Letter from the Independent Financial Adviser” in the Circular. Your attention is also drawn to the additional information set out in the Circular.

Having taken into account the terms of the Capital Injection Agreement, and the transactions contemplated thereunder as well as the advice of Lego, we are of the opinion that although the entering of the Capital Injection Agreement is not in the ordinary and usual course of business of the Group, the terms of the Capital Injection Agreement are normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We, therefore, recommend that you vote in favour of the resolutions to be proposed at the EGM to approve the Capital Injection Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INDEPENDENT BOARD COMMITTEE
Ng Tiak Soon, Senerath Wickramanayaka
Mudiyanselage Sunil Wickramanayaka
and Zhang Wei
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Capital Injection Agreement and the transactions contemplated thereunder.



27 November 2020

*To the Independent Board Committee and
the Independent Shareholders of
Kinergy Corporation Ltd.*

Dear Sirs or Madams,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO SUBSCRIPTION OF EQUITY BY CAPITAL INJECTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Capital Injection Agreement and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 27 November 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

The Board is pleased to announce that on 6 November 2020 (after trading hours), Kinergy IME, Chongqing CEL and the Target Company entered into the Capital Injection Agreement, pursuant to which Kinergy IME agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) in cash, out of which (i) RMB31.26 million will be contributed as registered capital of the Target Company and (ii) the remaining RMB20.84 million will be credited to the capital reserve of the Target Company. Upon Completion, the registered capital of the Target Company will increase from RMB30 million to RMB61.26 million and the Company (through Kinergy IME) will hold approximately 51.03% of the equity interest of the Target Company, and the equity interest in the Target Company held by Chongqing CEL will be reduced to approximately 48.97%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, CEL, being one of the controlling shareholders of the Company, indirectly held 100% interest in Chongqing CEL, which in turn held 100% interest in the Target Company. Accordingly, each of Chongqing CEL and the Target Company is a connected person of the Company; and therefore the Capital Injection Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Capital Injection is more than 5% but all applicable percentage ratios are less than 25%, the Capital Injection Agreement constitutes a discloseable and connected transaction of the Company and subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

To the best knowledge of the Directors, CEL together with its associates (i.e. CE Venture and Diamond Wealth), which were interested in 262,906,380 Shares (representing approximately 30.66% of the total Shares in issue) as at the Latest Practicable Date, Mr. Du together with his associate (i.e. Sino Expo), who were interested in 8,193,704 Shares (representing approximately 0.96% of the total Shares in issue) as at the Latest Practicable Date, and any Shareholders who are required by the Listing Rules to abstain from voting, will abstain from voting at the EGM regarding the Capital Injection Agreement and the transactions contemplated thereunder.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Capital Injection Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Capital Injection Agreement and the transactions contemplated thereunder. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, save for the engagement as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to a discloseable and connected transaction in November 2018, there was no other engagement between the Group and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the Capital Injection Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (“**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or the Target Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of and reasons for the entering into of the Capital Injection Agreement

Information on the Group

The Company is a limited liability company incorporated in Singapore. The principal activities of the Group are to provide contract manufacturing, design, engineering and assembly for the semiconductor industry, and the design, manufacture and sale of automated machines, apparatus, systems and equipment. While the Group endeavours to continue to strength its market position in its principal businesses, it has been exploring opportunities to expand

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and diversify its operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to the Group's business, as well as access to new markets and customers.

Below is the summary of the financial information of the Group for the years ended 31 December 2018 and 2019 extracted from the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and for the six months ended 30 June 2019 and 2020 extracted from the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

	Year ended		Six months	
	31 December		ended 30 June	
	2018	2019	2019	2020
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	122,809	67,624	26,157	30,387
Gross profit	21,414	8,483	2,491	3,511
Profit/(loss) attributable to the Shareholders	8,728	(1,632)	(2,447)	56

For the years ended 31 December 2018 and 2019

According to the 2019 Annual Report, revenue of the Group declined from approximately S\$122.8 million for the year ended 31 December 2018 to approximately S\$67.6 million for the year ended 31 December 2019, which was mainly attributable to the downturn of global semiconductor market which experienced a double-digit decline for the year 2019 after a decline of 15.6% in first quarter revenue of 2019 from fourth quarter revenue of 2018 and the decline in worldwide semiconductor business caused by the trade tension between China and the United States.

Gross profit of the Group decreased from approximately S\$21.4 million for the year ended 31 December 2018 to approximately S\$8.5 million for the year ended 31 December 2019, which was generally in line with the decline in revenue. Gross profit margin decreased from approximately 17.4% for the year ended 31 December 2018 to approximately 12.5% for the year ended 31 December 2019 mainly due to the lower recovery of fixed overheads as a result of lower production volume/revenue.

The Group recorded a loss attributable to the Shareholders of approximately S\$1.6 million for the year ended 31 December 2019 as opposed to a profit attributable to the Shareholders of approximately S\$8.7

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million for the year ended 31 December 2018 primarily as a result of the significant decrease in revenue and gross profit during the year ended 31 December 2019.

For the six months ended 30 June 2019 and 2020

Amid the unfavourable circumstances resulting from the China-United States trade war and the outbreak of COVID-19 pandemic, the Group recorded increases in its revenue and gross profit for the six months ended 30 June 2020 as compared to the same period in 2019 mainly due to the increase in orders from existing customers and contribution from new customers.

As a result, the Group turned around from a loss attributable to the Shareholders of approximately S\$2.4 million for the six months ended 30 June 2019 to a profit attributable to the Shareholders of approximately S\$56,000 for the six months ended 30 June 2020.

Information on the Target Company

The Target Company is a limited liability company established in the PRC on 6 July 2015 with an initial registered capital of RMB10 million. The initial paid-up capital of RMB10 million of the Target Company was fully contributed by Chongqing CEL in cash. The registered capital of the Target Company was increased from RMB10 million to RMB30 million on 20 December 2018, the additional capital was fully paid up by Chongqing CEL in cash. The Target Company has been a direct wholly-owned subsidiary of Chongqing CEL since its incorporation. It is principally engaged in equity fund raising activities for non-listed corporations and related consultation services. The Target Company is a registered private equity fund manager (私募基金管理人) with the AMAC in the PRC which currently manages the Target Funds, namely Nantong Intelligent Fund, Nantong Semiconductor Fund and Haimen Health Fund. The investment objectives of the Target Company as private equity fund manager are to make equity investments in high-end equipment, semiconductor equipment, advanced manufacturing and other related industries.

Set out below is the financial information of the Target Company for the two years ended 31 December 2019 and the nine months ended 30 September 2020:

	Year ended		Nine months
	31 December		ended
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)
Revenue	9,684	12,370	11,666
Net profit before tax	7,322	9,227	10,226
Net profit after tax	5,399	6,891	7,669

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The unaudited net asset value of the Target Company as at 30 September 2020 was approximately RMB52.45 million (equivalent to approximately S\$10.49 million).

Based on the audited financial statements and management accounts of the Target Company, we noted that its revenue mainly represented the management fee income generated in its capacity as the general partner of the Target Funds. The major assets of the Target Company mainly comprised of (i) financial assets which represented the fair values of its investments in the Target Funds; (ii) cash and cash equivalents; and (iii) amount due from related company, while the liabilities of the Target Company mainly included receipts in advance, salaries payable and tax payable.

Immediately upon the Completion, the Target Company will be owned as to approximately 51.03% by Kinergy IME and approximately 48.97% by Chongqing CEL, and the Target Company will become an indirect non-wholly owned subsidiary of the Company. The financial results and position of the Target Company will be consolidated into the accounts of the Group upon Completion.

Information on the Target Funds

The Target Funds have invested in five investment targets in total, details of which are disclosed in the paragraph headed “III. Information of the parties to the Capital Injection Agreement — The Target Company” in the Letter from the Board. In particular, Jinguan Electric has submitted application for listing on the Shanghai Stock Exchange in June 2020, while SMEE has been undergoing the guidance in preparation for listing on the Shanghai Stock Exchange. It is expected that optimistic return will be generated for the Target Company as a general partner of the Target Funds after the listings of the investment targets are materialised and/or through divestment of the investment targets upon the expiration of the Target Funds. Further details of the Target Funds are set out below:

Nantong Intelligent Fund

Nantong Intelligent Fund is a limited partnership established on 12 September 2019 and completed the filing with the AMAC on 30 April 2020. It is principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC. The initial size of the Nantong Intelligent Fund is RMB500 million (equivalent to approximately S\$100 million). The capital commitment of the Target Company (as general partner) and the Group via Kinergy EMS (as limited partner) in the Nantong Intelligent Fund is RMB50 million and RMB100 million, representing 10% and 20% of the total capital commitment, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Nantong Intelligent Fund had an AUM of RMB200 million, of which RMB20 million was contributed by the Target Company and RMB40 million was contributed by Kinergy EMS.

The initial duration of Nantong Intelligent Fund is five years commencing from 12 September 2019. The first three years is the investment period and the two years commencing from the expiration of such investment period is the divestment period of Nantong Intelligent Fund. Both the investment period and divestment period of Nantong Intelligent Fund may be extended for one year.

The management fee of Nantong Intelligent Fund is 2% per annum (pre-tax basis) on the AUM. As at the Latest Practicable Date, (i) Nantong Intelligent Fund had a total investment amount of approximately RMB98.39 million, which had been invested in approximately 6.69% equity interest in Jinguan Electric, and (ii) the Group was directly interested in approximately 1.22% equity interest in Jinguan Electric.

Nantong Semiconductor Fund

Nantong Semiconductor Fund is a limited partnership established on 19 December 2018 and completed the filing with the AMAC on 11 February 2019. It is principally engaged in equity investments in enterprises in the design, research and development, manufacturing, sales and trading of high-end semiconductor equipment, pan-semiconductor equipment, intelligent equipment, industry 4.0, high-end equipment, intelligent manufacturing, TMT, and other related fields in the PRC. The target size of the Nantong Semiconductor Fund is RMB500 million (equivalent to approximately S\$100 million). The Nantong Semiconductor Fund has an initial operating period of four years from 19 December 2018, which may be further extended by two years upon expiry of the initial operating period. The capital commitment of the Target Company (as general partner) in the Nantong Semiconductor Fund is RMB10 million, representing 2% of the total capital commitment. As at the Latest Practicable Date, Nantong Semiconductor Fund had an AUM of RMB500 million, of which RMB10 million was contributed by the Target Company.

The management fee of Nantong Semiconductor Fund is 1% per annum (pre-tax basis) on the AUM. As at the Latest Practicable Date, (i) Nantong Semiconductor Fund had a total investment amount of approximately RMB472.01 million, approximately RMB450.62 million of which had been invested approximately in 11.58% equity interest in SMEE, and the remaining RMB21.39 million had been invested in 3.78% equity interest in Xinghan Intelligent Technology Co., Ltd.* (星漢智能科技股份有限公司) (“**Xinghan Intelligent**”); and (ii) the Group was directly interested in approximately 0.4% equity interest in SMEE.

Haimen Health Fund

Haimen Health Fund is a limited partnership established on 16 August 2017 and completed the filing with the AMAC on 7 February 2018. It is principally engaged in equity investments in enterprises in the health and elderly care industry in the PRC. The target size of the Haimen Health Fund is up to RMB2 billion (equivalent to approximately S\$0.4 billion). The initial duration of Haimen Health Fund is six years commencing from 16 August 2017. The first four years is the investment period and the two years commencing from the expiration of such investment period is the divestment period of Haimen Health Fund. The divestment period of Haimen Health Fund may be extended for one year. As at the Latest Practicable Date, Haimen Health Fund had an AUM of RMB441.5 million, of which RMB8.83 million (i.e. 2% of its AUM) was contributed by the Target Company.

The management fee of Haimen Health Fund is 2% per annum (pre-tax basis) on the AUM. As at the Latest Practicable Date, Haimen Health Fund had a total investment amount of RMB170 million, RMB70 million of which had been invested in 14.89% equity interest in Shanghai Yiwei Children's Food Co., Ltd.* (上海伊威兒童食品有限公司) and the remaining RMB100 million had been invested in approximately 4.41% equity interest in Nantong Rich Hospital Co., Ltd.* (南通瑞慈醫院有限公司).

Reasons for and benefits of entering into the Capital Injection Agreement

As disclosed in the Letter from the Board, the purpose of the Capital Injection is to bring about the synergy of the principal business of the Target Company and the Group in order to achieve financial benefits. Among the Target Funds managed by the Target Company as a general partner, Nantong Semiconductor Fund and Nantong Intelligent Fund focus on equity investments in the semiconductor equipment and intelligent manufacturing industries, and the new private equity fund to be co-established by the Target Company and a government authority of the PRC, for which the Group can provide valuable advice with respect to investment opportunities to generate optimistic investment return for the Target Funds by leveraging the Group's strong business network, solid industry experience and knowledge as well as strength in upstream and downstream resources in the field of semiconductor process equipment industry.

The Group expects to provide valuable recommendations to the Target Company, through the participation in the board of directors of the Target Company and the investment decision-making committees of the Target Funds, for identifying potential investment targets with a particular focus within the semiconductor equipment and intelligent manufacturing industries, enhance investment returns by analysing and benchmarking the operating data and financial statements of the potential investee companies to their industry peers and introduce more limited partners to invest in the Target Funds and other new private equity fund(s) that the Target Company may establish from time to time

by introducing and marketing new investment strategies and portfolios for the Target Company. Furthermore, the acquisition of the Target Company through the Capital Injection may lay down the foundation of the long-term strategic cooperation between the Group and the investee companies of the Target Funds, and develop direct business relationships between the Group and the potential as well as existing investee companies (including both upstream and downstream companies in the field of semiconductor process equipment industry), which will eventually create synergies with the Group as a whole, and accelerate the Group's expansion of footprint in the semiconductor process equipment industry in the PRC. In addition to the Group's existing investment in the Nantong Intelligent Fund, SMEE and Jinguan Electric, the Directors believe that the Group's strategic acquisition of the Target Company and participation in the fund management business will further allow the Group to diversity its business risk and financial returns, and in turn generate optimistic return to the Company and hence the Shareholders upon the divestment of the Target Funds in the long run. Moreover, the Group has been seeking investment opportunities to strengthen its financial investments so as to enhance the long-term growth potential of the Group. In light of the Capital Injection, the Group expects to enhance its capital use efficiency and hopes to receive long-term investment income from the Target Company.

It is intended that RMB30 million of the amount of capital contribution for the Capital Injection will be used by the Target Company, as general partner, to fulfil the second and third installments of its capital commitments of Nantong Intelligent Fund of RMB15 million each, which are expected to be made in 2021 and 2022, respectively. The remaining RMB22.1 million is expected to be invested by the Target Company as general partner in a new private equity fund focusing in the intelligent manufacturing industry with an expected target size of RMB1 billion to be co-established by the Target Company and a government authority of the PRC within the next one year.

In assessing the reasons for and benefits of entering into the Capital Injection Agreement, we have considered the following perspectives:

The entering into of the Capital Injection Agreement is in line with the business strategies adopted by the Group

As disclosed in the 2019 Annual Report and the 2020 Interim Report, the Group will continue to adopt a cautious approach in exploring opportunities to expand and diversify its operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to the Group's business, as well as access to new markets and customers.

According to the Letter from the Board, the investment objectives of the Target Company as a private equity fund manager are to make equity investments in high-end equipment, semiconductor equipment, advanced manufacturing and other related industries, which generally corresponds to the semiconductor

industry in which the Group is operating. In such regard, we noted that (i) the Nantong Intelligent Fund is principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC; and (ii) the Nantong Semiconductor Fund is principally engaged in equity investments in enterprises in the design, research and development, manufacturing, sales and trading of high-end semiconductor equipment, pan-semiconductor equipment, intelligent equipment, industry 4.0, high-end equipment, intelligent manufacturing, TMT, and other related fields in the PRC. Moreover, as noted from the 2020 Interim Report and as disclosed in the Letter from the Board, the Group is also directly interested in (a) the Nantong Intelligent Fund as a limited partner; (b) approximately 1.22% equity interest in Jinguan Electric (which is also an investee company of the Nantong Intelligent Fund); (c) approximately 0.4% equity interest in SMEE (which is also an investee company of the Nantong Semiconductor Fund) as at the Latest Practicable Date. As advised by the Management, such investments made by the Group represented part of the Group's cautious approach in exploring opportunities to expand and diversify its operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to the Group's business, as well as access to new markets and customers.

For Haimen Health Fund, it is principally engaged in equity investments in enterprises in the health and elderly care industry in the PRC. As advised by the Management, although the principal investments of Haimen Health Fund are not related to the semiconductor industry, they represent a diversification of investment and risk that has been inherited through the acquisition of equity interest in the Target Company by way of the Capital Injection.

In view of the expanding and diversifying strategy which has been adopted by the Group and the nature of the principal underlying investments of the Target Company, it appears that the Capital Injection (i) represents an opportunity to extend and deepen the Group's footprint in the opportunities identified and being pursued by the Group to further expand and diversify its operations, to seek synergistic value to its business and to access to new markets and customers; and (ii) is generally in line with the Group's strategy of continually seeking expansion opportunities, leveraging the Group's strong business network, sound industry knowledge as well as strength in upstream and downstream resources in the field of semiconductor process equipment industry.

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Synergistic value and strengthening of upstream and downstream resources in the semiconductor process equipment industry

The Group specialises in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor process equipment industry and provide electronics manufacturing services and products and original design manufacturing products to its customers. It serves customers from various electronic industry sectors such as surface mount equipment, semiconductor assembly equipment, medical analytical and other industrial equipment. Going upstream, the Group self-manufactures or sources its principal raw materials including ready-made items (such as motion control components, sensors, electronics components and hardware) and fabrication items (such as metal machining parts and frames) from suppliers in the PRC, Singapore, Japan and Malaysia.

The investment objectives of the Target Company as private equity fund manager are to make equity investments in high-end equipment, semiconductor equipment, advanced manufacturing and other related industries. The Nantong Semiconductor Fund has invested in SMEE and Xinghan Intelligent. SMEE is principally engaged in the development, design, manufacture, sales and provision of technical services of semiconductor equipment, pan-semiconductor equipment and high-end intelligent equipment in the PRC. Xinghan Intelligent is principally engaged in the research and development, manufacturing, processing and sale of embedded smart security products in the PRC. Also, the Nantong Intelligent Fund has invested in Jinguan Electric, which is principally engaged in the research, development and manufacturing of power system lightning arresters, transformers, creative power compensation devices and substation intelligent online monitoring devices in the PRC.

It is noted that the above three investee companies of the Target Funds are all engaged in the semiconductor, technology and electronic equipment related industries in the PRC. As advised by the Management, given the principal businesses of these investee companies and that the Group has the skill and capability to build the equipment required by such investee companies, it is considered that there would be potential business and cooperation opportunities between the Group and these investee companies. This could be evidenced by the fact that SMEE has been a customer of the Group as disclosed in the announcement of the Company dated 19 November 2019. Having considered (i) the nature of the Group's business and its customers and suppliers; (ii) the investment objectives of the Target Company; and (iii) the principal businesses of the above investee companies of the Target Funds, it appears that the Capital Injection could provide an opportunity for the Group to strengthen the business ties and strategic cooperation with the investee companies so as to seek synergistic value to the Group's business. Moreover, with the Group's participation and influence in the board of directors of the Target Company and the investment decision-making committee of each Target Fund, it is expected that the Target Company and/or the Target Funds will continue to explore new investment

opportunities which could achieve investment returns, and at the same time bring synergistic value and upstream and downstream business opportunities to the Group under the investment objectives of the Target Company.

Expertise and experience in the semiconductor industry

The principal activities of the Group are to provide contract manufacturing, design, engineering and assembly for the semiconductor industry, and the design, manufacture and sale of automated machines, apparatus, systems and equipment. As disclosed in the prospectus of the Company dated 30 June 2018, the 2019 Annual Report and the 2020 Interim Report, the Group has over 30 years of history of applying its expertise in precision engineering to design and build machines, equipment and sub-systems in the semiconductor industry since its establishment in 1988. In 2017, the Group was the world's leading contract manufacturer of wire bonding equipment handling systems (an essential mechanical parts in wire bonding equipment) in terms of revenue with a global market share of approximately 49.6%.

Having taken into account (i) the Group's extensive experience in the semiconductor process equipment industry and its principal businesses; and (ii) the investment focus of the Target Company and the business nature of the existing investments of the Target Funds, especially the Nantong Intelligent Fund and the Nantong Semiconductor Fund as mentioned above, it is expected that the entering into of the Capital Injection Agreement will serve as a good opportunity for the Group to enhance its competitiveness and strengthen its market position by leveraging its strong business network and solid industry knowledge, and strengthening the upstream and downstream resources in the field of semiconductor process equipment industry. Also, the Group will be entitled to nominate two members of the investment decision-making committee of each Target Fund, in which the Group can utilise its expertise and experience in the industry. The nominated representatives will have more aligned interest with the Group and higher incentive in maximising investment returns through their influence in the investment decision-making committees of the Target Funds.

Adherence to financial prudence and cautious capital utilisation

The China-United States trade war has simmered trade tension for the recent two years and has posed enormous potential risks to the global economy's growth. Further, with the outbreak of COVID-19 pandemic emerged since the beginning of 2020, nationwide lockdown was imposed to contain the pandemic, which disrupted the Group's supply chain as well as the operations in Singapore, China and the Philippines. The global economy is expected to recover with a longer period, although China's economy had improved in the third quarter of 2020, the economic indicators are still in recession with a period-to-period decreasing rate. Despite the unfavourable circumstances, the Group recorded recovery in its revenue and gross profit for the six months ended 30 June 2020 as compared to the same period in 2019. The Group's strategy to overcome the market uncertainties

adheres to prudent financial management in project selection, stringent cost control as well as adopting a cautious approach in exploring opportunities to expand and diversify the Group's operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to the business and access to new markets and customers. The entering into of the Capital Injection Agreement allows the Group to invest conservatively through diversified portfolio as the investment risks would be shared with Chongqing CEL, as opposed to direct equity investments in the investee companies of the Target Funds, under which the Shareholders would have to bear all investment risks with more substantial capital requirement of the Group. By holding approximately 51.03% equity interest in the Target Company, the investment risks would be diversified and shared with Chongqing CEL (as non-controlling interest) as any potential investment loss of the Target Company attributable to the Shareholders would be limited to the Group's shareholdings in the Target Company as reflected in the profit/loss attributable to the Shareholders and equity attributable to the Shareholders in the consolidated financial statements of the Company. Accordingly, the Capital Injection Agreement represents an opportunity for the Group to prudently diversify its business risk and achieve investment returns through cautious capital utilisation amidst the liquidity and market risks resulting from the external economic fluctuations and uncertainties.

Having considered the foregoing, we are of the view that the entering into of the Capital Injection Agreement is generally in line with the Group's strategy of continually seeking expansion opportunities, leveraging the Group's strong business network, solid industry knowledge as well as strength in upstream and downstream resources in the field of semiconductor process equipment industry.

2. Outlook of the PRC semiconductor and technology industries

The PRC government released "Guidelines to Promote National Integrated Circuit Industry" in 2014, which is designated to establish the China National Integrated Circuit Industry Investment Fund to accelerate technology and increase the competitiveness of China's semiconductor industry. In the same year, the State Council of the PRC set the goal to become a global leader in all segments of semiconductor industry by 2023. In 2015, the PRC government also released "Made in China 2025", which is initiated to develop selected manufacturing sectors into worldwide industry leaders. One of the goals of "Made in China 2025" is to cultivate information technology manufacturing sectors, including semiconductor industry, capable to produce high quality and advanced products at facilities operated by well-known brands. The "13th Five-Year Plan on Science and Technology Innovation" promulgated officially by the PRC government in 2016 aims to improve China's technology and innovation capabilities, and lift China's global innovation ranking into the world's top 15. The plan urged to play a key leading role of innovation and technology in uplifting the industries to the medium and high-end. In 2018, the PRC government further established a second investment vehicle to raise RMB200 billion to invest in semiconductor manufacturing and designing, and promote mergers and acquisitions.

During 2019 to 2020, tensions have escalated between China and the United States, especially in the field of trade and technology where the United States has embarked technology strategy of cutting China's access to hi-tech supply chains through sanctions on technology companies. The technology war between the countries has reinvigorated China's determination for semiconductor independence from other countries. To develop China's domestic semiconductor industry and counteract to the restrictions imposed by the United States, a suite of measures to bolster research, education and financing for the semiconductor industry has been added to the draft of the "14th Five-Year Plan", which was presented to China's top leaders in October 2020, and the full plan is expected to release in March 2021. Bloomberg reported that the PRC government is preparing broad support for the third-generation semiconductor industry in the "14th Five-Year Plan". To accelerate self-sustaining growth supported by domestic consumer spending and technology development, the State Council of the PRC also issued new rules and regulations, covering tax, investment, research and development and talent incentives in August 2020.

The abovementioned policies signify China's enterprising role and strategies to drive the growth of its semiconductor industry and its intent to end China's dependency on foreign technology. The key policy is to accelerate China's transition to higher value added, intelligent manufacturing by focusing on innovation and upgrading emerging industries, such as integrated circuits and high-end equipment, etc.. According to the statistics of the China Semiconductor Industry Association, total sales value of the PRC semiconductor industry amounted to US\$147.27 billion in the first quarter of 2020, with an annual growth rate of 15.6%, which was mainly driven by domestic large-scale manufacturing, research and development companies, with the manufacturing industry increased by 15.1%. The "Guidelines to Promote National Integrated Circuit Industry", "Made in China 2025", "13th Five-Year Plan on Science and Technology Innovation" and the upcoming "14th Five-Year Plan" all indicated that there is growth potential in the semiconductor and technology industries in China.

3. Principal terms of the Capital Injection Agreement

The principal terms of the Capital Injection Agreement are set out below:

- Date: 6 November 2020
- Parties: (1) Kinergy IME;
- (2) Chongqing CEL; and
- (3) The Target Company.

Subject matter:

Kinergy IME agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) in cash, out of which (i) RMB31.26 million will be contributed as

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registered capital of the Target Company; and (ii) the remaining RMB20.84 million will be credited to the capital reserve of the Target Company. Upon Completion, the registered capital of the Target Company will increase from RMB30 million to RMB61.26 million and the Company (through Kinergy IME) will hold approximately 51.03% of the equity interest of the Target Company, and the Target Company will become an indirect non-wholly owned subsidiary of the Company.

Conditions precedent

The Completion is conditional on the satisfaction (or waiver, if applicable) of the following conditions precedent on or before the Completion Date unless the parties otherwise agree:

- (a) the completion of due diligence in relation to the business, legal, operations, financial and other conditions or prospects of the Target Company to the reasonable satisfaction of Kinergy IME;
- (b) approval from the Independent Shareholders having been obtained at the EGM for, among others, the Capital Injection Agreement and the Capital Injection in accordance with the Listing Rules; and
- (c) all major transaction documents in relation to the Capital Injection having been signed, Kinergy IME having received all the relevant signed documents and the Capital Injection Agreement becoming effective.

Save and except condition (b) above, Kinergy IME may waive in writing any of the above conditions precedent at any time before Completion.

Amount of capital contribution

The Capital Injection of RMB52.1 million (equivalent to approximately S\$10.42 million) will be payable in cash by Kinergy IME within seven Business Days from the date on which the Independent Shareholders' approval for the Capital Injection Agreement and the Capital Injection has been obtained at the EGM.

Assessment on the reasonableness of equity interest in the Target Company to be obtained by the Group through the Capital Injection

Pursuant to the Capital Injection Agreement, the Group agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million, out of which (i) RMB31.26 million will be contributed as registered capital of the Target Company; and (ii) the remaining RMB20.84 million will be credited to the capital reserve of the Target Company. Upon Completion, the registered capital of the Target Company will increase from RMB30 million to RMB61.26 million and the Company will hold approximately 51.03% of the equity interest of the Target Company.

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According to the Letter from the Board, the Capital Injection of RMB52.1 million was determined by the parties to the Capital Injection Agreement after arm's length negotiations taking into account the following principal factors: (i) the future funding requirements of the Target Company for fulfilling the second and third installments of its capital commitments for Nantong Intelligent Fund, which are expected to be RMB15 million each payable by the Target Company in 2021 and 2022, respectively, and the remaining RMB22.1 million for a new private equity fund focusing in the intelligent manufacturing industry with an expected target size of RMB1 billion to be co-established by the Target Company and a government authority of the PRC within the next one year; (ii) the net asset value of approximately RMB50.0 million of the Target Company as at 30 June 2020; (iii) the synergies expected to be generated between the Group and the Target Company upon Completion as stated in the section headed "Reasons for and benefits of the Capital Injection" in the Letter from the Board; and (iv) the potential investment return of the Target Company, as the general partner of the Target Funds, upon the expiration of the Target Funds.

In assessing the fairness and reasonableness of the equity interest in the Target Company to be obtained by the Group through the Capital Injection, we have considered the pre-money and post-money net asset positions of the Target Company and the amount of the Capital Injection. Based on the net asset value of the Target Company of approximately RMB50.0 million as at 30 June 2020 and the Capital Injection of RMB52.1 million, the hypothetical post-money net asset value of the Target Company would be increased to approximately RMB102.1 million. We note that the Capital Injection of RMB52.1 million represents approximately 51.03% of the hypothetical post-money net asset value, which is in line with the 51.03% equity interest in the Target Company to be obtained by the Group upon Completion.

Further, based on the relevant audited financial statements and management accounts of the Target Company, we note that the major assets of the Target Company mainly comprised of (i) financial assets which represented the fair values of its investments in the Target Funds; (ii) cash and cash equivalents; and (iii) amount due from related company, while the liabilities of the Target Company mainly included receipts in advance, salaries payable and tax payable. Having considered (i) the nature and components of the major assets and liabilities of the Target Company; and (ii) the nature of principal business of the Target Company, we consider that the net asset value of the Target Company is generally reflective of the carrying monetary value of the Target Company as a whole, and that it is fair and reasonable to determine the percentage of equity interest in the Target Company to be obtained by the Group through the Capital Injection based on the pre-money and post-money net asset positions of the Target Company.

While the amount of Capital Injection was determined with reference to, among other things, the net asset value of the Target Company as at 30 June 2020 of approximately RMB50.0 million, we note that the net asset value of the Target

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Company as at 30 September 2020 was approximately RMB52.45 million as disclosed in the Letter from the Board. In such regard, we have further assessed the fairness and reasonableness of the equity interest in the Target Company to be obtained by the Group through the Capital Injection based on the net asset value of the Target Company as at 30 September 2020. With reference to the net asset value of the Target Company as at 30 September 2020 of approximately RMB52.45 million and the Capital Injection of RMB52.1 million, the reassessed post-money net asset value of the Target Company would be approximately RMB104.55 million, based on which the Group would have to contribute approximately RMB53.4 million in order to obtain 51.03% equity interest in the Target Company, whereas the Group is only required to contribute RMB52.1 million under the Capital Injection Agreement.

Based on the above assessment, we concur with the view of the Directors that the equity interest in the Target Company to be obtained by the Group through the Capital Injection is fair and reasonable.

Board composition and investment decision-making committee

The board of the directors of the Target Company shall be formed within ten Business Days after the Completion and comprise three directors. Kinergy IME and Chongqing CEL will be entitled to nominate two and one directors of board of the directors of the Target Company, respectively. The board of the directors of the Target Company will appoint a general manager of the Target Company.

The Target Company shall change the composition, members and decision-making procedures of the investment decision-making committee (投資決策委員會) of each Target Fund within 30 Business Days after the Completion. Each of Kinergy IME and Chongqing CEL is entitled to nominate two members of the investment decision-making committee of each Target Fund. Each member of the investment decision-making committee of the Target Funds shall have one vote. After the Completion, the investment decision-making committee of Nantong Intelligent Fund shall comprise five members (including one member nominated by one of the limited partners of Nantong Intelligent Fund, namely Nantong Hengbang Investment Management Limited* (南通恒邦投資管理有限公司), which is wholly-owned by the Administrative Committee of Nantong Economic and Technological Development Zone* (南通市經濟技術開發區管理委員會) and an Independent Third Party), while the investment decision-making committees of Nantong Semiconductor Fund and Haimen Health Fund shall comprise four members. The decisions made by the investment decision-making committee of each Target Fund shall be passed by at least three fifth of the committee members.

As disclosed in the Letter from the Board, Kinergy IME expects to nominate Mr. Lim Kuak Choi Leslie, who is the chief executive officer of the Company and an executive Director, and Mr. Tay Kim Kah, who is an executive Director, to act as the directors of the Target Company and members of the investment

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decision-making committee of each Target Fund. Mr. Lim Kuak Choi Leslie has over 40 years of experience in the semiconductor, electronics and chemical trading industries, while Mr. Tay Kim Kah has over 50 years of experience in accounting and finance, among which 15 years is in the semiconductor industry. In addition, Mr. Yang Ping and Mr. Du are currently members of the investment decision-making committees of all the Target Funds. After the Completion, it is expected that Mr. Yang Ping will also be nominated by Chongqing CEL and, together with Mr. Lim Kuak Choi Leslie and Mr. Tay Kim Kah, will form the board of directors of the Target Company. Meanwhile, it is expected that Mr. Yang Ping and Mr. Du will continue to be members of the investment decision-making committee of each Target Fund after the Completion. Mr. Yang Ping has been the chairman of the Board and a non-executive Director since 2019. He is also the chief investment officer of CEL. Mr. Yang Ping is in charge of the business of secondary market asset management, Everbright (Qingdao) Investment, Super Project Acquisition Fund Department II and Everbright Prestige Capital of the CEL Group. Previously, Mr. Yang Ping was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund, Everbright Ashmore China Real Estate Fund and venture capital funds. Before joining the CEL Group in December 2007, Mr. Yang Ping served as Head of the Research Institute of China Southern Securities Co. Ltd. and a private equity fund in China, where he was responsible for macro-industry and company research and investment of private equity funds, and achieved excellent performance. Mr. Du has been an executive Director since 2017. Mr. Du has over 16 years of experience in corporate finance, capital market, private equity investment (including semiconductor industry-related investment), merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du is currently a department managing director of CEL and a director of Everbright (Qingdao) Investment Co., Limited.

The Group will be entitled to nominate two out of three directors in the board of directors of the Target Company, which indicates that the Group will have the majority control over the board of directors of the Target Company and will be able to exert significant influence on the operating and financial policy decisions of the Target Company. Notwithstanding that the Group will have equivalent rights with Chongqing CEL in nominating members of investment decision-making committee of each of the Target Funds, having considered that the Group's majority control over the board of directors of the Target Company and the Group's shareholding in the Target Company upon Completion is only 1.03% more than Chongqing CEL, we consider that the arrangements in respect of board composition and investment decision-making committee is acceptable.

4. Possible financial effects of the Capital Injection

As disclosed in the Letter from the Board, the Company will hold approximately 51.03% of the equity interest of the Target Company upon Completion. Accordingly, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and the financial results and position of the Target Company will be consolidated into the accounts of the Group.

As stated in the 2020 Interim Report, the Group's consolidated net asset value attributable to the Shareholders was approximately S\$89.3 million as at 30 June 2020 and the Group had cash and cash equivalents of approximately S\$30.6 million as at 30 June 2020. For the six months ended 30 June 2020, the Group recorded profit attributable to the Shareholders of approximately S\$56,000.

Having considered that the amount of capital contribution for the Capital Injection of approximately S\$10.42 million is expected to be financed by the Group's internal resources, the net asset position of the Target Company and the recent financial results of the Target Company, it is expected the Capital Injection will not have any material adverse impact on the Group's earnings, liquidity or net assets.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that, although the Capital Injection Agreement was not entered into in the ordinary and usual course of the Group's business, the Capital Injection Agreement has been entered into based on normal commercial terms and the terms thereof are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and the Capital Injection is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to approve the Capital Injection Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Andrew Lau
Executive Director

Mr. Andrew Lau is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 12 years of experience in the accounting and investment banking industries.

** for identification purpose only*

I. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

II. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and/or chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange were as follows:

Name of Directors	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Mr. Lim Kuak Choi Leslie ⁽²⁾	Beneficial owner; interest of spouse	268,620,472 ^(L)	31.33
Mr. Lim Khin Mann	Beneficial owner	19,148,000 ^(L)	2.23
Mr. Du ⁽³⁾	Interest of a controlled corporation; beneficial owner	8,193,704 ^(L)	0.96
Mr. Tay Kim Kah	Beneficial owner	1,700,000 ^(L)	0.20

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) These Shares comprise 250,472,472 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee, and Ms. Foo Kaw Jee is deemed or taken to be interested in the Shares held by herself and Mr. Lim Kuak Choi Leslie under the SFO.

- (3) These Shares comprise 88,000 shares held directly by Mr. Du and 8,105,704 shares held through Sino Expo. Sino Expo is owned as to 100% by Mr. Du. Mr. Du is also the sole director of Sino Expo. Therefore, Mr. Du is deemed or taken to be interested in the Shares held by Sino Expo under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

As at the Latest Practicable Date, Mr. Du is the sole director and the sole beneficial owner of Sino Expo. Sino Expo is a company having an interest in the Company's Shares and underlying Shares required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

III. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the date of this circular, so far as the Directors are aware, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Ms. Foo Kaw Jee ⁽²⁾	Beneficial owner, interest of spouse	268,620,472 ^(L)	31.33
Diamond Wealth ⁽³⁾	Beneficial owner	262,084,380 ^(L)	30.57
CE Venture ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
CEL ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Honorich Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Datten Investments Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
CE Hong Kong ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57

Name of Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
China Everbright Group ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Huijin ⁽⁵⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Unitras (H.K.) Limited ⁽⁶⁾	Beneficial owner	76,498,768 ^(L)	8.92
Ms. Joyce S. Kerr ⁽⁶⁾	Interest of a controlled corporation	76,498,768 ^(L)	8.92
Mr. Bradley Fraser Kerr ⁽⁶⁾	Interest of spouse	76,498,768 ^(L)	8.92

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the securities.
- (2) These Shares comprise 250,472,472 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee, and Ms. Foo Kaw Jee is deemed or taken to be interested in the Shares held by herself and Mr. Lim Kuak Choi Leslie under the SFO.
- (3) CEL holds 100% of the total issued share capital of CE Venture; and CE Venture holds 100% of the total issued share capital of Diamond Wealth. Therefore, each of CEL and CE Venture is deemed to be interested in the Shares held by Diamond Wealth under the SFO.
- (4) China Everbright Group holds 100% of total issued share capital of CE Hong Kong; CE Hong Kong holds 100% of the total issued share capital of each of Datten Investments Limited and Everbright Investment & Management Limited; Datten Investments Limited holds 100% of the total issued share capital of Honorich Holdings Limited, which in turn holds approximately 49.39% of the total issued share capital of CEL; and Everbright Investment & Management Limited holds approximately 0.35% of the total issued share capital of CEL. Accordingly, each of China Everbright Group, CE Hong Kong, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in CEL’s interest in the Shares under the SFO.
- (5) Huijin is indirectly wholly-owned by the State Council of the PRC and holds approximately 55.67% equity interest of China Everbright Group Ltd.. Accordingly, Central Huijin Investment Limited is deemed to be interested in China Everbright Group Ltd.’s interest in the Shares under the SFO.
- (6) Unitras (H.K.) Limited is wholly-owned by Ms. Joyce S. Kerr. Therefore, Ms. Joyce S. Kerr is deemed or taken to be interested in the Shares held by Unitras (H.K.) Limited under the SFO. Ms. Joyce S. Kerr is the spouse of Mr. Bradley Fraser Kerr and therefore Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares held by herself.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

IV. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into a service contract with any member of the Group other than contracts expiring or determinable by the relevant employer within one year without payment of compensation (except statutory compensation).

V. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was considered by the Company to have interests in businesses which compete with, or might compete with, either directly or indirectly, the businesses of the Group.

VI. DIRECTORS' INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interests, either directly or indirectly, in the transactions or any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

VII. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

VIII. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

IX. EXPERT AND CONSENT

- (1) The following are the qualifications of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (2) Lego Corporate Finance Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name included herein in the form and context in which it appears.
- (3) As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any interest or shareholding, direct or indirect, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (4) As at the Latest Practicable Date, Lego Corporate Finance Limited had no direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group.

X. MISCELLANEOUS

- (1) The registered office of the Company in Singapore is at 1 Changi North Street 1, Singapore, 498789, and the principal place of business in Hong Kong is situated at 31/F, 148 Electric Road, North Point, Hong Kong.
- (2) The joint company secretaries of the Company are Mr. Lee Cheuk Wang and Ms. Gn Jong Yuh Gwendolyn. Mr. Lee Cheuk Wang is a solicitor of the High Court of the Hong Kong Special Administrative Region. Ms. Gn Jong Yuh Gwendolyn is currently a partner of Shook Lin & Bok LLP. She has been responsible for the Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment.
- (3) The Singapore branch share registrar and transfer office of the Company is Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore, 048623. The Hong Kong branch share registrar and transfer office of the Company is at Boardroom Share Registrar (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.
- (4) In any event of inconsistency, the English version of this circular shall prevail over the Chinese version to the extent of such inconsistency.

XI. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at 31/F, 148 Electric Road, North Point, Hong Kong for a period of 14 days (excluding Saturdays and public holidays) from the date of this circular:

- (a) the Capital Injection Agreement;
- (b) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this circular;
- (e) the letter of consent referred to under the section headed “Expert and Consent” in this appendix; and
- (f) this circular.

Shareholders may electronically access the EGM proceedings and observe and/or listen to the live audio-visual webcast or live audio-only stream via their mobile phones, tablets or computers, submit comments, queries and/or questions to the Chairman of the Meeting in advance of the EGM and submit Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the EGM.

To do so, Shareholders will need to complete the relevant steps below.

Steps	Details
Pre-registration for the live audio-visual webcast or live audio-only stream	<p>Shareholders must pre-register by providing the following particulars via email to ir@kinergy.com.sg from 10 a.m. on Monday, 30 November 2020 until 5 p.m. on Friday, 11 December 2020 to enable the Company’s Share Registrar, Boardroom Share Registrars (HK) Limited, to verify their status as Shareholders of the Company:</p> <ul style="list-style-type: none"> (a) Full Name of the Shareholder and corporate representative (if any) (b) Hong Kong Identity Card No./Singapore National Registration Identity Card No./Passport No./Company Registration No. for corporate Shareholders (c) Number of Shares held (d) Email address (e) Contact number

Following the verification, authenticated Shareholders will receive an email by 12 p.m. on Monday, 14 December 2020 which will contain the user ID and password details as well as the URL to access the live audio-visual webcast or the toll-free telephone number to access the live audio-only stream (the “**Confirmation Email**”).

Shareholders, who have pre-registered for the live audio-visual webcast or live audio-only stream but who have not received the Confirmation Email by 12 p.m. on Monday, 14 December 2020, should contact the Company at ir@kinergy.com.sg.

Steps	Details
Submission of comments, queries and/or questions in advance of the EGM	<p data-bbox="603 266 1409 457">Shareholders will not be able to comment, raise queries and/or ask questions at the EGM during the live audio-visual webcast or live audio-only stream. It is therefore important for Shareholders to submit comments, queries and/or questions to the Chairman of the Meeting in advance of the EGM.</p> <p data-bbox="603 489 1409 670">Submission of comments, queries and/or questions. Shareholders may submit comments, queries and/or questions related to the resolutions in the Notice of EGM to the Chairman of the Meeting in advance of the EGM in the following manner:</p> <ul data-bbox="603 702 1409 1181" style="list-style-type: none"><li data-bbox="603 702 1409 968">(a) By post — Shareholders may submit their comments, queries and/or questions by post to the Company at 1 Changi North Street, 1, Lobby 2, Singapore 498789. Comments, queries and/or questions submitted by Shareholders by post must be accompanied by the Shareholders' full name, address and the manner in which the Shareholder holds Shares in the Company.<li data-bbox="603 1000 1409 1181">(b) By electronic means — Shareholders, who have pre-registered registered for the live audio-visual webcast or live audio-only stream, may submit their comments, queries and/or questions by electronic means via email to ir@kinergy.com.sg. <p data-bbox="603 1212 1409 1330">Deadline to submit comments, queries and/or questions. Shareholders must submit all comments, queries and/or questions by 5 p.m. on Friday, 11 December 2020.</p> <p data-bbox="603 1361 1409 1500">Addressing comments, queries and/or questions. The Company will address all substantial and relevant comments, queries and/or questions received from Shareholders at the EGM.</p> <p data-bbox="603 1542 1409 1838">Minutes of EGM. The Company will publish the minutes of EGM on the Company's website at http://www.kinergy.com.sg/ within one (1) month after the EGM. The minutes of EGM will include responses from the Board and the management to substantial and relevant comments, queries and/or questions received from Shareholders addressed at the EGM during the live audio-visual webcast or live audio-only stream.</p>

Steps	Details
Submission of Proxy Forms to appoint the Chairman of the Meeting to attend, speak and vote at the EGM	<p data-bbox="603 272 1417 527">Appointment of Chairman of the Meeting as proxy. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM in accordance with the instructions on the Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the EGM.</p> <p data-bbox="603 570 1417 825">Specific instructions as to voting must be given. Where a Shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.</p> <p data-bbox="603 868 1417 932">Submission of Proxy Forms. The Proxy Form must be submitted to the Company in the following manner:</p> <ul data-bbox="603 974 1417 1255" style="list-style-type: none"><li data-bbox="603 974 1417 1106">(a) if submitted by post, be lodged with the Company's Share Registrar, Boardroom Share Registrar (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong; or<li data-bbox="603 1149 1417 1255">(b) if submitted by way of electronic means, be submitted via email to the Company's Share Registrar at srinfo.hk@boardroomlimited.com, <p data-bbox="603 1293 1417 1330">in either case, by 9.30 a.m. on Sunday, 13 December 2020.</p> <p data-bbox="603 1372 1417 1542">A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above.</p> <p data-bbox="603 1585 1417 1755">In view of the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.</p>



Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Kinergy Corporation Ltd. will be held by way of electronic means on Tuesday, 15 December 2020 at 9:30 am for the purposes of considering and, if thought fit, passing with or without modifications, the following proposed ordinary resolutions of the Company. The Company will be conducting the EGM by way of electronic means at its registered office at 1 Changi North Street 1, Lobby 2, Singapore 498789. The Company will observe safe distancing measures in conducting the EGM. Shareholders should note that due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and **Shareholders will not be able to attend the EGM in person.** Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 6 November 2020.

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the capital injection agreement dated 6 November 2020 (the “**Capital Injection Agreement**”) entered into by Kinergy Intelligent Manufacturing Equipment (Nantong) Co. Ltd.* (精技智能裝備(南通)有限公司) (a wholly-owned subsidiary of the Company) (“**Kinergy IME**”), Chongqing CEL Equity Investment Management Co., Ltd.* (重慶光控股權投資管理有限公司) and Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司) (the “**Target Company**”) (a copy of which is marked “A” and signed by the chairman of the Meeting for the purposes of identification), pursuant to which Kinergy IME agreed to subscribe for new capital of the Target Company in the aggregate amount of RMB52.1 million (equivalent to approximately S\$10.42 million) in cash and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more directors of the Company (the “**Directors**”) be and are hereby authorised to execute all documents and do all such things and take all such steps which, in his opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the

* *For identification purposes only*

NOTICE OF EGM

transactions contemplated in and for the completion of the Capital Injection Agreement and to agree to such variation, amendment or waiver in relation thereto.”

Yours faithfully,
By Order of the Board
Kinergy Corporation Ltd.
Lim Kuak Choi Leslie
Executive Director and Chief Executive Officer

Hong Kong, 27 November 2020

Notes:

1. In order to determine the list of Shareholders who are entitled to attend and vote at the EGM, the register of the Shareholders of the Company will be closed from Monday, 14 December 2020, to Tuesday, 15 December 2020 (both days inclusive), during which period no transfer of Shares will be registered. Shareholders whose names appear on the register of the Shareholders of the Company on Tuesday, 15 December 2020 will be entitled to attend and vote at the EGM. In order to attend the EGM, any Shareholder whose transfer has not been registered shall lodge the transfer documents together with the relevant share certificate with Boardroom Share Registrar (HK) Limited, the Company's Hong Kong branch share registrar and transfer office, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Friday, 11 December 2020.
2. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the EGM will be held by way of electronic means at 9.30 a.m. on Tuesday, 15 December 2020.
3. Printed copies of the Notice of EGM, the Circular and this Proxy Form will be sent to Shareholders. The Notice of EGM, the Circular and this Proxy Form may also be accessed at the Company's website at <http://www.kinergy.com.sg/>.
4. Alternative arrangements relating to attendance at the EGM via electronic means (including arrangements by which the EGM proceedings may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the Meeting in advance of the EGM, addressing of substantial and relevant comments, queries and/or questions before the EGM and voting by appointing the Chairman of the Meeting as proxy at the EGM, are set out at Appendix II of the Circular.
5. **Due to the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the EGM will be held by way of electronic means and Shareholders will not be able to attend the EGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the EGM in**

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accordance with the instructions on this Proxy Form if such Shareholder wishes to exercise his/her/its voting rights at the EGM. This Proxy Form may be accessed at the Company's website at <http://www.kinergy.com.sg/>. Where a Shareholder (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in this Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

6. The Chairman of the Meeting, acting as proxy, need not be a Shareholder of the Company.
7. This Proxy Form must be submitted to the Company in the following manner:
 - a. if submitted by post, be lodged with the Company's Share Registrar, Boardroom Share Registrar (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong; or
 - b. if submitted by way of electronic means, be submitted via email to the Company's Share Registrar at srinfo.hk@boardroomlimited.com,

in either case, by 9.30 a.m. on Sunday, 13 December 2020. A Shareholder who wishes to submit this Proxy Form must first download, complete and sign this Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above. **In view of the current COVID-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means via email.**

8. Where this Proxy Form is executed by an individual, it must be executed under the hand of the individual or his/her attorney duly authorised. Where this Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
9. As at the date hereof, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann and Mr. Tay Kim Kah; the non-executive Directors are Mr. Yang Ping (Chairman) and Mr. Tsang Sui Cheong Frederick; and the independent non-executive Directors are Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei.