

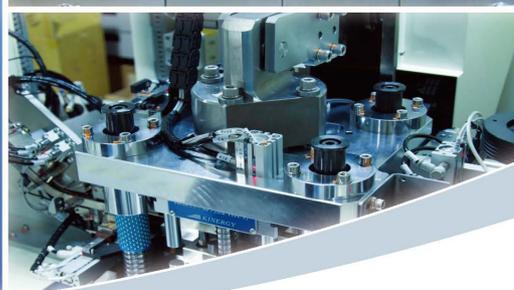
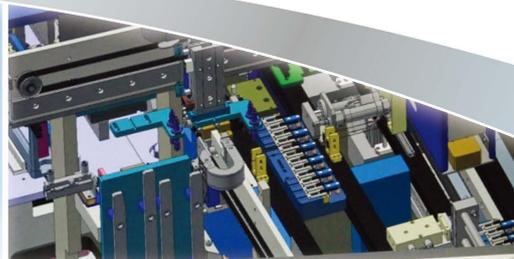
KINERGY

Kinergy Corporation Ltd.

光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302



**GLOBAL
OFFERING**

Joint Sponsors



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



* For identification purpose only

IMPORTANT

If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.



Kinergy Corporation Ltd.

光控精技有限公司*

(incorporated in Singapore with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	210,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	21,000,000 Shares (subject to reallocation)
Number of International Placing Shares	:	189,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.26 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application and subject to refund)
Stock Code	:	3302

Joint Sponsors



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 10 July 2018 and, in any event, not later than Wednesday, 11 July 2018. The Offer Price will not be more than HK\$1.26 per Offer Share and is currently expected to be not less than HK\$1.02 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.26 for each Offer Share together with 1.0% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy (subject to refund if the Offer Price as finally determined should be lower than HK\$1.26 per Offer Share). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Wednesday, 11 July 2018, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with our consent, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$1.02 to HK\$1.26 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, an announcement will be made on our Company's website at www.kinergy.com.sg and the website of the Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please see the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus for further details of these termination provisions.

The Offer Shares have not and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with Regulations S of the U.S. Securities Act.

* For identification purpose only

30 June 2018

EXPECTED TIMETABLE

We will issue an announcement in Hong Kong to be posted on the website of our Company at www.kinergy.com.sg and the website of the Stock Exchange at www.hkexnews.hk if there is any change to the following expected timetable of the Hong Kong Public Offering.

2018⁽¹⁾

Latest time to complete electronic applications under eWhite Form service through the designated website www.ewhiteform.com.hk ⁽²⁾	11:30 a.m. on Tuesday, 10 July	
Application lists open ⁽³⁾	11:45 a.m. on Tuesday, 10 July	
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Tuesday, 10 July	
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Tuesday, 10 July	
Latest time to complete payment of eWhite Form applications by effecting PPS payment transfer(s)	12:00 noon on Tuesday, 10 July	
Application lists close ⁽³⁾	12:00 noon on Tuesday, 10 July	
Expected Price Determination Date ⁽⁵⁾	Tuesday, 10 July	
Announcement of:		
(a) the Offer Price;		
(b) the level of indication of interest in the International Placing;		
(c) the level of applications in the Hong Kong Public Offering; and		
(d) the basis of allotment of the Hong Kong Public Offering (with successful applicants' identification document numbers, where applicable) to be published on our website at www.kinergy.com.sg and the website of the Stock Exchange at www.hkexnews.hk on or before		Tuesday, 17 July

EXPECTED TIMETABLE

2018⁽¹⁾

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from Tuesday, 17 July

Results of allocations in the Hong Kong Public Offering will be available at www.ewhiteform.com.hk/results with a "search by ID" function. Tuesday, 17 July

Despatch/Collection of Share certificates on or before⁽⁶⁾. Tuesday, 17 July

Despatch/Collection of e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before^(7 & 8). Tuesday, 17 July

Dealings in the Shares on the Stock Exchange expected to commence at. 9:00 a.m. on Wednesday, 18 July

The application for the Hong Kong Offer Shares will commence on Saturday, 30 June 2018 through Tuesday, 10 July 2018. Such application period is longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 17 July 2018. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, 18 July 2018.

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.
2. You will not be permitted to submit your application through the **eWhite Form** service through the designated website at www.ewhiteform.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

3. If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force, in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 July 2018, the application lists will not open and close on that day. Further information is set out in section headed “How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for Hong Kong Public Offering by giving electronic application instructions to HKSCC should see the section headed “How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Tuesday, 10 July 2018 and in any event will not be later than Wednesday, 11 July 2018.
6. Share certificates for the Hong Kong Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 July 2018 provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, we will make an announcement as soon as possible. Investors who trade the Hong Kong Offer Shares on the basis of publicly available allocation details before the receipt of their Share certificates or before the Share certificates become valid certificates of title do so entirely at their own risk.
7. Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (if applicable) and Share certificates (if applicable) in person from the Hong Kong Share Registrar from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 July 2018. Identification and (where applicable) authorisation documents acceptable to the Hong Kong Share Registrar must be produced at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques (if applicable) in person but may not collect in person their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected Share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post (at the applicants’ own risk) to the addresses specified in the relevant Application Forms. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

8. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

Applicants who apply through the **eWhite Form** service and paid their application monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions.

Applicants who apply through the **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **eWhite Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.

EXPECTED TIMETABLE

For further details in relation to the Hong Kong Public Offering, please see the sections headed “How to Apply for the Hong Kong Offer Shares” and “Structure and Conditions of the Global Offering” in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Global Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction other than Hong Kong or in any other circumstances. No action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers and the Underwriters, any of their respective affiliates, directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering. Information contained on our website at www.kinergy.com.sg does not form part of this prospectus.

	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	14
Glossary of Technical Terms	26
Forward-looking Statements	28
Risk Factors	30
Waivers from Strict Compliance with the Listing Rules	48
Information about this Prospectus and the Global Offering	51
Directors and Parties Involved in the Global Offering	56

CONTENTS

	<i>Page</i>
Corporate Information	61
Industry Overview	63
Regulatory Overview	84
History and Development	113
Business	137
Directors and Senior Management	219
Substantial Shareholders	241
Cornerstone Investors	243
Relationship with Our Controlling Shareholders	250
Connected Transactions	259
Share Capital	260
Financial Information	263
Future Plans and Use of Proceeds	303
Underwriting	308
Structure and Conditions of the Global Offering	321
How to Apply for the Hong Kong Offer Shares	332
Appendix I — Accountants’ Report	I-1
Appendix II — Unaudited Pro Forma Financial Information	II-1
Appendix III — Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore	III-1
Appendix IV — Statutory and General Information	IV-1
Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection	V-1

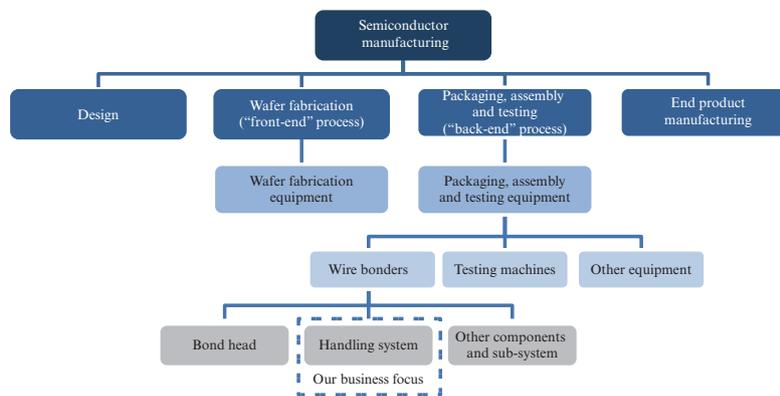
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Established in Singapore in 1988, we are a contract manufacturer specialised in manufacturing equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor industry. Our products are primarily purchased by (i) original design manufacturers of semiconductor process equipment (i.e. SPE, equipment used to manufacture or process semiconductors) and (ii) users of semiconductor process equipment. Our products are generally applied to form a part of SPE for the manufacture of semiconductors or applied to manufacture or process semiconductors^(Note). During the Track Record Period, the majority of our revenue was generated from manufacturing of wire bonding handling systems, an essential sub-system of a wire bonder, which is a semiconductor back-end equipment. According to the Industry Report, we are the world’s largest contract manufacturer of wire bonder handling systems in the global wire bonder handling system contract manufacturing industry in terms of revenue with a market share of approximately 49.6% in 2017.

For further information of our market, please refer to the “Industry Overview” section in this prospectus. The following diagram outlines the semiconductor manufacturing process and segmentation of related semiconductor process equipment:

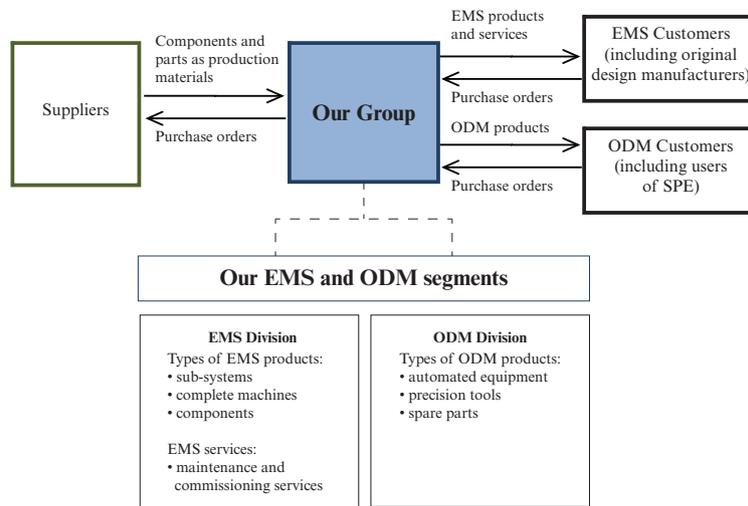


Note: The end-product devices of semiconductors are digital products, such as smartphones, consumer electronics and computers.

SUMMARY

OUR BUSINESS MODEL

The simplified diagram below illustrates our existing business model:



During the Track Record Period, we have two divisions, namely the electronics manufacturing services division (“**EMS Division**”) and the original design manufacturing division (“**ODM Division**”). Our EMS Division primarily focuses on the manufacture of sub-systems, complete machines and components and the provision of post-warranty period maintenance and commissioning services. Our ODM Division primarily focuses on the design and manufacture of automated equipment, precision tools and spare parts.

The following table sets out our segment revenue by divisions and product types and services during the Track Record Period:

	For the year ended 31 December								
	2015			2016			2017		
	% of the revenue of the EMS/ ODM	% of the revenue of our Group	% of the revenue of the EMS/ ODM	% of the revenue of our Group	% of the revenue of the EMS/ ODM	% of the revenue of our Group	% of the revenue of the EMS/ ODM	% of the revenue of our Group	% of the revenue of our Group
	SS'000		SS'000		SS'000		SS'000		SS'000
EMS Division									
<i>Products</i>									
Sub-systems	58,518	62.8	54.7	90,053	92.0	84.2	114,401	95.7	88.7
Complete machines	22,907	24.6	21.4	2,597	2.7	2.4	255	0.2	0.2
Components	1,619	1.7	1.5	2,075	2.1	1.9	4,459	3.7	3.5
<i>Services</i>									
Maintenance and commissioning services	10,191	10.9	9.6	3,155	3.2	3.0	412	0.4	0.3
Sub-total	93,235	100.0	87.2	97,880	100.0	91.5	119,527	100.0	92.7
ODM Division									
<i>Products</i>									
Automated equipment	4,702	34.4	4.4	2,432	26.7	2.3	3,342	35.5	2.6
Precision tools	4,644	34.0	4.3	2,842	31.2	2.6	2,430	25.8	1.9
Spare parts	4,315	31.6	4.1	3,843	42.1	3.6	3,653	38.7	2.8
Sub-total	13,661	100.0	12.8	9,117	100.0	8.5	9,425	100.0	7.3
Grand total	106,896	100.0	100.0	106,997	100.0	100.0	128,952	100.0	100.0

SUMMARY

The following table sets out our revenue by geographical locations of our customers during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Singapore ⁽¹⁾	61,244	57.3	86,390	80.7	114,492	88.8
The Philippines	4,623	4.3	2,590	2.4	3,550	2.7
The US ⁽²⁾	30,264	28.3	9,779	9.2	3,358	2.6
The PRC	4,460	4.2	4,101	3.8	1,662	1.3
Japan	1,255	1.2	582	0.5	2,781	2.2
Others ⁽³⁾	5,050	4.7	3,555	3.4	3,109	2.4
Total	106,896	100.0	106,997	100.0	128,952	100.0

Notes:

1. The increase in revenue from Singapore market during the Track Record Period was mainly due to the increase in demand order for sub-systems from Customer A, as a result of their business expansion in the PRC market.
2. The decrease in revenue from the US market during the Track Record Period was mainly due to decrease in demand for complete machines and a decrease in service income from a US based customer following the completion of a project in 2016.
3. Includes Malaysia, Taiwan, Vietnam, Thailand, Sri Lanka, Indonesia, Mexico, Switzerland and Netherland.

The above breakdown sets out the revenue by geographical locations of our Customers during the Track Record Period. Since our customers which are multinational corporations may place their purchase orders from regional offices not located in the PRC, the above breakdown may not directly reflect our ability to capture the opportunities presented by the favourable industry development of the SPE industry in the PRC, from which our Directors expect our Group will be benefited as mentioned in the section headed “Business — Our Business Strategies” in this prospectus. However, as confirmed by the Industry Consultant, the PRC is the major market of our top ten customers during the Track Record Period (who are SPE manufacturers). It follows that our products are in effect sold to the PRC through our sales to our customers who serve the PRC market. In particular, the PRC market is the major market for two of our major customers during the Track Record Period, namely Customer A and Customer D, who, in aggregate, respectively represented approximately 52.8%, 79.4% and 84.1% of our total revenue for the three years ended 31 December 2017. As such, our Directors believe that we will be able to benefit from the migration of SPE manufacturers to the PRC and the expected growth of the SPE industry in the PRC.

CUSTOMERS

For our EMS Division, our customers include original design manufacturers which produce SPE. For our ODM Division, our customers include users of SPE. We also have customers from other sectors, such as the data storage, SMT and test and measurement industry. For the three years ended 31 December 2017, the aggregate revenue from our top

SUMMARY

five customers amounted to approximately S\$93.2 million, S\$95.8 million and S\$119.7 million, respectively, representing approximately 87.2%, 89.5% and 92.9% of the total revenue of our Group during the corresponding period. All of our five largest customers during the Track Record Period are Independent Third Parties.

During the Track Record Period, we have a major customer, namely, Customer A, who contributed approximately 48.5%, 72.6% and 77.9% of our total revenue for the three years ended 31 December 2017, respectively. Customer A has been our customers since 1999 and is one of the world's leading manufacturers of wire bonding equipment in terms of sales revenue in 2017 according to the Industry Report. We could not obtain consent from Customer A to disclose its identity in this prospectus.

For details, please refer to the section headed "Business — Customers" in this prospectus.

Pricing Policy

Our pricing policy is based on a cost-plus pricing model. In determining the price of our products, we take into consideration an array of factors, including our customers' loyalty and our business relationship with them, as well as our costs of procurement and production. For details, please refer to the section headed "Business — Pricing Policy" in this prospectus.

Credit Policy

We generally grant our customers a credit period ranging from 30 to 90 days from the date of invoice. The length of credit period varies on a case-by-case basis depending on, among others, customer's reputation and credibility, payment history and our business relationship. For details, please refer to the section headed "Business — Credit Policy" in this prospectus.

Sales and Marketing

Our customer service team is responsible for the sales and marketing of our Group. To enhance our brand awareness and to identify potential customers, we attend industry exhibitions around the globe and place advertisements on trade journals. For details, please refer to the section headed "Business — Sales and Marketing" in this prospectus.

Maintenance of Confidentiality

In 2016, we made a compensation to one of our customers, namely, Customer B, for an amount of approximately S\$6.9 million for leaking new generation product information of Customer B. We have implemented several measures in order to maintain confidentiality of our customers. For details, please refer to the section headed "Business — Intellectual Property — Maintenance of Confidentiality" in this prospectus.

SUMMARY

OUR SUPPLIERS

We manufacture the parts we need for production in-house and source from third party suppliers. The principal raw materials we procure for production of our products include commercial items which are ready-made items (such as motion control components, sensors, electronics components and hardware) and fabrication items which are made according to specifications of our customers (such as metal machining parts and frames). During the Track Record Period, we purchased raw materials from the PRC, Singapore and Malaysia. For the three years ended 31 December 2017, the aggregate purchase from our top five suppliers amounted to approximately S\$12.9 million, S\$18.2 million and S\$26.4 million, respectively, representing approximately 19.3%, 25.2% and 26.8% of our total purchase during the corresponding period. All of our five largest suppliers during the Track Record Period are Independent Third Parties.

For details, please refer to the section headed “Business — Raw Materials and Suppliers” in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe our success and future growth are attributable to the following competitive strengths: (i) we are a long-established contract manufacturer with over 30-year track record in the semiconductor back-end equipment industry and are well positioned to benefit from favourable industry growth; (ii) we are rooted in Singapore with well-established production facilities strategically located in the PRC managed by our senior management with Singaporean background; (iii) we have high commitment to quality and are recognised by our customers which are world-leading companies; (iv) our strong manufacturing capabilities in precision engineering that add value for our customers; (v) our research and development capabilities with engagement with customers on product development; and (vi) we have an experienced management and a technical team with high caliber and a proven track record.

For details, please refer to the section headed “Business — Our Competitive Strengths” in this prospectus.

OUR BUSINESS STRATEGIES

In order to exploit the opportunities presented by favourable industry development and to diversify our customer base, we have the following strategies: (i) pursue expansion of production capacity; (ii) expand our market share in Japan, Europe and the United States; (iii) develop and acquire our engineering and technological knowledge mainly for our expansion in the semiconductor front-end equipment industry through mergers and acquisitions and organically; and (iv) strengthen our research and development to keep abreast and relevant to the dynamic changes in technology.

For details, please refer to the sections headed “Business — Our Business Strategies” and “Future Plans and Use of Proceeds” in this prospectus.

SUMMARY

COMPETITIVE LANDSCAPE

While our customers come from different sectors, our revenue was mainly derived from our sales of wire bonder handling systems. According to the Industry Report, in terms of the market for contract manufacturing handling systems used in wire bonders, we held a dominant position in 2017, having generated revenues of approximately US\$74.3 million, which accounted for approximately 49.6% of the total market size. The top five players of the global wire bonder handling systems contract manufacturing industry together took up approximately 78.4% of the total market size. The global wire bonder handling systems contract manufacturing is expected to maintain its growth momentum. The size of the market is expected to increase at a CAGR approximately of 7.2% between 2017 and 2022, reaching approximately US\$211.5 million by 2022.

RISK FACTORS

Set out below are some of the major risks that may materially and adversely affect us:

- We rely on Customer A, our single largest customer during the Track Record Period;
- We generally do not enter into long term agreements with our customers;
- We are subject to technological changes in the semiconductor industry and we may not be able to manage;
- We were subject to a claim by one of our customers for leakage of confidential information during the Track Record Period and we may be exposed to other intellectual property claims by third parties that, if determined adversely against us, could cause us to pay significant damages

Our Company was incorporated in Singapore and taxation laws of Singapore may differ from other jurisdictions, including Hong Kong. Potential investors are advised to consult tax advisers for the overall tax consequence of acquiring, owning or selling the Shares. For details of taxation laws in Singapore, please refer to the section headed “Regulatory Overview” in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and as at the Latest Practicable Date, we were not involved in any litigation, arbitration or claim of material importance. For details, please refer to the section headed “Business — Legal Proceedings and Compliance” in this prospectus. During the Track Record Period and as at the Latest Practicable Date, there had been no material breach of applicable laws and regulations, except for the non-compliance incident set out in the section headed “Business — Legal Proceedings and Compliance — Regulatory compliance” in this prospectus.

SUMMARY

SHAREHOLDERS' INFORMATION

Immediately upon completion of the Global Offering (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), our Company will be owned as to (i) approximately 33.67% by the Lim Family, comprising Mr. Lim, Ms. Foo and Mr. Lim Khin Mann, as a group of our Controlling Shareholders; and (ii) approximately 32.19% by the CE Related Parties, comprising Diamond Wealth and its holding companies, together with Mr. Du and Sino Expo, as another group of Controlling Shareholders. For details, please refer to the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENT

We have a pre-IPO investor, namely Diamond Wealth, which is a subsidiary of CEL. CEL is a subsidiary of China Everbright Group. There were two tranches of pre-IPO investment which were completed on 19 October 2016 and 21 December 2017, respectively. Upon completion of the pre-IPO investment, Diamond Wealth held approximately 42.93% of the issued share capital of our Company, and Diamond Wealth was owned as to 97% by CE Venture and 3% by Mr. Du at the relevant time. Under the Share Swap that took place on 5 February 2018, Diamond Wealth transferred approximately 1.29% of the issued share capital of our Company to Sino Expo (an investment vehicle wholly owned by Mr. Du) in consideration of Mr. Du transferring 3% in the issued share capital of Diamond Wealth to CE Venture. As a result, Diamond Wealth and Sino Expo held approximately 41.64% and 1.29% of the issued share capital of our Company, respectively. For details, please refer to the section headed "History and Development — Pre-IPO Investment" in this prospectus.

SUMMARY OF FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is the summary of the consolidated statements of profit or loss and other financial information during the Track Record Period:

Selected consolidated statements of comprehensive income

	For the year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Revenue ⁽¹⁾	106,896	106,997	128,952 ⁽²⁾
Cost of sales ⁽³⁾	(81,396)	(85,080)	(104,142)
Gross profit	25,500	21,917	24,810
Profit for the year	11,234	3,096 ⁽⁴⁾	8,032
Total comprehensive income for the year	11,843	1,719 ⁽⁴⁾	7,661

SUMMARY

Notes:

1. Our total revenue had been increasing during the Track Record Period. Nonetheless, revenue from one of our major customers, Customer B, decreased significantly during the Track Record Period. For the three years ended 31 December 2017, revenue contributed by Customer B amounted to approximately S\$24.8 million, S\$4.9 million and nil respectively, representing approximately 23.2%, 4.6% and nil of our total revenue of the corresponding period. Our revenue from Customer B decreased as our service contract with Customer B ended in 2016 subsequent to the leakage of Customer B's confidential information by one of our employees during an onsite visit to Customer B's production facilities. However, our Directors consider that, going onward, our business relationship with Customer B will not be adversely affected as there have been on-going discussions between Customer B and us after the incident in anticipation of cooperation and businesses in the future. For details of the incident, please refer to the section headed "Business — Intellectual Property — Maintenance of confidentiality" in this prospectus.
2. The increase in our revenue for the year ended 31 December 2017 as compared to that for the corresponding period in 2016 was mainly due to strong demand from Customer A as a result of their business expansion in the PRC market.
3. Our cost of sales mainly includes (i) direct material cost, (ii) labour costs and (iii) manufacturing overheads. For details, please refer to the section headed "Financial Information — Description of Certain Key Items of the Consolidated Statements of Profit or Loss — Cost of sales" in this prospectus.
4. The decrease in our profit and total comprehensive income for the year ended 31 December 2016 as compared to those for the corresponding period in 2015 was mainly due to the one-off and non-recurring compensation we made to Customer B of approximately S\$6.9 million. For details of the incident leading to the compensation, please refer to the section headed "Business — Intellectual Property — Maintenance of confidentiality" in this prospectus.

Gross profit and gross profit margin

	For the year ended 31 December					
	2015		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	S\$'000	(%)	S\$'000	(%)	S\$'000	(%)
EMS Division	23,441	25.1 ⁽¹⁾	20,015	20.4	23,097	19.3
ODM Division	2,059	15.1	1,902	20.9	1,713	18.2
Total	25,500	23.9	21,917	20.5	24,810	19.2

Note:

1. The higher gross profit margin in 2015 was mainly due to higher gross profit margin contributed by EMS Division, mainly attributable to the repair, maintenance and technical services rendered to a US-based customer for the test machines we manufactured, which accounted for approximately 9.0% of our total revenue for the same period, and was partially offset by the lower gross profit margin for ODM Division in 2015, mainly due to an impairment of development cost of approximately S\$0.7 million charged to cost of sales for the year ended 31 December 2015. In general, the gross profit margin of ODM Division varies with the product category, subject to complexity and order size of products manufactured and labour involved.

SUMMARY

Selected consolidated statements of financial position

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Non-current assets	18,830	18,320	20,414
Current assets	64,346	67,744	78,924
Current liabilities	22,374	21,487	27,945
Net current assets	41,972	46,257	50,979
Total non-current liabilities	734	770	1,100
Net assets	60,068	63,807	70,293 ⁽¹⁾

Note:

- The increase in our net assets as at 31 December 2016 as compared to that as at 31 December 2017 was primarily due to increase in inventories resulting from the increase number of purchase order we received close to the year ended, and increase in available-for-sale investment resulting from investments in bank financial products issued by banks in the PRC.

Selected consolidated statement of cash flows

	For the year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Net cash flows generated from operating activities	14,009	1,906	3,017
Net cash flows (used in)/generated from investing activities	(12,104)	6,035	(9,772)
Net cash flows (used in)/generated from financing activities	(2,610)	1,120	(1,261)
Net increase (decrease) in cash and cash equivalent	(705)	9,061	(8,016)
Cash and cash equivalents at beginning of financial year	13,736	13,248	21,820
Effects of exchange rate changes on cash and cash equivalents	217	(489)	(147)
Cash and cash equivalents at end of financial year	<u>13,248</u>	<u>21,820</u>	<u>13,657</u>

SUMMARY

Key financial ratios

	As at/For the year ended 31 December		
	2015	2016	2017
Current ratio	2.9 times	3.2 times	2.8 times
Gearing ratio ⁽¹⁾	1.6%	0.1%	N/A
Debt to equity ratio	N/A	N/A	N/A
Interest coverage	152.8 times	184.1 times	275.0 times
Return on total assets ⁽²⁾	13.5%	3.6%	8.1%
Return on equity ⁽³⁾	18.7%	4.9%	11.4%
Net profit margin	10.5%	2.9% ⁽⁴⁾	6.2%
Adjusted net profit margin	10.5% ⁽⁵⁾	9.3% ⁽⁶⁾	6.8% ⁽⁷⁾

Notes:

1. Gearing ratio is calculated based on the total interest-bearing bank and other borrowings divided by the total equity as at the respective year end and multiplied by 100%.
2. The decrease in the return on assets decrease significantly for the year ended 31 December 2015 as compared to that for the corresponding period in 2016 was mainly due to decrease in profit for the year in 2016 as a result of the settlement of a customer's claim in 2016. The return on total assets subsequently increased for the year ended 31 December 2017, mainly due to the increase in profit in 2017.
3. The decrease in the return on equity for the year ended 31 December 2015 as compared to that for the corresponding period in 2016 was mainly due to the decrease in profit in 2016 as a result of the settlement of a customer's claim in 2016. The return on equity then increased for the year ended 31 December 2017, mainly due to the increase in profit for the year.
4. The low profit margin in 2016 was primarily due to the one-off and non-recurring compensation we made to Customer B of approximately S\$6.9 million. For details of the incident leading to the compensation, please refer to the section headed "Business — Intellectual Property — Maintenance of confidentiality" in this prospectus.
5. No adjustment is made to the net profit for the year ended 31 December 2015 for the calculation of adjusted net profit margin.
6. The adjusted net profit margin for the year ended 31 December 2016 is calculated by excluding the S\$6.9 million compensation paid to Customer B. For details of the incident leading to this compensation, please refer to the section headed "Business — Intellectual Property — Maintenance of confidentiality" in this prospectus.
7. The adjusted net profit margin for the year ended 31 December 2017 is calculated by excluding listed expenses from the net profit of the same year. The decrease in adjusted net profit margin from approximately 9.3% (for the year ended 31 December 2016) to 6.8% (for the year ended 31 December 2017) was mainly due to the net foreign exchange loss of S\$2.2 million noted for the year ended 31 December 2017 as opposed to an exchange gain of S\$0.6 million noted for the year ended 31 December 2016.

For further details of the key financial ratios, please refer to the section headed "Financial Information — Summary of Financial Ratios" in this prospectus.

SUMMARY

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, we had three production facilities in operation, which are of an aggregate floor area of approximately 273,947.1 sq.ft., in Singapore, the PRC and the Philippines. For details, please refer to the section headed “Business — Our Production Facilities” in this prospectus. To capture the opportunities presented by favourable industry development, it is part of our future plans to renovate our Nantong Facility II, one of our production facilities in the PRC, which was not in operation as at the Latest Practicable Date. For details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 December 2017. We currently expect that our financial results for the year ending 31 December 2018 will be negatively impacted by the non-recurring listing expenses of approximately S\$2.3 million (calculated on the assumption of an Offer Price of HK\$1.14 per Offer Share, being the mid-point of the indicative Offer Price range) recognised and to be recognised as expenses in our consolidated statements of profit or loss. Our Directors have not noticed any potential disruptions to our business which would have a material adverse impact on our financial and operating position.

Our Directors confirmed that from 31 December 2017 up to the date of this prospectus, (i) there had been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

DELISTING FROM SGX-ST

The Company was listed on the SGX-ST on 15 February 2007 and was subsequently delisted from the SGX-ST on 22 March 2013 due to, among others, low trading liquidity and greater management flexibility. For details, please refer to the section headed “History and Development — Delisting from SGX-ST” in this prospectus.

DIVIDEND

We have not formulated any policy for future dividend payments. For each of the three years ended 31 December 2015, 2016 and 2017, our Group declared dividends of approximately S\$1.3 million, S\$2.6 million and S\$7.7 million, respectively. Pursuant to Share Purchase Agreement of the pre-IPO investment, subject to compliance with the requirements of Singapore law, upon getting approval from the Stock Exchange for our Company’s listing application and prior to completion of the Qualified IPO, Mr. Lim and Unitras shall procure that our Company would declare and pay dividends of approximately S\$28.4 million in July 2018, which consists of (i) dividend of approximately S\$7.7 million to our existing Shareholders (other than Diamond Wealth and Sino Expo), (ii) dividend of approximately S\$4.4 million to our existing Shareholders (other than Diamond Wealth and Sino Expo), representing half of the adjusted net profits for the financial period from 1

SUMMARY

January 2016 to 30 September 2016, and (iii) dividend of approximately S\$16.3 million to all Shareholders, representing the remaining undistributed profits up till 30 April 2018. Such dividends will be paid through our internal cash resources, including net cash generated from operation and will draw from our unutilised banking facilities if needed, and will be settled before Listing. For further information, please refer to the section headed “Financial Information — Dividend”. Save as disclosed above, we have no plan to pay or declare any dividends prior to the Listing. We do not intend to determine any expected dividend payout ratio after the Listing since our priority is to use our earnings for business development and expansion of customer base which is in the interest of our Shareholders as a whole. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders’ interests and other factors which they may deem relevant at such time.

OFFER STATISTICS

	Based on the minimum indicative Offer Price of HK\$1.02 per Share	Based on the maximum indicative Offer Price of HK\$1.26 per Share
	HK\$	HK\$
Market capitalisation ⁽¹⁾	856,138,350	1,057,582,668
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	0.71	0.76

Notes:

1. All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.
2. The market capitalisation is calculated based on 839,351,324 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 839,351,324 Shares in issue immediately following completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
4. No adjustment has been made to reflect any trading result or open transaction of our Group entered into subsequently to 31 December 2017. In particular, the unaudited pro forma adjusted net tangible assets of our Group has not taken into account a dividend of approximately S\$28.4 million to be declared and paid before Listing. The unaudited pro forma adjusted net tangible assets per Share would have been HK\$0.51 and HK\$0.57 per Share based on the Offer Price of HK\$1.02 and HK\$1.26 per Share respectively if the payment of such dividends has been accounted for.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK\$208.3 million (equivalent to approximately S\$35.6 million) from the Global Offering, after deducting the underwriting fees and estimated expenses in connection with the Global Offering and assuming the Global Offering is conducted at the mid-point of the indicative Offer Price

SUMMARY

range of HK\$1.14 per Offer Share and that the Over-allotment Option is not exercised. We intend to use all of the net proceeds from the Global Offering for the following purposes:

<u>Use of proceeds</u>	<u>% of the net proceeds</u>	<u>HKD million</u>	<u>(equivalent to SGD million)</u>
Expansion of our production capacity	40.4	84.2	14.4
Development and acquisition of engineering and technological knowledge	29.3	61.0	10.4
Expansion of our marketing activities in Japan, Europe and the United States	17.6	36.6	6.3
Strengthening our research and development	11.7	24.4	4.2
General working capital	1.0	2.1	0.3

For details, please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

LISTING EXPENSES

The listing expenses in connection with the Global Offering primarily consist of professional fees and underwriting commission, and are estimated to be approximately S\$5.3 million (assuming that the Global Offering is conducted at the mid-point of the Offer Price range of HK\$1.14 per Offer Share). Such estimated listing expenses are non-recurrent in nature. The listing expenses of (i) approximately S\$2.2 million is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard and (ii) approximately S\$3.1 million has been or is to be charged to the consolidated statements of profit or loss, of which (a) approximately S\$0.8 million was recognised for the year ended 31 December 2017 and (b) approximately S\$2.3 million is expected to be charged prior to or upon the Listing.

For details, please refer to the section headed “Financial Information — Listing Expenses” in this prospectus.

REASONS FOR LISTING IN HONG KONG

Our Directors, after having considered the following reasons, believe that the Listing is beneficial to our Group for our business expansions and our long term goals and our Company and our Shareholders as a whole: (i) Hong Kong has a strategic location of the stock market in-line with our expansion plan in Japan, Europe and the United States; (ii) Hong Kong is an international finance centre and the Listing in Hong Kong is important for our future investment or acquisition; (iii) Hong Kong has better access to capital and future fund raising; and (iv) successful Listing will enhance our ability to attract talents in Hong Kong and the PRC.

For details, please refer to the section headed “History and Development — Reasons for Listing in Hong Kong”.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Beta Nova”	Beta Nova Electronic Company Limited* (南通倍塔新星電子有限公司), a limited liability company established in the PRC on 29 November 2007 and an indirect wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday and public holidays) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR(s)”	compound annual growth rate(s), representing the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“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

DEFINITIONS

“CE Related Parties”	Diamond Wealth and its holding companies, namely CE Venture, CEL, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong and China Everbright Group, together with Mr. Du and Sino Expo
“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 our Controlling Shareholders. CEL indirectly holds 100% shares in Diamond Wealth and is a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group
“Chairman”	the chairman of the Board
“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
“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
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Kinergy Corporation Ltd., a company incorporated under the laws of Singapore with limited liability on 4 January 1988

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Constitution”	the constitution of our Company, approved and adopted on 27 June 2018 which will become effective on 18 July 2018 (being the date on which the Shares are first traded on the Stock Exchange), as amended or supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this prospectus
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, for the purpose of this prospectus, refers to (i) the Lim Family; and (ii) the CE Related Parties
“Deed of Indemnity”	the deed of indemnity dated 19 June 2018 given by the Lim Family in favour of our Company, details of which are set forth in the section headed “Statutory and General Information — E. Other Information — 1. Tax and other Indemnities” in Appendix IV to this prospectus
“Deeds of Non-competition”	the deeds of non-competition executed by (i) the Lim Family; and (ii) the CE Related Parties, respectively, in favour of our Company, details of which are disclosed in the section headed “Relationship with our Controlling Shareholders” in this prospectus
“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 our Company
“Global Offering”	the Hong Kong Public Offering and the International Placing
“GREEN Application Form(s)”	the application form(s) to be completed by the eWhite Form Service Provider
“Group”, “Our Group”, “we” or “us”	our Company and its subsidiaries at the relevant time or, where the context so requires, in respect of the period prior to our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company or the businesses carried on by such subsidiaries or (as the case may be) their predecessors or any of them
“eWhite Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the eWhite Form Service Provider at <u>www.ewhiteform.com.hk</u>

DEFINITIONS

“eWhite Form Service Provider”	the eWhite Form Service Provider designated by our Company, as specified on the designated website at www.ewhiteform.com.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$”, “HKD” or “Hong Kong dollars” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	21,000,000 new Shares (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus) initially offered by our Company for subscription pursuant to the Hong Kong Public Offering at the Offer Price
“Hong Kong Public Offering”	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus, and subject to the terms and conditions stated herein and in the Application Forms)
“Hong Kong Share Registrar”	Boardroom Share Registrars (HK) Limited
“Hong Kong Underwriters”	the underwriters listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 June 2018 relating to the Hong Kong Public Offering entered into by, among others, our Company and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“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

DEFINITIONS

“Independent Third Party(ies)”	an individual or a company which is independent of and not connected with (within the meaning of the Listing Rules) any directors, chief executive and substantial shareholders of our Company, our subsidiaries or any of their respective associates
“Industry Report”	the industry report prepared by China Insights Consultancy Limited
“International Placing”	the offer for subscription of initially 189,000,000 new Shares to institutional, professional and other investors, subject to reallocation and the Over-allotment Option, as further described in the section headed “Structure and Conditions of the Global Offering — The International Placing” in this prospectus
“International Placing Shares”	the conditional placing of the International Placing Shares at the Offer Price to selected institutional, professional and other investors, as set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing which is expected to be entered into by, among others, our Company and the International Underwriters on or around the Price Determination Date
“Japan Legal Advisers”	TMI Associates, the legal advisers of our Company as to the laws of Japan

DEFINITIONS

“Joint Bookrunners” and “Joint Lead Managers”	(i) China Everbright Securities (HK) Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO; (ii) CLC Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; (iii) First Capital Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; (iv) Guoyuan Capital (Hong Kong) Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO; (v) Haitong International Securities Company Limited, a licensed corporation to conduct type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO; and (vi) Yuanta Securities (Hong Kong) Company Limited, a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Joint Global Coordinators”	(i) China Everbright Securities (HK) Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO; (ii) First Capital Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; and (iii) Guoyuan Capital (Hong Kong) Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“Joint Sponsors”	(i) China Everbright Capital Limited, a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO; and (ii) Guoyuan Capital (Hong Kong) Limited, a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“JPY”	Japanese yen, the lawful currency of Japan
“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 our Company

DEFINITIONS

“Kinergy Japan”	Kinergy Japan K.K.* (キネジージャパン株式会社), a stock company established in Japan on 11 June 2015 and a direct wholly-owned subsidiary of our Company
“Kinergy Mechatronics”	Kinergy Mechatronics Shanghai Company Limited* (精技機電商貿(上海)有限公司), a limited liability company established in the PRC on 2 July 1999 and an indirect wholly-owned subsidiary of our Company
“Kinergy Nantong”	Kinergy Precision Engineering (Nantong) Co., Ltd.* (精技機電(南通)有限公司), a company established in the PRC with limited liability on 8 June 2000 which was wholly owned by our Company immediately before its deregistration
“Kinergy Philippines”	Kinergy Philippines, Inc., a corporation incorporated in the Philippines on 6 April 2000 and a direct wholly-owned subsidiary of our Company
“Kinergy US”	Kinergy (U.S.), Ltd., a company incorporated in the Commonwealth of Pennsylvania on 24 July 2008 which was wholly owned by our Company immediately before its dissolution
“Kinergy Wuhan”	Kinergy Precision Engineering (Wuhan) Co., Ltd.* (精技精密工程(武漢)有限公司), a company established in the PRC with limited liability on 2 June 1993 which was an indirect wholly-owned subsidiary of our Company immediately before its deregistration
“KPL”	Kinergy Pte. Ltd., a limited liability company incorporated in Singapore on 19 December 2013 and an indirect wholly-owned subsidiary of our Company
“Latest Practicable Date”	20 June 2018, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Lim Family”	Mr. Lim, Ms. Foo and Mr. Lim Khin Mann
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, 18 July 2018, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange

DEFINITIONS

“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 (杜曉堂), our executive Director and one of our Controlling Shareholders
“Mr. Lim”	Mr. Lim Kuak Choi Leslie (林國財), our founder, executive Director, chief executive officer, one of our Controlling Shareholders, the spouse of Ms. Foo and the father of Mr. Lim Khin Mann
“Mr. Lim Khin Mann”	Mr. Lim Khin Mann (林欽銘), the alternate Director to Ms. Foo, one of our Controlling Shareholders and the son of Mr. Lim and Ms. Foo
“Ms. Foo”	Ms. Foo Kaw Jee (符皓玉), our non-executive Director, one of our Controlling Shareholders, the spouse of Mr. Lim and the mother of Mr. Lim Khin Mann
“Nantong Facility I”	Our production facility situated on 62 Zhongyang Road, Nantong Economic Technological and Development Area, Nantong, Jiangsu Province, PRC which has been in operation since 2002
“Nantong Facility II”	Our production facility situated on 18 Fuxing Road, Nantong, Jiangsu Province, PRC. As at the Latest Practicable Date, we had not completed construction completion inspection of Nantong Facility II and it had not been in operation
“NASDAQ”	National Association of Securities Dealers Automated Quotations
“Offer Price”	the final offer price per Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) at which the Offer Shares to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, as further described in the section headed “Structure and Conditions of the Global Offering — The International Placing” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares, together with any additional Shares to be issued pursuant to the exercise of the Over-allotment Option

DEFINITIONS

“Over-allotment Option”	the option granted by us to the Joint Global Coordinators, exercisable by them, for themselves and on behalf of the International Underwriters
“Philippines”	the Republic of Philippines
“Philippines Legal Advisers”	Fortun Narvasa & Salazar, the legal advisers of our Company as to the laws of the Philippines
“Php”	Peso, the lawful currency of the Philippines
“PRC”	the People’s Republic of China and for the sole purpose of this prospectus shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Advisers”	AnJie Law Firm, the legal advisers of our Company as to the laws of the PRC
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force from time to time before 3 March 2014
“Pre-IPO Investment Agreements”	the Subscription Agreement and the Share Purchase Agreement
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 10 July 2018, but no later than Wednesday, 11 July 2018, on which the Offer Price is fixed for the purpose of the Global Offering
“Qualified IPO”	an initial public offering and listing of the underlying business of our Company at a market capitalisation of not less than S\$85.0 million, pursuant to the admission on the Stock Exchange (or such other stock exchange as Diamond Wealth, Mr. Lim and Unitras may agree) of the Shares
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shanghai Jiao-Tong”	Shanghai Kinergy Jiao-Tong Mold Co., Ltd.* (上海凱納捷-交通模具有限公司), a company established in the PRC with limited liability on 27 April 1990 which was held as to 50% by our Company and 50% by an Independent Third Party immediately before its deregistration
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, a summary of the principal terms are set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Share Purchase Agreement”	the share purchase agreement dated 5 September 2016 (as amended and supplemented by a supplemental agreement dated 31 December 2017) entered into by Mr. Lim and Unitras as vendors and Diamond Wealth as purchaser in respect of the sale and purchase of our Shares
“Share Subdivision”	the subdivision of the then issued Shares from 157,337,831 Shares into 629,351,324 Shares pursuant to the resolutions of the Shareholders passed on 19 June 2018
“Share Swap”	the transfer of certain Shares from Diamond Wealth to Sino Expo in consideration of Mr. Du transferring 3% shareholding interest in Diamond Wealth to CE Venture pursuant to a share swap agreement dated 5 February 2018 entered into by, among others, Diamond Wealth and Sino Expo
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Singapore”	the Republic of Singapore
“Singapore Companies Act”	the Companies Act, Chapter 50 of Singapore, as amended, supplemented or otherwise modified from time to time
“Sino Expo”	Sino Expo Holdings Limited, a company incorporated in BVI on 28 June 2016 which is wholly owned by Mr. Du
““Stabilising Manager”	China Everbright Securities (HK) Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

““Stock Borrowing Agreement”	the stock borrowing agreement that may be entered into between Mr. Lim as lender and the Stabilising Manager as borrower on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Subscription Agreement”	the subscription agreement dated 5 September 2016 entered into between our Company and Diamond Wealth in respect of subscription of Shares by Diamond Wealth
“subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance and the Singapore Companies Act) of our Company
“Substantial Shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 December 2015, 31 December 2016 and 31 December 2017
“UK”	the United Kingdom of Great Britain and Northern Ireland, its territories and possessions, and all areas subject to its jurisdiction
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
“Unitras”	Unitras (H.K.) Limited, a private company limited by shares incorporated in Hong Kong on 26 February 1971 which is wholly owned by Ms. Joyce S. Kerr, the spouse of Mr. Bradley Fraser Kerr, our non-executive Director
“US\$” or “USD”	United States dollar, the lawful currency of the United States

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“%”	per cent

Certain figures set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails. English translations of official names are for identification purposes only and are marked with “”.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

“built in quality”	a quality control philosophy which emphasise quality should be built in but not by inspection
“contract manufacturer/ contract manufacturing”	a contract manufacturer is a manufacturer which is subcontracted to manufacture components or products. Contract manufacturing is a form of outsourcing
“EDM”	electrical discharge machining, a manufacturing process whereby a desired shape is obtained by using electrical discharges (i.e. sparks)
“EMS”	electronics manufacturing services which generally include manufacturing, testing and distribution of electronic components and sub-systems; a provider of EMS is a manufacturer which provides specific manufacturing services to original design manufacturers
“ex-factory”	a trade term which means the seller fulfills its obligations to deliver when the seller make the goods available to the buyer at a specified place
“FCA”	free carrier, a trade term which means that the seller fulfills his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point
“High mix, low volume”	a manufacturing model that orders for products vary in applications, lot sizes and processes which implied requirements for ability to adapt change over product specifications, convert our assembly line and flexibility to accommodate increased volume
“ODM”	original design manufacturing, whereby a manufacturer designs and produces products
“semiconductor back-end equipment industry”	the processes of wafer packaging, assembly and testing in the semiconductor equipment industry
“semiconductor front-end equipment industry”	the process of wafer fabrication in the semiconductor equipment industry

GLOSSARY OF TECHNICAL TERMS

“SMT”	surface-mount technology, a method for producing electronic circuits in which the components are mounted or placed directly onto the surface of printed circuit boards
“SPE”	semiconductor process equipment, equipment used in the production of semiconductors
“sq.ft.”	square feet
“wire bonder”	the equipment which performs wire bonding, for the packaging, assembly and testing stage in the semiconductor manufacturing process
“wire bonding”	the primary process used when interconnecting semiconductor chips with their packaging involves the use of an ultrasonic welding process called “wire bonding”. It is one of the most important processes in the production and assembly of semiconductor back-end equipment stage with more than 80% of chip interconnections being produced using this process

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- our profit estimate and other prospective financial information.

The words “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of any government relating to any aspect of our business or operations;
- general global economic, market and business conditions;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS

We rely on Customer A, our single largest customer during the Track Record Period

During the Track Record Period, Customer A has been our largest customer. For the three years ended 31 December 2017, our revenue attributable to Customer A was approximately 48.5%, 72.6% and 77.9%, respectively. We could not obtain consent from Customer A to disclose its identity in this prospectus. For details of Customer A and an analysis on the sustainability of our business in consideration of our reliance on Customer A, please refer to the section headed “Business — Reliance on Customer A” in this prospectus.

We cannot assure you that we will successfully maintain our business relationship with Customer A or diversify our customer portfolio and there is no assurance that we will be able to secure new orders from other customers of similar volume and value. If Customer A cease our business relationship or reduces its business volume or Customer A’s business suffers a decline, our business, financial condition and results of operations will be materially and adversely affected.

We generally do not enter into long term agreements with our customers

We generally do not enter into any long-term contract or framework sales agreement with our customers, which is an industry norm. As our customers only place orders with us on an order-by-order basis, there is no assurance that our customers will continue placing orders with us at a comparable level as they did during the Track Record Period or at all. Volume of purchase orders from our customers may vary significantly from time to time and we cannot guarantee that our business will grow or remain stable as it did during the Track Record Period. If our customers reduce their orders or cease placing orders with us, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to technological changes in the semiconductor industry and we may not able to manage

The semiconductor industry is technology-intense and highly dynamic in technological advances. We cannot assure you that no potentially disruptive technology can replace wire bonding (which is an essential process in the semiconductor back-end equipment industry) in the future. For each of the three years ended 31 December 2017, sales of wire bonder handling systems to Customer A represented more than 45% of our total revenue. In the event that a disruptive technology arise can replace wire bonding, our business, results of operations and financial condition may be materially and adversely affected.

We may not be able to keep pace with the technological advances in a cost-effective manner and timely basis and may encounter practical difficulties in diversifying our product portfolio. If we fail to adequately respond to the technological developments, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We rely substantially on our senior management, key personnel and skilled labour

We consider knowledge, skills and experience as our biggest assets which differentiate us from our competitors and one of the major factors to our success is the continued service of our core team of experienced employees. As our manufacturing processes mainly involve the manual assembly of parts and components by our skilled labour, the skills of our labour to achieve the high precision demanded by our customers are critical to our quality. Also, our design and engineering team designs the manufacturing processes for different orders and formulate assembly instructions for our labour, the expertise and knowledge of our design and engineering team will determine the quality of our products. Moreover, in order to keep pace with technological advances, we rely on our key personnels to gather industry intelligence and insights to stay attuned to the highly dynamic semiconductor industry. As such, our operation performance substantially depends on the retention of our senior management, key personnel and skilled labour. We cannot assure you that we will be able to retain members of our senior management, key personnel and technicians in the future. In the event of their departure or absence, we may not be able to recruit suitable candidates for replacement in a timely manner on acceptable terms or at all, which may materially and adversely affect our business, financial condition and results of operations.

We were subject to a claim by one of our customers for leakage of confidential information during the Track Record Period and we may be exposed to other intellectual property claims by third parties that, if determined adversely against us, could cause us to pay significant damages

We receive designs and drawings for our production from our customers and have access to and storage of other information of our customers which are regarded as intellectual property of our customers and that we may be under contractual obligations to protect. During the Track Record Period, we made a compensation to Customer B of approximately S\$6.9 million for leakage of confidential information by one of our employees during his site visit at Customer B's facility. We cannot assure measures we have taken to protect confidential information of our customers are sufficient and will protect the intellectual property of our customers effectively or at all. In the event of confidential information being stolen or misused, or leakage of confidential information of our customers by any of our employees, inadvertently or not, or due to failure of our information technology system, we may be subject to claims, litigations and other liabilities which may materially and adversely affect our Group's business, financial condition and results of operations.

Also, our success depends largely on our ability to apply and develop technology and know-how without infringing the intellectual property rights of third parties. In particular, our ODM division focuses on designing and developing proprietary machines and equipment under our own brand of "Kinergy". However, the validity and scope of intellectual property claims may be highly uncertain. We cannot assure you that we will not be subject to such claims in the future. Moreover, as patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications that may relate to our technologies and products. Intellectual property suits, patent opposition proceedings and related legal and

RISK FACTORS

administrative proceedings can be costly and lengthy which may divert our managerial and financial resources. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, license or ongoing royalties requirements. We may also need to redesign our products or may be subject to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers deferring or limiting their purchase or use of our products until such litigation is resolved. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We face intense competition in the semiconductor industry

We operate in a highly competitive industry. Our competitors include domestic and international contract manufacturers. We expect that competition in the semiconductor industry will continue to be intense. Some of these competitors may have stronger brand names, greater access to capital, longer history, longer relationships with their customers and more resources than we do. Furthermore, these competitors may be able to adapt to changes in the industry more promptly and efficiently. Due to the highly dynamic nature of the industry in which we operate, there may be new market entrants with strong resources which may further intensify the competition. Intense competition from existing and potential competitors could result in material price reductions in the products we sell or a decrease in our market share. If we fail to compete effectively and efficiently or fail to adapt to changes in the competitive landscape, our business, financial condition and results of operations may be materially and adversely affected.

We may be unable to effectively and efficiently manage the supply and quality of our raw materials

The manufacturing processes of our EMS and ODM divisions mainly involve the assembly of components and parts. We do not produce all the components or parts that we use for production and we procure some of the components or parts from third party suppliers. For the three years ended 31 December 2017, purchases from our top five suppliers accounted for approximately 19.3%, 25.2% and 26.8% of our total purchases.

If any of our key suppliers decides not to accept our future purchase orders on the same or similar terms, or at all, or decides to substantially reduce their volume of supply to us or terminate their business relationship with us, we may need to find a proper replacement in a timely manner, failure of which may result in delay in our production schedules or default on our agreements with our customers. In addition, if any of our key suppliers fails to provide raw materials meeting our quality standards, we may need to source parts and components from other suppliers, which may result in additional costs and delay in the delivery of our products to our customers. There is no assurance that our suppliers will be able to supply and deliver the required raw materials to us in a timely manner or that the raw materials they supply to us will not be defective or substandard. Any delay in the delivery of raw materials or any defect in the raw materials supplied to us may materially and adversely affect or delay our production schedule and affect our product quality. If we cannot secure raw materials of similar quality and at reasonable prices from

RISK FACTORS

alternative suppliers in a timely manner or at all, we may not be able to deliver our products to our customers on time with required quality. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Moreover, any sudden or significant increases in prices of parts and components for our production may materially and adversely affect our profit margin and results of operations. There is no assurance that prices of parts and components for our production will remain stable in the future, or that any price increases will not lead to unexpected and potentially significant increases in our production costs. We also cannot assure you that we will be able to transfer the increase in production costs to our customers without affecting our sales volume in the future. If we are unable to increase the prices of our products to set-off any increases in our costs of parts and components in a timely manner, our profit margin and results of operations may be materially and adversely affected.

We may suffer from unexpected disruptions to our production facilities, systems and process

Our revenue is dependent on the uninterrupted operation of our production facilities. Our production is subject to operational risks beyond our control including fire, breakdown, failure or substandard performance of our equipment and machinery, power shortage, labour strikes, natural disasters and any interruption in our operations as a result of any failure to comply with all applicable laws and regulations in the jurisdictions where our production facilities are located. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on our business, financial condition and results of operation. If there is any damage to our production facilities, we may not be able to alleviate the impact of such damage in a timely and proper manner or at all. In particular, we need specialty environment such as clean room of specific classes and anti-static environment for our production as parts and components for the assembly of finished products maybe highly sensitive. The construction of such specialty environment is expensive and takes time. Accordingly, our production and delivery to our customers could be materially and adversely affected. Any breakdown or malfunction of any of our information technology systems and equipment could cause a material disruption of our operations. Any such disruption in our operations could materially and adversely affect our business, financial condition and results of operations.

We may not be able to maintain an effective quality control system

We ascribe our success to our commitment to quality control and our effective quality control system. Quality in terms reliability and stability of our products are especially important for the SPE industry as a typical production line of semiconductor device can be made up of over 15 processes, and each process is made up of an SPE machine that is throughput-balanced with the other machines in the production line to achieve a predetermined output. The performance failure of any SPE machine or sub-systems would affect the entire production line of semiconductor device and lead to severe economic losses. However, the effectiveness of our quality control system depends on a number of factors, including the design of our quality control procedures, our training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. We cannot assure you that our quality control system will be effective in

RISK FACTORS

maintaining our product quality. Any failure or deterioration of our quality control systems may have a material adverse effect on our business, results of operations and financial condition.

We are subject to credit risk of our customers

We are subject to credit risk of our customers, and our profitability and cash flow are dependent on our receipt of timely payments from our customers. If there is any delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected. As at 31 December 2015, 2016 and 2017, our trade receivables amounted to approximately S\$13.5 million, S\$17.8 million and S\$21.2 million, respectively. Our Group recorded allowance for impairment of approximately S\$10,000, nil and nil, respectively, as at 31 December 2015, 2016 and 2017, representing approximately 0.1%, nil and nil of the trade receivable as at the respective dates. There is no assurance that we will be able to collect all or any of our trade receivables in a timely matter. If any of our customers face unexpected situations such as financial difficulties, we may not be able to receive full or any payment of the uncollected sums or enforce any judgment debts against such customers, and our business, results of operations and financial condition could be materially and adversely affected.

We are subject to risk of inventories obsolescence

As at 31 December 2015, 2016 and 2017, we had inventories of approximately S\$25.8 million, S\$25.4 million and S\$34.0 million, respectively. As our products are customised and manufactured based on purchase orders from our customers, our work-in-progress and finished goods are attributable to designated customers. Therefore, in the event that our customers cancel their orders, we may not be able to reconfigure the work-in-progress or finished goods to suit other customers, leading to the risk of inventories obsolescence and thus adversely affecting our results of operations and financial conditions.

We may suffer losses from fluctuation in foreign exchanges

During the Track Record Period, our sales are mainly denominated in USD while our purchases are mainly denominated in USD and RMB. In addition, we have production facilities and/or offices in Singapore, the PRC, the Philippines and Japan, of which overheads are settled in local currencies and therefore expose us to foreign exchanges risks. We recorded foreign exchange gain of approximately S\$2.0 million and S\$0.6 million, respectively, for the years ended 31 December 2015 and 2016, respectively, and we recorded a net foreign exchange loss of approximately S\$2.2 million for the year ended 31 December 2017. In addition, we recorded exchange differences on translation of foreign operations representing a gain of S\$0.6 million, a loss of S\$1.4 million and a loss of S\$0.4 million for the years ended 31 December 2015, 2016 and 2017, respectively. For details of the exchange differences, please refer to the section headed “Financial Information — Exchange Differences on Translation of Foreign Operations” in this prospectus. Fluctuations in foreign exchange may be caused by various factors and unpredictable. We cannot guarantee that we will not suffer losses on foreign exchanges in the future. During the Track Record Period, we did not use forward contracts or other derivative instruments to manage our foreign exchange risks as our results of operations has generally been partially mitigated by

RISK FACTORS

the natural offset of our foreign currency receivables with our foreign currency payables. In the event that we are unable to manage our foreign currency risks effectively or at all, our business, results of operation and financial condition may be materially and adversely affected.

For further details of how foreign exchange rates affect our business, results of operations and financial condition, please refer to the section headed “Financial Information — Key Factors Affecting Our Results of Operations and Financial Condition — Fluctuations in the foreign currency exchange rates” and “Financial Information — Quantitative and Qualitative Disclosure of Market Risks” in this prospectus.

We may be affected by global and regional social, political, regulatory and economic conditions as well as trade policies

We have production facilities/offices in Singapore, the PRC, the Philippines and Japan. Also, our Group has derived our revenue from Singapore, the Philippines, the United States, the PRC, Japan and other countries. Particularly, for the three years ended 31 December 2017, approximately 57.3%, 80.7% and 88.8% of our total revenue derived from sales to customers who have operations in Singapore.

Government policies favouring domestic companies in certain foreign markets or trade barriers including export requirements, tariffs, taxes and other restrictions and charges may adversely affect our ability to export our products to customers in other countries at favourable or reasonable terms or at all. Moreover, changes to trade policies in the countries in which we or our customers operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the countries in which we or our customers operate, as well as our business operation, financial condition and results of our operations.

Further, there are concerns over protectionism trade policy and potential international disputes between the United States and the PRC. The US administration under President Donald Trump have recently made public statements indicating possible significant changes in the trade policies of the US, including imposing tariffs on certain goods imported into the United States from the PRC and other countries. Any changes in the trade policies of the US could trigger retaliatory actions by affected countries, resulting in “trade wars”. For example, the government of the PRC may retaliate in response to the new trade policies implemented by the United States. Changes in trade policies or trade wars may increase the costs of goods imported to or exported from the United States, the PRC and/or other countries could limit global trade, which in turn affect our business operation and the pace of sourcing of our customers in the future. In particular, deterioration of trade relationship between the PRC and other countries may pose uncertainties on the achievability of projected growth of the PRC semiconductor industry. These developments or the perception that any of them could occur, may have a material adverse impact on global economic conditions and the stability of global financial markets, and may also significantly reduce global trade.

RISK FACTORS

There could be possibility that customers previously sourcing products or components from us may source products or components from our competitors in other countries due to the change of trade policies or trade wars. This could have a negative impact on our business and expansion plans.

As such, our business, results of operations and financial condition are therefore subject to global and regional trade policies, political events and economic, political, regulatory and social developments in Singapore as well as the other countries where our customers conduct their business. Global and regional conditions may be affected by many unpredictable factors such as financial crisis, economic recessions or political and social turmoil and events which could adversely affect our business in unpredictable ways. If we fail to adapt to changes in the trade policies, political events and social, political, regulatory and economic conditions of the countries where we operate, our business, results of operations and financial condition may be materially and adversely affected.

We may be unable to protect our intellectual property rights

We rely on intellectual property laws in Singapore and the PRC and other jurisdictions to protect our trademark, technological know-how and registered patents. As at the Latest Practicable Date, we had registered 42 patents in the PRC. Moreover, as at the Latest Practicable Date, we had applied for the registration of eight patents in the PRC that there is no assurance that we will be able to successfully register these patents. We cannot assure you that counterfeiting or imitation of our products will not occur in the future or, if it does occur, that we will be able to address the problem in a timely and effective manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our intellectual property rights could negatively affect our “Kinergy” brand, our reputation which in turn adversely affect our results of operations. Litigation to prosecute infringements of our intellectual property rights could be costly and lengthy which may divert our managerial and financial resources. We would have to bear all costs arising from intellectual property litigations, whether it is raised by us or it is against us, and we may be unable to recover such costs from our opponents. Protracted litigation could also result in our customers deferring or limiting their purchase or use of or products until such litigation is resolved. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We have limited insurance coverage, which could expose us to significant costs and business disruption

We cannot give assurance that our current insurance policies are sufficient to cover all the risks associated with our operations. Any business disruption, litigation or natural disaster may strain management resources, affect our reputation and/or require us to spend significant sums on legal costs.

As at the Latest Practicable date, we maintained various insurance policies covering our inventory, facilities and employees. There is no assurance that the insurance policies we maintain are sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur

RISK FACTORS

any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected

We may face possible claims over our products which may be defective

Defects or flaws of our products may be latent and may only be revealed after the warranty we provided to our customers. Any flaws or defects discovered in our products could result in damage to our reputation and our relationship with customers, loss of customers and increased service and warranty costs, any of which could adversely affect our business, financial condition and results of operations. Furthermore, we may be subject to claims for compensation and may incur significant legal costs, especially when some of our customers are large multinational companies with strong financial resources. Any claims for product defects, regardless of their outcomes, may materially and adversely affect our business, financial condition and results of operations.

If we are not able to implement our future plans or effectively manage our business operations, our business, results of operation and financial condition could be materially and adversely affected

We plan to continue to expand our business to maintain and strengthen our market position in the semiconductor industry. As we intend to expand our overall production capacity, we expect to continue to invest in new production facilities and equipment. For details of our future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. We also intend to expand our market share in Japan, the United States and Europe. In addition, we plan invest in our research and development activities. However, any business expansion will require additional managerial, technical, financial, production, operational and other resources, systematic internal control systems and the employment of additional staff. Our future plans may involve various risks such as uncertainties relating to market demands, and there is no assurance that we will be able to implement our business expansion plans successfully and manage our business operations effectively in the future and failure to do so could materially and adversely affect our business, financial condition and results of operations.

We expect to incur additional depreciation expenses and staff costs associated with our expansion plan, which may adversely affect our profitability, results of operations and financial condition

In carrying out our expansion plan, we expect to incur (i) additional depreciation expenses arising from renovating and setting up production space in Nantong Facility II and acquiring machines and equipment and (ii) additional staff costs arising from recruiting additional staff and providing training to them. For details of our expansion plan, please refer to the section headed “Business — Our Business Strategies — Our expansion plan” in this prospectus. Based on our Group’s depreciation policy on leasing building for 40 years and on plant and machinery for 10 years, we estimate that an additional amount of approximately S\$1.3 million will be incurred as depreciation expenses per annum. We also expect to incur an additional staff cost of at least S\$0.3 million, depending on the actual number of total workers to be recruited to populate the expanded production facilities,

RISK FACTORS

which will be affected by the volume of orders from our customers and complexity of the products to be produced. Such additional depreciation expenses and staff costs may have a negative effect on our profitability, financial condition and results of operations.

Our operating results may fluctuate

Among others, our operating results may fluctuate significantly due to all or any of the following principal factors:

- changes in demand for our products;
- our customers' sales outlook, purchasing and production patterns;
- the effectiveness of the management of our manufacturing processes and cost control;
- our ability to make optimal use of our capacity;
- changes in the cost and availability of raw materials, labour, and other factory overheads which affect the margins and ability of our Group to meet delivery schedules;
- our ability to manage the timing of its raw materials purchases, so that raw materials are available when needed for production;
- our ability to obtain financing in a timely manner; and
- domestic conditions and events that may affect our production such as labour conditions and political instability.

Our operating results may fluctuate from period to period due to the various factors and other risks discussed in this section, many of which are beyond the control of our Group. We cannot assure you that we will be able to effectively alleviate these risks or manage these risks at all. If we are unable to do so, our business, financial condition and results of operations will be materially and adversely affected.

We may not be able to renew our current leases or locate desirable alternatives for our facilities in Singapore and the Philippines

Our headquarter in Singapore, which is also one of our production facilities, is presently located on a leased premises. Also, our production facilities in the Philippines is also located on a leased premises. Upon expiry of such leases in Singapore and the Philippines, which is expected to be 30 November 2022 and 30 April 2019, respectively, we may not be able to negotiate an extension of these leases and may therefore be forced to move to a different location, or the rent we pay may increase significantly. This could disrupt our operations and adversely affect our profitability. In addition, we may not be able to obtain new leases at desirable locations on acceptable terms to accommodate our future growth, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We have risks associated with our information technology infrastructure, network security and data storage

Our operations rely on our information technology infrastructure. However, there is no assurance that our information technology infrastructure and data storage are sufficiently protected from all possible damages including acts of nature, telecommunications breakdown, electricity failure or similar unexpected events which are beyond our control. Any failure, total or partial, of our information technology infrastructure will negatively affect our operations and hence our business and financial conditions.

We also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer network system may be the subject of attack of computer virus, hackers or other similar computer network disruptive problems. Any failure in safeguarding the computer network system from these disruptive problems may cause breakdown of the computer network system and leakage of our confidential information and that of our customers. Any failure in the protection of computer network system from external threat may cause disruption of our operation and may damage our reputation for any breach of confidentiality to our customers, which in turn may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The semiconductor industry is cyclical in nature. In particular, the development of the PRC semiconductor industry is surrounded by uncertainties and it may not be able to meet its projected growth

The semiconductor industry and its sub-segments, including the front-end and back-end SPE industry are, in general, cyclical in nature. Accordingly, our business may be adversely affected by the cyclical downturn of the industry. For details of the historical cyclical pattern of the semiconductor industry and its sub-segments, please refer to the section headed “Industry Overview” in this prospectus.

According to the Industry Report, the PRC semiconductor industry has been growing rapidly from 2013 and such growth is expected to continue from 2017 to 2022 as the PRC government has been investing heavily in the PRC semiconductor industry. However, there are uncertainties surrounding the PRC semiconductor industry due to (i) the far-sighted nature of investment in the PRC semiconductor industry of the PRC government, (ii) potential deterioration in trade relationships between the PRC and other countries and (iii) issuance of tariffs and/or other trade barriers imposed by other countries. It may impede the development and growth of the PRC semiconductor industry that it may not be able to meet its projected growth. We cannot guarantee that the favourable development of the PRC semiconductor industry will sustain and the PRC semiconductor industry and its sub-segments (i.e. the front end and back-end SPE industry) will grow as projected or at all. If the PRC semiconductor industry and its sub-segments cannot achieve the projected growth as disclosed in this prospectus, our Group’s business, expansion plans, financial condition and results of operations will be materially and adversely affected. For details of the uncertainties surrounding the PRC semiconductor industry, please refer to the section

RISK FACTORS

headed “Industry Overview — Global Semiconductor Process Equipment Industry and the Semiconductor Process Equipment Industry in the PRC — Market size of the semiconductor process equipment industry in the PRC — Risks and vulnerability of the semiconductor industry in the PRC” in this prospectus.

Changes in economic, political, legal and social developments and conditions in the PRC or policies adopted by the PRC government could materially and adversely affect our business, results of operations and financial condition

We have operating assets located in the PRC and a significant portion of our sales are derived from our business activities in the PRC. We also purchase components, parts and raw materials from suppliers in the PRC. Our business, financial condition and results of operations are subject, to a significant degree, to economic, political, legal and social developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many aspects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. The PRC economy has traditionally been centrally planned. Since 1978, the PRC government has been promoting reforms of its economic and political systems. These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. However, there is no assurance that the PRC government will continue to pursue economic reforms. The PRC government exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. Also, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Our business, financial condition and results of operations may be materially and adversely affected by the PRC government’s political, economic and social policies, tax regulations or policies, and regulations affecting the semiconductor industry and its upstream industries in the PRC.

The payment of dividends by our operating subsidiary in the PRC is subject to restrictions under PRC law

We operate part of our business through our operating subsidiary in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from the generally accepted accounting principles in other jurisdictions. The PRC law requires the PRC companies, including the foreign-invested enterprises, to set aside 10% of their net profit as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. Since we may receive dividends from our PRC subsidiary which will be part of our internal funding, any restrictions on the availability and usage of our source of funding may impact our ability to fund our operations and to service our indebtedness.

RISK FACTORS

We may not be entitled to tax incentives and government grants in the future

We have received tax incentives and government grants for our operation in the PRC and Singapore. For the three years ended 31 December 2017, we received government grants of approximately S\$0.3 million, S\$0.9 million and S\$0.4 million, respectively. For more details in relation to the government grants we received, please refer to the section headed “Financial Information — Description of Certain Key items of the Consolidated Statements of Profits or Loss — Other income and gains” in this prospectus. It is in the PRC government’s sole discretion to decide when, under what conditions or whether the government grants should be granted to us at all. We cannot assure you that we will continue to be entitled to any government grants or the PRC government will not impose new conditions for receiving the government grants in the future. If we are unable to obtain or maintain the government grants or any other favourable regulatory treatments in the future, our business, financial condition and results of operations may be affected.

Fluctuations in the value of the Renminbi may have a material and adverse impact on your investment

As a part of our expenditures are denominated in Renminbi, while dividends, if any, we pay on our Shares will be in Hong Kong dollars and Singapore dollars. A depreciation in the Renminbi, on the other hand, would adversely affect the value of any dividends, if any, we pay to our Shareholders in foreign currencies, or require us to use more Renminbi funds to service the same amount of any foreign debt.

Fluctuations in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China’s foreign exchange regime and policy. The Renminbi has been unpegged from the US dollar since July 2005 and, although the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the US dollar in the future.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As of the Latest Practicable Date, we had not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Any appreciation of RMB against Hong Kong dollars or any other foreign currencies may subject our Group to increased costs as this will reduce the RMB amount we may receive from the conversion of the Hong Kong dollar-denominated proceeds from the Global Offering and future financing for our operations.

On the other hand, any depreciation in the exchange rates of RMB against US dollars or Hong Kong dollars may adversely affect the financial results.

RISK FACTORS

Rising wages in the PRC may increase our costs of sales

For the three years ended 31 December 2017, our labour costs for our PRC operations amounted to approximately S\$3.2 million, S\$3.4 million and S\$3.0 million, respectively, representing approximately 4.0%, 4.0% and 2.9% of our costs of sales, respectively. According to the Industry Report, average annual wages for workers in the manufacturing industry in the PRC is forecasted to be increasing from approximately RMB64,452 in 2017 to RMB90,855 in 2022. Better labour protection is now offered by the PRC Labour Contract Law which stipulates the minimum wage. Given that our labour costs consume a part of our costs of sales, rising wages in the PRC may increase our costs of sales and in turn adversely affect our financial performance. Moreover, there is a widening gap between wages in the PRC and other emerging Asian economies such as Indonesia and Vietnam. Rising wages in the PRC may gradually erode our price competitiveness among rivals outside the PRC and our customers may engage suppliers from other countries of lower production costs. As such, rising wages may have a negative impact on our business, financial condition and results of operations.

Uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on us

China's legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but may have limited weight as precedents. Many laws and regulations, including those providing for protection or restriction to various forms of foreign investments in the PRC, have been promulgated and amended in the PRC. Some of these laws, rules and regulations are promulgated in broad principles without clear and simultaneous implementation rules, or at all. Because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may be influenced by momentary policy changes imposed by the PRC government. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and it may also be difficult to enforce judgments and arbitration awards in the PRC. Further, litigation may result in substantial costs and the diversion of resources and management attention, which in turn may have an adverse effect on our business, financial condition and results of operations.

As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There is no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations, financial condition or profitability.

RISK FACTORS

PRC regulations may limit our ability to finance our PRC subsidiary effectively with the net proceeds from the Global Offering, which may adversely affect the value of your investment

Offering through overseas shareholder loans or additional capital contributions require registration with, or approvals from, PRC government authorities. Any overseas shareholder loans to our PRC subsidiary must be registered with the local branch of the SAFE or its designated banks as a procedural matter, and the maximum amount of such loans can only be either the difference between the amount of total investment of our PRC subsidiary and its registered capital or two times of the net asset value in the latest audit report of our PRC subsidiaries, and such limits on the maximum amount of loans is subject to further amendments to the PRC laws and regulations from time to time.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future borrowings or capital contributions to our PRC subsidiary with the net proceeds from the Global Offering. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Our results of operations and financial condition are affected by the occurrence of epidemics and natural disasters as well as political instability

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome (“SARS”) or Ebola, and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of floods, earthquakes, sandstorms, snowstorms, fires, droughts or epidemics. For instance, devastating earthquakes and their successive aftershocks hit Sichuan province in May 2008, April 2013 and August 2017, resulting in tremendous loss of life and injury, as well as the destruction of assets in the region. Our business, financial condition and results of operations may be materially and adversely affected if natural disasters or other such events occur.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and is not indicative of the market price of our Shares following the completion

RISK FACTORS

of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

The trading price of our Shares may be volatile, which could result in substantial losses to you

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the trading price performance of other companies in similar business of electronic manufacturing services and original design manufacturing may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income, cash flow, profits and dividends could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. Under the IFRSs, the costs of share options to be granted under the Share Option Scheme will be charged to our Group's consolidated statement of comprehensive income over the vesting period by reference to the fair value as at the date of grant of the options. As a result, our profitability may be adversely affected.

We may require additional funding for future growth

We may find opportunities to grow through acquisitions that cannot be anticipated at present. Under such circumstances, secondary issue(s) of securities after the Global Offering may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, if existing Shareholders are not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect the financial results of our Group and in turn exerts pressure to the market price of our Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

RISK FACTORS

Singapore taxes may differ from tax laws of other jurisdictions, including Hong Kong. Our Company is incorporated in Singapore. Prospective investors should seek advice from tax advisers concerning the overall tax consequences of acquiring, owning, or selling the Shares. For details of taxation laws in Singapore, please refer to the section headed “Regulatory Overview” in this prospectus.

New business strategies formulated in the future could disrupt our Company’s ongoing business and present risks not originally contemplated

Our Company may in the future invest in new business strategies or acquisitions. Such endeavours may involve significant risks and uncertainties, including the distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategy, inadequate return of capital and unidentified issues not discovered in our due diligence. As these new ventures are inherently risky, no assurance can be given that such strategies and initiatives will be successful and will not materially adversely affect our Company’s financial conditions and operating results.

The sale or availability for sale of substantial number of our Shares by existing Shareholders in the public market could materially and adversely affect the market price of our Shares

Except as otherwise described in the section headed “Underwriting” in this prospectus and the restrictions set out by the Listing Rules, there are no restrictions imposed on our Controlling Shareholders to dispose of their Shares.

Sale of substantial amounts of our Shares in the public market after the completion of the Global Offering by existing Shareholders, or the perception that such sale could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares.

There is no assurance that the existing Shareholders would not dispose of their Shares. Any significant disposal of our Shares by any of our existing Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for our Company to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group’s ability to raise further capital.

Our Shareholders may experience difficulties in protecting their interests due to unfamiliarity of Singapore laws and limited accessibility of legal advice in respect of Singapore laws

We are a company incorporated in Singapore with limited liability, and the laws of Singapore differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our Constitution, the Singapore Companies Act and the common law of Singapore. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Singapore laws are to a large extent governed by the Singapore Companies Act and other laws of Singapore. The laws of the Singapore relating to the protection of the interests of minority shareholders may differ in some respects from those

RISK FACTORS

in Hong Kong or other jurisdictions where investors may be located. Unfamiliarity and inadequate understanding of Singapore laws and limited accessibility of legal advice in respect of Singapore laws may give rise to difficulties for investors who are not located in Singapore in protecting their interests. Remedies available to our minority Shareholders may also be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed “Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore” in Appendix III to this prospectus.

Our Company was incorporated in Singapore and taxation laws of Singapore may differ from other jurisdictions, including Hong Kong

Our Company was incorporated in Singapore and taxation laws of Singapore may differ from other jurisdictions, including Hong Kong. Potential investors are advised to consult tax advisers for the overall tax consequence of acquiring, owning or selling the Shares. For details of taxation laws in Singapore, please refer to the section headed “Regulatory Overview” in this prospectus.

You should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry

Certain facts, forecasts and other statistics in this prospectus relating to the global economy and the semiconductor industry to which our Group relates on an international basis have been collected from materials from government sources or other unofficial sources. While we have exercised reasonable care in compiling and reproducing such information and statistics, we cannot assure you nor make any representation as to the accuracy or completeness of such information. Neither we or any of our respective affiliates or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from these sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate. Statistics, industrial data and other information relating to the economy and the industry derived from sources used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

Some of the facts and statistics in the prospectus relating to the industry in which we operate, including those relating to the global semiconductor industry, are derived from information published by governmental departments or agencies which our Directors believe are reliable. However, our Directors cannot guarantee that the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. The information in the section headed “Industry Overview” in this prospectus has been prepared based on the Industry Report and has not been independently verified by us, the Joint

RISK FACTORS

Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters, and the assumption made in the Industry Report may be inaccurate or may not be realised.

Our financial results are expected to be affected by the expenses in relation to the Global Offering

Our financial results will be affected by the expenses in relation to the Global Offering. The total listing expenses (based on the mid-point of the Offer Price range) are estimated to be approximately S\$5.3 million. Out of such amount to be borne by us, approximately S\$2.2 million of our estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately S\$3.1 million has been or is to be charged to the consolidated statements of profit or loss, of which (i) approximately S\$0.8 million for the year ended 31 December 2017; and (ii) approximately S\$2.3 million is expected to be charged prior to or upon Listing. Therefore, our financial results for the year ending 31 December 2018 will be adversely affected by the expenses in relation to the Global Offering.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “estimate”, “believe”, “expect”, “may”, “might”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Subscribers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information. Please see the section headed “Forward-looking Statements” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provision of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in Singapore and the PRC. In addition, substantially all our assets are based in Singapore and the PRC. Currently, all of our executive Directors are ordinarily resident in Singapore. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for them to remain to be based in Singapore and/or the PRC and physically close to our operation. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and our Shareholders as a whole. Therefore, our Company currently does not, and in the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication between the Stock Exchange and our Company. The two authorised representatives appointed are Mr. Lim, our executive Director, and Ms. Wan Kim Ying Kasina, our joint company secretary. Ms. Wan Kim Ying Kasina is ordinarily resident in Hong Kong. Although Mr. Lim resides in Singapore, he possesses valid travel documents and is able to renew such documents when it expires in order to visit Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the authorised representatives will be authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorised representatives has means to contact all of our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorised representatives and our Directors, we will implement a policy that (i) each Director will have to provide his or her mobile telephone number, office telephone number, facsimile number and email address to our authorised representatives; (ii) in the event that a Director expects to travel, he or she will endeavor to provide the telephone number of the place of his or her accommodation to the authorised representatives or maintain an open line of communication via his or her mobile

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

telephone; and (iii) each of the Directors and authorised representatives will provide their respective mobile telephone numbers, office telephone numbers, facsimile numbers and email addresses to the Stock Exchange;

- (c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed China Everbright Capital Limited and Guoyuan Capital (Hong Kong) Limited as our joint compliance advisers, which have access at all times to our authorised representatives and Directors and will act as an additional channel of communication between the Stock Exchange and us;
- (d) we will inform the Stock Exchange as soon as practicable in respect of any change of our authorised representatives under the Listing Rules and/or our joint compliance advisers; and
- (e) all Directors who are not Hong Kong residents have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules, the secretary of our Company must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a certified public accountant as defined in the Professional Accountants Ordinance, or (ii) an individual who, by virtue of his/her relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Ms. Gn Jong Yuh Gwendolyn has been appointed as the company secretary of our Company since 15 January 2010. She is currently a partner of Shook Lin & Bok LLP and specialises in the areas of corporate finance, capital markets, corporate and commercial law, as well as mergers and acquisitions. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment. Ms. Gn Jong Yuh Gwendolyn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial institutions on corporate governance, regulatory and corporate compliance issues. Ms. Gn Jong Yuh Gwendolyn was admitted as an Advocate & Solicitor, Singapore in April 1995 and obtained an LLB (Hons) from the National University of Singapore in July 1994.

Our Board acknowledges that Ms. Gn Jong Yuh Gwendolyn does not possess the academic or professional qualifications as set out in Note 1 to Rule 3.28 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Gn Jong Yuh Gwendolyn as our joint company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Nevertheless, our Directors believe that Ms. Gn Jong Yuh Gwendolyn, by virtue of the length of acting as a company secretary of our Company and her experience in capital markets and international corporate finance practice and serving as company secretary of SGX-ST listed companies and as a joint company secretary of companies listed on the Stock Exchange, should be able to discharge her function as a company secretary of our Company. Furthermore, we have appointed Ms. Wan Kim Ying Kasina to act as a joint company secretary and to provide assistance to Ms. Gn Jong Yuh Gwendolyn. Ms. Wan Kim Ying Kasina is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and meets the requirements under Rules 3.28 and 8.17 of the Listing Rules. Ms. Wan Kim Ying Kasina has been appointed for a three-year period from the Listing Date so as to enable Ms. Gn Jong Yuh Gwendolyn to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Gn Jong Yuh Gwendolyn, having had the benefit of Ms. Wan Kim Ying Kasina's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Further information on the qualifications and experience of Ms. Gn Jong Yuh Gwendolyn and Ms. Wan Kim Ying Kasina is disclosed in the section headed "Directors and Senior Management" in this prospectus.

WAIVER AND CONFIRMATION IN RESPECT OF CIC AND HUIJIN

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that CIC and Huijin (or any PRC Governmental Body as defined in Rule 19A.04 of the Listing Rules) shall not be regarded as a controlling shareholder of our Company for the purpose of the Listing Rules, and as a result:

- (a) this prospectus does not have to disclose information regarding CIC's and Huijin's interest in a business, apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business in accordance with Rule 8.10 of the Listing Rules;
- (b) CIC and Huijin are not subject to the restrictions on disposal of Shares by controlling shareholders following the Listing in accordance with Rule 10.07 of the Listing Rules; and
- (c) CIC and Huijin are not subject to any other requirements that are generally applicable to controlling shareholders of an issuer under the Listing Rules.

This waiver has been granted on the basis that CIC and Huijin are a PRC Governmental Body within the definition of Rule 19A.04 of the Listing Rules, and if our Company were incorporated in the PRC, CIC and Huijin (or any other PRC Governmental Body) would have been automatically excluded from the definition of controlling shareholder under Rule 1.01 of the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in Singapore or the United States except in compliance with the relevant laws and regulations in such jurisdiction.

Singapore

This prospectus has not been lodged with and will not be registered by the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in section 4A of the Securities and Futures Act (Chapter 289 of the laws of Singapore) (“SFA”)) pursuant to section 274 of the SFA; (ii) to a relevant person (as defined in section 275(2) of the SFA) pursuant to section 275(1) of the SFA, or a person who acquires the securities as principal pursuant to section 275(1A) of the SFA, and in accordance with the conditions specified in section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Offer Shares are subscribed or purchased in reliance on an exemption under sections 274 or 275 of the SFA, the Offer Shares shall not be sold within the period of six months from the date of the initial acquisition of the Offer Shares, except to any of the following persons:

- (a) an institutional investor (as defined in section 4A of the SFA);
- (b) a relevant person (as defined in section 275(2) of the SFA); or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

(c) any person pursuant to an offer referred to in section 275(1A) of the SFA,

unless expressly specified otherwise in section 276(7) of the SFA or regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulation 2005 of Singapore (“SFR”).

Where the Offer Shares are acquired pursuant to section 275 of the SFA by a relevant person which is:

- (1) a corporation (which is not an accredited investor as defined in section 4A of the SFA) the sole business of which is to hold investments and the entire issued share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (2) a trustee (who is not an accredited investor as defined in section 4A of the SFA) of a trust the sole purpose of which is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Offer Shares pursuant to an offer made under section 275 of the SFA except:

- (a) to institutional investors (as defined in section 4A of the SFA) or to relevant persons defined in section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in section 276(7) of the SFA; or
- (e) as specified in regulation 32 of the SFR.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

No part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All the Shares will be registered on the register of members of our Company in Hong Kong to be maintained in Hong Kong by our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited. Dealings in the Shares registered in the register of members of the Company maintained by the Hong Kong Share Registrar in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain SGD amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the SGD amounts could actually be, or have been, converted into Hong Kong dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of SGD amounts into Hong Kong dollars have been made at the rate of S\$0.1711 to HK\$1.00.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Lim Kuak Choi Leslie (林國財)	12 Boscombe Road Singapore 439752	Singaporean
Mr. Du Xiaotang (杜曉堂)	243 Bedok South Ave 3 Singapore 465475	Chinese
<i>Non-executive Directors</i>		
Ms. Foo Kaw Jee (符皓玉)	12 Boscombe Road Singapore 439752	Singaporean
Mr. Lim Khin Mann (林欽銘) (alternate director to Ms. Foo Kaw Jee)	290 Joo Chiat Place Singapore 427971	Singaporean
Mr. Bradley Fraser Kerr	Flat C, 8/F, Grenville House 1 Magazine Gap Road Mid-Level Hong Kong	American
Mr. Chen Shuang (陳爽)	Flat A, 11/F, Tower 8 The Leighton Hill 2B Broadwood Road Hong Kong	Chinese
Mr. Tsang Sui Cheong Frederick (曾瑞昌)	Room 1, 11/F, Block K Beverly Hill 6 Broadwood Road Happy Valley, Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ng Tiak Soon (黃哲順)	40 Springleaf Crescent Singapore 788354	Singaporean
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	27 West Coast Crescent 14-24 Blue Horizon Singapore 128048	Sri Lankan
Professor Zhang Wei (張衛)	No. 107, Lane 133 Baoju Road, Baoshan District Shanghai, the PRC	Chinese

For more information on our Directors and members of senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

China Everbright Capital Limited

(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Guoyuan Capital (Hong Kong) Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Joint Global Coordinators

China Everbright Securities (HK) Limited

(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

First Capital Securities Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Unit 4512, 45/F
The Center, 99 Queen's Road Central
Central, Hong Kong

Guoyuan Capital (Hong Kong) Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

22/F, CCB Tower
3 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and Joint Lead
Managers**

China Everbright Securities (HK) Limited

(a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

CLC Securities Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

13/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

First Capital Securities Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO)

Unit 4512, 45/F
The Center, 99 Queen's Road Central
Hong Kong

Guoyuan Capital (Hong Kong) Limited

(a licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

22/F, CCB Tower
3 Connaught Road Central
Hong Kong

Haitong International Securities Company Limited

(a licensed corporation to conduct type 1 (dealing in securities), type 3 (leveraged foreign exchange trading) and type 4 (advising on securities) regulated activities under the SFO)

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Yuanta Securities (Hong Kong) Company Limited
(a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO)

23/F, Tower 1 Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

Legal advisers to our Company

As to Hong Kong law:

Sidley Austin

39/F
Two Int'l Finance Centre
Central
Hong Kong

As to Singapore law:

Shook Lin & Bok LLP

1 Robinson Road
#18-00 AIA Tower
Singapore 048542

As to the PRC law:

AnJie Law Firm

Room 3305, K.Wah Center
No. 1010 Huaihai Road (M)
Shanghai, the PRC

As to the Philippines law:

Fortun Narvasa & Salazar

23rd Floor, Multinational Bancorporation Centre
6805 Ayala Avenue
Makati City 1226 Philippines

As to Japan law:

TMI Associates

23rd Floor, Roppongi Hills Mori Tower
6-10-1 Roppongi, Minato-ku
Tokyo 106-6123, Japan

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Joint Sponsors and the Underwriters	<i>As to Hong Kong law:</i> Loeb & Loeb LLP 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong <i>As to PRC law:</i> Grandall Law Firm 23–25/F, Garden Square 968 West Beijing Road Shanghai, the PRC
Auditors and reporting accountants	Ernst & Young <i>Certified Public Accountants</i> 22nd Floor CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Industry consultant	China Insights Consultancy Limited 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District Shanghai, the PRC
Joint compliance advisers	China Everbright Capital Limited 24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong Guoyuan Capital (Hong Kong) Limited 22/F, CCB Tower 3 Connaught Road Central Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central, Hong Kong

CORPORATE INFORMATION

Registered office	1 Changi North Street 1 Singapore 498789
Headquarters	1 Changi North Street 1 Singapore 498789
Principal place of business in Hong Kong	31/F 148 Electric Road North Point Hong Kong
Company's website	<u>www.kinergy.com.sg</u> <i>(The contents of this website does not form part of this prospectus)</i>
Joint company secretaries	Ms. Wan Kim Ying Kasina <i>(Fellow member of the Hong Kong Institute of Chartered Secretaries)</i> 46/F Far East Finance Centre 16 Harcourt Road Hong Kong Ms. Gn Jong Yuh Gwendolyn 1 Robinson Road #18-00, AIA Tower Singapore 048542
Authorised representatives	Mr. Lim Kuak Choi Leslie 12 Boscombe Road Singapore 439752 Ms. Wan Kim Ying Kasina 46/F Far East Finance Centre 16 Harcourt Road Hong Kong
Audit committee	Mr. Ng Tiak Soon (黃哲順) (<i>Chairman</i>) Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka Professor Zhang Wei (張衛)
Remuneration committee	Professor Zhang Wei (張衛) (<i>Chairman</i>) Mr. Chen Shuang (陳爽) Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka

CORPORATE INFORMATION

Nomination committee	Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka (<i>Chairman</i>) Mr. Bradley Fraser Kerr Mr. Ng Tiak Soon (黃哲順)
Principal share registrar	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623
Hong Kong Share Registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21st Floor 148 Electric Road North Point Hong Kong
Principal banker	United Overseas Bank Limited 1 Tampines Central 1 #01-01 UOB Tampines Centre Singapore 529539

INDUSTRY OVERVIEW

The information set forth in this section including certain facts, statement and data, is derived from the Industry Report prepared by China Insights Consultancy, which is based on information obtained from China Insights Consultancy's database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Joint Sponsors, Joint Global Coordinators, the Underwriters, any of their respective directors, officers, representatives, employees, agents or professional advisers, or any other person or party involved in the Global Offering, and no representation is given as to the completeness, accuracy or fairness of such information. Accordingly, the information as presented herein should not be unduly relied upon.

SOURCE OF INFORMATION

We commissioned China Insights Consultancy, an independent market consulting firm, to conduct a detailed analysis of and prepare a report on the contract manufacturing market in the semiconductor industry focusing on wire bonder handling systems, i.e. the market in which we operate our business, in reference to the period from 2013 to 2022. We agreed to pay China Insights Consultancy a total fee of USD88,000, which we believe reflects the market rate for similar services. China Insights Consultancy is an investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so on.

China Insights Consultancy undertook both primary and secondary research using a variety of sources. Primary research involved interviewing key industry experts and leading industry participants. While secondary research involved analyzing data from various publicly available data sources, including Semiconductor Equipment and Materials International, the Semiconductor Industry Association, government releases, annual reports published by companies, independent research reports, the internal database of China Insights Consultancy, etc.

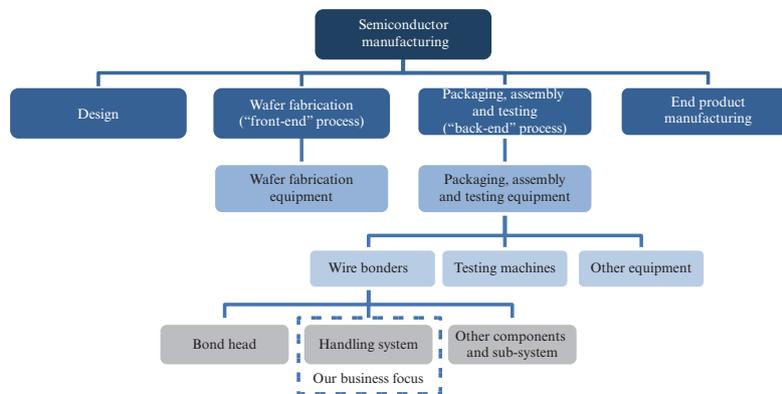
In compiling and preparing the Industry Report, China Insights Consultancy has adopted the following key assumptions: (i) the overall social, economic, and political environment worldwide is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to continue driving growth in the market which we operate our business in throughout the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

Our Directors are of the view that after taking reasonable care, there have been no material adverse changes in the market information included herein subsequent to the published dates for the relevant data contained in the Industry Report, and which may qualify, contradict or have an impact on the information as presented in this section.

INDUSTRY OVERVIEW

Our Group's position in the value chain for the semiconductor industry

The manufacturing of semiconductors consists of four consecutive processes, namely: (i) design; (ii) wafer fabrication; (iii) packaging, assembly and testing; and (iv) manufacturing of end products. Semiconductor process equipment is utilised to handle the manufacturing process in the wafer fabrication stage as well as the packaging, assembly, and testing stage. Our Group is involved in the contract manufacturing in the semiconductor industry focusing on wire bonder handling systems. The following diagram outlines the semiconductor manufacturing process and segmentation of related semiconductor process equipment:



OVERVIEW OF THE GLOBAL SEMICONDUCTOR INDUSTRY

Market size of the global semiconductor industry

Between 2013 and 2017, the global semiconductor market developed steadily, with the market size having grown at CAGR of 7.8%, representing an increase from approximately USD305.6 billion to approximately USD412.2 billion. There is a significant growth in the semiconductor market between 2016 and 2017 due to the growth of the products in which it is applied, such as automobiles, home appliances, and nascent technologies like artificial intelligence, virtual reality, and the Internet of Things. It is expected that the growth in the key applications of semiconductors such as communication products, automotive, artificial intelligence and other novel fields of applications will continue to drive the expansion of the semiconductor industry. Hence, between 2017 and 2022, the global semiconductor industry is expected to continue expanding in market size to reach approximately USD531.5 billion, representing a CAGR of 5.2%. The market size of global semiconductor industry from 2004 to 2017 showed that the industry follows a cyclical pattern. The semiconductor slumped down in 2008 and 2009 as a consequence of the worldwide economic recession, after a steady growth from 2004 to 2007. Afterwards, there was counter-cyclical investment of corporates which led to the recovery in the following years. The moderate recovery after the downturn was mainly because of very different growth patterns of the two major end-markets, wireless and PC markets. Wireless grew and continued to be driven by growing

INDUSTRY OVERVIEW

smartphones markets. PC market, on the other hand, was dragged down by a sluggish demand. The following chart outlines the market size of the global semiconductor industry in terms of revenues:

Market size of the global semiconductor industry, 2004–2022E



Source: Semiconductor Industry Association, World Semiconductor Trade Statistics, China Insights Consultancy

GLOBAL SEMICONDUCTOR PROCESS EQUIPMENT INDUSTRY AND THE SEMICONDUCTOR PROCESS EQUIPMENT INDUSTRY IN THE PRC

Definition of the semiconductor process equipment industry

Various kinds of equipment are used in the semiconductor manufacturing process, including during both the wafer fabrication stage and the packaging, assembly, and testing stage. The semiconductor process equipment industry supplies the capital equipment used in the manufacturing of semiconductors. Market participants are commonly referred to as Original Design Manufacturers (ODMs).

Market size of the global semiconductor process equipment industry

Growth in the global semiconductor process equipment industry generally follows the broader trend representative of the global semiconductor industry. The high sales revenue of semiconductor products in 2017 propelled the development of semiconductor process equipment market, leading to the significant growth in terms of revenue during this period. From 2013 to 2017, the revenue of semiconductor process equipment increased from approximately USD31.8 billion to approximately USD56.6 billion, representing a CAGR of 15.5% between 2013 and 2017. Given the current projections for continued steady expansion in the global semiconductor industry due to an increasing demand arising from novel applications in fields such as cognitive computing, artificial intelligence and robotics, the revenue generated from new equipment purchases is therefore expected to continue increasing over the next five years. Thus, the market size of the global semiconductor process equipment industry in terms of revenue is projected to increase at a CAGR of 7.0% during the period between 2017 and 2022 and reach USD79.4 billion by 2022. The following

INDUSTRY OVERVIEW

chart outlines the market size of the global semiconductor process equipment industry in terms of revenues:

Market size of the global semiconductor process equipment industry, 2004–2022E



Source: *Semiconductor Equipment and Materials International, China Insights Consultancy*

Market size of the semiconductor process equipment industry in the PRC

SPE market in China had grown sustainably at CAGR of 24.9% from 2013 to 2017. Market size in terms of revenue of the semiconductor process equipment industry in the PRC has grown from USD3.4 billion in 2013 to USD8.2 billion in 2017. Share of global SPE revenue of the PRC has also increased from 10.6% in 2013 to 14.5% in 2017. Such increase represented a migration of SPE production to China, primarily due to the setting up of manufacturing sites in China by SPE suppliers to avoid being disadvantaged in the market when they have to export their products to China. It is expected that the market size of the semiconductor process equipment industry in the PRC will continue to grow and reach USD13.8 billion by 2022, representing a CAGR of 10.9%. Share of global SPE revenue of the PRC is also expected to reach 17.4% in 2022.

Risks and vulnerability of the semiconductor industry in the PRC

The development of semiconductor industry started relatively late in China compared to other countries such as the United States, Netherlands and Japan. As a result, the technologies of semiconductor production and application of China is lagging behind these countries, resulting in its heavy reliance on foreign core technologies and raw materials. Although such reliance has driven the heavy investment of the PRC government in the semiconductor industry which has become the momentum of the growth of the PRC semiconductor industry, it has also given rise to the vulnerability of the PRC semiconductor industry that its development may be impeded by several factors such as downturn in trade relationship with other countries and/or issuance of tariffs and other trade barriers.

In 2017, China imported approximately US\$230 billions' worth of semiconductor raw materials from the United States. Downturn in trade relationship between the PRC and other countries which dominate or monopolise the supply of core technologies and raw

INDUSTRY OVERVIEW

materials necessary for semiconductor production (such as DRAM and NAND Flash), may pose restriction on China's acquisition of such foreign technologies and raw materials for the development of the PRC's semiconductor industry. On the other hand, issuance of tariffs and/or other trade barriers from other countries will adversely impact the export of semiconductor products from China to countries where tariffs and other trade barriers are applied.

Despite the heavy investment by the government, without sufficient experience and core technologies, investment by the PRC government may be misallocated, and therefore China may not be able to realise its expected return of investment in the semiconductor industry. Furthermore, it is the nature of the semiconductor industry that it may take times for China to see return on investment or to be able to reach a comparable technological standard to catch up with other countries of which semiconductor manufacturing and development capabilities are relatively more mature. As such, (i) the investment which is far-sighted in nature, together with (ii) the potential deterioration in trade relationships between the PRC and other countries and (iii) issuance of tariffs and/or other trade barriers may mean that while the PRC government has been heavily investing in the PRC semiconductor industry with a long term plan to invest, there are uncertainties as to the achievability of the projected growth of the semiconductor industry in the PRC.

Market size of the semiconductor process equipment industry, China, 2004–2022E



Source: Semiconductor Equipment and Materials International, China Insights Consultancy

GLOBAL SEMICONDUCTOR WAFER FABRICATION AND PROCESSING EQUIPMENT INDUSTRY (i.e. THE SEMICONDUCTOR FRONT-END EQUIPMENT INDUSTRY)

Definition of the global semiconductor front-end equipment industry

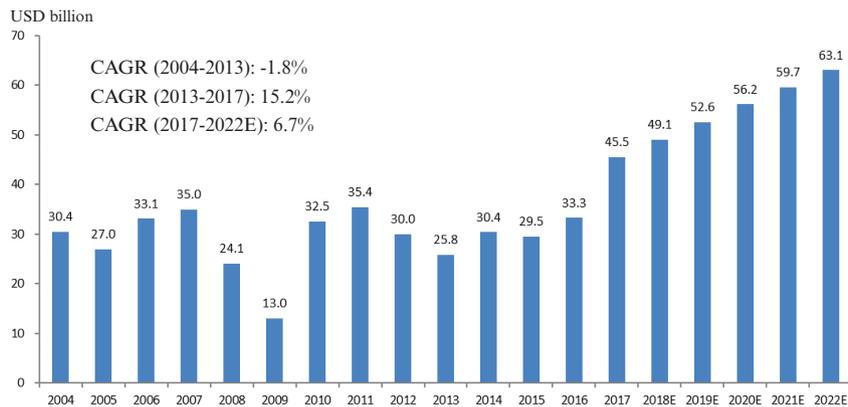
Wafer fabrication and processing is the stage following the design during the manufacturing of semiconductors. The semiconductor wafer fabrication supplies the capital equipment required during this stage. Major types of semiconductor process equipment (SPE) for the front-end processes include oxidation furnaces, plasma etchers and chemical vapor deposition (CVD) or physical vapor deposition (PVD) equipment, etc.

INDUSTRY OVERVIEW

Market size of the global semiconductor front-end equipment industry

More than 70% of semiconductor manufacturers' investment is poured into wafer fabrication and processing (i.e. the front-end processes), which is essential in semiconductor production. Thus, revenue generated from semiconductor front-end equipment has continued to follow a similar growth trend with the global semiconductor process equipment industry. The size of the global semiconductor front-end equipment industry, in terms of overall revenue, increased from approximately USD25.8 billion in 2013 to approximately USD45.5 billion in 2017, representing a CAGR of 15.2%. Steady growth in the semiconductor industry will generate a sustainable demand for front-end equipment, as evidenced by the continuous expansion of wafer fabrication capacities, especially in China. It is expected that the size of the global semiconductor front-end equipment industry, in terms of overall revenue, will continue growing at a CAGR of 6.7% during the period between 2017 and 2022, reaching approximately USD63.1 billion by 2022.

Market size of the semiconductor wafer fabrication and processing equipment industry in terms of revenue, Global, 2004–2022E



Source: Semiconductor Equipment and Materials International, China Insights Consultancy

Key drivers of the global semiconductor front-end equipment industry

Steady growth of wafer shipments

Silicon wafers are the fundamental building material for semiconductors, which are produced in various diameters (from 1 inch to 12 inch) and serve as the substrate material on which most semiconductor devices or “chips” are fabricated. Wafer shipments, usually measured with MSI (“Million of Square Inches”), has been increasing steadily over the past five years from approximately 9,067 MSI in 2013 to approximately 11,810 MSI in 2017, which is primarily due to the increased demand for semiconductor end products. It is forecasted that the wafer shipments will continue with its current growing trend and reach approximately 13,930 MSI by 2022. The steady growth of wafer shipments urges the increased investment in semiconductor wafer fabrication and process equipment for major wafer manufacturing companies.

Rising price of silicon wafers

Price of semiconductor grade wafers started to rise in 2017, which is primarily driven by the robust growth in demand for memory products. Since the capacity utilization rate for wafer fabrication is already reaching a high level by end of 2017, it is expected that the shortage of supply will happen and further lead to the increases of wafer prices in 2018. Consequently, wafer manufacturing companies will be able to have higher revenues and profit margins, allowing them to be able to increase their capital expenditures in capacity expansion, technological research and development, etc.

Technological advancements in wafer fabrication and processing

Keeping up with consumer demand for the latest in electronics urges the electronics manufacturing companies to reduce the size of electronic devices, while lowering cost and maintaining high quality. To address these pressures, wafer manufacturing companies are spending efforts to achieve technological advancements in fabrication processes to produce larger size wafers with higher consistency. To effectively turn these R&D achievements into productivity, an increased demand for upgraded and advanced wafer fabrication and processing equipment are expected to occur in the near future.

Market challenges faced the global semiconductor front-end equipment industry

Slowdown of technological breakthrough

Moore's law, which is named after Intel cofounder Gordon Moore, claimed that chip technology is advancing so fast that every year we can fit twice as many transistors onto a chip. In 1975, he adjusted the pace of transistor doubling to every two years. In recent years, the chip industry has been struggle to kept Moore's prediction alive with very few companies being able to keep up. The slowdown of technological breakthrough will be a major challenge to wafer fabrication and processing equipment industry which experienced rapid growth over the past decades.

Emerging of new semiconductor materials

Semiconductors today are most commonly made of silicon semiconductor. However, silicon gets less efficient as power demands increase, so researchers are taking efforts in finding new semiconductor materials as power electronics capabilities and performance continue to advance. The emerging of next generation semiconductor materials may obsolete some of the current manufacturing techniques as well as related equipment, which remains a risk to the wafer fabrication and processing equipment industry.

Increased labour costs

For years semiconductor wafer fabrication and processing equipment suppliers are taking advantages of the relatively low labour costs through establishing local manufacturing plants in countries such as China. However, the labour costs in these emerging economies are rising. For example, during 2013 to 2017, labour cost in

INDUSTRY OVERVIEW

manufacturing industry in China has increased at a CAGR of 8.5%. The rising trend of labour costs are expected to continue, which may impact the profitability of these equipment suppliers.

Supply-demand imbalance

The shortage of supply in semiconductor grade wafers and the increased prices in 2017 lead to the increased investment for many wafer manufacturing companies in their capacity expansion. Although the demand for semiconductors is promising in the short term, it remains uncertainty whether the capacity expansion will lead to an over supply condition, which may hampered the development of semiconductor wafer fabrication and processing equipment industry.

Entry barriers for the global semiconductor front-end equipment industry

Sufficient capital

Sufficient capital builds a barrier to entry for the wafer fabrication and processing equipment industry. The semiconductor manufacturing itself is featured with fast-paced innovation. Semiconductor manufacturers, in an attempt to achieve technological leadership, semiconductor manufacturers make constant research and development efforts to produce new-generation semiconductor products. As a consequence, the wafer fabrication and processing equipment manufacturers need to continuously reinvest in developing improved equipment in order to keep in pace with the semiconductor manufacturer's development of state-of-the-art semiconductor products.

Strong R&D capability

Strong capability of research and development builds a barrier to entry for the wafer fabrication and processing equipment industry. The manufacturing of wafer fabrication and processing equipment is R&D-intensive. The requirement of advanced technological capability is a result of the technological sophistication of wafer fabrication and processing itself as well as the fast development of semiconductor products. Wafer fabrication and processing equipment contribute approximately 80.0% of total revenue generated by all semiconductor processing equipment (SPE). Part of this significance is a result of the technological sophistication of wafer fabrication and processing. In addition, as semiconductor manufacturers are devoted to achieving technological leadership, semiconductor manufacturers strive to continuously invest in the development of new-generation semiconductor products. Hence, wafer fabrication and processing equipment manufacturers need to have the required research and development capability to meet the customer's fast-paced innovation requirement.

Strong branding

The brand image builds a barrier to entry for the wafer fabrication and processing equipment industry. Semiconductor manufacturers are highly concerned about stability of the equipment so as not to cause disruption to the manufacturing which might cause

INDUSTRY OVERVIEW

economic loss for these manufacturers. Consequently, wafer fabrication and processing equipment manufacturers need to have a strong branding which denotes a highly appraised relationship with customers.

GLOBAL SEMICONDUCTOR PACKAGING, ASSEMBLY AND TESTING EQUIPMENT INDUSTRY (i.e. THE SEMICONDUCTOR BACK-END EQUIPMENT INDUSTRY)

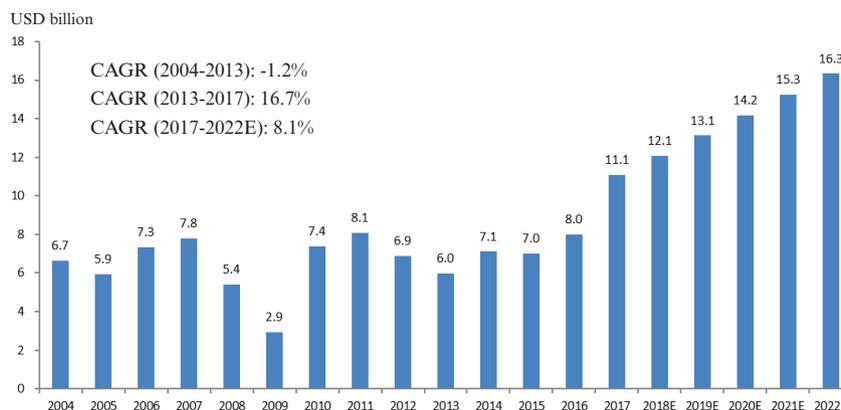
Definition of the global semiconductor back-end equipment industry

Packaging, assembly and testing is the stage following wafer fabrication during the manufacturing of semiconductors. The semiconductor packaging, assembly and testing equipment industry supplies the capital equipment required during this stage. Major types of semiconductor process equipment (SPE) for the back-end processes include die attaching equipment, wire bonders, molding system, DTFS (deflashing, trimming, forming and singulation) machines and testing machines, etc.

Market size of the global semiconductor back-end equipment industry

Revenue generated from semiconductor packaging, assembly, and testing equipment has continued to take a relatively stable share of the total revenue in terms of semiconductor process equipment as a whole. Following a similar growth trend with the global semiconductor process equipment industry, the size of the global semiconductor back-end equipment industry, in terms of overall revenue, increased from approximately USD6.0 billion in 2013 to approximately USD11.1 billion in 2017, representing a CAGR of 16.7%. It is expected that the size of the global semiconductor back-end equipment industry, in terms of overall revenue, will continue growing at a CAGR of 8.1% during the period between 2017 and 2022, reaching approximately USD16.3 billion by 2022. The following chart outlines the market size of the global semiconductor back-end equipment industry in terms of revenues:

Market size of the global semiconductor back-end equipment industry, 2004–2022E



Source: Semiconductor Equipment and Materials International, China Insights Consultancy

Key drivers of the global semiconductor back-end equipment industry

Steady growth in the semiconductor back-end industry

Following a similar growth trend of the global semiconductor process equipment industry and being an essential stage in the manufacturing of semiconductors, the semiconductor back-end industry experienced steady growth between 2013 and 2017, with its total size increasing from approximately USD70.6 billion to approximately USD89.5 billion, representing a CAGR of 6.1%. The industry is expected to continue growing at a CAGR of 4.5% between 2017 and 2022, reaching a market size of approximately USD111.4 billion by 2022. With steady growth in the back-end industry, the demand for equipment used during the packaging, assembly, and testing stage is likewise expected to remain sustainable, which will thus continue to propel the global semiconductor back-end equipment industry as a whole.

Expanding wafer fabrication capacity and increased adoption of advanced packaging solutions

In response to an increasing demand for semiconductors used in a variety of applications, the capacity for global wafer fabrication has continued increasing over the past five years. In order to utilise this increase in the wafer fabrication capacity used for manufacturing semiconductor end products, the associated capacities for packaging, assembly, and testing will need to be increased to a level that matches the capacity for wafer fabrication. Advanced packaging varieties, which include Wafer-level Packages, 2.5-D Integrated Circuits, and 3.0-D Integrated Circuits, have witnessed substantial growth over the past five years. Total revenue generated by advanced packaging increased from approximately USD3.3 billion in 2013 to approximately USD5.8 billion in 2017, and is forecasted to reach approximately USD10.3 billion by 2022. Therefore, the continuous expansion of wafer fabrication capacities and increased adoption of advanced packaging solutions will also stimulate new purchases of equipment from packaging, assembly and testing equipment providers.

GLOBAL WIRE BONDER INDUSTRY

Definition of the wire bonder industry

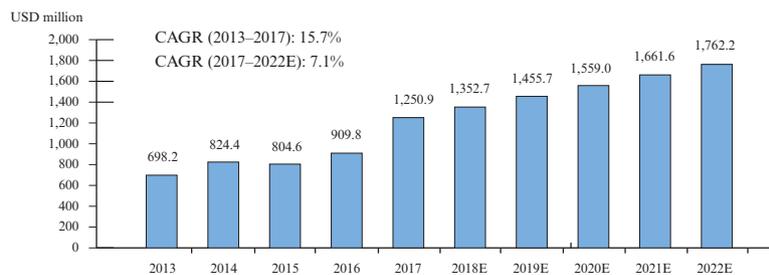
The primary process used when interconnecting semiconductor chips with their packaging involves the use of an ultrasonic welding process called ‘wire bonding’. It is one of the most important processes during the packaging, assembly, and testing stage when manufacturing semiconductors, with more than 80% of chip interconnections being produced using this process. There are two major variations of wire bonding: ball bonding and wedge bonding. Ball bonding is often the wire bonding process of first choice, accounting for approximately 90% of the entire wire bonding market.

INDUSTRY OVERVIEW

Market size of the global wire bonder industry

As a sub-category in the global semiconductor back-end equipment industry, the global wire bonder industry has generally followed a similar development trend with the global semiconductor back-end equipment industry over the past five years, with an overall upward trajectory despite minor fluctuations in certain years as affected by weakening semiconductor markets. In terms of overall revenue, the size of the global wire bonder industry increased from approximately USD698.2 million in 2013 to approximately USD1,250.9 million in 2017, representing a CAGR of 15.7%. Due to the expected sustainable increase in demand arising from the semiconductor process equipment industry and the further expansion of global wafer manufacturing capacity, the size of the global wire bonder industry in terms of revenue is expected to continue growing at a CAGR of 7.1% between 2017 and 2022, reaching approximately USD1,762.2 million by 2022. The following chart outlines the market size of the global wire bonder industry in terms of revenues:

Market size of the global wire bonder industry 2013–2022E



Source: Semiconductor Equipment and Materials International, China Insights Consultancy

Market players in the global wire bonder industry

The global wire bonder market is heavily concentrated, with the top three companies having generated approximately 79.4% of total revenues for wire bonder sales in 2017. As of 2017, Company A was the top manufacturer, capturing around 50.8% of the total market size in terms of revenue. The dominant positions held by the top 3 manufacturers in the global wire bonder market have remained stable over the past few years. Since the wire bonder market has already entered the mature phase in its development, it is unlikely that the competitive landscape will be subject to significant changes looking ahead.

INDUSTRY OVERVIEW

Rankings and market shares of top wire bonder suppliers in terms of revenues, 2017

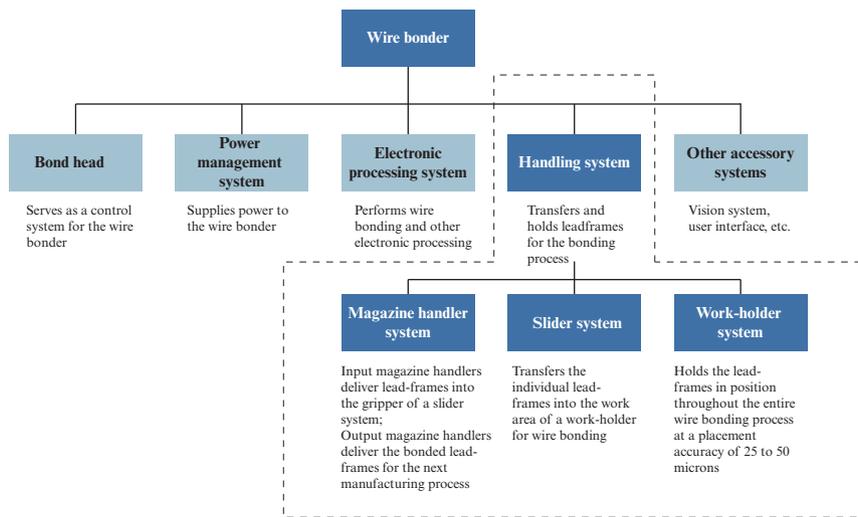
<u>Ranking</u>	<u>Company</u>	<u>Business scope</u>	<u>Headquarter</u>	<u>Revenue</u> (USD million)	<u>Market share</u> (%)
1	Company A	Designs, manufactures, and markets capital equipment mainly used in wire bonding systems.	Singapore	635.6	50.8
2	Company B	Designs, manufactures, and markets capital equipment mainly used in packaging, assembly, and testing processes as adopted during semiconductor manufacturing.	Hong Kong	258.1	20.6
3	Company C	Designs, manufactures, and markets bonders for packaging and assembly processes used during semiconductor manufacturing.	Japan	99.8	8.0
	Others			<u>257.3</u>	<u>20.6</u>
	Total			<u>1,250.9</u>	<u>100.0</u>

Source: China Insights Consultancy

**THE GLOBAL WIRE BONDER HANDLING SYSTEM CONTRACT
MANUFACTURING INDUSTRY**

Definition of wire bonder handling systems

The major components and sub-systems used in a wire bonder are (i) bond heads, (ii) power management systems, (iii) electronic process systems and (iv) handling systems. Handling systems normally consist of a magazine handler system, slider system, and work-holder system. The following diagram outlines the major components and sub-systems for wire bonders:

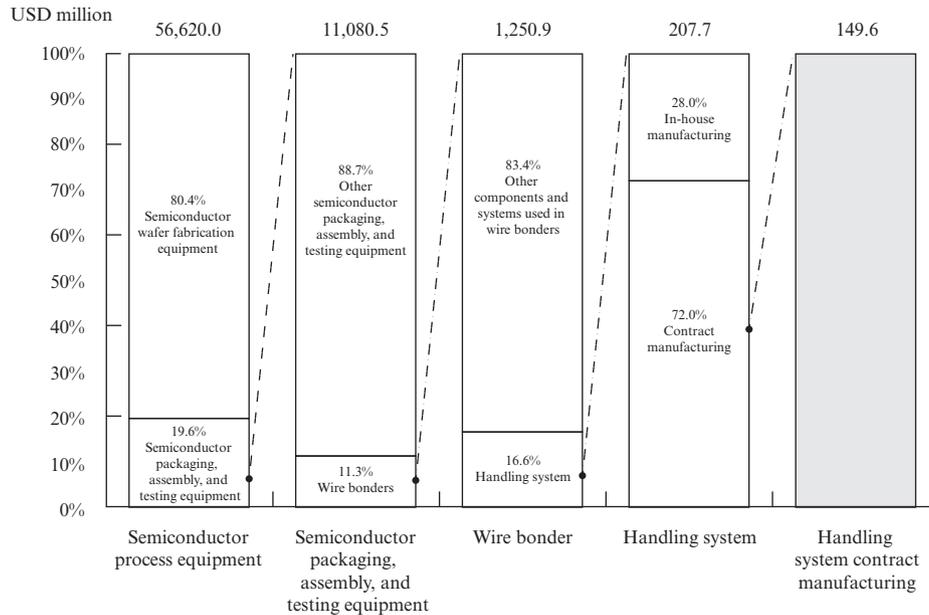


--- Our Group's major product

INDUSTRY OVERVIEW

Breakdown of semiconductor process equipment in terms of revenue

Since semiconductor manufacturing techniques and processes are relatively mature, the breakdown for semiconductor process equipment has remained relatively stable in terms of revenue. The following chart outlines the breakdown and revenues from semiconductor process equipment to contract manufacturing of wire bonder handling systems in 2017:



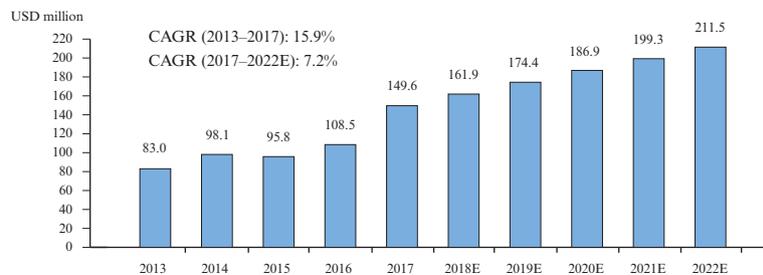
Source: Semiconductor Equipment and Materials International, China Insights Consultancy

INDUSTRY OVERVIEW

Market size of the global wire bonder handling system contract manufacturing industry

In terms of revenues, the market size of the global wire bonder handling system contract manufacturing industry increased from approximately USD83.0 million in 2013 to approximately USD149.6 million in 2017, representing a CAGR of 15.9%. Moreover, the global wire bonder handling system contract manufacturing industry is expected to maintain its growth momentum. The size of the market is expected to increase at a CAGR of 7.2% between 2017 and 2022, reaching approximately USD211.5 million by 2022. The following chart outlines the market size of the global wire bonder handling system contract manufacturing industry in terms of revenues:

Market size of the global wire bonder handling system contract manufacturing industry 2013–2022E



Source: Semiconductor Equipment and Materials International, China Insights Consultancy

Key drivers of the global wire bonder handling system contract manufacturing industry

Sustainable demand for wire bonders

Consumer electronics have undergone a technological revolution in recent years. The introduction of smart technologies has, in particular, boosted the demand for consumer electronics, which has in turn driven up the demand for semiconductors. On the other hand, the process involved in packaging semiconductors is now faced with increasing technological complexity. The resulting improvements in packaging are expected to help spur on a renewed demand for semiconductors and related packaging equipment. Consequently, between 2013 and 2017, the wire bonder industry maintained a general growth trend overall despite minor fluctuations, a trend which is expected to continue into the near future. A growing demand for wire bonders has ultimately also resulted in an increased demand for its handling systems.

Improved technological know-how of contract manufacturers

After years of accumulating experience, contract manufacturers have significantly improved their technological know-how, as evidenced by the increase in bonding precision, increased bonding speeds, and improved research and development capabilities. Improved technological know-how has enabled contract manufacturers to meet ODM manufacturing standards or even surpass them.

Cost saving opportunities from partnering with contract manufacturers

Cost calculations are an important consideration for wire bonder manufacturers when deliberating whether or not to outsource to contract manufacturers. Since contract manufacturers specialise in producing certain components/sub-systems of the wire bonder, contract manufacturers have developed a more effective cost control capability through their superior manufacturing techniques, economies of scale, and lower labour costs. Such cost control capabilities enable contract manufacturers to manufacture handling systems at lower costs in comparison with ODMs. The savings derived from outsourcing these handling systems to contract manufacturers are equivalent to approximately 10%–15% of an ODM's own in-house manufacturing costs. This high level of cost savings has thus incentivised ODMs to outsource the manufacturing of their handling systems.

Market challenges faced by the global wire bonder handling system contract manufacturing industry

Technology obsolescence

Clip attachment is an emerging technology that may be able to substitute wire bonding. Clip attachment is still at the early stage of development, and is only applied in high-power devices at present. Although this technology has no material impact on wire bonding at present or in the coming few years, it remains a risk that new technologies including but not limited to clip attachment may replace wire bonding.

Establish or Re-establish in-house manufacturing

When the ODM in the global wire bonder industry is unsatisfied with the work done by contract manufacturers, the ODM may try to establish or re-establish in-house manufacturing. As sub-contracting quality continuously improves, it is unlikely that establishment or re-establishment would become prevalent in the industry.

Slowing equipment investment growth

As the demand for semiconductors in the downstream industries slows down, related investment in equipment slows down. The equipment investment growth had a CAGR of 4.9% between 2013 and 2017, and the CAGR is estimated to drop to 3.7% from 2017 to 2022.

Rising labour cost

The labour costs in emerging economies, where the factories of contract manufacturers are located, are rising. For example, during 2013 to 2017, labour cost in manufacturing industry in China has increased at a CAGR of 8.5%.

Lack of high-quality supply base

Although the supply of parts and components for SPE manufacturing in China is large in volume, supply of high-quality complex parts are still limited in China as Chinese companies still lag behind foreign competitors in fields such as advanced manufacturing, high-quality raw material supply, etc. With the limited supply base, SPE manufacturers or their contract manufacturers also have to seek quality supply of higher costs from other countries outside China.

Trends for the price and cost of contract manufactured wire bonder handling systems

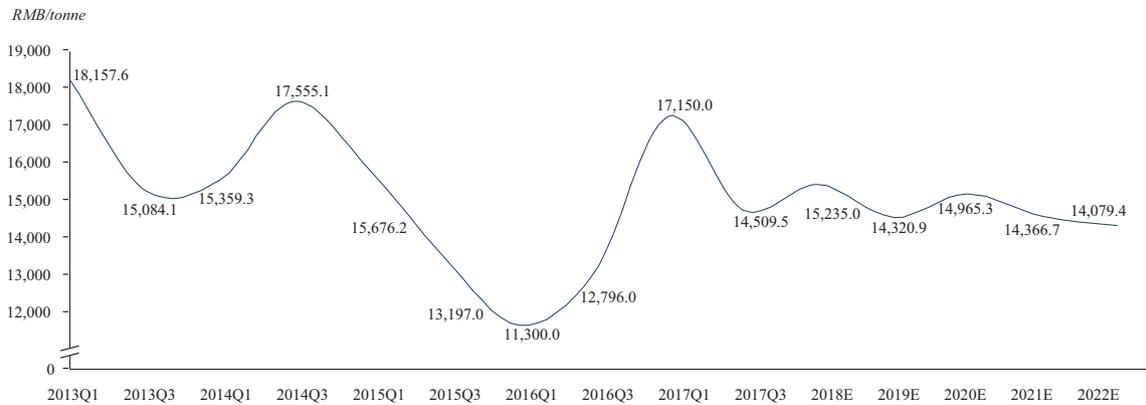
The price of contract manufactured wire bonder handling systems has generally remained stable over the past five years. The gross margin for these systems have remained at and around 20% since contract manufacturers tend to price their products based on stable gross margins.

The cost structure of contract manufactured wire bonder handling systems has been relatively stable since the manufacturing technology has already entered into a mature stage of development. The purchasing cost for motors, which represents around 24% of total costs, is expected to have increased slightly due to the increasing adoption of high-end motors with encoder features. The purchasing cost for steel, which represents around 16% of the total costs, has followed a downward trend due to falling prices for stainless steel. The purchasing cost for sensors, which represents around 16% of the total costs, is expected to have remained stable since sensors are a common type of electronic equipment and are not subject to significant price fluctuations. Labour costs, which represent around 12% of the total costs, have followed an upward trend due to the increasing average wage level for workers employed by contract manufacturers. Other costs, including utility costs, which represent the remaining 12% of the total costs, is expected to have remained stable. In sum, the overall cost has generally remained stable over the past five years.

INDUSTRY OVERVIEW

The following chart outlines the historical trend of the average price of stainless steel in China:

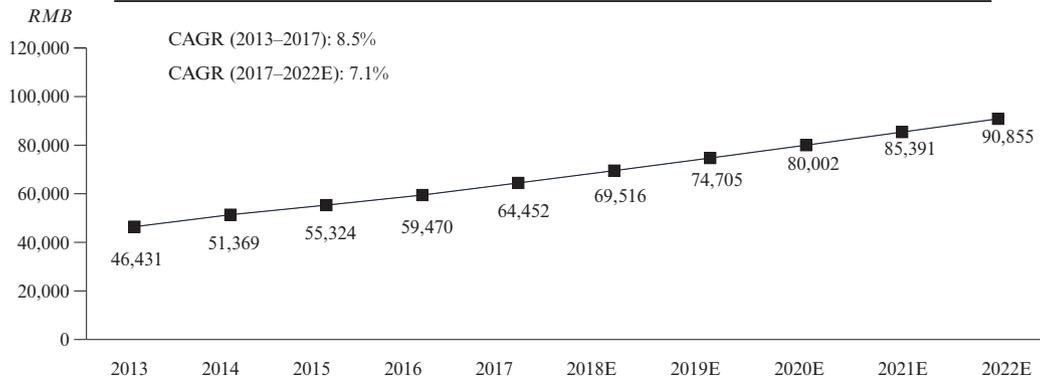
Average price of stainless steel, China, 2013–2022E



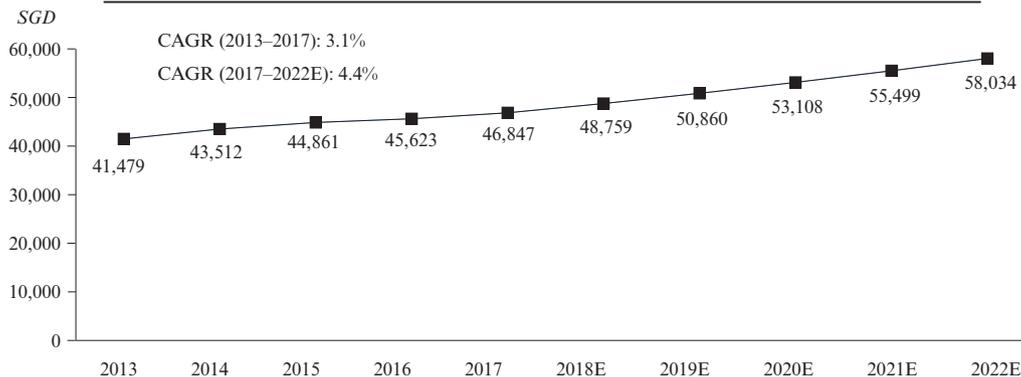
Source: China Insights Consultancy

The following charts outline the trend of labour costs in China and Singapore:

Average annual wage for manufacturing industry, China, 2013–2022E



Average annual wage for manufacturing industry, Singapore, 2013–2022E



Source: Bureau of Statistics of the PRC, Ministry of Manpower of Singapore, China Insights Consultancy

INDUSTRY OVERVIEW

Competitive landscape of the global contract manufacturing market in the semiconductor industry focusing on wire bonder handling systems

In terms of the market for contract manufacturing handling systems used in wire bonders, our Company held a dominant position as of 2017, having generated revenues of approximately USD74.3 million, which accounted for 49.6% of the total market size. This high level of market concentration is a reflection of the wire bonder industry as a whole, which is highly concentrated. Of the top 3 wire bonder suppliers, who together took up approximately 79.4% of the total market size in 2017, Company A sub-contracted entire handling systems to other parties while both Company B and Company C sub-contracted out parts of the handling system to other parties. Our Group is the major handling system supplier for Company A, being the sole supplier for work-holder systems and the dominant supplier for slider systems and magazine handler systems. The partnership between our Group and Company A, which is expected to remain constant in the future, underlines our Group's dominant position in the market.

Rankings and market shares of top contract manufacturers in the semiconductor industry focusing on wire bonder handling systems in terms of revenues, 2017

Ranking	Company	Business scope	Headquarters	Revenue (USD million)	Market share (%)
1	Our Group	Contract designs and manufactures handling systems and other sub-assemblies	Singapore	74.3	49.6
2	Competitor A	Manufactures high precision and complex components	Singapore	16.9	11.3
3	Competitor B	Contract designs and manufactures mechatronic modules, machines, and systems	Switzerland	13.1	8.8
4	Competitor C	Provides complete mechatronic systems for high-tech production equipment	The Netherlands	7.0	4.7
5	Competitor D	Contract designs and manufactures high-precision components used in manufacturing processes	Switzerland	6.0	4.0
	Others			32.3	21.6
	Total			149.6	100.0

Source: China Insights Consultancy

INDUSTRY OVERVIEW

MUTUAL RELIANCE BETWEEN CONTRACT MANUFACTURERS AND ODMs

Industry norm for contract manufacturers to serve a limited number of customers

The wire bonder industry is highly concentrated. Contract manufacturers are therefore likely to have substantial dealings with a limited number of dominant customers in order to capture market share. As a result, contract manufacturers like our Group have only a limited choice of wire bonder manufacturer customers at present.

Industry norm for ODMs to source from a small number of contract manufacturers

Sourcing from a small number of contract manufacturers is regarded as an industry norm since the number of contract manufacturers with an established track record, and having proven capabilities in providing specialised systems meeting the ODM's stringent standards, remains limited. The performance of semiconductor process equipment depends highly on the reliability, accuracy, and performance of the components and sub-systems used in the equipment themselves. A performance failure of any semiconductor process equipment would affect the entire production line for semiconductor device manufacturers, which could potentially cause severe economic losses. As such, in order to ensure the robustness of semiconductor process equipment supplied to their semiconductor device manufacturer customers, ODMs rely heavily on well-established suppliers able to provide sub-systems that meet their strict requirements. Given the difficulty faced by ODMs when attempting to identify qualified suppliers in view of their stringent technical specifications and strict quality standards, ODMs (which also includes wire bonder manufacturers) tend to maintain a long-term business relationship with qualified contract manufacturers.

Substantial switching costs when changing suppliers

The handling systems used in wire bonders are required to be of a high quality which possesses both a high level of precision and durability. These systems need to be fine-tuned and constantly updated over many years before attaining a maximum degree of efficiency. Therefore, it requires a significant accumulation of long-term business cooperation between ODMs and contract manufacturers to achieve optimal productivity.

Handling systems are one of the essential modular parts of wire bonders. The purchasing costs of handling systems account for approximately 30% of the total manufacturing costs for wire bonders. Failure to achieve on-time delivery on the part of contract manufacturers may hamper the timely delivery of wire bonder by ODMs. This may therefore adversely affect the operations and financial conditions of ODMs.

A wire bonder manufacturer must first notify its customers of its intention to change suppliers. The replacement suppliers are usually carefully selected given their proximity to ODM factories, their ability to satisfy stringent delivery terms, and their proven record of on-time delivery, the consequent qualification process for switching to a new supplier is quite time-consuming.

INDUSTRY OVERVIEW

Handling systems are sophisticated components and are subject to testing for their reliability and robustness when utilised over a long period of time. Changing suppliers would potentially result in risks associated with mismatched or even flawed products. On the other hand, contract manufacturers of handling systems are sometimes involved in wire bonder manufacturers' internal research and development processes. This kind of co-development underscores the bonder's quality and therefore makes the partnership difficult to break.

ENTRY BARRIERS FOR THE GLOBAL CONTRACT MANUFACTURING INDUSTRY IN THE SEMICONDUCTOR INDUSTRY FOCUSING ON WIRE BONDER HANDLING SYSTEMS

Technological know-how

Technological expertise is a critical contributor to success when entering into the market. Even with the right equipment, the new entrant might not have the immediate experience and expertise to assemble machines due to their numerous component parts. Expertise that ensures fewer defects and lower costs must be acquired over a longer period of time, with this expertise being highly valued by wire bonder manufacturers.

Long-term partnerships with customers

Given that wire bonder manufacturers highly value their long-term relationship with contract manufacturers and considering the substantial costs associated with switching suppliers, it is unlikely that wire bonder manufacturers will opt to change suppliers. The most important factors preventing the SPE manufacturers from switching suppliers and breaking this kind of long-term relationship include the following: (i) losses in terms of integrated research and development process that combines the efforts of wire bonder manufacturers and the contract manufacturer; (ii) losses in terms of the customized solutions acquired from contract manufacturers with deep customer-specific knowledge achieved through long-term cooperation with the wire bonder manufacturer; and (iii) concerns regarding intellectual property protection when sharing the technological details of the wire bonder manufacturer with contract manufacturers.

Proven track record

Since wire bonder manufacturers must be strict concerning on-time delivery, they are more likely to select contract manufacturers that have a proven track record. New entrants, who obviously lack a long-term record, are thus faced with a tremendous challenge in terms of convincing wire bonder manufacturers of their reliability.

LAWS AND REGULATIONS IN SINGAPORE

Workplace Safety and Health Act

The Workplace Safety and Health Act (Chapter 354A of the laws of Singapore) (“**WSHA**”) provides, among other things, that every employer has the duty to take, so far as is reasonably practicable, such measures as are necessary to ensure the safety and health of his employees at work. These measures include:

- (a) providing and maintaining for the employees a work environment which is safe, without risk to health, and adequate as regards to the facilities and arrangements for their welfare at work;
- (b) ensuring that adequate safety measures are taken in respect of any machinery, equipment, plant, article or process used by the employees;
- (c) ensuring that the employees are not exposed to hazards arising out of the arrangement, disposal, manipulation, organisation, processing, storage, transport, working or use of things in their workplace or near their workplace and under the control of the employer;
- (d) developing and implementing procedures for dealing with emergencies that may arise while the employees are at work; and
- (e) ensuring that the employees at work have adequate instruction, information, training and supervision as is necessary for them to perform their work.

More specific duties imposed by the relevant regulatory body, the Ministry of Manpower (“**MOM**”), on employers are set out in the Workplace Safety and Health (General Provisions) Regulations of Singapore (“**WSHR**”).

Pursuant to the **WSHR**, the following equipment are required to, among other things, be tested and examined by an authorised examiner (“**Authorised Examiner**”) before they can be used and thereafter, at specified intervals:

- (a) hoists and lifts;
- (b) lifting gears; and
- (c) lifting appliances and lifting machines.

After testing and examining such equipment, the Authorised Examiner will issue and sign a certificate of test and examination, specifying the safe working load of the equipment. Such certificate of test and examination shall be kept available for inspection. Under the **WSHR**, it is the duty of the occupier of a workspace in which the equipment is used to comply with the foregoing provisions of the **WSHR**, and to keep a register containing such particulars as the Commissioner for Workplace Safety and Health (“**CWSH**”) may specify with respect to the lifting gears, lifting appliances and lifting machines.

REGULATORY OVERVIEW

For hoists and lifts not powered with mechanical power, a thorough examination of the hoist or lift shall be carried out at least once every year by an Authorised Examiner. For other hoists and lifts used in a workplace, they shall be thoroughly examined by an Authorised Examiner at least once every six months or at such other intervals as the CWSH may determine. For lifting gears, and lifting appliances and lifting machines, they shall be thoroughly examined by an Authorised Examiner at least once every year or at such other intervals as the CWSH may determine.

In addition to the above, under the WSHA, inspectors appointed by the CWSH may, among other things, enter, inspect and examine any workplace, inspect and examine any machinery, equipment, plant, installation or article at any workplace, make such examination and inquiry as may be necessary to ascertain whether the provisions of the WSHA are complied with, take samples of any material or substance found in a workplace or being discharged from any workplace for the purpose of analysis or test, assess the levels of noise, illumination, heat or harmful or hazardous substances in any workplace and the exposure levels of persons at work therein and require any person to produce any article which is relevant to any investigation or inquiry under the WSHA and, if necessary, to take into custody any such article.

Any person who breaches his duty under the WSHA shall be guilty of an offence and shall be liable on conviction, in the case of a body corporate, to a fine not exceeding S\$500,000 and, if the contravention continues after the conviction, the body corporate shall be guilty of a further offence and shall be liable to a fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction. For repeat offenders, where a body corporate has on at least one previous occasion been convicted of an offence under the WSHA that causes the death of any person and is subsequently convicted of the same offence that causes the death of another person, the court may punish the body corporate with a fine not exceeding S\$1 million and, in the case of a continuing offence, with a further fine not exceeding S\$5,000 for every day or part thereof during which the offence continues after conviction.

Under the WSHA, the CWSH may serve a remedial order or a stop-work order in respect of a workplace if the CWSH is satisfied that:

- (a) the workplace is in such condition, or is so located, or any part of the machinery, equipment, plant or article in the workplace is so used, that any work or process carried on in the workplace cannot be carried on with due regard to the safety, health and welfare of the persons at work;
- (b) any person has contravened any duty imposed by the WSHA; or
- (c) any person has done any act, or has refrained from doing any act which, in the opinion of the CWSH, poses or is likely to pose a risk to the safety, health and welfare of persons at work.

The remedial order shall direct the person served with the order to take such measures, to the satisfaction of the CWSH, to, among other things, remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health

REGULATORY OVERVIEW

and welfare of the persons at work and specify the date on which it is to take effect and the period (which shall run from the date the remedial order takes effect) within which any step required by the order shall be taken, whilst the stop-work order shall direct the person served with the order to immediately cease to carry on any work or process indefinitely or until such measures as are required by the CWSH have been taken, to the satisfaction of the CWSH, to remedy any danger so as to enable the work or process in the workplace to be carried on with due regard to the safety, health and welfare of the persons at work.

The Workplace Safety and Health Council has approved codes of practice for the purpose of providing practical guidance with respect to the requirements of the WSHA relating to safety, health and welfare at the workplace.

Pursuant to the Workplace Safety and Health (Risk Management) Regulations 2006 in Singapore, the employer in a workplace is supposed to, among other things, conduct a risk assessment in relation to the safety and health risks posed to any person who may be affected by his undertaking in the workplace, take all reasonably practicable steps to eliminate or minimise any foreseeable risk to any person who may be affected by his undertaking in the workplace, and where it is not reasonably practicable to eliminate the risk, implement reasonably practicable measures to minimise the risk and safe work procedures to control the risk, specify the roles and responsibilities of persons involved in the implementation of any measure or safe work procedure and inform workers of the same, maintain records of such risk assessments, and measures or safe work procedure implemented for a period of not less than three years, and submit such records to the CWSH when required by the CWSH from time to time.

Work Injury Compensation Act

Work injury compensation is governed by the Work Injury Compensation Act (Chapter 354 of the laws of Singapore) (“WICA”), and is administered by the MOM. The WICA applies to all employees (except members of the Singapore Armed Forces, officers of the Singapore Police Force, the Singapore Civil Defence Force, the Central Narcotics Bureau of Singapore and the Singapore Prisons Service, and domestic workers) who have entered into or works under a contract of service or apprenticeship with an employer, in respect of injury suffered by them arising out of and in the course of their employment and sets out, among other things, the amount of compensation that they are entitled to and the method(s) of calculating such compensation.

The WICA provides that if in any employment, personal injury by accident arising out of and in the course of employment is caused to an employee, the employer of the employee shall be liable to pay compensation in accordance with the provisions of the WICA. The amount of compensation shall be computed in accordance with a fixed formula as set out in the WICA, subject to maximum and minimum limits.

Further, the WICA provides, among other things, that, where any person (referred to as the principal) in the course of or for the purpose of his trade or business contracts with any other person (referred to as the employer) for the execution by the employer of the whole or any part of any work, or for the supply of labour to carry out any work,

REGULATORY OVERVIEW

undertaken by the principal, the principal shall be liable to pay to any employee employed in the execution of the work any compensation which he would have been liable to pay if that employee had been immediately employed by the principal.

Employers are required to maintain work injury compensation insurance for two categories of employees engaged under contracts of service, unless exempted. The first category includes all employees doing manual work. The second category includes all non-manual employees earning S\$1,600 or less a month. An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Employment Act

The Employment Act (Chapter 91 of the laws of Singapore) (“EA”) is administered by the MOM and sets out the basic terms and conditions of employment, and the rights and responsibilities of employers as well as employees who are covered under the EA.

In particular, Part IV of the EA sets out provisions in relation to, among other things, rest days, hours of work, overtime, annual leave and other conditions of service, and only applies to certain categories of employees covered under the EA, namely, workmen who receive salaries not exceeding S\$4,500 a month and employees (other than workmen) who receive salaries not exceeding S\$2,500 a month.

Section 38(8) of the EA provides that an employee who is covered under Part IV of the EA is not allowed to work for more than 12 hours in any one day except in specified circumstances, including, among other things, where the work, the performance of which is essential to the life of the community, and where the work is essential for defence or security. In addition, section 38(5) of the EA provides that an employee is not permitted to work overtime for more than 72 hours a month.

Employers may seek the prior written approval of the Commissioner for Labour (“CL”) for exemption if they require an employee or class of employees who are covered under Part IV of the EA to work for more than 12 hours a day or perform overtime work for more than 72 hours a month. The CL may, after considering the operational needs of the employer and the health and safety of the employee or class of employees, by order in writing exempt the employee or class of employees from the overtime limits subject to such conditions as the CL thinks fit. Where such exemptions have been granted, the employer shall display the order or a copy thereof conspicuously in the place where the employee or class of employees are employed.

An employer who breaches the above provisions shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000, and for a second or subsequent offence to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 12 months or to both.

Central Provident Fund Act

Employers are required to make Central Provident Fund (“**CPF**”) contributions at monthly rates stated in the Central Provident Fund ACT (Chapter 36 of the laws of Singapore) (“**CPF Act**”). An employer must pay CPF contributions for employees who are Singapore citizens or Singapore permanent residents. CPF contributions are due at the end of the month and an employer has a grace period of 14 days to make payment. The employer must pay both the employer’s and employee’s share of the monthly CPF contribution. However, the employer can recover the employee’s share of the CPF contribution by deducting it from their salary when the CPF contributions are paid for that month.

Employment of Foreign Manpower Act

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act (Chapter 91A of the laws of Singapore) (“**EFMA**”), and is administered by the MOM.

In Singapore, under section 5(1) of the EFMA, no person shall employ a foreign employee unless he has obtained in respect of the foreign employee a valid work pass from the MOM, which allows the foreign employee to work for him. In addition, the employment of the foreign employee must be in accordance with the conditions of the foreign employee’s work pass. Any person who fails to comply with or contravenes section 5(1) of the EFMA shall be guilty of an offence and shall (a) be liable on conviction to a fine not less than S\$5,000 and not more than S\$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction, (i) in the case of an individual, be punished with a fine of not less than S\$10,000 and not more than S\$30,000 and with imprisonment for a term of not less than one month and not more than 12 months; or (ii) in any other case, be punished with a fine not less than S\$20,000 and not more than S\$60,000.

An employer of foreign workers is also subject to, among other things, the provisions set out in the EA, the EFMA, the Immigration Act (Chapter 133 of the laws of Singapore) and the regulations issued pursuant to these Acts.

Companies Act and Constitution

The Companies Act (Chapter 50 of the laws of Singapore) generally governs, among other things, matters relating to the status, power and capacity of a company, shares and share capital of a company (including issuances of new ordinary shares and preference shares), treasury shares, share buybacks, redemption, share capital reduction, declaration of dividends, financial assistance, directors and officers and shareholders of a company (including meetings and proceedings of directors and shareholders, dealings between such persons and the company), protection of minority shareholders’ rights, accounts, arrangements, reconstructions and amalgamations, winding up and dissolution.

REGULATORY OVERVIEW

In addition, members of a company are subject to, and bound by the provisions of the Constitution. The Constitution contains, among other things, provisions relating to some of the matters in the foregoing paragraph, transfers of shares as well as sets out the rights and privileges attached to the different classes of shares of the company (if applicable).

Corporate tax

Corporate taxpayers (whether Singapore tax resident or non-Singapore tax resident) are subject to Singapore income tax on income accruing in or derived from Singapore and on foreign income received or deemed received in Singapore (unless specified conditions for exemption are satisfied).

A company is regarded as tax resident in Singapore for a year of assessment if the control and management of its business during that year of assessment is exercised in Singapore.

The prevailing Singapore corporate tax rate is 17%.

A tax exemption scheme applies for new start-up companies except a company whose principal activity is that of investment holding and a company which undertakes property development for sale, for investment, or for both investment and sale. Under the tax exemption scheme for new start-up companies, the following tax exemptions apply:

- (a) (where any of the years of assessment of the first three years of assessment falls in the year of assessment 2010 to the year of assessment 2019) on the first S\$300,000 of normal chargeable income; specifically 100% of up to the first S\$100,000 of a company's normal chargeable income, and 50% of up to the next S\$200,000 of a company's normal chargeable income is exempt from corporate tax; and
- (b) (where any of the years of assessment of the first three years of assessment falls in or after the year of assessment 2020) on the first S\$200,000 of normal chargeable income; specifically 75% of up to the first S\$100,000 of a company's normal chargeable income, and 50% of up to the next S\$100,000 of a company's normal chargeable income is exempt from corporate tax.

The company's remaining normal chargeable income (after the tax exemption(s)) will be subject to corporate tax at a rate of 17%.

To qualify for the tax exemptions under the tax exemption scheme for new start-up companies, a company must satisfy three conditions:

- (a) the company must be incorporated in Singapore;
- (b) the company must be a tax resident in Singapore for that year of assessment; and

REGULATORY OVERVIEW

- (c) the company's total share capital is beneficially held directly by no more than 20 shareholders throughout the basis period for that year of assessment where all the shareholders are individuals or at least one shareholder is an individual holding at least 10% of the issued ordinary shares of the company.

All companies, including companies limited by guarantee, can claim a partial tax exemption under the partial tax exemption scheme for companies, unless they have already claimed the tax exemptions under the tax exemption scheme for new start-up companies. Under the partial tax exemption scheme for companies, the following tax exemptions apply:

- (a) (where the year of assessment falls in or before the year of assessment 2019) on the first S\$300,000 of normal chargeable income; specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$290,000 of a company's normal chargeable income is exempt from corporate tax; and
- (b) (where the year of assessment falls in or after the year of assessment 2020) on the first S\$200,000 of normal chargeable income; specifically 75% of up to the first S\$10,000 of a company's normal chargeable income, and 50% of up to the next S\$190,000 of a company's normal chargeable income is exempt from corporate tax.

The company's remaining normal chargeable income (after the partial tax exemption(s)) will be subject to corporate tax at a rate of 17%.

For the year of assessment 2016 and the year of assessment 2017, there is a corporate income tax rebate at 50% of the corporate tax payable, subject to a cap of S\$20,000 and S\$25,000, respectively, per year of assessment. For the year of assessment 2018, there is a corporate income tax rebate at 40% of the corporate tax payable, subject to a cap of S\$15,000.

Dividend distributions

All Singapore tax resident companies are under the one-tier corporate taxation system of Singapore ("**One-Tier System**"). Under the One-Tier System, the tax collected from corporate profits is a final tax and the after-tax profits of the company resident in Singapore can be distributed to the shareholders as tax-exempt (one-tier) dividends. Such dividends are tax-exempt in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

Withholding tax

Singapore currently does not impose withholding tax on dividends paid to resident or non-resident shareholders. Foreign shareholders are advised to consult their own tax advisers to take into account the tax laws of their respective home countries or countries of residence and the applicability of any double taxation agreement which the relevant tax jurisdiction may have with Singapore.

REGULATORY OVERVIEW

Estate duty

Singapore estate duty was abolished with effect from 15 February 2008.

Goods and Services Tax (“GST”)

GST is a consumption tax that is levied on the import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore. GST on the import of goods into Singapore is collected by the Singapore Customs while GST on local supplies of goods and services is collected by GST-registered persons. The prevailing rate of GST is 7%. Certain supplies are exempt from GST. Broadly, these include the provision of certain financial services, and the sale and lease of residential properties. The provision of international services and the export of goods are generally zero-rated (i.e. subject to GST at a rate of 0%).

Stamp Duty

There is no stamp duty payable on the subscription and issuance of our Shares.

Where our Shares evidenced in certificate form are acquired in Singapore and where our Company maintains a share registry in Singapore, stamp duty is payable on the instrument of transfer of such Shares at the rate of 0.2% of the consideration for, or the net asset value of, such Shares, whichever is higher. The purchaser has an obligation to pay stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore, is subsequently received in Singapore.

The Stamp Duties Act (Chapter 312 of the laws of Singapore) was amended by the Stamp Duties (Amendment) Act 2017 of Singapore with effect from 11 March 2017 to, among other things, introduce the additional conveyance duty to be levied on acquisitions and disposals of equity interests in residential property-holding entities, and imposed the obligation to pay stamp duty once the agreement for the sale and purchase of shares was executed. However, pursuant to the Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018 of Singapore which came into operation on 11 April 2018, the position on stamp duty for the sale and purchase of shares before the enactment of the Stamp Duties (Amendment) Act 2017 of Singapore was reinstated. Stamp duties for agreements for the sale and purchase of shares were remitted with effect from 11 April 2018 except where the shares to be transferred are in property-holding entities. Accordingly, stamp duty in respect of the sale and purchase of shares remains payable on the instrument of transfer.

Upon the Listing, Shareholders are not liable to pay Singapore stamp duty if the relevant instrument of transfer is not executed in Singapore and is lodged with our Hong Kong Share Registrar.

REGULATORY OVERVIEW

Effect of holding Shares through CCASS or outside CCASS

The holding of Shares through CCASS or outside CCASS does not give rise to any additional Singapore income tax implications.

Tax treaties between Singapore and Hong Kong

There is no comprehensive double tax treaty between Singapore and Hong Kong.

LAW AND REGULATIONS IN THE PRC

Foreign Investment

The establishment, operation and management of companies in the PRC are governed by the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”). The PRC Company Law was promulgated by the Standing Committee of the National People's Congress (the “**NPC Standing Committee**”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively. The PRC Company Law generally governs two types of companies, namely the limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company for its debts is limited to the total assets of the company. The liability of shareholders of a limited liability company is limited to the amount of capital they contribute, while the liability of shareholders of a joint stock limited company is limited to the amount of shares they subscribe for. The PRC Company Law shall also apply to foreign-invested companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

The Law of Foreign-invested Enterprises of the People's Republic of China (《中華人民共和國外資企業法》) (the “**Law of Foreign-invested Enterprises**”), which was promulgated by the National People's Congress and became effective on 12 April 1986, and was subsequently amended by the NPC Standing Committee on 31 October 2000 and 3 September 2016, respectively, forms the legal framework of the PRC government for the regulation of wholly foreign-owned enterprises. The establishment procedures, approval and filing procedures, registered capital requirements, foreign exchange administration, accounting management, taxation, labour and other matters of wholly foreign-owned enterprises shall be subject to the Law of Foreign-invested Enterprises.

In accordance with the Implementation Rules on the Law of Foreign-invested Enterprises of the People's Republic of China (《中華人民共和國外資企業法實施細則》), which were promulgated and became effective on 12 December 1990, and subsequently amended by the State Council on 12 April 2001 and 19 February 2014, respectively, wholly foreign-owned enterprises shall make allocations to reserve funds and to rewards and welfare funds for their employees from their profits after paying income tax in accordance with tax laws of the PRC. The allocations made to the reserve fund of an enterprise shall be no lower than 10% of the enterprise's after-tax profits; when the total amount of fund so

REGULATORY OVERVIEW

allocated reaches 50% of such enterprise's registered capital, no further allocations may be made. Wholly foreign-owned enterprises shall independently determine their allocation rates to rewards and welfare funds for employees.

In accordance with the Provisional Measures for Filing Administration of Establishment and Change of Wholly Foreign-owned Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which were promulgated by the Ministry of Commerce and became effective on 8 October 2016, and were subsequently amended on 30 July 2017, where a foreign-invested enterprise formed upon approval undergoes any change and the foreign-invested enterprise after change does not involve the implementation of special administrative measures for access as prescribed by the state, the foreign-invested enterprise shall be subject to filing procedures.

Industry Access

Investment by foreign investors and foreign-invested enterprises in the PRC shall be regulated by the Guidance Catalog of Industries for Foreign Investment (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》) (the “**Guidance Catalog**”), which was promulgated by the Ministry of Commerce and the National Development and Reform Commission on 28 June 2017 and became effective on 28 July 2017. The Guidance Catalog stipulates in detail the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign-invested industries and the scope of market entry. Any industry not listed in the catalog shall be classified as permitted foreign-invested industry.

Foreign Exchange Administration

The administration of foreign exchange in the PRC is governed by the Regulations on Foreign Exchange Administration of the People's Republic of China (《中華人民共和國外匯管理條例》) (the “**Regulations on Foreign Exchange Administration**”), which were promulgated by the State Council on 29 January 1996, became effective on 1 April 1996, and subsequently amended on 14 January 1997 and 5 August 2008, respectively. In accordance with the Regulations on Foreign Exchange Administration, foreign exchange income under current account may be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange in accordance with relevant provisions, while foreign exchange expenditure under current account may be paid with self-owned foreign exchange or foreign exchange bought from financial institutions engaged in the settlement and sale of foreign exchange with valid documents. Foreign institutions or individuals who seek to make direct investment in the PRC shall, after being approved by or filed with relevant competent departments, shall register with the foreign exchange administrative authority. Domestic institutions or individuals who seek to make direct investment overseas shall register for dealing in foreign exchange. Any such domestic institutions or individuals required to obtain approval from or to file with the relevant competent authority in accordance with state provisions shall go through the approval or filing procedures before making the above-mentioned registrations. Where foreign exchange income under capital accounts is to be retained or sold to financial institutions engaged in the settlement and sale of foreign exchange, approvals of foreign exchange administrative authorities are required, except as otherwise stipulated by the state. The foreign exchange expenditure under capital

REGULATORY OVERVIEW

accounts shall be, against valid documents, paid with self-owned foreign exchange or foreign exchange bought from financial institutions engaged in the settlement and sale of foreign exchange in accordance with provisions on the administration of the sale and purchase of foreign exchange by the administration of foreign exchange under the State Council. With respect to those that are required to be approved by foreign exchange control agencies by the state, approval formalities shall be gone through before making such foreign exchange expenditure. The currency denominated in Renminbi that belongs to foreign parties in a foreign-invested enterprise terminated in accordance with law may, after the liquidation and taxation of the enterprise in accordance with relevant provisions of the PRC, be used to buy foreign exchange from financial institutions engaged in the settlement and sale of foreign exchange and remitted abroad.

On 20 June 1996, the People's Bank of China further issued the Provisions on the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Provisions on Foreign Exchange Settlement**”), which became effective on 1 July 1996. In accordance with the Provisions on Foreign Exchange Settlement, for repatriation of profits and dividends after tax by the foreign counterpart in a foreign-invested enterprise, the payment can be made from their own foreign exchange accounts or with foreign exchange purchased at designated foreign exchange banks upon the presentation of the proposal for the profit distribution adopted by the board of directors.

On 30 March 2015, the State Administration of Foreign Exchange issued the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach of Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which became effective on 1 June 2015. Pursuant to the circular, the foreign exchange capital of foreign-invested enterprises shall be subject to voluntary foreign exchange settlement, which refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) and can be settled at banks based on the actual operational needs of the enterprise. In addition to the voluntary foreign exchange settlement, foreign-invested enterprises may still use their foreign exchange capital through foreign exchange settlement upon payment. The capital of foreign-invested enterprises and its capital in Renminbi obtained from foreign exchange settlement shall not be directly or indirectly used for payments outside its business scope or for payments prohibited under laws and regulations and, unless otherwise provided by laws and regulations, shall not be directly or indirectly used for investment in securities.

Foreign Trade Registration

Foreign trade business of foreign trade operators in the PRC is regulated by the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) (the “**Foreign Trade Law**”). Competent foreign trade authority under the State Council is responsible for the regulation of foreign trade business in accordance with this law. The Foreign Trade Law was promulgated on 12 May 1994 and became effective on 1 July 1994, and was subsequently amended on 6 April 2004 and 7 November 2016, respectively. According to the Foreign Trade Law, any foreign trade operator engaged in the import or

REGULATORY OVERVIEW

export of goods or technology shall complete the formalities for filing and registration to the competent foreign trade authority or the institutions entrusted by it, unless otherwise exempted by the laws, administrative rules or regulations of the competent foreign trade authority.

According to the Measures for the Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce on 25 June 2004 and became effective on 1 July 2004, and subsequently amended on 18 August 2016, any foreign trade operator engaged in the import or export of goods or technology shall complete the formalities for filing and registration to the Ministry of Commerce or the institutions entrusted by the Ministry of Commerce, unless otherwise exempted by the laws, administrative rules or regulations of the Ministry of Commerce. If the foreign trade operator fails to complete the filing and registration formalities in accordance with the measures, the customs may not handle the declaration and clearance procedures for import and export.

According to the Circular of the Ministry of Commerce on Issues concerning the Filing and Registration of Right to Foreign Trade of Foreign-funded Enterprises (Shang Zi [2004] No. 46) (《商務部關於外商投資企業外貿權備案登記有關問題的通知》(商資[2004]第46號)) promulgated by the Ministry of Commerce on 17 August 2004, the foreign-invested enterprises established before 1 July 2004 in accordance with laws that have not applied for changing its business scope to include any import or export business, or any foreign-invested enterprises established after 1 July 2004 in accordance with laws that engage in the import or export of self-use or self-produced goods and technology are not required to complete the formalities for filing and registration of foreign trade operators.

Regulations on Customs

Import and export goods are regulated by the Customs Law of the People's Republic of China (《中華人民共和國海關法》) (the “**Customs Law**”). The Customs Law was promulgated by the NPC Standing Committee on 22 January 1987, became effective on 1 July 1987, and subsequently amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017, respectively. Pursuant to the Customs Law, all import goods throughout the period from the time of arrival in the territory to the time of customs clearance, all export goods throughout the period from the time of declaration to the time of departure from the territory, and all transit, transshipment and through goods throughout the period from the time of arrival in the territory to the time of departure from the territory, shall be subject to customs control. Unless otherwise provided, the declaration of import and export goods and the payment of duties shall be made by the consignees or consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the permission of the customs. If entrusted by the consignor or consignee and handling the declaration of import and export goods in the name of the client, such declaration enterprise shall provide a power of attorney signed by the entrusting party to the customs, and comply with all the provisions applicable to the entrusting party under the Customs Law. If entrusted by the consignor or consignee, but handling of the declaration of import and export goods in its own name, the declaration enterprise shall bear the same legal liability as that of the consignor or consignee. Where the

REGULATORY OVERVIEW

consignor or consignee entrusts the declaration enterprise to handle the declaration, the entrusting party shall provide accurate information regarding the goods to be declared, and the declaration enterprise shall verify the information provided by the client in due care. The consignor or consignee of import and export goods and the declaration enterprise shall register with the customs office according to law when handling the declaration procedure. No declarations may be made without registering with the customs.

According to the Provisions of the Customs of the People's Republic of China for the Administration of Registration of Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》) promulgated by the General Administration of Customs of the PRC on 13 March 2014 and became effective on the same day, and subsequently amended on 20 December 2017, declaration entities shall be registered with the customs in accordance with these provisions unless otherwise prescribed by the laws, administrative regulations or the custom rules. The registration of declaration entities includes the registration of declaration enterprises and the registration of the consignees or consignors of import or export goods. A consignee or consignor of import or export goods may directly go through the registration procedures at the local customs office. The declaration procedure of a consignee or consignor of import or export goods shall be handled by the customs declarer of its competent customs office, or through the customs declarer of an entrusted declaration enterprise registered with the customs. Unless otherwise provided by the customs, the Registration Certificate of Customs Declaration Entities of the People's Republic of China (《中華人民共和國海關報關單位註冊登記證書》) issued to a consignee or consignor of import or export goods shall be validly subsisting.

Taxation

Enterprise Income Tax

The taxation for enterprises and other income generating organisations within the PRC is governed by the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the “**EIT Law**”). The EIT Law was promulgated by the NPC on 16 March 2007, became effective on 1 January 2008 and was subsequently amended on 24 February 2017. According to the EIT Law, all enterprises incorporated in the PRC, except for those being entitled to preferential tax treatment, shall be subject to enterprise income tax at a rate of 25%. According to the Notice on the Implementation of Transitional Favourable Policies for Enterprise Income Tax (《關於實施企業所得稅過渡優惠政策的通知》) promulgated by the State Council on 26 December 2007, enterprises which enjoy fixed-term preferential tax treatment of enterprise income tax, such as “tax exemption for 2 years and 50% tax reduction for the following 3 years” and “tax exemption for 5 years and 50% tax reduction for the following 5 years”, may continue to enjoy such preferential tax treatments until expiry of the original terms according to the preferential treatment rules under the previous taxation laws, administrative regulations and relevant documents after the promulgation of the EIT Law abovementioned. For enterprises that have not made profits and thus not yet enjoyed the preferential tax treatment, the relevant term for enjoying the preferential tax treatment shall be calculated commencing from 2008.

REGULATORY OVERVIEW

Under the EIT Law, enterprises are classified into “resident enterprises” and “non-resident enterprises”. A “non-resident enterprise” refers to the enterprise that is incorporated under the laws of a foreign country (region) and whose de facto management body is outside the PRC, but has establishments or premises in the PRC, or has no establishments or premises in the PRC but has income generated from the PRC. According to the EIT Law, a non-resident enterprise that has no establishment or premises within the PRC, or a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to enterprise income tax at the rate of 20% on its income sourced from the PRC. Where the treaty between the governments of the PRC and another foreign country (region) contains provisions different from those provided under the EIT Law, the provisions under the relevant treaty shall prevail. According to the Implementation Rules of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and became effective on 1 January 2008, dividends paid to non-resident enterprises (which do not have establishment or premises of business in the PRC, or which have establishment or premises of business in the PRC but relevant income is not effectively connected which such establishment or premises of business) from foreign-invested enterprises shall be subject to enterprise income tax at a lower rate of 10%.

In addition, pursuant to the Administrative Measures for Tax Treatments Entitled by Non-resident Taxpayers under Taxation Treaty (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the State Administration of Taxation of the PRC on 27 August 2015 and became effective on 1 November 2015, a non-resident taxpayer that is qualified to enjoy the preferential treatment under taxation treaty could enjoy the tax treatment automatically when filing tax return or making withholding declaration through a withholding agent, and will be subject to follow-up administration by the tax authorities thereafter.

Value-added Tax

The collection of value-added tax is primarily regulated by the Provisional Regulations on Value-added Tax of the People’s Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, revised and approved on 5 November 2008 and subsequently amended on 6 February 2016 and 19 November 2017, respectively. According to the Provisional Regulations on Value-added Tax, units and individuals engaging in the sale of goods, or the provision of processing, repair and replacement service, sales service, intangible assets, real estates or import of goods within the PRC shall be subject to value-added tax. Unless otherwise provided under the regulations, value-added tax shall be levied at a rate of 17%. According to Notice of Adjustment of Value-added Tax Rate promulgated by Ministry of Finance and State Administration of Taxation of the PRC on 4 April 2018 which came into effect on 1 May 2018, for taxpayers engaging in taxable sales activities or import of goods, the applicable tax rate shall be adjusted to 16% and 10% from 17% and 11%, respectively.

Urban Land Use Tax

The payment of urban land use tax by units and individuals who use urban land shall be governed by the Provisional Rules on Urban Land Use Tax of the People's Republic of China(《中華人民共和國城鎮土地使用稅暫行條例》), which was promulgated by the State Council on 27 September 1988, became effective on 1 November 1988 and was subsequently amended on 31 December 2006, 8 January 2011 and 7 December 2013, respectively. According to the rules, the urban land use tax shall be levied based on the area of the relevant land effectively occupied by the taxpayer. The urban land use tax per square meter is as follows: (1) RMB1.5 to RMB30 for large cities; (2) RMB1.2 to RMB24 for medium cities; (3) RMB0.9 to RMB18 for small cities; (4) RMB0.6 to RMB12 for counties, designated towns and industrial and mining areas.

Real Estate Tax

The levy of real estate tax is regulated by the Provisional Rules on Real Estate Tax of the People's Republic of China (《中華人民共和國房產稅暫行條例》), which was promulgated by the State Council on 15 September 1986, became effective on 1 October 1986 and was subsequently amended on 8 January 2011. According to the provisional rules, real estate tax shall be levied on the properties owned by enterprises, which shall be 1.2% of the original value of the real estate minus standard deductions (ranging from 10% to 30% of the original value of the real estate, subject to the regulations imposed by the provincial, autonomous regional and municipal government), or 12% of the rental income for real estate being leased out.

Environmental Protection

The production and operating activities of enterprises in the PRC are subject to a set of environmental protection laws and regulations which have been issued and implemented, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environment Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) and the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》).

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014 (the latest revision became effective on 1 January 2015), entities discharging pollutants shall adopt effective measures to prevent and control pollution and other environmental harms caused by exhaust, sewage, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical and electromagnetic

REGULATORY OVERVIEW

radiation generated in the course of production, construction or other activities. In addition, entities discharging pollutants shall pay sewage charges in accordance with the applicable regulations of the PRC.

According to the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》) promulgated on 29 November 1998 and amended on 16 July 2017 (the latest revision became effective on 1 October 2017) and the Environment Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and amended on 2 July 2016 (the latest revision became effective on 1 September 2016), the PRC government has set up a system to assess the environment impact of construction projects, and classify and manage the environment impact assessment based on the degree of the environment impact: (1) an environment impact report shall be prepared and thorough environment impact assessment shall be conducted in respect of construction projects which may result in material impact on the environment; (2) an environment impact report shall be prepared and environment impact analysis or specific environment impact assessment shall be conducted in respect of construction projects which may result in slight environment impact; and (3) no environment impact assessment shall be required but environment impact statement shall be submitted in respect of construction projects which may result in immaterial environment impact. Construction entities shall submit environment impact report and statement of construction projects to competent environmental protection authorities for review and approval. Environment impact registration form shall be filed with such authorities. Construction entities shall, upon completion of a construction project which requires submission of a report or statement, arrange for the acceptance inspection on the completion and prepare completion acceptance report in respect of ancillary environmental protection facilities in accordance with standards and procedures stipulated by the competent environmental protection authorities. Ancillary environmental protection facilities required to be constructed for the construction project shall be designed, constructed and put into operation simultaneously with the major construction work of the said construction project. Construction projects which are required to submit an environment impact report or statement shall only be put into operation or used when the relevant ancillary environmental protection facilities have passed the acceptance inspection. No construction project may be put into operation or use if it has not been inspected or passed the acceptance inspection.

Labour and Employment

Labour

The employment between enterprises, as employers, and labourers is mainly regulated by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) (the “**Labour Law**”) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the “**Labour Contract Law**”).

According to the Labour Law promulgated by the NPC Standing Committee and become effective on 1 January 1995 and amended on 27 August 2009, the distribution of wages shall follow the principle of “distribution according to duties” and employees with

REGULATORY OVERVIEW

equal work shall have equal wages. Employers shall also establish a system of guaranteed minimum wages and provide special protection to female employees and juvenile employees. The Labour Law also stipulates that employers shall establish and improve its safety and health system and enter into labour contracts with their employees.

According to the Labour Contract Law promulgated by the NPC Standing Committee on 29 June 2007, become effective on 1 January 2008 and amended on 28 December 2012, enterprises established in the PRC shall enter into labour contracts with their employees to agree on the term of contract, duties, workplace, working hours, leave, remuneration, social insurance and labour protection in accordance with laws. Both of employers and employees shall perform their own duties. The Labour Contract Law states the situation in which an employer may cancel or terminate labour contract. Unless an employer cancels a labour contract without compensation under situations which are clearly stated in the Labour Contract Law, he/she shall pay compensation to employees according to standard established by laws.

In addition, according to the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) which became effective on 1 January 2008, an employee who has worked for the employer for one year or more shall be entitled to 5-day to 15-day paid annual leave. Where annual leave has not been taken by an employee at request of the employer, the employer shall pay the employee compensation in the amount of 300% of his/her daily wage income.

Social Insurance and Housing Provident Fund

Social insurance and its collection and payment are regulated by the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”). The contribution and management of the housing provident fund are regulated by the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》).

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premiums promulgated by the State Council and become effective on 22 January 1999 and other relevant regulations, an employer shall register for contribution to social insurance and declare and make social insurance contribution in full and on time. The social insurance contributions payable by employees shall be withheld and paid by employers on behalf of the employees. If the employer fails to make or withhold and pay social insurance contribution, the PRC competent authorities may order the employer to do so within the prescribed time period. If the non-compliance continues, the employer shall be imposed a late payment fee in the amount of 0.2% of the outstanding payment for each day overdue in addition to the outstanding payment. PRC competent authorities may apply to the people's court for mandatory collection of social insurance premiums and late payment fee.

According to the Social Insurance Law promulgated by the NPC Standing Committee on 28 October 2010 and became effective on 1 July 2011, the PRC government has established a social insurance system including basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance

REGULATORY OVERVIEW

to guarantee the rights of citizens to legally obtain financial assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. An employer shall make contribution to basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance based on the prescribed basis and percentage. If the employer fails to make social insurance contribution, the authorities collecting social insurance premiums may order the employer to make contribution or make up the shortfall within the prescribed time and impose a late payment fee in the amount of 0.05% of the outstanding payment for each day overdue. If the non-compliance continues, such administrative authorities may impose a fine in the amount of one to three times of the outstanding payment.

According to the Administrative Regulations on Housing Provident Fund promulgated on 3 April 1999 and amended on 24 March 2002, the employer shall register for contribution to the housing provident fund at a local housing provident fund management center and open a housing provident fund account with banks for its employees and make contribution to housing provident fund. If the employer fails to register the contribution or open housing provident fund account for its employees as stated above, the housing provident fund management center may order the employer to do so within a prescribed time period. If the non-compliance continues, the employer may be imposed a fine in the amount of RMB10,000 to RMB50,000. If the employer fails to make contribution in full or on time, the housing provident fund management center may order the employer to do so within a prescribed time period. If the non-compliance continues, the housing provident fund management center may apply to the people's court for mandatory collection of outstanding payment.

Labour Dispatch

Labour dispatch is mainly regulated by the Labour Contract Law, the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) promulgated on 24 January 2014 and become effective on 1 March 2014 and the Measures for the Implementation of Administrative License for Labour Dispatch (《勞務派遣行政許可實施辦法》) promulgated on 20 June 2013 and become effective on 1 July 2013.

According to the Labour Contract Law and Interim Provisions on Labour Dispatch, an employer may employ dispatched workers in temporary, auxiliary or substitute job positions only. A temporary job position refers to a job that survives for no longer than six months; an auxiliary job position refers to a job position for non-main business that provides services for the main business, and a substitute job position refers to a job position that can be taken up by other workers because an employee of an employer cannot work due to full-time study, leave and so on over a certain period of time. An employer shall strictly control the number of dispatched workers it employs, which shall not exceed 10% of the total number of employees.

A labour dispatch service provider shall conclude a written labour contract with the workers to be dispatched for a fixed period of at least 2 years according to laws. Labour dispatched by a labour dispatch service provider shall enter into a labour dispatch service contract with the employer that accepts employment in the form of labour dispatch, which

REGULATORY OVERVIEW

shall state, among others, the job position in which the dispatched worker will be employed for, number of workers and the dispatch period, amount and payment method of remuneration and social security insurance premium, working hours, vacation and leave, related benefits for the dispatched workers during work injury, birth-giving or illness, occupational safety and hygiene and training, expenses such as economic compensation, payment method and basis of service fees under the labour dispatch agreement and liability for breach of the agreement. Dispatched labourers shall be entitled to the same right of equal work, equal pay as other employees of the employer.

Work Safety

Work safety in units that are engaged in production and business activities within the territory of the PRC is stipulated by the Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》) (the “**Law on Work Safety**”). The Law on Work Safety was promulgated by the National People's Congress on 29 June 2002, became effective on 1 November 2002 and was revised on 27 August 2009 and 31 August 2014, respectively and with the latest version taken effect on 1 December 2014. According to the Law on Work Safety, production enterprises shall have the conditions for work safety as specified by the provisions in this law and other relevant laws, regulations and national standards or industrial specifications. Production operators that do not have such conditions shall not allowed to engage in production and business activities. Principal person-in-charge of a production business unit with more than 100 employees shall set up a work safety management body or appoint full-time personnel for the control of work safety. For any unit with less than 100 employees, it shall appoint full-time or part-time staff for the control of work safety. Production operators shall give their employees education and training in work safety. For production operators with dispatched workers, such dispatch workers shall be under centralised staff management and shall be provided with education and training of safe operation procedures and skills in relation to their job positions. Production operators shall provide their employees with work protection gears in compliance with the national standards or industrial specifications, and they shall educate and monitor their employees to wear or use these gears in accordance with the rules for their use. Production operators shall, in accordance with law, purchase insurance for work-related injuries and pay insurance premiums for their employees. Workers operating at special posts in production business units shall, in accordance with relevant national regulations, receive special training in safe operation, and they shall only be assigned to such posts after obtaining the relevant qualifications.

Furthermore, the Law on Work Safety also stipulates that safety equipment shall be designed, manufactured, installed, used, tested, maintained, improved and retired in compliance with the national standards or industrial specifications. Production operators shall have their safety equipment constantly retired, and maintained and regularly tested in order to ensure its normal operation. The administrative department of work safety may execute administrative enforcement of work safety according to the law and conduct inspections and checks on the compliance of laws, regulations and national standards or industrial specifications regarding to work safety on production and the fulfillment of industrial standards.

Product Quality

Engagement in product manufacturing and sales activities in the PRC is subject to the regulation of the Law of the People's Republic of China on Product Quality (《中華人民共和國產品質量法》) (the “**Law on Product Quality**”). The Law on Product Quality was promulgated by the National People's Congress on 22 February 1993, became effective on 1 September 1993 and was revised on 8 July 2000 and 27 August 2009. According to the Law on Product Quality, producers shall be responsible for their products to ensure that: (1) the products are constituting no unreasonable threats to personal safety or safety of property, and conforming to the national standards or industrial standards for ensuring human health, personal safety and safety of property, where applicable; possessing the properties as required, except for those with directions stating their functional defects; and conforming to the product standards marked on the products or on the packages thereof, and to the quality conditions indicated by way of, among others, product directions and samples; (2) marks on the products or on the packages thereof shall be authentic and meet the relevant requirements; (3) packages of dangerous products, such as toxic, hazardous, fragile or products that should be kept upright during storage and transportation, and other products with special requirements shall meet the necessary requirements and carry warning marks or statements in Chinese indicating directions for storage and transportation, as required by relevant state regulations; (4) any product that has been eliminated by State orders shall not be produced; (5) forgery of the origin of a product, or forgery or fraudulently use of another producer's name and address shall be prohibited; (6) forgery or fraudulently use of another producer's authentication marks or other product quality marks shall be prohibited; (7) mixing of impurities or imitations into the products, or substitution of a fake product for a genuine one, a defective product for a high-quality one, or passing a substandard product off as an up-to-standard one shall be prohibited. Producers and sellers who breach the Law on Product Quality shall be given administrative penalty, including confiscation of the income arising from the illegal acts, revocation of business license and imposition of fines. If a crime is constituted, criminal responsibility shall be investigated according to law.

Furthermore, according to the Tort Liability Law of People's Republic of China (《中華人民共和國侵權責任法》) which was promulgated in 26 December 2009 and became effective on 1 July 2010, a manufacturer shall bear tort liability if its product causes damage to others due to a defect. If a product is defective due to the fault of the seller and results in damage to others, the seller shall bear tort liability. If the seller is unable to name the manufacturer or supplier of the defective product, the seller shall bear tort liability. In the event of damage being caused by a defective product, the infringed may seek compensation from the manufacturer and seller of the said product.

Intellectual Property

Trademark

Registration and management of trademarks and protection of exclusive right to use trademarks are mainly regulated by the Trademark Law of People's Republic of China (《中華人民共和國商標法》) (the “**Trademark Law**”). The Trademark Law was promulgated by the NPC Standing Committee on 23 August 1982 and was subsequently revised on 22

REGULATORY OVERVIEW

February 1993, 27 October 2001, and 30 August 2013, with the latest version taken effect on 1 May 2014. The Trademark Law stipulates that a natural person, legal person or other organization that requires exclusive trademark right of its commodity or service during the course of production and operation shall apply to the Trademark Office for trademark registration. Regulations relating to commodity trademark as stipulated in the Trademark Law are also applicable to service trademark. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law. The exclusive right to the use of a registered trademark shall be limited to trademarks which are registered upon approval and to goods the use of a trademark on which is approved. The period of validity of a registered trademark shall be 10 years, commencing from the day the registration is approved. If an owner needs to continue to use his registered trademark after the period of validity expires, an application for renewal of registration shall be made within 12 months before the expiration. The period of validity for each renewal of registration shall be 10 years, commencing from the day following the expiry of previous validity term. The owner of a registered trademark may, by concluding a trademark licensing contract, authorise another person to use his registered trademark.

Patent

The application, grant, management and protection of patent right are primarily stipulated by the Patent Law of the People's Republic of China (《中華人民共和國專利法》) (the “**Patent Law**”). The Patent Law was promulgated by the NPC Standing Committee on 12 March 1984, became effective on 1 April 1985 and was subsequently revised on 4 September 1992, 25 August 2000, and 27 December 2008, respectively, with the latest version taking effect on 1 October 2009. The Patent Law is formulated for the purposes of protecting and encouraging inventions, promoting the application of inventions and facilitating the advancement of science and technology. According to the Patent Law, patent rights are classified into invention, utility model and design. Inventions and utility models for which patent rights are granted shall be of novelty, creativity and practical applicability. Design for which patent rights are granted shall not be existing design and shall have distinctive features. The duration of the invention patent right shall be 20 years and that of the utility model or design patent right shall be 10 years, commencing from the date of application.

After the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorisation of the patentee, exploit the patent through making, using, offering to sell, selling or importing the patented product, or using the patented process, or using, offering to sell, selling or importing the product directly obtained by the patented process, for production or business purposes. After the grant of the patent right for a design, no entity or individual may, without the authorisation of the patentee, exploit the design through making, selling or importing the product incorporating such patented design, for production or business purposes. Any entity or individual using the patent of another must conclude a written licensing contract with the patentee.

Property Rights

Civil relationships stemming from attribution and use of things, including immovable and movable properties, are governed by the Property Law of the People's Republic of China (《中華人民共和國物權法》) (the “**Property Law**”). The Property Law was promulgated by the National People's Congress on 16 March 2007 and became effective on 1 October 2007. Pursuant to the Property Law, the property right of the State, collectives, individual persons and other obligees are protected by law, and no units or individuals shall encroach on it. Types and scope of property rights shall be defined by the law. Unless otherwise stipulated by the law, the creation, transfer and extinction of immovable property rights may only take effect upon legal registration. Any alteration, transfer and extinction without registration shall not be in effect. Unless otherwise stipulated by the law, creation and transfer of movable property rights shall become effective upon delivery. The Property Law grants property owners the right to possess, use, obtain profits from and dispose of their self-owned immovable and movable properties. The owner shall have the right to create usufructuary and security interest in property rights with regard to its immovable or movable property. The beneficiary of the usufructuary and security interest shall not prejudice the rights and interests of the owner while exercising their own rights.

Furthermore, as stipulated by the Interim Regulations on the Registration of Immovable Properties (《不動產登記暫行條例》) promulgated by the State Council on 24 November 2014 and become effective on 1 March 2015, the PRC implements a uniform registration system for immovable properties. Immovable properties shall be registered based on the real estate units. Each real estate unit has an exclusive code. Immovable property registration includes, among others, initial registration, modification registration, transfer registration, deregistration, registration for correction, dissent registration, advance notice registration, and seizure registration.

LAWS AND REGULATIONS IN THE PHILIPPINES

Kinergy Philippines was duly incorporated with the Securities and Exchange Commission (“**SEC**”) on 6 April 2000 under and by virtue of Philippine Law. Thus, its corporate life of 50 years begins from its date of incorporation and ends on 6 April 2050. Kinergy Philippines is engaged in the design, fabrication and manufacture for export of (i) precision molds and dies, tooling components as well as equipment components and (ii) fully automated mechatronics systems for electronics manufacturing. Since the time of its incorporation, Kinergy Philippines was registered as a foreign owned corporation engaged as an export market enterprise and continues to be registered as such with the SEC. Moreover, since Kinergy Philippines has registered with the Philippine Economic Zone Authority (the “**PEZA**”) as an Ecozone export enterprise and enjoys fiscal incentives, it is subject to the regulation of the PEZA.

Below is a summary of pertinent Philippine laws and regulations that currently apply to Kinergy Philippines.

REGULATORY OVERVIEW

SEC Requirements

A corporation in the Philippines is required to ensure compliance with SEC requirements, which include submitting its (i) General Information Sheet (“GIS”) and (ii) Audited Financial Statements (“AFS”). GIS must be filed within 30 days from the date of the annual shareholders meeting set in the By-laws of a corporation or from the date of the actual annual shareholders meeting. AFS must be filed within 120 days following the end of its fiscal year to the SEC.

Foreign Investment Act Requirements

The Foreign Investments Act of 1991, Republic Act No. 7042, as amended, requires that the minimum paid up capital requirement of foreign entities like Kinergy Philippines is US\$100,000 for export market enterprises and US\$200,000 for domestic market companies. Failure to meet these minimum capitalisation requirement will mean that a foreign corporation will not be allowed to do business in the Philippines.

PEZA Requirements

A PEZA-registered enterprise is subject to the applicable laws, rules, and regulations of the PEZA. It also needs to comply with its Certificate of Registration and Registration Agreement with the PEZA in order not to have the Certificate and the Agreement revoked and withdrawn.

Local Government Code Requirements

Under the Local Government Code of 1991, corporations are required to pay business taxes and secure business permits before they can operate within any city or municipality. This is in relation to Sections 147 and 151 of the Local Government Code which give cities the power to require payment of mayor’s permit fees and other regulatory fees before any corporation may conduct business within their jurisdiction. Failure to renew the business permit annually can result in the cessation of operations for a corporation.

Customs Law and Importation Requirements

All importers and customs brokers are required to apply for registration under the Bureau of Customs Client Profile Registration System. The corporation must designate an applicant who will be the main point of contact between the company and the Bureau of Customs throughout the validity of the company’s accreditation.

All corporations should also submit the following documents no later than 31 March of every year after accreditation: (i) updated GIS and company profile; (ii) updated PEZA registration; and (iii) Mayors Permit and proof of lawful occupancy of office.

Prior to importation, a PEZA-registered enterprise must first register with the importation system of the Bureau of Customs (“BOC”) and PEZA. Under Customs Memorandum Order No. 03–2015, locators within a PEZA economic zone must register under the BOC Client Profile Registration System. On the other hand, PEZA requires

REGULATORY OVERVIEW

PEZA-registered enterprises to enroll under its Electronic Import Permit System (e-IPS) or Expanded Automated Export Documentation System (e-AEDS), after which the PEZA-registered enterprise may already apply for an electronic import permit. In its Implementing Rules and regulations, the PEZA clarified that an approved Electronic Import Permit should be obtained by a PEZA-registered enterprise before it issues a purchase order for importation of goods, or before the arrival of the goods at the port.

Further, the BOC can suspend or cancel the accreditation of an importer if the BOC finds that the importer does not comply with the requirements, or discovers inaccuracies in the documents submitted.

Labour Laws

The Labour Code of the Philippines and other related labour laws require minimum standards of benefits which employees are entitled to, such as minimum wage requirements, overtime pay, holiday pay, premium pay, night shift differential, service incentive leave, maternity leave for female employees, paternity leave for male employee, solo parent leave, leave for victims of violence against women, special leave for women, thirteenth month pay, separation pay, retirement pay, Philhealth benefits, social security benefits, and PAG-IBIG benefits.

Failure to comply with the Labour Code of the Philippines can result in administrative fines and penalties or complaints from the employees who may be affected by the non-compliance.

Occupational Safety and Health Standards (“OSHS”)

OSHS of the Department of Labour and Employment (“DOLE”) was formulated with the objective to protect employees from harmful working conditions. The OSHS requires that every employer must register its business with the Regional Office of the DOLE. The DOLE conducts periodic inspections to verify the compliance by a business establishment with the provisions of the Labour Code and other related labour laws.

The PEZA, in accordance with the Department of Labour and Employment, also conducts periodic inspection of plants within the Ecozone to check on health, medical, occupational and safety standards of the buildings, structures and electro-mechanical equipment and machineries and the general conditions and maintenance of the plant.

Social Security System (“SSS”)

The SSS Law provides a package of benefits in the event of death, disability, sickness, maternity, and old age of an employee. The coverage in the SSS is compulsory for all employees not over 60 years of age and their employers. It shall be the responsibility of the employer to remit the share of both the employers and the employees in the contributions to the fund. Failure to do so may result in fines and penalties or criminal prosecution.

REGULATORY OVERVIEW

Philippine Health Insurance Corporation (“Philhealth”)

Philhealth is the administrator of the health insurance programs of SSS members and their dependents who need financial assistance to afford the cost of medical care. Philhealth requires employers to register their employees with Philhealth. It shall be the responsibility of the employers to remit the share of both the employers and the employees in the contributions to Philhealth. Failure to do so may result in the imposition of fines and penalties.

Home Development Mutual Fund (“HDMF”)

The HDMF is a mutual provident savings system for private and government employees and other earning groups primarily involved in housing investment. The HDMF aims to improve the quality of life by providing sufficient shelter for its members. All employees covered by SSS and their employers are covered by HDMF. It shall be the responsibility of the employer to remit the share of both the employer and the employee in the contributions to HDMF.

Tax Laws

For the payment of taxes, a corporation is required to be registered with the Bureau of Internal Revenue (“**BIR**”). Any corporation who is subject to any internal revenue tax should register with the appropriate Revenue District Office of the BIR on or before the commencement of its business or before any payment of any tax due.

Business taxpayers should also submit the Application for Authority to Print Receipts/Invoices and to register its manual books of accounts in order to complete its registration.

A PEZA-registered enterprise enjoys the following fiscal incentives under Executive Order No. 226:

- a. corporate Income Tax Holiday (“**ITH**”) for four years for original project effective on the date of start of commercial operations (no longer applicable to Kinergy Philippines);
- b. tax and duty free importation of merchandise that include raw materials, capital equipment, machinery and spare parts;
- c. exemption from wharfage dues, export tax and impost or fees;
- d. value added tax (“**VAT**”) zero-rating of local purchase (production related transactions with local suppliers) subject to compliance with BIR and PEZA requirements;
- e. additional deduction for incremental labour expense within five years of operations provided this is not availed of simultaneously with ITH; and

REGULATORY OVERVIEW

- f. exemption from payment of any and all local government impost, fees, licenses or taxes except real estate tax; however, machines installed and operated in the eco-zone for manufacturing, processing of for industrial purposes shall be subject to payment of real estate taxes for the first three years of operation of such machineries; production equipment not attached to real estate shall be exempt from real property taxes.

Availment of incentives shall be allowed only if the PEZA-registered enterprise is not delinquent in the payment of its accounts with PEZA, if any, or in its compliance with any of the obligations, terms and conditions.

Further, under Section 236(e) of the Tax Code, any registered taxpayer shall, whenever applicable, update its registration information with the Revenue District Office where it is registered, specifying therein any change in type and other taxpayer details.

Failure to timely pay corporate income tax and other taxes due can result in penalties, interest and surcharges.

Environmental Laws

Environmental compliance certificate (“ECC”)

Philippine laws require environmental critical project (“ECP”), or projects which are not environmentally critical, but are located in an environmentally critical area (“ECA”) to have an ECC. The ECC must be secured before one may undertake or operate an ECP or in an ECA.

An ECC is a document issued by the DENR/EMB after a positive review of an ECC application, certifying that based on the representations of the proponent, the proposed ECP will not cause significant negative environmental impact. The ECC also certifies that the proponent has complied with all the requirements of the Environmental Impact Statement (“EIS”) System and has committed to implement its approved Environmental Management Plan. An EIS is a document prepared and submitted by the project proponent and/or EIA Consultant that serves as an application for ECC. It is a comprehensive study of the significant impacts of a project on the environment. It includes an Environmental Management Plan/Program that the proponent will fund and implement to protect the environment.

The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of the ECP, and in some cases, during the ECP’s abandonment phase to mitigate identified environmental impacts. The ECC is subject to certain conditions and guidelines. Non-compliance with any of such conditions and guidelines shall be sufficient cause for the suspension or cancellation of the ECC and/or payment of fines or closure of the establishment.

REGULATORY OVERVIEW

Laguna Lake Development Authority (“LLDA”) Clearance

Pursuant to Section 4(d) of Republic Act 4850, as amended by Presidential Decree No. 813 and further clarified by Executive Order No. 927, LLDA Board Resolution No. 7 (Series of 1993) and No. 223 (Series of 2004), a corporation doing business with the Laguna Lake district must first secure a clearance from the LLDA before it proceeds with the implementation of its project in the area. The LLDA Clearance is subject to certain conditions which, if not complied with, will result in fines or penalties.

In certain instances, exemptions from other minor permits, e.g. discharge permits, are granted by the LLDA depending on the nature of the facilities of the corporation.

Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990

As a corporation that is engaged in business involving the importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of all unregulated chemical substances and mixtures in the Philippines, including the entry, even in transit as well as the keeping or storage and disposal of hazardous and nuclear wastes into the country for whatever purpose, Kinergy Philippines is required to comply with the provisions of the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990.

A corporation is required to submit to the Department of Environmental and Natural Resources (“DENR”) or Environmental Management Bureau (“EMB”) a Hazardous Generator’s Quarterly Report seven days after the end of every quarter and to coordinate only with DENR accredited transporter and treater with regards to transportation and treatment of hazardous wastes.

In case of any violation of the same, the penalty of imprisonment and fines can be imposed. The president, director or manager of the non-compliant corporation who shall consent to or shall knowingly tolerate such violation shall be directly liable and responsible for the act of the employee and shall be criminally liable as a co-principal.

Philippine Clean Air Act of 1999

An establishment, facility, installation or fixed structure which is a source of air pollution and emits regulated air pollutants, is required to obtain a permit to operate from the DENR. An application for a permit to operate shall be filed for each source emitting regulated air pollutants. Facilities having more than one source may group the source. The Permit to Operate shall be issued or renewed every year subject to such conditions as the Department may impose, upon payment of the permit fees for air pollution source and control facilities.

Issuance of the permit shall not relieve the grantee from complying with the requirements of the Philippine Clean Air Act and that commencement of the work or operation under such permit shall be deemed acceptance of the conditions specified therein.

REGULATORY OVERVIEW

Penalties for non-compliance are fines and criminal prosecution. In the case of corporations, the president, manager, directors, trustees, the pollution control officer or the officials directly in charge of the operations shall suffer the penalty.

Further, the owner or the pollution control officer in charge of the installation subject to the provisions of this law shall keep a record of its operational data and control test indicating its operational efficiency, and shall furnish a copy of the same to the Department through EMB quarterly in accordance with the procedures and/or programs approved by DENR through the EMB for this purpose.

LAWS AND REGULATIONS IN JAPAN

Companies Act

The Companies Act (Act No. of 86 of 2005, as amended) is a fundamental legislation applicable to a stock company (kabushi kaisha, abbreviated as “**K.K.**”). The Companies Act prescribes various matters relating to a K.K., such as incorporation, shareholders’ rights and liability, governing bodies, management and operation, duties and liabilities of officers, capital system and dividend distribution, and access to company information.

Consumer Protection Regulations

Sales operations in Japan are subject to various Japanese consumer protection regulations including, but not limited to, the Act against Unjustifiable Premiums and Misleading Representations (Act No. 134 of 1962, as amended) and the Consumer Contract Act (Act No. 61 of 2000, as amended). Pursuant to the Act against Unjustifiable Premiums and Misleading Representations, when a company advertises its products for sale, it is prohibited from making representations regarding the quality, standard or any other feature of such products, or price or any other trade terms, as being much better than that of the actual products or trade terms, or making representations without reasonable grounds. Under the Consumer Contract Act, when consumers misunderstand or are disadvantaged by certain acts of the business operators, consumers are protected by the rescission of the manifestation of intention to offer or accept contracts made by consumers, and nullification of any clauses, in part or in whole, that exempt the business operators from their liability for damages or otherwise that unfairly harm the interests of consumers.

Product Liability

The Product Liability Act (Act No. 85 of 1994, as amended) sets forth the manufacturer’s strict liability for damages caused due to defects in such manufacturer’s product. The Product Liability Act is not applicable in the case where damage is caused only to the product itself, and it is only applicable to the case where there is a resulting harm: i.e., bodily injury, loss of life or damage to other properties. In the event that a third party suffers such damages due to a defect in manufacturer’s products, the manufacturer may be held liable for such damages even if it was not negligent.

Labour and Employment

The Labour Standards Act (Act No.49 of 1947, as amended), the Labour Contract Act (Act No.128 of 2007, as amended) and their respective related regulations and guidelines impose various requirements on all employers in Japan. The Labour Standards Act regulates, among others, minimum standards for working conditions such as working hours, rest period and leave days. The Labour Contract Act regulates, among others, the change of terms of employment contracts and working rules, dismissal and disciplinary action.

Protection of Personal Information

The Act on the Protection of Personal Information (Act No. 57 of 2003, as amended) requires that a Japanese business operator must obtain the prior consent of the data subject in order to transfer personal data to a third party located outside of Japan, unless such foreign country has adequate standards for protection of personal data or the receiving party implements a system compliant with the standards of protection prescribed by the rules of the Personal Information Protection Commission.

Intellectual Property Regulations

In Japan, patents may be protected by the Patent Act (Act No.121 of 1959, as amended), works may be protected by the Copyright Act (Act No.48 of 1970, as amended), designs may be protected by Design Act (Act No. 125 of 1959, as amended) and trademarks may be protected by the Trademark Act (Act No.127 of 1959, as amended) pursuant to respective laws and its relevant regulations. In case that a business operator infringes the third parties' intellectual property rights, such operator may be liable for the damage caused by such infringement under the relevant act.

Customs Act

The Customs Act (Act No. 61 of 1954, as amended) and other relevant laws and regulations prescribe import procedures and restrictions on the import of goods. Certain requirements for inspection or other requirements must be met for restricted imports for which the importer must have a permit and approval relating to the import of such goods under the Customs Act.

HISTORY AND DEVELOPMENT

OUR CORPORATE HISTORY

The history of our Group can be traced back to 1988 when Mr. Lim (our executive Director, chief executive officer and one of our Controlling Shareholders) and his spouse Ms. Foo (our non-executive Director and one of our Controlling Shareholders) with their personal savings accumulated from their previous employments set up our Company in Singapore together with a group of engineers from a reputable semiconductor manufacturer. Over the years, we built a good and stable relationship with our customers and expanded our business to the PRC, the Philippines and Japan.

Our Company was incorporated in Singapore on 4 January 1988 and started original design manufacturing operations. In 1989, Unitras was invited to invest in our Group through Precision Carbide Tooling Pte Ltd to fund our business expansion. From 1990, we started tapping into the PRC market. In 1995, we set up our electronic manufacturing services division (EMS Division), providing contract manufacturing services leveraging on our engineering know-how experience from our original design manufacturing division (ODM Division). In 1999, we began offering electronic manufacturing services to Customer A, one of the world's leading manufacturers of wire bonding equipment in terms of sales revenue in 2017 according to the Industry Report. As our business continued to expand and required further capital to fund our operations and expansion plans, our Company had been listed on the Catalist Board of the SGX-ST since February 2007 until its subsequent delisting in March 2013. For further details, please refer to the paragraph headed "Delisting from SGX-ST" in this section. To expand our geographical coverage, we established subsidiaries in the Philippines and Japan in 2000 and 2015, respectively. In 2016, Diamond Wealth, a subsidiary of China Everbright Group, was invited to invest in our Group with the aim of gaining access to more business opportunities in the PRC and further raising our corporate profile.

BUSINESS MILESTONES

The followings are the major developments and milestones of our Group:

<u>Year</u>	<u>Events</u>
1988	Our Company was incorporated in Singapore and started original design manufacturing operations.
1995	We set up our electronic manufacturing services division, providing contract manufacturing services.
1999	We began offering electronic manufacturing services to Customer A, one of the world's leading manufacturers of wire bonding equipment in terms of sales revenue in 2017 according to the Industry Report. We were awarded the ISO 9002 certification. Kinergy Mechatronics was established in Shanghai, the PRC.

HISTORY AND DEVELOPMENT

Year	Events
2000	Kinergy Philippines was incorporated in the Philippines.
2001	We were awarded the “Enterprise 50” award (a recognition award for promising Singapore small and medium-sized enterprises) for three consecutive years (1999–2001). We got 3rd prize in 2001.
2003	Kinergy EMS was established in Nantong, the PRC.
2006	Kinergy EMS acquired the land use rights for a land site of approximately 7,900 sq.m. in Nantong for the construction of our new manufacturing facility.
2007	Our Company was listed on the SGX-ST. Beta Nova was established in Nantong, the PRC.
2013	We delisted from the SGX-ST.
2015	Kinergy Japan was incorporated in Japan.
2016	Diamond Wealth, a subsidiary of China Everbright Group, invested in our Group and became one of our Controlling Shareholders.
2017	We were awarded the ISO 9001:2015 certification.

OUR COMPANY

Our Company was incorporated in Singapore as a private company limited by shares on 4 January 1988. Our Company principally engages in providing contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision moulds and dies, and has manufacturing facilities located in Singapore. At incorporation, our Company’s issued and paid up share capital was S\$2.00 divided into two shares of S\$1.00 each, which were held as to one Share and one Share, representing 50% and 50%, by Mr. Lim and Ms. Foo, respectively.

To consolidate their business in the semiconductor industry, in early 1989, Mr. Lim and Ms. Foo procured their wholly-owned company, namely Precision Carbide Tooling Pte Ltd (“PCT”), a company incorporated in Singapore in 1981 principally engaged in the manufacturing of semiconductor toolings, to become a holding company of our Company. In this regard, PCT subscribed for 1,300,000 new Shares in our Company at consideration of S\$1,300,000 in February 1989, and Mr. Lim and Ms. Foo transferred all their shareholding interests in our Company to PCT at nominal consideration in March 1989, after which our Company became wholly owned by PCT.

HISTORY AND DEVELOPMENT

In 1989, Unitras, a company wholly owned by Ms. Joyce S. Kerr who is the spouse of Mr. Bradley Fraser Kerr (our non-executive Director), was invited to take up an approximately 32.50% shareholding interest in PCT to fund our business expansion. After the investment of Unitras, PCT was held as to approximately 59.95%, 7.55% and 32.50% by Mr. Lim, Ms. Foo and Unitras, respectively.

As the business activities undertaken by PCT did not suit our core competence of precision engineering, PCT started undergoing a voluntary liquidation in 2000. At the relevant time, an Independent Third Party expressed an interest in investing in our Company. As such, PCT transferred approximately 2.67% of the then total issued Shares to such Independent Third Party, at a consideration of S\$1,704,000, and subsequently transferred all its remaining Shares of our Company to Mr. Lim, Ms. Foo and Unitras in proportion to their shareholding in PCT at a nominal consideration of S\$1.00. After the aforesaid transfers, our Company was owned as to approximately 58.35% by Mr. Lim, 7.35% by Ms. Foo, 31.63% by Unitras and 2.67% by such Independent Third Party.

In preparation for listing on the SGX-ST, our Company was converted into a public company on 22 December 2006 and had undergone several changes in its shareholding structure, after which our Company was listed on the Catalist Board of the SGX-ST on 15 February 2007. Immediately after listing on the SGX-ST, our Company was owned as to approximately 45.29%, 5.45% and 23.48% by Mr. Lim, Ms. Foo and Unitras, respectively. Our Company remained listed on the SGX-ST for around six years until it was subsequently delisted from the SGX-ST on 22 March 2013. For further details, please refer to the paragraph headed “Delisting from SGX-ST” in this section. The shareholding structure of our Company upon completion of the delisting was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Kintrras Pte. Ltd. ^(Note)	128,653,000	98.65%
Public Shareholders	<u>1,761,000</u>	<u>1.35%</u>
Total:	<u><u>130,414,000</u></u>	<u><u>100.00%</u></u>

Note: Kintrras Pte. Ltd. (“**Kintrras**”) was the offeror during the delisting process and was owned as to 69.76% and 30.24% by Mr. Lim and Unitras on 14 December 2012, respectively.

HISTORY AND DEVELOPMENT

Subsequently, various remaining public Shareholders ceased to be Shareholders from the date of the delisting up to June 2015. In December 2013, Kintras transferred 1,000 Shares to Mr. Lim, and in September 2015, Mr. Lim further acquired 151,000 Shares from other Shareholders. On 29 October 2015, Kintras transferred (i) 81,667,963 Shares to Mr. Lim; (ii) 4,537,000 Shares to Mr. Lim Hon Mann (the son of Mr. Lim and Ms. Foo), who subsequently transferred such Shares to Ms. Foo on the same date; (iii) 4,537,000 Shares to Mr. Lim Khin Mann (the son of Mr. Lim and Ms. Foo and an alternate Director to Ms. Foo); and (iv) 39,353,037 Shares to Unitras. After the aforesaid share transfers, the shareholding structure of our Company was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Mr. Lim	81,819,963	62.74%
Ms. Foo	4,537,000	3.48%
Mr. Lim Khin Mann	4,537,000	3.48%
Unitras	39,353,037	30.17%
Certain public Shareholders	<u>167,000</u>	<u>0.13%</u>
Total:	<u><u>130,414,000</u></u>	<u><u>100.00%</u></u>

On 30 September 2016, pursuant to the Subscription Agreement, our Company issued and allotted 11,340,348 Shares to Diamond Wealth, our pre-IPO investor. On 19 October 2016, Mr. Lim and Unitras transferred 15,975,715 Shares and 15,975,715 Shares of our Company, respectively, to Diamond Wealth pursuant to the Share Purchase Agreement. For further details, please refer to the paragraph “Pre-IPO Investment” in this section.

On 7 November 2016, our Company undertook a capital reduction exercise in accordance with Section 78C of the Singapore Companies Act and the Constitution, pursuant to which 167,000 Shares held by the remaining public Shareholders were cancelled and our Company’s share capital was reduced by returning an aggregate of S\$68,470 to such remaining public Shareholders. After the pre-IPO investment and the capital reduction as mentioned above, the shareholding structure of our Company was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Mr. Lim	65,844,248	46.51%
Ms. Foo	4,537,000	3.20%
Mr. Lim Khin Mann	4,537,000	3.20%
Unitras	23,377,322	16.51%
Diamond Wealth	<u>43,291,778</u>	<u>30.58%</u>
Total:	<u><u>141,587,348</u></u>	<u><u>100.00%</u></u>

HISTORY AND DEVELOPMENT

On 21 December 2017, pursuant to the Pre-IPO Investment Agreements, our Company issued and allotted 15,750,483 Shares to Diamond Wealth; and Mr. Lim and Unitras transferred 4,252,630 Shares and 4,252,630 Shares, respectively, to Diamond Wealth. For further details, please refer to the paragraph “Pre-IPO Investment” in this section. After the aforesaid allotment and share transfers, the shareholding structure of our Company was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Mr. Lim	61,591,618	39.15%
Ms. Foo	4,537,000	2.88%
Mr. Lim Khin Mann	4,537,000	2.88%
Unitras	19,124,692	12.16%
Diamond Wealth	<u>67,547,521</u>	<u>42.93%</u>
Total:	<u><u>157,337,831</u></u>	<u><u>100.00%</u></u>

Diamond Wealth was owned as to 97% by CE Venture and 3% by Mr. Du (our executive Director) upon completion of the second tranche of pre-IPO investment in December 2017 as mentioned above. Pursuant to a share swap agreement dated 5 February 2018, Diamond Wealth transferred 2,026,426 shares of our Company to Sino Expo, an investment vehicle wholly owned by Mr. Du, in consideration of Mr. Du transferring 3% in the issued share capital of Diamond Wealth to CE Venture. After the aforesaid Share Swap, the shareholding structure of our Company was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Mr. Lim	61,591,618	39.15%
Ms. Foo	4,537,000	2.88%
Mr. Lim Khin Mann	4,537,000	2.88%
Unitras	19,124,692	12.16%
Diamond Wealth	65,521,095	41.64%
Sino Expo	<u>2,026,426</u>	<u>1.29%</u>
Total:	<u><u>157,337,831</u></u>	<u><u>100.00%</u></u>

HISTORY AND DEVELOPMENT

Share Subdivision

On 19 June 2018, our Shareholders resolved that each issued Share was sub-divided into four Shares with effect from 20 June 2018 such that the total number of issued Shares of our Company increased from 157,337,831 Shares to 629,351,324 Shares. After the completion of the Share Subdivision, the shareholding structure of our Company was as follows:

<u>Name of Shareholders</u>	<u>No. of Shares</u>	<u>Approximate shareholding percentage</u>
Mr. Lim	246,366,472	39.15%
Ms. Foo	18,148,000	2.88%
Mr. Lim Khin Mann	18,148,000	2.88%
Unitras	76,498,768	12.16%
Diamond Wealth	262,084,380	41.64%
Sino Expo	8,105,704	1.29%
Total:	629,351,324	100.00%

OUR MAJOR OPERATING SUBSIDIARIES

Kinergy EMS

Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司) was established by our Company on 23 July 2003 as a limited liability company under the PRC laws with an initial registered capital of USD3,500,000. In August 2010 and January 2014, the registered capital of Kinergy EMS was increased to USD4,000,000 and USD9,000,000, respectively. In May 2014, the registered capital of Kinergy EMS was further increased to approximately RMB124.6 million, which was satisfied partly by cash and partly by contribution of the entire equity interests in Beta Nova. Kinergy EMS principally engages in the production and sales of electronic equipment, testing equipment, tools and dies, and owns our Nantong Facility I.

Beta Nova

Beta Nova Electronic Company Limited* (南通倍塔新星電子有限公司) was established by Mr. Lim on 29 November 2007 as a limited liability company under the PRC laws with the initial registered capital of USD10,000,000.

Pursuant to an equity transfer agreement entered into between Mr. Lim and our Company on 20 August 2011, all the equity interests in Beta Nova were transferred from Mr. Lim to our Company at the consideration of approximately USD2,000,000, with reference to the capital paid-up by Mr. Lim at the relevant time. After the aforesaid transfer, Beta Nova was wholly owned by our Company.

HISTORY AND DEVELOPMENT

Subsequently on 15 April 2014, all the equity interests in Beta Nova held by our Company was injected as capital of Kinergy EMS and Kinergy EMS became the sole shareholder of Beta Nova.

Beta Nova principally engages in the production and sales of components and sub-systems and owns our Nantong Facility II.

Kinergy Mechatronics

Kinergy Mechatronics Shanghai Company Limited* (精技機電商貿(上海)有限公司) was established by our Company on 2 July 1999 as a limited liability company under the PRC laws with the initial registered capital of USD300,000. Subsequently, the registered capital of Kinergy Mechatronics was increased to USD790,000 and USD1,000,000 and further to USD1,062,000 on 25 May 2000, 1 December 2000 and 12 September 2006, respectively.

On 13 February 2014, our Company and Kinergy EMS entered into an equity transfer agreement and a supplemental agreement pursuant to which our Company transferred its entire equity interests in Kinergy Mechatronics to Kinergy EMS with nominal consideration, which was determined with reference to the net liabilities of Kinergy Mechatronics at the relevant time. After the aforesaid transfer, Kinergy Mechatronics is wholly owned by Kinergy EMS. Kinergy Mechatronics principally engages in the provision of procurement services for the external orders received by Kinergy EMS and other relevant services for the PRC subsidiaries of our Group, including maintaining customer relationship and business development.

KPL

Kinergy Pte. Ltd. was incorporated in Singapore as a private company limited by shares on 19 December 2013 and was funded by Mr. Lim with an initial issued and paid up share capital of S\$1.00 in one share. On 10 January 2014, 6,199,999 shares of KPL were allotted and issued to Kinergy EMS for a consideration of S\$6,199,999. After the aforesaid share allotment, the shareholding structure of KPL was owned as to 6,199,999 shares and one share, representing 99.99998% and 0.00002% by Kinergy EMS and Mr. Lim, respectively.

On 16 May 2017, KPL undertook a capital reduction exercise in accordance with Section 78B of the Singapore Companies Act and KPL's constitution, pursuant to which 6,000,000 shares in KPL held by Kinergy EMS were cancelled and KPL's share capital was reduced by returning an aggregate of S\$6,000,000 to Kinergy EMS. After the aforesaid capital reduction, KPL was owned as to 199,999 shares and one share, representing 99.9995% and 0.0005%, by Kinergy EMS and Mr. Lim, respectively. On 2 October 2017, Mr. Lim transferred one share of KPL to Kinergy EMS at the consideration of S\$1.00 by way of cash, after which KPL was wholly-owned by Kinergy EMS.

Prior to January 2017, KPL principally engaged in the provision of manufacturing, design, engineering and assembly services for the electronics industry. To streamline our operational structure, KPL as transferor and our Company as transferee entered into an

HISTORY AND DEVELOPMENT

asset transfer agreement dated 31 December 2016, pursuant to which KPL transferred its assets consisting, *inter alia*, accounts receivables, equipment, inventories, to our Company for an aggregate consideration of approximately S\$4.0 million. As a result, the business of KPL has been gradually taken up by our Company since January 2017.

Kinergy Philippines

Kinergy Philippines, Inc. was established in the Philippines as a stock corporation on 6 April 2000 and was funded by Mr. Lim with an initial authorised capital stock of Php20,000,000 divided into 20,000 common shares with par value of Php1,000 per share. On 6 July 2000, 4,995 and five shares of Kinergy Philippines were allotted and issued fully paid to Mr. Lim and five directors of Kinergy Philippines (including Mr. Lim), respectively.

On 26 January 2001, Mr. Lim transferred 4,995 shares of Kinergy Philippines to our Company with the consideration of Php4,995,000 by way of cash. Subsequently on 1 September 2001 and 27 August 2006, our Company subscribed 5,000 shares and 10,000 shares of Kinergy Philippines with the consideration of Php5,000,000 and Php10,000,000, respectively, by way of cash, which were determined based on the issued and paid up share capital of Kinergy Philippines. After the aforesaid share transfer and subscription, the entire shareholding of Kinergy Philippines was beneficially owned by our Company, among which five shares were held by five directors of Kinergy Philippines (including Mr. Lim) at that time as nominees in favour of our Company. As advised by our Philippines Legal Advisers, directors are required to have at least one share of stock in their name to be qualified to be elected and act as a director of a Philippine corporation under Philippine Law. This share of stock may be beneficially owned by the director or held in trust by him in favour of a trustor. Our Philippines Legal Advisers confirm that the trust arrangement as described above was legally valid and effective.

Kinergy Philippines had undergone several changes in its directorship since March 2017. Since the directors are required to hold a nominee share, the resigned directors transferred their nominee share to the newly appointed directors. As at 31 March 2017, the entire shareholding of Kinergy Philippines was beneficially owned by our Company, among which five shares were held by directors of Kinergy Philippines, namely Mr. Lim, Mr. Cham Toon How, Mr. Mauriben T. Garlejo, Ms. Jessie Bermisa Manangan and Ms. Maria Eugenia G. Batao, as nominees in favour of our Company. Our Philippines Legal Advisers confirmed that the trust arrangement as described above was legally valid and effective.

On 27 September 2017, Kinergy Philippines allotted 20,000 fully paid shares of Kinergy Philippines to our Company with the consideration of Php20,000,000 by way of a conversion and application of its deposit into equity. The increase of Kinergy Philippines's authorised capital stock up to Php40,000,000 divided into 40,000 common shares with par value of Php1,000 per share was approved by the Philippine Securities and Exchange Commission.

Kinergy Philippines principally engages in the design, fabrication and manufacture for export of precision molds and dies, tooling components as well as equipment components and of fully automated mechatronics systems for electronics manufacturing. Kinergy Philippines has manufacturing facilities located in the Philippines.

HISTORY AND DEVELOPMENT

Kinergy Japan

Kinergy Japan K.K.* (キネジージャパン株式会社) was established in Japan as a stock company (kabushiki kaisha) on 11 June 2015 with an initial share capital of JPY10,000,000 divided into 200 shares.

According to the memorandum of trust dated 9 February 2018 entered into by Mr. Lim, our Company and KPL, the parties confirmed that Mr. Lim held such 200 shares of Kinergy Japan in trust on behalf of KPL from the date of incorporation of Kinergy Japan. Such trust arrangement was for administrative convenience purpose. The beneficial owner of those 200 shares of Kinergy Japan was changed from KPL to our Company on 1 January 2017. Such trust arrangement was cancelled on 28 September 2017, when all those 200 shares were transferred back to the beneficial owner, our Company. Our Japan Legal Advisers confirmed that the trust arrangement as described above was legally valid and effective under laws of Japan.

Kinergy Japan principally engages in the sales and services of our products in Japan.

DISSOLVED/DEREGISTERED ENTITIES

From the commencement of the Track Record Period up to the Latest Practicable Date, several entities in our Group were dissolved/deregistered. As confirmed by the Directors, those entities were solvent at the time of their dissolution/deregistration.

Kinergy US

Kinergy (U.S.), Ltd. was established in the Commonwealth of Pennsylvania, the US as a corporation on 24 July 2008 by our Company with an initial authorised share capital of 1,000 shares of stock. Our Directors confirmed that, Kinergy US was established initially for gaining access to US markets and exposing us to a wider range of customers. Nonetheless, to increase the cost efficiency of our Group, we intend to appoint external sales representatives and marketing agents in the US instead of employing sales representatives by ourselves. Therefore, Kinergy US was duly dissolved in January 2018.

Kinergy Nantong

Kinergy Precision Engineering (Nantong) Co., Ltd.* (精技機電(南通)有限公司) was established by our Company on 8 June 2000 as a limited liability company under the PRC laws for carrying on the principal business of manufacture of tools and dies, mechanical components, mechatronics equipment and wholesale of the self-manufactured products directly into the market with the initial registered capital of USD3,100,000. Our Directors confirmed that, following establishment of a factory under Kinergy EMS, for the purpose of rationalising our Group structure, Kinergy Nantong was deregistered in November 2016.

HISTORY AND DEVELOPMENT

Kinergy Wuhan

Kinergy Precision Engineering (Wuhan) Co., Ltd.* (精技精密工程(武漢)有限公司) was established in the PRC on 2 June 1993 by our Company and an Independent Third Party, the ultimate beneficial owner of which was an educational institution in Wuhan, with the initial registered capital of USD800,000. Our Directors confirmed that Kinergy Wuhan was established for tapping into the manufacturing and machining skills of workers in Wuhan and also for production and sales of components and sub-systems in the PRC. Following the local government acquisition of the land which Kinergy Wuhan used for office and manufacture and for the purpose of rationalising our Group structure, Kinergy Wuhan was deregistered in March 2017.

Shanghai Jiao-Tong

Shanghai Kinergy Jiao-Tong Mold Co., Ltd.* (上海凱納捷-交通模具有限公司) was established in the PRC on 27 April 1990 by our Company and an Independent Third Party, the ultimate beneficial owner of which was an educational institution in Shanghai, with the initial registered capital of USD600,000. Our Directors confirmed that Shanghai Jiao-Tong was established for tapping into the manufacturing and machining skills of workers in Shanghai and also for production and sales of components and sub-systems in the PRC. Following significant increase of labour cost in Shanghai and for the purpose of rationalising our Group structure, Shanghai Jiao-Tong was liquidated and deregistered in January 2016.

PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

Diamond Wealth is a subsidiary of CEL. CEL is a subsidiary of China Everbright Group due to consolidation of its financial statements into those of China Everbright Group, which is held as to approximately 55.67% by Huijin, a wholly state-owned company, and approximately 44.33% by the Ministry of Finance. For further details, please refer to the section headed “Relationship with our Controlling Shareholders”.

Principal Terms of Investment

On 5 September 2016, our Company entered into the Subscription Agreement with Diamond Wealth, pursuant to which (a) Diamond Wealth agreed to subscribe for and our Company agreed to allot and issue 11,340,348 Shares (the “**Tranche 1 Subscription Shares**”) to Diamond Wealth for a total cash consideration of S\$4,696,000 (the “**Tranche 1 Subscription**”); and (b) our Company granted to Diamond Wealth an option (the “**Subscription Option**”) to subscribe for an additional 15,750,483 Shares (the “**Tranche 2 Subscription Shares**”, together with Tranche 1 Subscription Shares, the “**Subscription Shares**”) for a total cash consideration of S\$6,522,000 (the “**Tranche 2 Subscription**”).

On 5 September 2016, Diamond Wealth entered into the Share Purchase Agreement with Mr. Lim and Unitras, pursuant to which (a) Mr. Lim and Unitras (collectively, the “**Vendors**”) agreed to sell 15,975,715 Shares and 15,975,715 Shares (the “**Tranche 1 Sales**”).

HISTORY AND DEVELOPMENT

Shares”) to Diamond Wealth at cash consideration of S\$6,615,000 and S\$6,615,000, respectively; and (b) Mr. Lim and Unitras granted to Diamond Wealth an option (the “**Purchase Option**”) to purchase additional 4,252,630 Shares and 4,252,630 Shares (the “**Tranche 2 Sales Shares**”, together with Tranche 1 Sales Shares, the “**Sales Shares**”) at cash consideration of S\$1,761,000 and S\$1,761,000, respectively.

The following table sets out the principal terms of the investment by Diamond Wealth:

Date of completion and payment of consideration:	<i>Tranche 1 Subscription:</i> 30 September 2016 <i>Sale and purchase of Tranche 1 Sales Shares:</i> 19 October 2016 <i>Tranche 2 Subscription:</i> 21 December 2017 <i>Sale and purchase of Tranche 2 Sales Shares:</i> 21 December 2017
Basis of determination of consideration:	Based on arm’s length negotiations between our Company, the Vendors and Diamond Wealth after taking into consideration of the historical financial performance of our Group and the business prospects of our Group
Cost per Share paid by Diamond Wealth:	S\$0.414 (equivalent to approximately HK\$2.42) per Share (based on the number of issued Shares immediately after completion of the pre-IPO investment); and S\$0.104 (equivalent to approximately HK\$0.61) per Share (based on the number of issued Shares after Share Subdivision and upon completion of the Global Offering)
Discount to the Offer Price:	A discount of approximately 46.5% to the mid-point of the indicative offer price range of HK\$1.02 to HK\$1.26 (based on the number of issued Shares after Share Subdivision and upon completion of the Global Offering)
Use of proceeds from pre-IPO investment:	General working capital. As at the Latest Practicable Date, the proceeds from the pre-IPO investment had been partially utilised

HISTORY AND DEVELOPMENT

Benefits to our Group:

Our Directors are of the view that our Company could benefit from Diamond Wealth's commitment to our Company as their investment demonstrates its confidence in the operations of our Group and serves as an endorsement of our Company's performance, strength and prospects. In addition, benefiting from the business network of Diamond Wealth and its holding companies, it is expected that more new business opportunities will be available to our Group, particularly in the PRC, thereby enabling our Group to diversify its customer base by capitalising on the growth in China market

Shareholding in our Company upon Listing ^(Note): 32.19%

Note: Based on the aggregate of 270,190,084 Shares to be held by Diamond Wealth and Sino Expo (including the Shares acquired by Diamond Wealth pursuant to the Pre-IPO Investment Agreements and subsequently transferred to Sino Expo under the Share Swap) upon completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Special Rights

Under the Share Purchase Agreement, Diamond Wealth has been granted the following rights that were subsisting as at the Latest Practicable Date but will automatically terminate upon Listing:

Put/call option:

- (i) In the event our Company does not list its Shares on the Stock Exchange by 31 March 2020 (the “**IPO Timeline**”) or the Vendors notify Diamond Wealth in writing of the Vendors' decision not to undertake the Qualified IPO and Diamond Wealth consents to such decision:
 - (a) the Vendors shall severally purchase from Diamond Wealth all the Sales Shares at a consideration equal to the amount paid by Diamond Wealth for the Sales Shares plus interest at the rate of 10% per annum accrued on the investment sum for the period commencing from the respective dates of closing until the date of payment for such purchase, minus the cumulative amount of dividends paid and/or declared by our Company to Diamond Wealth in respect of the Sales Shares (the “**Sale Shares Repayment**”); and

HISTORY AND DEVELOPMENT

- (b) the Vendors shall procure our Company to purchase from Diamond Wealth all the Subscription Shares at a consideration equal to the amount paid by Diamond Wealth for the Subscription Shares plus interest at the rate of 10% per annum accrued on the investment sum for the period commencing from the respective dates of closing until the date of payment for such purchase, minus the cumulative amount of dividends paid and/or declared by our Company to Diamond Wealth in respect of the Subscription Shares (the “**Subscription Shares Repayment**”),

within three months from the date of such event (collectively, the “**Investor’s Put Option**”).

- (ii) In the event of an occurrence of any of the above events, the Vendors shall have the option to require Diamond Wealth to sell all the Sales Shares and Subscription Shares to the Vendors (the “**Vendors’ Call Option**”).
- (iii) The IPO Timeline shall be subject to extension in the event of occurrence of any of the following events prior to the IPO Timeline:
 - (a) any act of God, war, hostilities, invasion, act of foreign enemies, mobilisation, requisition, embargo, acts or threats of terrorism, outbreak of disease which leads to or may lead to a delay or inability to meet the IPO Timeline;
 - (b) the suitability for listing conditions for undertaking an initial public offering on the Stock Exchange being materially different from such conditions as at the date of the Share Purchase Agreement; or
 - (c) any delay arising from any acts or omissions on the part of Diamond Wealth.

In the event that any of the above events occurs, the IPO Timeline shall be extended further by a period of one year and the relevant parties’ obligations with respect to the Investor’s Put Option and the Vendors’ Call Option shall apply in respect of such extended IPO timeline.

Default put/call option:

- (i) Where any of the following default event occurs, Diamond Wealth may, within a period of 90 days from the date of occurrence of default event, serve a notice to the Vendors and be entitled to a put option (the “**Default Put Option**”) against the Vendors to require the Vendors severally to purchase from Diamond Wealth all the Shares held by Diamond Wealth for the time being at consideration equal to Sale Shares Repayment plus Subscription Shares Repayment (save that the

HISTORY AND DEVELOPMENT

reference to “interest” shall be a reference to interest at 20% per annum, instead of 10%):

- (a) in the event our Company fulfills the listing conditions for undertaking an initial public offering on the Stock Exchange, but the Vendors subsequently carry out any action or enter into any transaction that causes our Company to be unable to carry out the Qualified IPO or choose not to undertake the Qualified IPO;
 - (b) in the event that the Vendors do not buy back the Sales Shares under the Investor’s Put Option; and
 - (c) in the event that our Company does not buy back the Subscription Shares under the Investor’s Put Option.
- (ii) Where any of the following default event occurs, the Vendors may, within a period of 90 days from the date of occurrence of default event, serve a notice to Diamond Wealth and be entitled to a call option (the “**Default Call Option**”) against Diamond Wealth to require Diamond Wealth to sell to the Vendors all the Shares held by Diamond Wealth for the time being at consideration equal to Sale Shares Repayment plus Subscription Shares Repayment (save that the reference to “interest” shall be a reference to interest at -5% per annum, instead of 10%):
- (a) Diamond Wealth does or omits to do any action or enter into any transaction that causes our Company to be unable to carry out the Qualified IPO; and
 - (b) Diamond Wealth does not sell and transfer the Sales Shares and Subscription Shares to the Vendors under the Vendors’ Call Option.

Appointment Right:

Diamond Wealth is entitled to appoint (a) two Directors to the Board of Directors of our Company at closing in respect of the Tranche 1 Sales Shares; and (b) in anticipation of the Qualified IPO and subject to the relevant Listing Rules and regulations of the Stock Exchange, one person as non-executive Director (who shall also be the chairman of the Board) and one person as independent non-executive Director.

Reserved matters:

Each of the Vendors and Diamond Wealth undertakes to and with each other that none of the following matters shall be taken by our Company unless with prior written approval of Diamond Wealth or the Director appointed by Diamond Wealth:

- (a) the declaration or payment of any dividends or other distribution of profits;
- (b) any significant change in the nature and/or scope of, or cessation of, business of our Group;

HISTORY AND DEVELOPMENT

- (c) any acquisition of or investment in any undertaking, material assets or shares or other equity interest;
- (d) any disposal, transfer, lease, assignment, sale or parting of control of any undertaking, assets which are material to the business of our Group or which exceed 10% of the net asset value of our Group or shares or other equity interests by our Group;
- (e) exercise of borrowing powers of our Group, provision of any credit, making any loan or advances to or for any person by our Group or granting of any guarantee, indemnity or performance bond, creation of any mortgage, charge or other encumbrances over our Group's property, which when aggregated with similar transactions by our Group in the same financial year exceeds S\$5,000,000 or which exceeds S\$2,000,000 in a single transaction;
- (f) dissolution, liquidation or winding up of or institution of any proceedings in respect thereof by our Group;
- (g) any increase in the share capital of our Group company or issue or grant of any option over the unissued share capital of any Group company or the issue of any new class of shares in the capital of any Group company or issuing of any convertible securities by any Group company or the capitalisation of any loan by any Group company or any action resulting in a dilution of Diamond Wealth's interest in any Group company;
- (h) any repurchase, cancellation or redemption of a Group company's share capital or any reduction, consolidation, subdivision or reclassification or other alteration of its capital structure;
- (i) the appointment or removal of, or change in, the auditors of our Company or any Group company;
- (j) establishment of any committee of the Board, and delegation of any powers of the Board to any such committee;
- (k) any public offering or listing or quotation of the shares or other equity of any Group company on any stock exchange;
- (l) any change in the structure and size of the Board;
- (m) the adoption of, or any significant change in, the accounting policies of a Group company, other than as required by law or accounting policies generally accepted in applicable jurisdiction; and
- (n) the creation of any mortgage, charge or other encumbrance over the land including the factory and properties thereon owned by Beta Nova and the land use rights and properties held by Kinergy EMS.

HISTORY AND DEVELOPMENT

Right of first refusal:

Each of the Vendors and Diamond Wealth agreed that it would not, without the prior written consent of the other parties, transfer all or any part of the Shares held by it at any time.

Dividends:

Pursuant to the Share Purchase Agreement, subject to compliance with the requirements of Singapore law, upon getting approval from the Stock Exchange for our Company's listing application, prior to completion of the Qualified IPO, the Vendors shall procure (and Diamond Wealth shall not object) that our Company distributes dividends in the aggregate amount of approximately S\$28.4 million in July 2018, which consists of (i) dividends of approximately S\$7.7 million to our existing Shareholders (other than Diamond Wealth and Sino Expo), representing dividends in respect of profits accumulated prior to completion of Tranche 1 Sales Shares in October 2016; (ii) dividends of approximately S\$4.4 million to our existing Shareholders (other than Diamond Wealth and Sino Expo), representing half of the adjusted net profits for the financial period from 1 January 2016 to 30 September 2016; and (iii) dividends of approximately S\$16.3 million to all our existing Shareholders, representing the remaining undistributed profits up till 30 April 2018.

Share Swap

Immediately upon completion of the pre-IPO investment, Diamond Wealth held in aggregate 67,547,521 Shares, representing approximately 42.93% of the issued share capital of our Company, and Diamond Wealth was owned as to 97% by CE Venture and 3% by Mr. Du at the relevant time. Under the Share Swap that took place on 5 February 2018, Diamond Wealth transferred 2,026,426 Shares to Sino Expo, an investment vehicle wholly owned by Mr. Du, in consideration for Mr. Du transferring 3% in the issued share capital of Diamond Wealth to CE Venture. As a result, immediately upon completion of the Share Swap, Diamond Wealth and Sino Expo held 65,521,095 and 2,026,426 Shares, representing approximately 41.64% and 1.29% of the issued share capital of our Company, respectively.

As a condition precedent of the Share Swap, Mr. Lim, Unitras, Diamond Wealth and Sino Expo entered into a letter of agreement dated 5 February 2018, pursuant to which the parties agreed that, among others, (i) any references to the investor (i.e Diamond Wealth) in the Share Purchase Agreement in relation to actions or obligations which are capable of being performed from the date of completion of the Share Swap shall refer to Diamond Wealth and Sino Expo collectively; (ii) any references to any Shares held by the investor (i.e Diamond Wealth) in the Share Purchase Agreement shall refer to Diamond Wealth and Sino Expo's collective shareholding in our Company following completion of the Share Swap; and (iii) Diamond Wealth shall be entitled to exercise any rights of the investor (or in respect of the Shares held by the investor) under the Share Purchase Agreement at its sole and absolute discretion and Sino Expo shall be bound by any such election or act done by Diamond Wealth in its exercise of such rights of the investor (or in respect of the Shares held by the investor).

HISTORY AND DEVELOPMENT

Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), Diamond Wealth together with Sino Expo will be interested in approximately 32.19% of the issued share capital of our Company, and thus are our Controlling Shareholders. For details, please refer to the section headed “Relationship with our Controlling Shareholders”. As such, they have to comply with the non-disposal undertaking under Rule 10.07 of the Listing Rules and their Shares will not be counted towards the public float. Please refer to the section headed “Underwriting — Underwriting Arrangements and Expenses — Lock-up undertakings to the Stock Exchange” for details.

Joint Sponsors’ confirmation

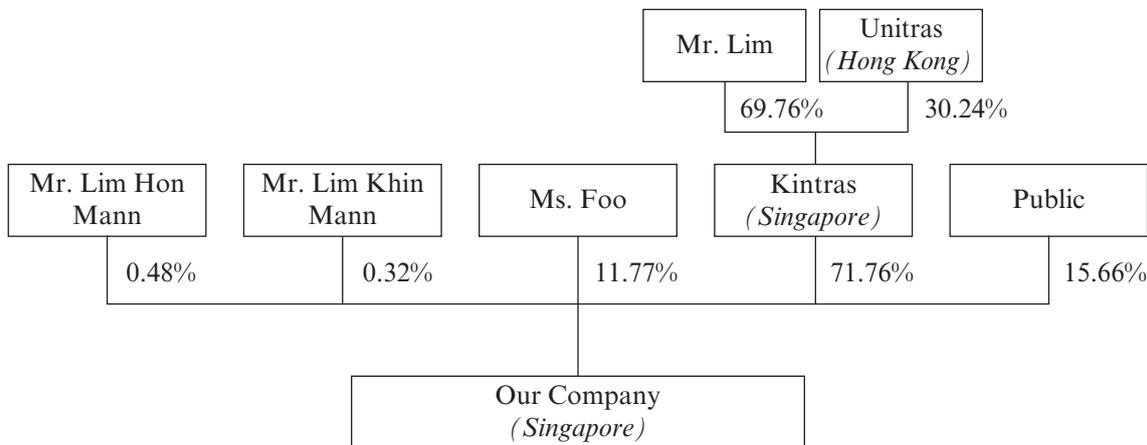
On the basis that (i) the consideration for the pre-IPO investment was settled more than 28 clear days before the date of our first submission of the Listing application to the Stock Exchange; (ii) the divestment rights under the Investor’s Put Option, the Vendors’ Call Option, the Default Put Option and the Default Call Option are only exercisable if the listing does not take place; and (iii) the special rights (including the divestment rights) granted to Diamond Wealth will terminate upon Listing, the Joint Sponsors have confirmed that the investments of Diamond Wealth in the Company are in compliance with the Guidance Letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

DELISTING FROM SGX-ST

Our Company was listed on the Catalist Board of the SGX-ST on 15 February 2007. We remained listed on the SGX-ST for around six years, during which time we had complied with the listing rules of the SGX-ST in all material aspects. On 14 December 2012, Kintras, which was owned as to approximately 69.76% by Mr. Lim and 30.24% by Unitras, announced and made a voluntary unconditional cash offer of S\$0.250 per Share for (i) all the issued and paid-up Shares not owned by Kintras and parties acting in concert with it; and (ii) all new Shares issued or to be issued pursuant to the exercise of outstanding options prior to the close of the offer, and an options proposal with the option price of difference between the offer price and exercise price. The closing price of the Shares of our Company on 7 December 2012, being the last full trading day immediately prior to the announcement

HISTORY AND DEVELOPMENT

of the offer was S\$0.180 per Share. On 14 December 2012, Kintras and parties acting in concert with it owned in aggregate Shares representing approximately 84.34% of the total number of Shares then in issue. The following chart sets forth our shareholding structure as at 14 December 2012:



During the offer, our Company issued and allotted certain Shares pursuant to the exercise of certain outstanding options prior to the close of the offer, and Kintras received valid acceptances and acquired or agreed to acquire Shares in aggregate representing approximately 26.56% of the then total issued Shares, which included the valid acceptances received from parties acting in concert with Kintras in aggregate representing approximately 12.52% of the then total issued Shares. Accordingly, at the close of the offer, the total number of Shares owned, controlled or agreed to be acquired by Kintras and parties acting in concert with it, together with the Shares in respect of which valid acceptances to the offer had been received, amounted to approximately 96.94% of the then total issued Shares as at 8 February 2013. As Kintras had not received valid acceptances to exercise the right to compulsorily acquire all the Shares at the close of offer, there were various public Shareholders who still held the Shares and had the right to require the offeror to acquire their Shares even after close of the offer. When our Company was delisted from the SGX-ST on 22 March 2013, approximately 1.35% shareholding remained held by public Shareholders. The offer was funded by internal resources of Kintras.

HISTORY AND DEVELOPMENT

The reasons for our Company delisting from SGX-ST, amongst others, were as follows:

(a) Upfront Premium

The delisting offered minority Shareholders an opportunity to realise the value of their investments in our Company at a premium over the historical trading prices of our Shares on the SGX-ST, an option which may not otherwise have been readily available.

(b) Low Trading Liquidity

Based on the historical trading records, the liquidity of our Shares on the SGX-ST had been generally low. The delisting offer provided an exit opportunity for those Shareholders who wished to realise their entire investment in our Shares but had found it difficult to do so as a result of the low trading liquidity of our Shares.

(c) Greater Management Flexibility

The delisting would provide our Company with greater management flexibility to manage and develop its businesses, optimise the use of resources and facilitate the implementation of any strategic initiatives and/or operation changes.

Based on an offer price of S\$0.250 per Share, our Company's market capitalisation was approximately S\$32.6 million at the time when we delisted from the SGX-ST. Based on an Offer Price of HK\$1.14 per Offer Share, being the mid-point of the indicative range of the Offer Price, our Company's expected market capitalisation is approximately HK\$956.9 million (equivalent to approximately S\$163.7 million). The higher expected market capitalisation under the Global Offering as compared to that when we delisted is mainly attributable to the increase in the scale of our business operations and the improvement of our financial performance during the years, as a result of which our profit after tax increased from approximately S\$1.4 million for the year ended 31 December 2013 to approximately S\$8.0 million for the year ended 31 December 2017, coupled with the strategic benefits that are expected to be brought to our Group after the investment of Diamond Wealth in our Group.

HISTORY AND DEVELOPMENT

REASONS FOR LISTING IN HONG KONG

Our Directors believe that the Listing on the Stock Exchange is beneficial to us for our business expansions and our long term goals, as well as is beneficial to our Company and our Shareholders as a whole, notwithstanding the Listing expenses involved, for the following reasons:

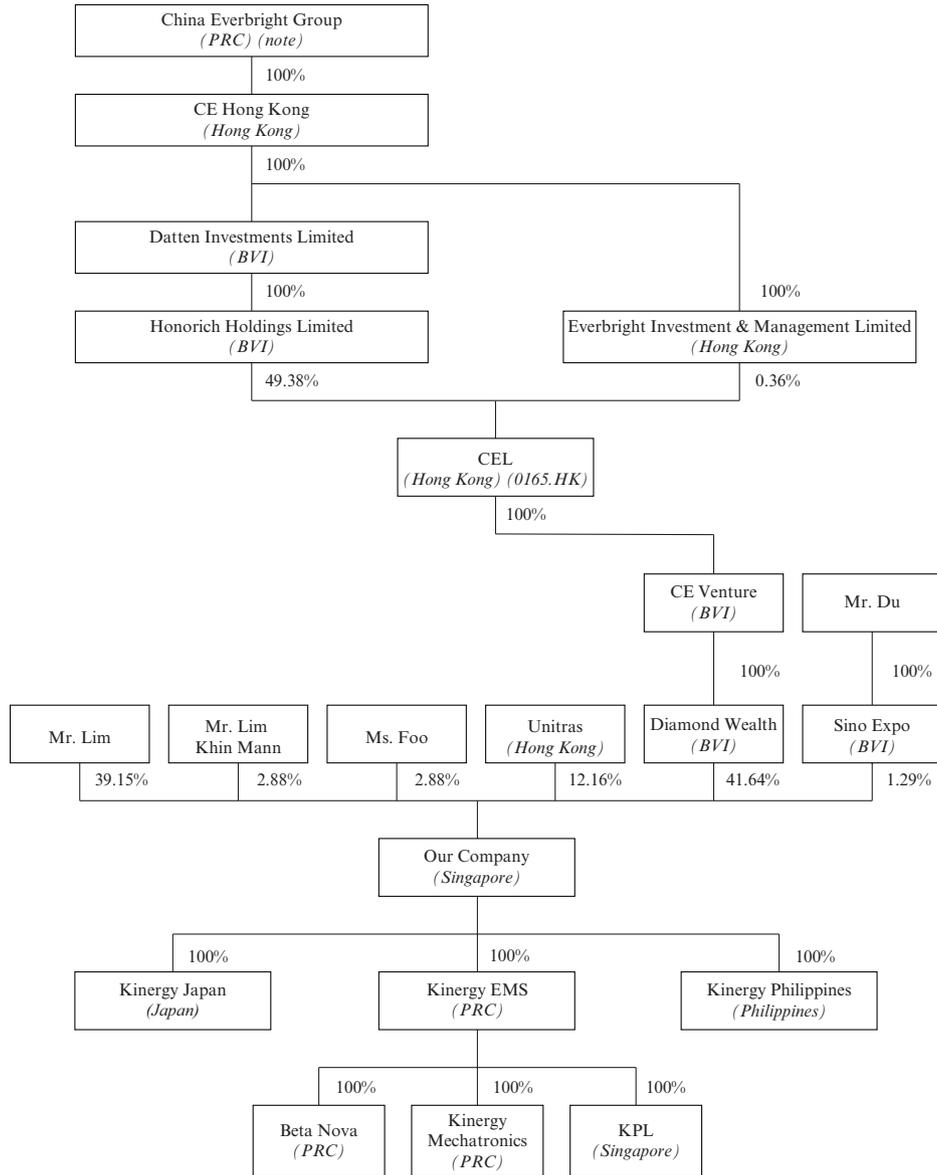
- ***Strategic location of the stock market in-line with our expansion plan:*** Hong Kong is uniquely positioned as the key gateway between the PRC and international markets and as disclosed in the section “Business — Our Business Strategies” in this prospectus, we are currently pursuing our existing expansion plan in Japan, Europe and the US. Our Directors believe that with listing status on the Stock Exchange, we can strengthen our positioning and enhance our brand name in Asia and other regions in the world. We can further reinforce our corporate profile, brand awareness and market reputation in the world;
- ***Hong Kong as an international finance centre:*** Hong Kong is one of the international finance centres and as disclosed in the section “Business — Our Business Strategies” in this prospectus, we intend to acquire profitable companies with empirical/holistic skills and technologies. Our Directors believe that an international reputation is important for any further investment or acquisition and allows us to have a stronger bargaining power to negotiate better investment terms, which in turn allows us to have better potential return on investment in the future and for the interest of our Shareholders as a whole;
- ***Better access to capital and future fund raising:*** In 2017, according to the information published by the Stock Exchange, the amounts of initial public offering (IPO) funds raised from new listings and post-IPO equity fund raised by listed companies through the Stock Exchange as at 15 December 2017 were approximately HK\$127.1 billion and HK\$398.6 billion, respectively. Our Directors believe that the above numbers of the Stock Exchange have shown that there is a strong investor support for listed companies on the Stock Exchange on both primary and secondary funds raising. As such, the Listing in Hong Kong will allow us to have a good channel for fund raising in the future; and
- ***Ability to attract talents in Hong Kong and the PRC:*** As a significant portion of our products are manufactured in the PRC, our Directors believe that the listing status on the Stock Exchange will provide a sense of belongingness for the employees in the region as a Hong Kong listed company, which will in turn allow us to hire, motivate and retain good employees, and further expand our business in the PRC region.

HISTORY AND DEVELOPMENT

OUR CORPORATE STRUCTURE

Prior to the Global Offering

The following chart sets out the shareholding and corporate structure of our Company as at the Latest Practicable Date, immediately prior to completion of the Global Offering:

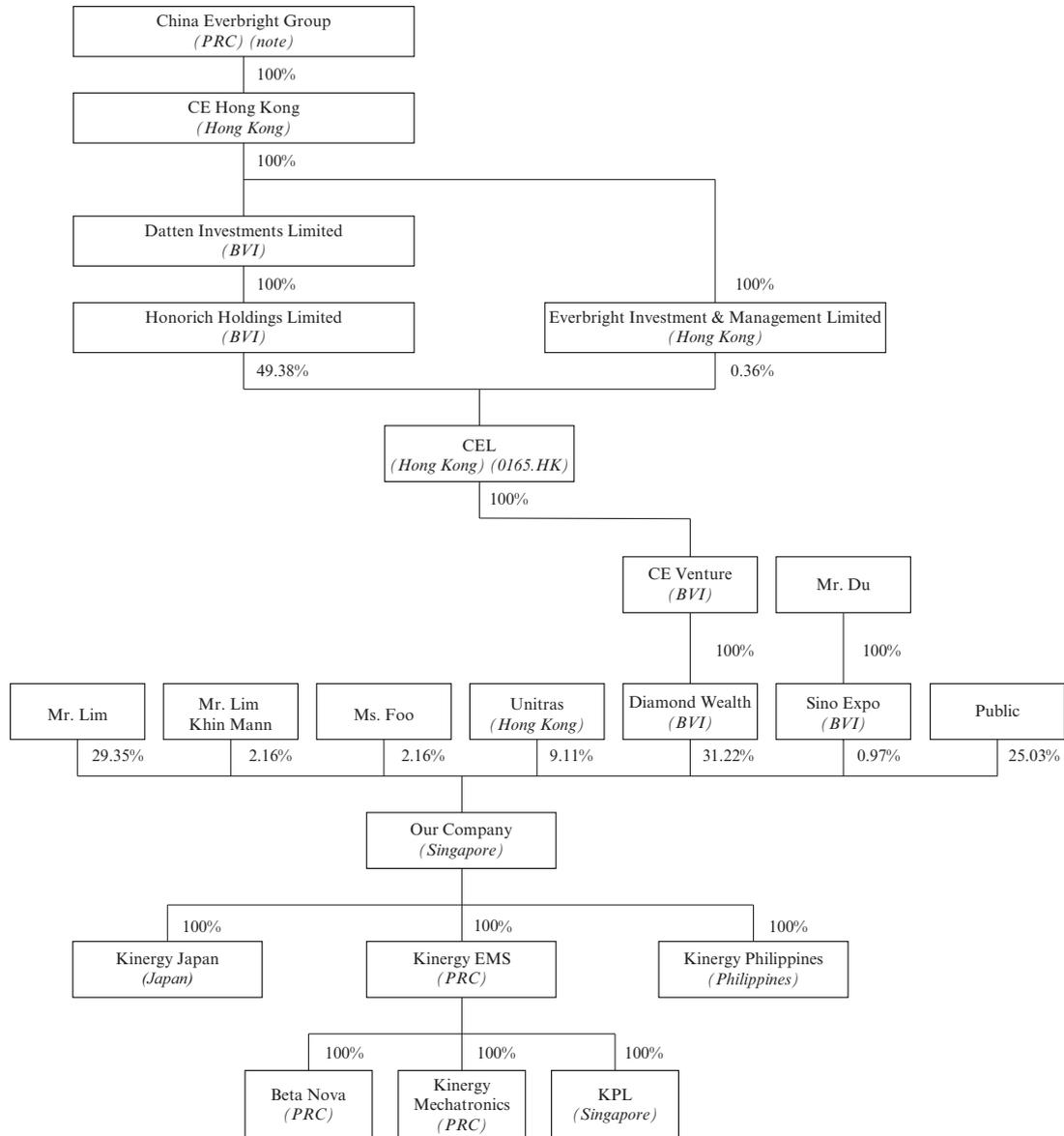


Note: China Everbright Group is held as to approximately 55.67% by Huijin, which is wholly owned by the State Council through CIC, and approximately 44.33% by the Ministry of Finance.

HISTORY AND DEVELOPMENT

Immediately following completion of the Global Offering

The following chart sets out the shareholding and corporate structure of our Company immediately following completion of the Global Offering (assuming no Over-allotment Option is exercised):



Note: China Everbright Group is held as to approximately 55.67% by Huijin, which is wholly owned by the State Council through CIC, and approximately 44.33% by the Ministry of Finance.

HISTORY AND DEVELOPMENT

PRC LEGAL COMPLIANCE

Circular 37

Pursuant to the Circular Relating to Foreign Exchange Administration of Offshore Investment, Financing and Round-Trip Investment by Domestic Residents Through SPVs issued by SAFE (“**Circular 37**”), certain Chinese-controlled overseas companies raising funds overseas to make “round-trip” investments in assets and businesses in the PRC are, in certain circumstances, subject to registration requirements. More specifically, a PRC resident (including a PRC resident individual and a company incorporated in the PRC) must register with the relevant SAFE branch if (i) he/she/it newly establishes, for investment or financing purposes, an overseas special purpose vehicle (an “**Overseas SPV**”) with the contribution of domestic and/or overseas legal assets thereto; or (ii) his/her/its indirectly-controlled Overseas SPV establishes in the PRC any foreign invested enterprises or projects with the subsequent obtaining of ownership as well as managerial control thereof. Following the initial registration, the said PRC resident is also required for prompt registration with the relevant SAFE branch for any major changes, in respect of the relevant Overseas SPV, including but not limited to any changes to the name(s) of PRC resident individual shareholder(s) of the Overseas SPV, name of the Overseas SPV itself, term of operation, or any increase or reduction of that Overseas SPV’s registered capital, share transfer or swap, and merge or division.

Although Mr. Du is a PRC citizen who indirectly holds approximately 1.29% Shares through Sino Expo immediately prior to completion of the Global Offering, as advised by our PRC Legal Advisers, Mr. Du is not required to register with the relevant SAFE branch under Circular 37 based on the following reasons:

- CE Venture became the sole shareholder of Diamond Wealth on 1 March 2016 and Diamond Wealth became one of the Shareholders of our Company on 30 September 2016. On 1 December 2016, Mr. Du subscribed 3% in the issued share capital of Diamond Wealth, which directly held approximately 30.58% Shares at that time. Pursuant to a share swap agreement dated 5 February 2018, Diamond Wealth transferred 2,026,426 Shares to Sino Expo, an investment vehicle wholly owned by Mr. Du in the consideration of Mr. Du transferring 3% in the issued share capital of Diamond Wealth to CE Venture. The aforesaid Share Swap does not change the actual Shares interests held by Mr. Du nor actual time of investment by Mr. Du. There are six subsidiaries of our Group in total (including three deregistered companies) incorporated in the PRC during the Track Record Period and all of those companies were incorporated before 2008 which was much earlier than the time when Mr. Du invested in our Company. Based on the facts that (i) Mr. Du has not held any interest in those six subsidiaries of our Group mentioned above before his investment in our Company; and (ii) the share structure of our Group has been established before Mr. Du’s investment in our Company, Mr. Du’s activities regarding the investment in our Company is not a “round-trip” investments as defined under Circular 37; and

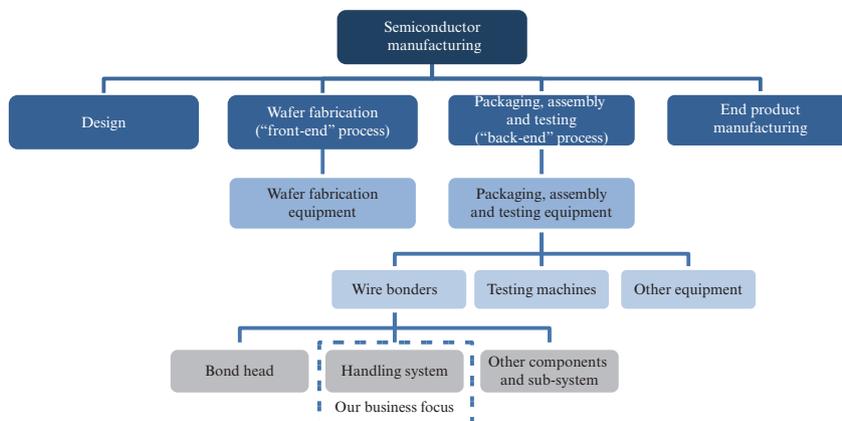
HISTORY AND DEVELOPMENT

- The target of investment by Mr. Du was in the whole Group instead of the companies incorporated in the PRC within our Group. Our Company, as a Singapore company, has business in Singapore and other regions. Our Company is not an overseas investment or holding company for investment or financing purposes only. The PRC companies within our Group are part of the normal business investment by our Company. Our Company, Diamond Wealth nor Sino Expo are not Overseas SPVs as defined under Circular 37.

OVERVIEW

Established in 1988 in Singapore, we are a contract manufacturer specialising in manufacturing equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor industry. Our products are primarily purchased by original design manufacturers of semiconductor process equipment (i.e. SPE, equipment used to manufacture or process semiconductors) and users of semiconductor process equipment. Our products are generally applied to form a part of SPE for manufacture of semiconductors or applied to manufacture or process semiconductors^(Note). During the Track Record Period, the majority of our revenue were generated from manufacturing of wire bonding handling systems (an essential sub-system of wire bonders, which is a semiconductor back-end equipment). According to the Industry Report, we are the world’s largest contract manufacturer of wire bonder handling systems in the global wire bonder handling system contract manufacturing industry in terms of revenue with a market share of approximately 49.6% in 2017.

For further information of our industry, please refer to the section headed “Industry Overview” in this prospectus. The following diagram outlines the semiconductor manufacturing process and segmentation of related semiconductor process equipment:



Rooted in Singapore, we have an operating history for over 30 years mainly in the semiconductor industry, we have accumulated solid experience in the manufacture of products with high quality and have successfully expanded our footprints from Singapore to the PRC, the Philippines and Japan. Moreover, we have developed good and long business relationship with world-leading companies, which have stringent quality standards. Our extensive industry knowledge, market experience and technical know-how have allowed us to optimise our products with higher cost efficiency and thereby create value for our customers.

With high commitment to product quality, we have implemented stringent quality assurance procedures at our production facilities in operation, which are of an aggregate floor area of approximately 273,947.1 sq.ft., in Singapore, the PRC and the Philippines. We have also set up a sales office in Japan in order to expand the geographic coverage of our

Note: The end-product devices of semiconductors are digital products, such as smartphones, consumer electronics and computers.

BUSINESS

sales network effectively. To increase our production capacity and to capture business opportunities from the growth and development of the semiconductor industry, we plan to set up our second production facilities in the PRC, namely Nantong Facility II, of a planned floor area of 363,591.2 sq.ft. in Nantong, Jiangsu Province, the PRC. As at the Latest Practicable Date, we were in the process of applying for construction completion inspection for our Nantong Facility II and Nantong Facility II had not been in operation.

Our manufacturing process involves the application of our experience in precision engineering and knowledge in multi-disciplines such as mechanical, electronics, vision system, laser technology and electrical engineering. During the Track Record Period, we have two divisions, namely the electronics manufacturing services division (“**EMS Division**”) and the original design manufacturing division (“**ODM Division**”).

Our EMS Division primarily focuses on manufacturing of sub-systems, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services. Products of our EMS Division during the Track Record Period include (i) complete machines such as dicing machines and lapping machines and (ii) sub-systems such as work-holders, sliders and magazine handlers. For our EMS Division, our manufacturing process mainly involves the assembly of components and parts. We produce parts which are of critical characteristics or may not be readily available in the market because of high complexity and high quality requirement for our assembly when we have the capacity to do so. For other parts and components, we source from Independent Third Party suppliers. During the Track Record Period, customers of our EMS Division are mainly original design manufacturers in the semiconductor process equipment industry.

Our ODM Division primarily focuses on design and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use mainly in the semiconductor industry. Our products of our ODM Division during the Track Record Period include (i) automated equipment such as auto frame loaders, auto buffing equipment and strip laser markers; (ii) precision tools such as encapsulation molds and dies; and (iii) spare parts. For some of the manufacturing processes which require equipment that we do not possess, such as gold plating, special surface treatment and painting, we would engage Independent Third Parties to handle the process to enhance our cost efficiency. Customers of our ODM Division include users of semiconductor process equipment.

For the three years ended 31 December 2017, we recorded a total revenue of approximately S\$106.9 million, S\$107.0 million and S\$129.0 million, respectively. Our profit after tax for the three years ended 31 December 2017 was approximately S\$11.2 million, S\$3.1 million and S\$8.0 million, respectively.

BUSINESS

The following table sets out our segment revenue by division and product type and services during the Track Record Period:

	For the year ended 31 December								
	2015			2016			2017		
	SS'000	% of the revenue of the EMS/ ODM Division	% of the revenue of the Group	SS'000	% of the revenue of the EMS/ ODM Division	% of the revenue of the Group	SS'000	% of the revenue of the EMS/ ODM Division	% of the revenue of the Group
EMS Division									
<i>Products</i>									
Sub-systems	58,518	62.8	54.7	90,053	92.0	84.2	114,401	95.7	88.7
Complete machines	22,907	24.6	21.4	2,597	2.7	2.4	255	0.2	0.2
Components	1,619	1.7	1.5	2,075	2.1	1.9	4,459	3.7	3.5
<i>Services</i>									
Maintenance and commissioning services	10,191	10.9	9.6	3,155	3.2	3.0	412	0.4	0.3
Sub-total	93,235	100.0	87.2	97,880	100.0	91.5	119,527	100.0	92.7
ODM Division									
<i>Products</i>									
Automated equipment	4,702	34.4	4.4	2,432	26.7	2.3	3,342	35.5	2.6
Precision tools	4,644	34.0	4.3	2,842	31.2	2.6	2,430	25.8	1.9
Spare parts	4,315	31.6	4.1	3,843	42.1	3.6	3,653	38.7	2.8
Sub-total	13,661	100.0	12.8	9,117	100.0	8.5	9,425	100.0	7.3
Grand total	106,896	100.0	100.0	106,997	100.0	100.0	128,952	100.0	100.0

During the Track Record Period, we have a major customer, namely Customer A, who contributed approximately 48.5%, 72.6% and 77.9% of the total revenue of our Group for the three years ended 31 December 2017, respectively. Customer A has been our customer since 1999 and is one of the world's leading manufacturers of wire bonders in terms of sales revenue in 2017 according to the Industry Report. For more details of our relationship with Customer A and an analysis of our sustainability in consideration of our reliance on Customer A, please refer to the section below headed "Business — Reliance on Customer A" in this prospectus.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and have distinguished us from our competitors in the industry:

Long-established contract manufacturer with over 30-year track record in the semiconductor back-end equipment industry, well positioned to benefit from favourable industry growth

We have over 30 years of history of applying our expertise in precision engineering to design and build machines, equipment and sub-systems in the semiconductor industry since our establishment in 1988. According to the Industry Report, in 2017, we are 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%.

Throughout the years of operation, we have accumulated solid experience in operating our business in the semiconductor process equipment industry and have successfully expanded our footprints globally. As at the Latest Practicable Date, we have production facilities located in Singapore, the PRC and the Philippines. To better fulfill the demand for our products, we plan to expand our production facilities in the PRC.

Our Directors consider that the confluence of the below prevailing factors surrounding the semiconductor industry will be beneficial for our business:

- **Expansion of the semiconductor industry** — The increasing demand of semiconductors arising from explosive demand for data and novel applications of semiconductors in fields such as cognitive computing and artificial intelligence, which is a trend that the semiconductor processing equipment industry is going to follow; and
- **Rising trend of semiconductor process equipment (SPE) manufacturers to engage contract manufacturers** — According to the Industry Report, there will be a rising trend that SPE manufacturers will outsource part or all of their manufacturing given the technological know-how of the contract manufacturers continues to improve that even surpasses the SPE manufacturers, and the recognised cost benefits from engaging contract manufacturers.

We believe that leveraging on our well-recognised market position, extensive industry experience and manufacturing competencies, we will continue to maintain our competitive edge over our competitors and capture business opportunities from the growth and development of the semiconductor industry in the future.

Rooted in Singapore with well-established production facilities strategically located in the PRC managed by our senior management with Singaporean background

We marked our first market presence in Singapore and expanded our operation in the PRC. Our business is managed by our senior management primarily based in Singapore under the leadership and supervision of our founder and executive Director, Mr. Lim, who is a Singaporean. We strategically located our major production facilities in Singapore and Nantong, the PRC. We believe that the locations of our facilities have provided us with significant strategic advantages, given that:

- according to the Industry Report, China, being the largest market of semiconductors globally in terms of revenue in 2017, heavily relies on import of semiconductors (representing approximately 70% of total semiconductors used in the manufacturing of electronic products in China) which has prompted the PRC government to develop the semiconductor industry with favourable policies (such as Made in China 2025) and heavy investment. As such, it is expected that there will be a migration of SPE manufacturers (our Group's target customers) to China, making China one of the largest markets in terms of the total revenue generated in the SPE industry; and
- there are cultural differences which give rise to difficulties of foreign SPE manufacturers to manufacture in China where there is an expanding market with plentiful supply of labour and a relatively comprehensive electronics manufacturing infrastructure.

Leveraging the strategic location of our production facilities, we have successfully developed business relationship with customers primarily based in Singapore, the United States, the PRC and Japan during the Track Record Period. Further, we believe that our Singaporean background has earned us greater business, social and language affinities to foreign SPE manufacturers such as those in the United States, Europe and Japan who want to manufacture in China. As such, we consider the strategic locations of our manufacturing facilities in Singapore and the PRC, together with our senior management, will continue to differentiate us from our competitors and allow us to compete effectively.

High commitment to quality, recognised by our customers which are world-leading companies

Our Directors consider that high product quality is crucial to our business in upholding our competitive position in the industry. Therefore, we place a strong emphasis on maintaining our product quality. In addition to being ISO-certified since 1999, we have implemented our stringent quality assurance procedures that, we believe, have contributed to our growth and success. We have quality inspection at every critical stage of our production, from suppliers selection to delivery. In particular, for our EMS Division, we have implemented In-Process Quality Control (“IPQC”) and conduct successive quality checks at every step, not only every stage, of our production which allow us to achieve the precision and accuracy that can meet our customers demand and requirements. Moreover, we provide our technicians with clear work instructions and guidelines meticulously designed by engineers to ensure our quality standards are strictly adhered to. We also ensure a work environment which nurtures quality and encourages cross-function

BUSINESS

involvement for continuous quality improvement. For further details of our quality assurance measures, please refer to the section headed “Business — Quality Assurance” in this prospectus. We believe that these measures have enabled our Group to gain trust from our existing and potential customers and increase our opportunities of securing recurring and new purchase orders. Also, leveraging on our expertise in precision engineering, in particular, material cutting, we are able to produce parts for our own production which, to our Directors’ belief, contribute to our quality as we are able to have better control over our input materials. We believe that these have differentiated us from our competitors and have enabled us to develop long business relationship with world-leading companies, which have stringent quality standard.

During the Track Record Period, our customers included top tier manufacturers in the semiconductor process equipment industry such as Customer A, the world’s leading wire bonders manufacturer with whom we have been dealing with for over 18 years. Leveraging on our reputation and capabilities in the semiconductor back-end equipment industry, we have also developed business relationship with customers with established international presence in other sectors such as the semiconductor front-end equipment industry and test and measurement sector. For the background of our major customers, please refer to the section headed “Business — Customers”.

Given (i) SPE manufacturers demand a high degree of reliability, accuracy and performance of their machines/sub-systems/components; (ii) SPE manufacturers are highly selective when choosing suppliers to meet their stringent technical specifications and quality requirements; and (iii) the cost of switching suppliers for SPE is substantial, we believe that, with our well-established reputation for quality and reliability recognised by our customers during the years of our operation of more than 30 years, we will continue to maintain our current market position and expand our market share by market penetration and diversification.

Strong manufacturing capabilities in precision engineering that add value for our customers

We mainly manufacture on a “high mix, low volume” basis. This means that the equipment/machines/sub-systems we build are characterised by the fact that their specifications vary highly. During the Track Record Period, we have produced over 100 models while a model may have three revisions. Moreover, the number of part counts of our products may range from 20 to 500. To be able to source the most suitable components and parts to meet our customers’ stringent requirements, we believe that in-depth knowledge of supply chain database is essential. Also, we adopt a partial vertical integration that we produce parts and components required for production, which maybe of critical functioning characteristics and may not be readily available in the market, in our own facilities. We believe that such partial vertical integration allows better quality control of input materials and thereby guarantees the quality of the finished products. Moreover, given a typical production line of a semiconductor device can be made up of over 40 processes while each process needs to be made up of a SPE which is throughput-balanced with other machines in the production line, production of each equipment and sub-system is technical and entails know-how from different disciplines of engineering expertise. To ensure we possess sufficient manufacture competencies to design, develop and manufacture our products, as

at the Latest Practicable Date, we have our in-house design and engineering team of 60 members with qualifications in mechanical, electronics and electrical engineering. With our precision engineering expertise, we are able to understand the needs and requirements of customers and design our manufacturing process in a way which facilitates production flexibility and ensures high and consistent product quality.

Our industry knowledge and skill sets from our EMS and ODM Divisions have allowed us to create quantifiable value for our customers. Through optimising our products with higher cost efficiency, we successfully translate our capabilities into cost benefits which are transferred to our customers and thereby fortify our customers' competitive advantages. Our contributions to our customers are recognised by several key suppliers awards. We believe that our industry knowledge, expertise and capabilities have not only enabled us to develop a diversified customer base comprising world-leading companies in different sectors but also allow us to pioneer value-adding solutions to our customers and continue to drive our business growth.

Research and development capabilities with engagement with customers on product development

We consider our research and development capabilities as one of our core competencies which come from a strong R&D team with different expertise. As at the Latest Practicable Date, we have a research and development team with 22 members. In addition, we also engaged university professors to participate in our research and development activities. We constantly look out for changes in technology and product specifications. Keeping up with the technology changes of our industries allows us to gain an understanding of our customers' strategic directions and staying relevant with our customers' new generation products. We adopt a strategic research and development (R&D) policy. We focus on applications of engineering elements to achieve certain desired machine performance parameters. In doing this, we believe that the success of the research and development efforts would mean orders from customers. Invariably, the successful research and development efforts will also mean that the technologies and knowledge developed can also be applied in the manufacture of other machines which can be sold to the wider SPE market.

Our participation in the product development stage of our customers is the testament to our research and development capabilities. We believe that engagement during the products development stage allows our engineering team to gain insight into our customers' technology roadmaps and enables us to be the principal supplier of certain products for our customer. We also provide value-added engineering services to enhance existing designs of our products and to upgrade our customers' existing products. We believe that our close collaboration with our customers on product design and development and manufacturing allows us to provide customised solutions and also provides us with the first mover advantage in building our customers' next generation products and strengthen our business relationship with customers.

Experienced management leading a technical team with high caliber and a proven track record

We have an experienced and dedicated management team led by our founder, chief executive officer and executive Director, Mr. Lim, who have accumulated years of experience in the semiconductor industry. Moreover, members of our senior management have an average of 25 years of experience in the semiconductor industry. Please refer to the section headed “Directors and Senior Management” in this prospectus for details of biographies of our Directors and senior management. We believe that our experienced management has provided us with invaluable strategic direction and knowledge to stay attuned to the competitive environment and effectively manage variability and challenges in the future. In addition to our management team, we have a design and engineering team of 60 members. We also have a R&D team of 22 members, all of whom studied engineering and some of them possess post-graduate or higher level of knowledge in related areas such as condensed matter physics and science. Our Directors believe that our holistic skills in precision engineering allow us to achieve the sub-micron precision and quality demanded by our customers. We also believe that the success of our Group is attributable to our management’s and technicians’ commitments to high quality products and their attention to details. Leveraging on our experienced management and technical team, we will be able to maintain our market position and capture new business opportunities.

OUR BUSINESS STRATEGIES

In view of several prevailing factors favourable to our Group, we intend to exploit the opportunities by adopting the following strategies. In particular, we believe that our competency in precision engineering that features high precision and stability has granted us promising potential in applications beyond wire bonder and even semiconductor fields. We believe that the pursuit of the strategies below will eventually culminate in a diversified customer base.

Pursue expansion of production capacity

In order to capture the opportunities presented by the favourable industry development, we intend to expand our production capacity by (i) increasing our production floor space; (ii) increasing our partial vertical integration; and (iii) recruitment of additional manpower to populate the expanded production facilities.

Increasing our production floor space

Since the manufacturing process mainly involves the assembly by skilled labour, production floor space is one of the major determinants of our production capacity. As such, we plan to renovate the Nantong Facility II and set up additional production environment.

During the Track Record Period, our production in the PRC is carried out in our Nantong Facility I only. As at the Latest Practicable Date, our Nantong Facility II had not been renovated and was in a bare-shell condition. Our Nantong Facility II is situated on 18 Fuxing Road, Nantong, the PRC. It comprised a four-storey of building with a total floor

area of approximately 323,338 sq.ft. (the “**Main Block**”), a one-storey building of high ceilings with a total floor area of approximately 33,786.4 sq.ft (the “**High-ceiling Production Space**”) and other auxiliary buildings with a total floor area of approximately 6,466.8 sq.ft. In anticipation of increasing orders, we will need more production space. Also, we expect that there will be orders for products of higher complexity and therefore we will need space with higher ceilings to accommodate our production. As such, we intend to renovate and set up the unutilised Nantong Facility II for our production. We plan to renovate and set up production environment such as partitions, clean room of various classes, reinforced flooring in order to start production in Nantong Facility II. As such, we intend to allocate 27.1% of the net proceeds of our Global Offering (i.e. HK\$56.4 million) to set up additional production floor space in Nantong Facility II.

Increase our partial vertical integration

During the Track Record Period, while we purchased parts/components for our production from third-party suppliers, we also produced parts for our own production which are of critical characteristics or which may not be readily available in the market because of high complexity and high quality requirements, in our own facilities when we had the capacity to do so. Similar to the manufacturing processes of precision tools (which is one of our business sub-segments under the ODM Division), the manufacturing processes of these parts and components mainly involves fabrication of metal by grinding, milling and cutting. Parts and components we produced for our own production during the Track Record Period include clamp sliders, bracket parts and heat blocks. We believe that such partial vertical integration has allowed us to have better quality control of our input materials for production as well as to ensure a stable and reliable supply of these critical input materials; therefore, it is integral to the quality of our finished products, especially when our customers are world-leading companies in the SPE industry with stringent quality requirements. We consider that such capability of partial vertical integration has given us a particular competitive advantage, given the supply of complex parts and components with quality for SPE manufacturing in China is limited and seeking such supply from overseas is of a higher cost.

As such, we plan to buy new machines to increase our partial vertical integration to manufacture more parts for our own use. Similar to our existing metal processing machines, new machines that we intend to acquire are metal processing machines such as grinding and milling machines with wide industrial applications and are able to produce parts for both semiconductor back-end equipment and semiconductor front-end equipment. We expect that these new machines will increase our capacity of producing our own parts and also enhance the complexity and precision of parts we manufacture. The wide applications of these new machines will also support the operation of our precision tools segment. Given that (i) we had been producing parts and components for our own production during the Track Record Period and most of the machines we are going to acquire are of the same categories of our existing machines, which means that our staff already possessed the skills and techniques to operate the machines for producing our own parts; (ii) we had achieved cost saving from our partial vertical integration during the Track Record Period; and (iii) our Group had been able to achieve profitability while producing parts for our own production during the Track Record Period, our Directors consider that our Group has

sufficient expertise and experience to manage the increase of partial vertical integration. As such, we intend to allocate 12.4% of the net proceeds of our Global Offering (i.e. HK\$25.8 million) to acquire new machines and equipment to increase our partial vertical integration.

Recruitment of additional manpower to populate the expanded production facilities

With the additional equipment and machinery, we plan to recruit 58 experienced machinists to operate the new equipment and machineries. It is also our plan to recruit four staff for process engineering, program engineering, quality assurance and line leader. We will also provide training to our existing and new machinists to familiarise them with the new equipment and to ensure a safe and efficient operation of the new equipment. Also, upon the expansion of production floor space in Nantong Facility II, we will need to recruit additional assembly workers, engineers and line leaders for the assembly of sub-systems/machines/equipment. The actual number of assembly workers, engineers and line leaders to be recruited will depend on the volume of orders from our customers and complexity of the products to be produced. We intend to allocate approximately 1.0% of the net proceeds from the Global Offering (i.e. approximately HK\$2.0 million) for the recruitment of additional staff and for training of our staff.

Reasons of our expansion of production capacity

We expect that there will be a growth in orders from customers driven by the following industry development, from which a prominent need to expand our production floor space emerged:

- *Continuing expansion of the semiconductor industry* — (i) the explosion of demand of data, (ii) existing wide applications of semiconductors and (iii) novel applications of semiconductors will lead to an expansion of semiconductor industry that the SPE industry and its upstream industries (i.e. the semiconductor front-end and back-end equipment industry) is expected to ensue. It is expected that the global semiconductor industry will continue to expand and will reach a market size of approximately US\$531.5 billion by 2022, representing a CAGR of 5.2% during the period between 2017 and 2022. It follows that the (i) SPE industry, (ii) the semiconductor front-end equipment industry and (iii) the semiconductor back-end equipment industry are also expected to grow at CAGR of approximately 7.0%, 6.7% and 8.1%, respectively, during the period between 2017 and 2022, and will reach a market size of US\$79.4 billion, US\$63.1 billion and US\$16.3 billion by 2022, respectively, according to the Industry Report. Leveraging on our well-recognised market position, extensive industry experience and manufacturing competencies, we will be able to seize the opportunities emerging from the existing market as well as the growth of the SPE industry, the semiconductor front-end equipment industry and the semiconductor back-end equipment industry;
- *Increasing demand for SPE contract manufacturers* — Given the expected expansion of the SPE industry, the semiconductor front-end equipment industry and semiconductor back-end equipment industry as aforementioned, it is expected that there will be an increasing demand of SPE contract manufacturers from SPE

manufacturers outsourcing part or all of their manufacturing. This is due to the increasingly sophisticated technical know-how of SPE contract manufacturers that may even surpasses SPE manufacturers and cost savings that SPE manufacturers may generally enjoy from engaging contract manufacturers, which may range from approximately 10% to 15%. Being a contract manufacturer with strong manufacturing competencies and engineering expertise, we believe that we will be able to capture the increasing demand of SPE contract manufacturers;

- *Migration of production to China by SPE manufacturers (from both semiconductor front-end and back-end segment) that is going to sustain and expand* — According to the Industry Report, there has been a migration of SPE manufacturers of both semiconductor front-end and back-end segment (i.e. our Group's target customers) to China, making China to be one of the largest markets globally in terms of the total revenue generated in the SPE industry. The migration is evidenced by China's increasing share of global SPE revenue from approximately 6.8% to 14.5% from 2013 to 2017, representing a CAGR of approximately 24.9%. This migration is anticipated to sustain and expand in the future. There are several reasons behind this migration. Firstly, the PRC government has been making heavy investment in the SPE industry to address the strong demand of semiconductors in China, the world's largest market of semiconductor which heavily relies on import. In 2017, China imported approximately US\$260.1 billion worth of semiconductors out of the world-wide production of approximately US\$377.8 billion (i.e. approximately 68.8% of the world's output of semiconductors). Such strong demand of semiconductors is expected to lead to a growth in the semiconductor industry in China, and so as the SPE industry in China, which will exceed the average world-wide growth. Secondly, SPE manufacturers want to set up manufacturing sites in China to avoid themselves being disadvantaged in China, which is their major market. Moreover, comparing to other traditional locations such as South Korea, Japan, Europe and the United States, cost of production of SPE in China is relatively lower. Furthermore, considering the abundance and the hard work culture of skilled labour, the comprehensive production infrastructure and the sufficiency in demand in China, China remains an ideal location for SPE production despite the rapid increase of labour costs in recent years. These factors have resulted in a migration of SPE manufacturers to China which is going to expand. It is estimated that China's share of global SPE will increase from approximately 14.5% in 2017 to approximately 17.4% by 2022 representing a CAGR of approximately 10.9%. According to the Industry Report, it follows that the increasing migration of manufacturing sites of SPE manufacturers to China will bring significant prospect to SPE contract manufacturers in China. In particular, SPE manufacturers seeking migration to China generally face difficulties arising from cultural and language differences. It is expected that contract manufacturers with operating history serving international SPE manufacturers and language affinities such as our Group will have greater advantage. Coupled with our production facilities strategically located in China, we believe that (i) our Singaporean corporate background which offers cultural and language affinities and (ii) our history of

BUSINESS

serving world-leading SPE manufacturers will enable us to benefit from the migration of SPE manufacturers to China. Some of our existing customers, which are SPE manufactures, have already set up production sites in China. Also, our Directors confirmed that our Group is in discussion with potential customers who are leading Japanese SPE manufacturers from both front-end and back-end segment with intention to shift part of their production to China or expand their production in China.

In light of the aforementioned industry development, we are going to target multi-national SPE manufacturers who (i) intend to migrate (or has migrated) their production to China and want to outsource their production to contract manufacturers like the Group as China is their major market and (ii) who do not have production facilities in China (and do not intend to migrate their production in China), but want to engage contract manufacturers like our Group which has manufacturing facilities in China for costs benefits.

During the Track Record Period, our Group engaged workers for overtime in order to overcome the constraints of insufficient production floor space. For details of overtime engaged during the Track Record Period, please refer to the section headed “Business — Our Production Facilities”. Our Directors consider that, in a long run, engaging our skilled workers for overtime may have an adverse impact on the retention and recruitment of our skilled workforce on which we rely for our operation and development of our business in the future, as disclosed in the paragraph headed “We rely substantially on our senior management, key personnel and skilled labour” in the section headed “Risk Factors” in this prospectus. As such, our Directors consider that there is a genuine need for an expansion of our production floor space and this need is highlighted by the opportunities emerging from the aforementioned favourable industry development that our Group is poised to seize.

In light of the aforementioned favorable circumstances, we expect that there will be increasing demand of our products in the future. In particulars, given the increasing technological complexity of semiconductors, the migration of SPE manufacturers to China will also mean a transformation of the technological level of production of SPE in China. Resulting from the migration of SPE manufacturers, it is expected that the production of SPE in China will transform from low-end in the past to a production of high complexity and high technological level. As such, we expect that there will be orders of higher complexity, which is also a natural outcome as the level of our engineering and technological competencies advances over years of operation.

As orders from customers for our sub-systems/machines increases, demand for critical parts will increase; and accordingly, we will need to produce more parts in-house. In other words, an expansion of our partial vertical integration will expand our total capacity as we

will be able to produce more final products using Kinergy-produced parts. We consider that our partial vertical integration has given us the following benefits which bolster our competitive advantages:

- *Better control of quality* — Our customer base comprises world-leading companies which have stringent quality requirements. Each machine composes many parts, some of which are critical functioning parts that require high precision in every dimension and therefore quality in terms of precision is very important. We believe that in-house production will allow us to have better control of quality over these critical parts. Direct communications with our customers allow us to understand the requirements of our customers better than our suppliers. We are also able to impose better monitoring of the production processes of critical parts as we produce them in-house.
- *Better protection of intellectual property of our customers* — Intellectual property protection are of very high concerns for our customers. During the Track Record Period, there were customers who required us to produce parts in-house for intellectual property protection. Producing parts in-house would eliminate the risk of leaking confidential information such as drawings and designs from our customers by our suppliers.
- *Ensure a stable and timely supply of parts for production* — According to the Industry Report, supply of high-quality and complex parts and components for SPE production is limited in China. Being able to make our own parts and components for production will ensure an on-time and stable supply of input materials. Our capability to produce parts for our own production also gives us stronger bargaining power in negotiation with suppliers.
- *Maintain operation efficiency by avoiding machine and manpower idling* — Although generally the demand of our products is not subject to seasonality, there are fluctuations in order volume throughout the year, which may mean fluctuations in volume of Kinergy-produced parts. To be equipped with basic metal processing machines to produce parts by ourselves avoids our machineries from being idled during the down period as we can transfer the production of parts by our suppliers back to our own production facilities. Also, we may also minimise manpower idling from waiting for delivery of raw materials from third party suppliers to facilitate an efficient and smooth production flow.

In addition, our partial vertical integration has also given us quantifiable benefits. During the Track Record Period, comparing with suppliers who supplied parts of the same specifications, producing such parts in-house, on average, has generated a cost saving of approximately 14.9%. For the three years ended 31 December 2017, by producing parts for our own production, we had saved approximately S\$86,000, S\$17,000 and S\$86,000, respectively. Since we manufacture on a “high mix, low volume” basis, the parts needed for final products vary highly. Therefore, the volume and types of parts we produce also vary, depending on the orders and product designs from our customers. As such, we cannot

estimate the increase in the output (in volume and value) of our partial vertical integration upon the completion of our expansion plan, which will be determined by the order volume and product designs of our customers by that time.

Apart from the aforementioned benefits, we believe that our capability to produce our own parts will give us a particular competitive edge especially due to the unmet demand for quality supply of parts and components for SPE manufacturing in China. According to the Industry Report, although the supply of parts and components for SPE manufacturing in China is large in volume, supply of high-quality complex parts and components is limited in China. This is because Chinese companies still lag behind foreign competitors in fields such as advanced manufacturing, high-quality raw material supply. With the limited supply base, SPE manufacturers and their contract manufacturers have to seek quality supply of higher costs from countries outside the PRC. This created a market for us to penetrate with our capability to produce such quality parts and components to satisfy this unmet demand for SPE manufacturers. The quality of Kinergy-produced parts is certified by our customers, some of which are companies with established presence globally. We believe that our competency in producing input materials in-house has given us an early-mover advantage in tapping the potential of the SPE industry in China arising from the unmet demand for quality supply for parts and components for SPE manufacturing in China.

Our Directors consider that the capacity expansion will allow us (i) to satisfy the expected increasing demand and capture the long term growth of the industry; (ii) to increase our partial vertical integration which will augment our competitive advantages by bringing benefits which are strategically important for our Group; and (iii), ultimately, to diversify our customer base gradually.

Funding of our expansion plan and its impact on our business

Our planned capital expenditure for our production capacity expansion for the three years ending 2020 are expected to be approximately HK\$17.8 million (i.e. approximately S\$3.1 million), HK\$51.3 million (i.e. approximately S\$8.8 million) and HK\$44.0 million (i.e. approximately S\$7.5 million), respectively. Such capital expenditures will be funded with net proceeds from the Global Offering and our internal resources. For details of the allocation of the net proceeds from the Global Offering on the expansion, please refer to the section headed “Future Plans and Use of Proceeds”. The expansion plan will be implemented by stages in three year time. Taken into account of our healthy growth in revenue and positive net operating cashflows during the Track Record Period and capable management team, our Directors consider that our expansion plan will not have an adverse material impact on our financial conditions.

BUSINESS

Our expansion plan

In order to expand our production capacity in terms of (i) increasing our production floor space and (ii) increasing our partial vertical integration, we intend to (i) renovate and set up production space in the unutilised Nantong Facility II; (ii) acquire machines and equipment; and (iii) recruit additional staff to populate the expanded production floor space and new machines and equipment and provide training to our staff. The estimated total investment of our expansion plan is HK\$113.1 million (i.e. approximately S\$19.3 million). The table below sets out the details of our expansion plan in relation to (i) renovation and setting up production space and (ii) acquiring machines and equipment:

Details	Use	Major facilities to be built	Expected time frame for construction	Expected commencement date of operation	Estimated investment (HK\$ in million)	Source of funding
<i>(i) Renovation and setting up production space</i>						
Ground floor of the Main Block	Accommodating heavy machines for machining parts and components	<ul style="list-style-type: none"> • Reinforced flooring • Carborundum flooring • Clean room of “clean environment” class • Humidity and temperature controlled quality control room • Pneumatic supply 	3rd quarter 2018 to 2nd quarter 2019	3rd quarter 2019	24.6	100% by net proceeds from the Global Offering
1st floor of the Main Block	Assembly of sub-systems and complete machines	<ul style="list-style-type: none"> • Carborundum flooring • Clean room of class 10k • Pneumatic supply 	3rd quarter 2018 to 2nd quarter 2019	3rd quarter 2019	4.4	100% by net proceeds from the Global Offering
2nd floor of the Main Block	Assembly of sub-systems and complete machines	<ul style="list-style-type: none"> • Reinforced concrete foundation • Carborundum flooring 	3rd quarter 2019 to 1st quarter 2020	2nd quarter 2020	7.2	100% by net proceeds from the Global Offering
3rd floor of the Main Block	General and administrative use	<ul style="list-style-type: none"> • Office • Canteen • Storage 	4th quarter 2019 to 2nd quarter 2020	N/A	3.1	100% by net proceeds from the Global Offer
High-ceiling Production Space	Production of large format machines which need more space	<ul style="list-style-type: none"> • Reinforced concrete foundation • Carborundum coating • Clean rooms of class 1K and 10K 	3rd quarter 2019 to 1st quarter 2020	2nd quarter 2020	17.1	100% by net proceeds from the Global Offer
Total					56.4	

BUSINESS

Use	Machines to be acquired	Expected time frame for acquisition	Estimated investment (HK\$ in million)	Source of funding
<i>(ii) Acquiring machines and equipment</i>				
An addition to our existing milling machines, mainly for production of up to 2.5 meter parts for partial vertical integration	<ul style="list-style-type: none"> ● One large size milling machine 	3rd quarter 2018 to 2nd quarter 2019	12.3	100% by net proceeds from the Global Offering
An upgraded version of our existing CMM machines, for measurement of larger parts for partial vertical integration	<ul style="list-style-type: none"> ● One CMM machine 			
Additions to our existing surface grinding machines, for the production of large size and high precision parts for partial vertical integration	<ul style="list-style-type: none"> ● Five surface grinding machines 			
Additions to our existing vertical milling machines, for the production of parts for partial vertical integration	<ul style="list-style-type: none"> ● Two vertical milling machines 	3rd quarter 2019	10.0	100% by net proceeds from the Global Offering
Additions to our existing horizontal milling machines, for the production of parts for partial vertical integration	<ul style="list-style-type: none"> ● Four horizontal milling machines 			

BUSINESS

Use	Machines to be acquired	Expected time frame for acquisition	Estimated investment (HK\$ in million)	Source of funding
An upgrade of our 3-axis machining centers, for the production of parts of high complexity for partial vertical integration	<ul style="list-style-type: none"> • Two 5-axis machining centres 	2nd quarter 2020 to 3rd quarter 2020	34.4	10.2% by net proceeds from the Global Offering and 89.8% by internal cashflow
Replacing our existing high speed milling machines to support our existing and new EDM machines for expanding production capacity <i>(Note)</i>	<ul style="list-style-type: none"> • Two high speed milling machines 			
Additions to our existing EDM machines, for the production of parts for expanding production capacity <i>(Note)</i>	<ul style="list-style-type: none"> • Four EDM machines 			
Addition to our existing milling machines for production of parts for expanding production capacity <i>(Note)</i>	<ul style="list-style-type: none"> • Two ultra-high speed milling machines 			
Replacing our existing wire cut machines for the production of parts for expanding production capacity <i>(Note)</i>	<ul style="list-style-type: none"> • One wire cut machine 			
Replacing our existing grinding machines, for the production of parts for expanding production capacity <i>(Note)</i>	<ul style="list-style-type: none"> • Two grinding machines 			
Measurement tools	<ul style="list-style-type: none"> • One set of bore gauges 			
Additions to our existing vertical milling machines, for the production of parts for partial vertical integration	<ul style="list-style-type: none"> • Three vertical milling machines 			
Total			56.7	

Note: Machines and equipment to be acquired for expansion of production capacity are of wide applications and may be used for partial vertical integration, as well as for supporting the operation of our other product segments.

With the additional equipment and machinery, we will need to provide training to our existing staff to familiarise them with the new equipment and to ensure a safe and efficient operation and to recruit additional manpower to populate the expanded production facilities. For details of the number of additional staff we are going to recruit, please refer to the section headed “Business — Our Business Strategies — Pursue expansion of production capacity — Recruitment of additional manpower to populate the expanded production facilities” above.

BUSINESS

Going forward, it is expected that the expansion of our production capacity in terms of increasing our production floor space and our partial vertical integration will have an impact on our cost structure. It is expected that we will incur additional fixed cost including (i) salaries for the new recruitment of operators, assembly workers, engineers and line leaders; (ii) depreciation of the new machineries and equipment as well as renovation costs from our expansion of production floor space; and (iii) administrative cost for the operation of the expanded production facilities. Variable costs, including salaries for overtime work of our staff and utilities, are also expected to increase, depending on volume and complexity of orders from our customers. While the total cost of our production is expected to increase, in general, as our production volume goes up upon the expansion of production floor space and partial vertical integration, it is expected that fixed cost such as depreciation costs and administrative and overhead costs and certain staff costs such as salaries for engineers are going to be shared by the increased production volume resulting in an economies of scale, and thereby reduce the average unit cost. Accordingly, our profit margin is expected to increase. Moreover, given that our partial vertical integration had achieved an average cost saving of approximately 14.9% during the Track Record Period (comparing to third-party suppliers who supplied the same parts), it is expected that such cost saving will continue and result in a reduction in our direct materials cost, and thereby increase our profit margin. As such, our Directors consider that the expansion plan will have a positive impact on our future profitability. We expect to incur additional depreciation expenses and staff costs associated with our expansion plan which may affect our business adversely. Please also refer to the paragraph headed “We expect to incur additional depreciation expenses and staff costs associated with our expansion plan, which may adversely affect our profitability, results of operations and financial condition” in the section headed “Risk Factors” in this prospectus.

As at the Latest Practicable Date, we owned the land use rights for the parcel of land on which our Nantong Facility II is located and we were in the process of completing our construction completion inspection. As advised by our PRC legal advisers, after completion of all necessary and compulsory regulatory procedures, there will be no legal impediments for us to complete our construction completion inspection and to obtain all material licenses, permits and approvals required for commercial production. As such, our Directors consider that such licenses, permits and approvals will be obtained in the third quarter of 2018.

For details of our intended use of net proceeds from the Global Offering, please refer to the section headed “Future Plans and Use of Proceeds”.

Expand our market share in Japan, Europe and the United States

According to the Industry Report, Japan has been an important market for SPE sales. As of 2017, the Japan market claimed approximately 11.5% of the global market size of SPE industry in terms of revenue. It is expected that the SPE’s market in Japan will continue to grow. In addition, owing to Japan’s legacy of cultural and political differences with the PRC, SPE companies in Japan face difficulties in operating in the PRC where there is market and plentiful supply of trainable labour. We, being a Singapore company headed by our Singaporean business leaders with proven manufacturing capabilities in the PRC, is

therefore well-positioned to capture the business opportunities in the Japan market by offering quality, competitively priced services to SPE companies in Japan. Leveraging on this advantageous position to collaborate with SPE companies in Japan and in tandem with the rapid development of the semiconductor industry in the PRC, we intend to expand our sales force and customer service team in Japan in addition to our existing sales office established in 2015. We have already successfully secured orders from leading Japan SPE manufacturers with established presence globally such as our Customer F. We believe that our Japan office will facilitate closer communication with our customers in Japan. Other than semiconductor industry, we also target to serve Japan companies in the test and analysis equipment for industrial, medical and automotive industries. We believe that our expansion in the Japan market, which, according to the Industry Report, has a high demand for EMS providers, such as our Group, would enable us to further diversify our customer base and enhance our global market penetration.

In addition to the Japan market, the prevailing industry development also presented opportunities in the Europe and the United States market. The rapid expansion of the semiconductor industry in general and the obstacles arising from cultural differences encountered by foreign SPE manufacturers such as those in Europe and the United States who want to manufacture in the PRC have posed significant growth potential for us, being a contract manufacturer with Singapore background and production facilities in the PRC. Accordingly, we intend to fortify our market presence in Europe and the United States. To this end, we intend to appoint external marketing agents in Europe and the United States. We believe that, by leveraging the established networks of marketing agents, we will be able to penetrate the market in Europe and the United States more cost-efficiently and effectively.

Develop and acquire engineering and technological knowledge mainly for our expansion in the semiconductor front-end equipment industry through mergers and acquisitions and organically

According to the Industry Report, there will be a migration of production to China by SPE manufacturers (from both semiconductor front-end and back-end segment) and there is an increasing trend that front-end and back-end SPE manufacturers adopt contract manufacturing, which is favourable to our Group, being a contract manufacturer. As such, it is our plan to expand our presence in the semiconductor front-end equipment industry, which is an industry of a market size of US\$45.5 billion in terms of revenue in 2017. During the Track Record Period, we served three customers of the semiconductor front-end equipment segment which include globally prominent vendors in the semiconductor front-end equipment industry. Our largest customer of the semiconductor front-end segment is the world's leading and benchmark-setting front-end SPE manufacturer. For the three years ended 31 December 2017, revenue contributed by these customers from the semiconductor front-end equipment industry amounted to approximately S\$5.5 million, S\$11.8 million, and S\$15.5 million, respectively, which represented approximately 5.1%, 11.0% and 12.0% of our total revenue for the corresponding period.

As confirmed by our industry consultant, the semiconductor front-end equipment industry and semiconductor back-end equipment industry share important similarities in terms of:

- (i) *Skill sets* — the production of sub-systems and equipment of semiconductor front-end equipment industry and the semiconductor back-end equipment industry are both characterised by their demand for expertise in precision engineering and multi-discipline engineering competencies in areas such as mechanical, electrical and electronics. Skill sets of labour and engineering team are the key determinants of both industries as the major manufacturing process of sub-systems and equipment of both industries is the assembly of parts and components.
- (ii) *Machineries and equipment* — machines and equipment such as milling machines and grinding machines are commonly used for both semiconductor front-end equipment industry and semiconductor back-end equipment industry.
- (iii) *Production facilities* — the production of semiconductor front-end equipment and semiconductor back-end equipment both requires facilities such as clean rooms, anti-static environment etc. In addition to the installation of these facilities, knowledge for maintenance of these facilities are also essential to the production of both industries.

In the premise of these similarities between the semiconductor front-end equipment industry and the semiconductor back-end equipment industry, our Directors are of the view that our management and staff have the sufficient experience and expertise to expand into the semiconductor front-end equipment industry, given (i) our well-established presence as a major contract manufacturer in the semiconductor back-end equipment industry with a customer base which includes companies with established international presence and (ii) that we have experience in serving customers from the semiconductor front-end equipment industry which are globally prominent vendors in the semiconductor front-end equipment industry.

While both the semiconductor front-end equipment industry and the semiconductor back-end equipment industry require expertise in engineering disciplines such as mechanical, electrical and electronics engineering, the semiconductor front-end equipment industry demands a higher technological level of expertise in these disciplines. This is because technological advancement and replacement is more frequent in the front-end segment. Since technology level may take years to develop, our Directors consider that mergers and acquisitions of companies with skills and knowledge will provide us immediate access to engineering and technological knowledge. Also, acquisition will not only increase our capacity as we acquire the production facilities of the target companies, but will also allow us to diversify our customer bases as we will have convenient access to the existing customer base of the target companies upon acquisition. Accordingly, we intend to acquire profitable companies with empirical/holistic skills and technologies applicable to semiconductor front-end equipment industry. For details of our criteria for identifying targets for mergers and acquisitions, please refer to the section headed “Future Plans and

Use of Proceeds”. We will start identifying suitable targets for mergers and acquisitions after Listing. As at the Latest Practicable Date, we had not identified any target for mergers and acquisitions.

As technology and knowledge are key factors that determine the level of competence of a company in the SPE industry, we will need to widen the spectrum of our engineering competencies and fill in the engineering gaps in our current business model. As such, we aim to broaden our knowledge in engineering disciplines such as optics, lasers technologies, software controls, material science and mechanical engineering. We believe that these areas of technological, empirical and holistic sciences with wide industrial applications will form the pillar of our capabilities and contribute to our development in the semiconductor back-end equipment industry as well as the semiconductor front-end equipment industry. As such, in addition to mergers and acquisition as aforementioned, we plan to develop our knowledge base organically by self-learning. To this end, we intend to provide additional training and development opportunities to our employees. We will also hire personnel with the technological knowledge that we consider complementary for our business development. We believe that the development of engineering and technological knowledge, whether by mergers and acquisitions or self-learning will enhance our competencies in precision engineering. Given that precision engineering is a discipline with wide applications in the semiconductor industry as well as non-semiconductor industries, we believe that the mergers and acquisitions will further strengthen our expertise in precision engineering to serve customers from different sectors, including those from non-semiconductor industries such as the test and measurement and consumer electronics industry.

As such, we intend to allocate approximately 29.3% of the net proceeds from our Global Offering (i.e. approximately HK\$61.0 million) for developing and acquiring engineering and technological knowledge through self-learning and mergers and acquisitions. For details of our use of the proceeds from the Global Offering on developing our technological and engineering knowledge, please refer to the section headed “Future Plans and Use of Proceeds”

Strengthen our research and development to keep abreast and relevant to the dynamic changes in technology

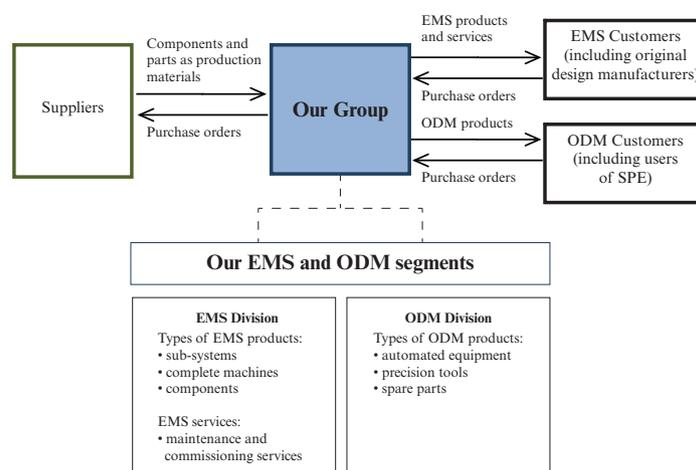
We consider that we must keep up with technology development to stay ahead of the competition. Therefore, R&D will be integral for keeping us at the forefront of the dynamic technological advancement in the semiconductor industry. Our R&D results are translated into higher level of customisation, which adds value to our customers such as product enhancement proposals for our customers and designs and ideas which address the needs of our customers. Moreover, we can apply the knowledge we developed from our R&D efforts on optimising our production processes. With the knowledge and knowhow, we can improve our manufacturing blueprints and minimise production bottlenecks. These collateral benefits from R&D do not only enhance our production efficiency but also increase our productivity. As such, we intend to continue to conduct R&D activities such as supporting the development of products under our own “Kinergy” brand and future R&D projects. We will need to recruit additional staff specialising in different engineering disciplines such as mechanical, material science, optics and lasers for our R&D activities

BUSINESS

and to support our city-level enterprise technical center in Nantong. It is also our plan to strengthen training of our employees to promote an innovative environment. In addition to our in-house R&D efforts, we will also collaborate with research institutes to leverage on their research capabilities for product development projects. We believe that by doing so, we could minimise our expenditures on research and development manpower and test machines and at the same time receive research and development knowledge of a very high standard. We intend to allocate approximately 11.7% of the net proceeds from our Global Offering (i.e. approximately HK\$24.4 million) for expansion of R&D efforts. For details of our use of the proceeds from the Global Offering on strengthening our research and development, please refer to the section headed “Future Plans and Use of Proceeds”

OUR BUSINESS MODEL

This simplified diagram below illustrates our existing business model:



Electronics Manufacturing Services Division (“EMS Division”)

Our EMS Division manufactures EMS products, comprising (i) sub-systems, (ii) complete machines and (iii) components, on the “high mix, low volume” basis mainly for use in the semiconductor processing equipment (SPE) industry. “High mix, low volume” means the orders we receive from the products we assembled have high variations in applications, lot sizes and processes but low production volume. Our EMS manufacturing process mainly involves the manual assembly of parts and the manufacturing process is labour intensive. We also provide maintenance and commissioning services for our customers at our customers’ facilities. During the Track Record Period, our customers which are primarily semiconductor processing equipment (SPE) manufacturers, generally purchase our EMS products for their manufacture of equipment to be used in the production of semiconductors. For the three years ended 31 December 2017, approximately 87.2%, 91.5% and 92.7% of our revenue was attributable to our EMS Division.

BUSINESS

The following table sets out the revenue of our EMS Division by product and service categories during the Track Record Period:

	For the year ended 31 December								
	2015			2016			2017		
	SS'000	% of the revenue of the EMS Division	% of the revenue of the Group	SS'000	% of the revenue of the EMS Division	% of the revenue of the Group	SS'000	% of the revenue of the EMS Division	% of the revenue of the Group
Products									
Sub-systems	58,518	62.8	54.7	90,053	92.0	84.2	114,401	95.7	88.7
Complete machines	22,907	24.6	21.4	2,597	2.7	2.4	255	0.2	0.2
Components	1,619	1.7	1.5	2,075	2.1	1.9	4,459	3.7	3.5
Services									
Maintenance and commissioning services	10,191	10.9	9.6	3,155	3.2	3.0	412	0.4	0.3
Total	93,235	100.0	87.2	97,880	100.0	91.5	119,527	100.0	92.7

Original Design Manufacturing Division (“ODM Division”)

Our ODM Division designs and manufactures ODM products, comprising (i) automated equipment, (ii) precision tooling components such as trim and form and encapsulation molds and (iii) spare parts, for use mainly in the semiconductor industry. Our ODM Division is sub-divided into two departments, namely (i) the Automated Equipment Department which focuses on design and manufacture of automated equipment and (ii) the Precision Tooling Department which focuses on the production of precision tools and spare parts. For the three years ended 31 December 2017, approximately 12.8%, 8.5% and 7.3% of our revenue was attributable to our ODM Division.

The following table sets out the revenue of our ODM Division by product category during the Track Record Period:

	For the year ended 31 December								
	2015			2016			2017		
	SS'000	% of the revenue of the ODM Division	% of the revenue of the Group	SS'000	% of the revenue of the ODM Division	% of the revenue of the Group	SS'000	% of the revenue of the ODM Division	% of the revenue of the Group
Products									
Automated equipment	4,702	34.4	4.4	2,432	26.7	2.3	3,342	35.5	2.6
Precision tools	4,644	34.0	4.3	2,842	31.2	2.6	2,430	25.8	1.9
Spare parts	4,315	31.6	4.1	3,843	42.1	3.6	3,653	38.7	2.8
Total	13,661	100.0	12.8	9,117	100.0	8.5	9,425	100.0	7.3

Main difference between our EMS Division and our ODM Division

Our ODM Division undertakes the design and manufacture of our proprietary products, while our EMS Division undertakes the contract manufacturing for other original equipment manufacturers according to their specifications. Our ODM products are marketed under our proprietary “Kinergy” brand. Our design and engineering team of the ODM Division works closely with our customers to customise our proprietary designs according to their requirements. The designs for customised machines continue to be proprietary to us and could be used in the production of machines for our other customers.

OUR PRODUCTS

Our products are categorised into EMS products (comprising (i) sub-systems, (ii) complete machines and (iii) components) and ODM products (comprising (i) automated equipment, (ii) precision tools and (iii) spare parts).

EMS products

Our EMS products manufactured by our EMS Division are classified into three types as follows:

(i) Sub-systems

We assemble components and parts manufactured or procured by us into sub-systems, which form critical modules to equipment and machines which would be used by our customers to produce semiconductor processing equipment. During the Track Record Period, our major sub-systems products include magazine handlers, work-holders and sliders.

(ii) Complete machines

We manufacture complete machines according to our customers’ specifications by integrating parts and components. As part of the process, we provide value-added engineering services to improve our customers’ existing designs and enhance their existing products. We also collaborate with our customers to conceptualise, design and manufacture their new products. During the Track Record Period, we produced complete machines such as dicing machines, lapping machines, lifters and polishing machines which are mainly for customers in data storage and electronics industry.

(iii) Components

We manufacture mechanical components which are used by our customers in their manufacture of equipment and machines, such as dry pumps and housings, for customers in the SPE industry.

BUSINESS

The below table set out the application and description of some of our EMS products:

	<u>Product</u>	<u>Description and application</u>
Sub-systems	Magazine handling	A major part of a wire bonder to deliver lead-frames into the gripper of a slider system for bonding and deliver the bonded lead-frames for the next process
	Sliders	A major part of a wire bonder to transfer the individual lead-frames into the work area of a work-holder for wire bonding
	Work-holder	A major part of a wire bonder to hold the lead-frames in position throughout the entire wire bonding process at a placement accuracy of 25 to 50 microns
Complete Machines	Dicing machine	Equipment that cuts wafers into individual semiconductor chips with blades
	Lapping machine	Equipment used in the lapping process which is part of the wafer's surface treatment
	Lifter	Equipment that transfers wafers between different processes and positions and aligns wafers during these processes
	Polishing machine	Equipment used in the polishing process which is part of the wafer's surface treatment and usually a step after the lapping process to achieve a smooth wafer surface
Components	Dry pumps	A mechanical device used in semiconductor production to create a rough vacuum environment in order to prevent contamination
	Housings	An accessory that is used for covering components in a system

ODM products

Our ODM products manufactured by our ODM Division are classified into three types as follows:

(i) Automated equipment

We design, develop and manufacture automated equipment based on our customers' needs and requirements. The automated equipment manufactured by our ODM Division is generally used in semiconductor processing. The Automated Equipment Department of our ODM Division is responsible for design, development and manufacture of our automated equipment.

Below are some of the automated equipment produced under our own brand of "Kinergy" designed by our ODM Division and their application and description:

<u>Product</u>	<u>Description and application</u>	
Auto-frame loader equipment	Equipment that automatically takes the fragile wire bonded lead-frames from magazines and places them onto a loading frame using robotic arm. The loading frame is then manually placed into the mold for encapsulation	
Auto-buffing equipment	Equipment that removes excess mould resin bleed and tape residue from the sensitive surface of leadless package lead-frames using a nylon wheel mounted on a rotating spindle head assembly precisely positioned over the work area	
Strip laser markers	Equipment that automates the process of engraving identification marks, which are usually characters and logos by a laser beam on the plastic or ceramic surfaces of the IC packages	

(ii) Precision tools

We design, develop and manufacture precision tools including encapsulation molds for forming the protective encapsulation of an IC chip and dies for trimming and forming of encapsulated IC chips by cutting and bending the terminals of the lead-frame to different shapes. The precision tools we manufacture are prone to wear and tear as they are subject to continuous production runs. The Precision Tooling Department of our ODM Division is responsible for design, development and manufacture of our precision tools.

(iii) Spare parts

We design, develop and manufacture spare parts that are suitable for our customers' equipment. The Precision Tooling Department of our ODM Division is responsible for design, development and manufacture of spare parts for our ODM customers.

EMS services

We provide maintenance and commissioning services to our customers at charge for (i) maintenance and commissioning service provided after the warranty period; and (ii) maintenance services provided for circumstances which not covered by product warranty (e.g. malfunctions due to misuse or improper maintenance by customers, request for stationing of engineers for maintenance). These services are provided at our customers' sites.

OUR PRODUCTION FACILITIES

During the Track Record Period and as at the Latest Practicable Date, we had production facilities located in Singapore, the PRC and the Philippines.

Our production facility located in Singapore has a total floor area of approximately 48,856 sq.ft. with 151 staff as at the Latest Practicable Date. Our production facility in Singapore is a leased property.

We also have another two production facilities located in Nantong, Jiangsu Province, the PRC, namely, Nantong Facility I and Nantong Facility II. Nantong Facility I has a total floor area of approximately 214,542.1 sq.ft. Nantong Facility II has a total floor area of approximately 363,591.2 sq.ft. As at the Latest Practicable Date, Nantong Facility II had not been renovated and was in a bare-shell condition, pending construction completion inspection. Our Directors expected that the construction completion inspection of Nantong Facility II will be completed by the third quarter of 2018. As mentioned in the section headed "Business — Our Business Strategies", it is our plan to renovate and set up our Nantong Facility II to expand our production capacity for our long-term growth in the industry and to diversify our customer base. Our expansion plan will not only increase our production capacity but also our capability as we intend to set up production space such as clean rooms of various classes and carborundum flooring which are prerequisites for customers in different sectors. Our Nantong Facility I and Nantong Facility II are built on

BUSINESS

two parcels of land owned by us, namely, 18 Fuxing Road and 62 Zhongyang Road, Nantong, Jiangsu Province, the PRC. Please refer to the section headed “Business — Properties — Owned properties — The PRC — Land use rights” for our land use rights of these two parcels of land.

While most of our production is carried out in our facilities in Singapore and the PRC, we also have a facility in the Philippines with a total floor area of 10,549 sq.ft. with 44 staff as at the Latest Practicable Date. Our Philippines facility focuses on the production of components which may be used as spare parts and providing customers services to our customers located in the Philippines. Our production facility in the Philippines is a leased property.

Allocation of orders for production between our different facilities are determined according to customer preferences, the capacity of each facility and technical requirements of the orders.

The core of our production is the assembly of parts into sub-systems/machines/equipment. A major determinant of our production is production space with the right conditions and environment suitable for the assembly of parts (such as clean rooms of different classes and anti-static flooring) as some of the parts may be highly sensitive. When we receive an order, we conduct floor space planning and allocate the amount of space (with the right condition) necessary for on time delivery of the order. We take into account a number of factors including size of parts and finished products, physical characteristics of parts to be assembled and space necessary for materials flow. If necessary, we may also set up work stations on our production floor with tables, partitions, tools which are not fixed (to the ground or the wall) and of sizes which can be easily moved around. Upon completion of an order, if necessary, the production floor will be emptied and/or reconfigured with the necessary set up to accommodate the next order of different volume and specifications. Such set up allows versatility that the reconfiguration of production floor can be done within a short period of time. As such, our production facilities are versatile to adapt to variations in product specifications and order volume and are able to serve different customers.

As the core of our business lies in manufacturing process design and the assembly of parts into products, our production capacity at any point of time is defined by a matrix of production factors such as the number of our labour and engineers, our production floor space and complexity and size of projects on hand. This is characterised by the fact that we produce on a “high mix, low volume” basis. The orders we receive from the products we assemble for our customers vary highly in applications, lot sizes and processes. This requires our ability to convert our assembly line and flexibility to adapt to changes in product specifications. During the Track Record Period, we had produced over 100 models of different products composing 20 to 500 part counts. There can be up to three versions for one particular model and each version may mean different production requirements. As such, our Directors consider that a calculation of production capacity based on any particular type of product or by generalising our production to demonstrate utilisation will not represent our actual capacity and utilisation. Our Directors consider that it is a norm amongst industry peers that production capacity cannot be calculated, given the production of this industry is characterised as “high mix, low volume”, meaning the complexity of products to be built varies widely and therefore time, space and manpower required for production also vary widely.

BUSINESS

For our production planning, some of our customers usually provide their respective purchase projections to us two to three months ahead of the production. Such purchase projections are not legally binding and merely provide an indication of their potential purchase from us. Based on the purchase projections, we estimate the necessary line up and conduct floor space planning, taking into account the manpower availability, the expected size of the deliverables, the estimated time required to produce the deliverables (which in turn may vary according to the complexity of the products/solution and design) and the target delivery date. This implies that production floor space is an operational bottleneck. On the other hand, since the manufacturing process of our EMS division and the automated equipment segment of our ODM division (the two segments which generate most of our revenue during the Track Record Period) mainly involves the assembly of parts into finished products by our production workers, manpower is essential for our operation. To overcome the constraints of insufficient production floor space, we engaged our production workers for overtime work during the Track Record Period when necessary. As such, while production capacity cannot be easily quantified due to the highly varied product specifications, to illustrate the scale of our production, the table below sets out the production floor space, the number of production workers and their number of overtime employed during the Track Record Period and upon the completion of our expansion plan:

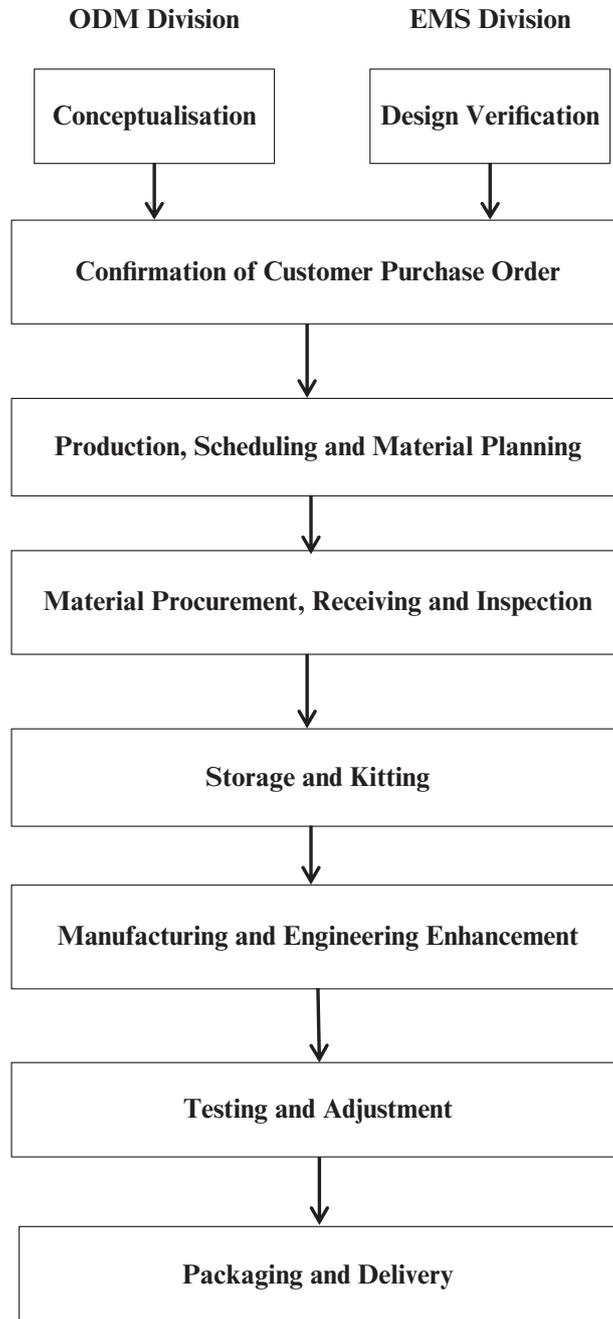
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Upon completion of our expansion</u>
Approximate production floor space (sq. ft.) as at 31 December ⁽¹⁾	122,768.6	122,768.6	122,768.6	322,546.8
Monthly average of overtime per production worker (in hours) during the year ⁽²⁾⁽³⁾				
Singapore	47.4	26.4	40.4	N/A
PRC	34.6	62.3	76.2	N/A

Notes:

1. Production floor space as at 31 December 2015, 2016 and 2017 included the production floor space of our Singapore facility and Nantong Facility I and excluded the production floor space in Nantong Facility II which had not been in operation during the Track Record Period.
2. Monthly average of overtime per production worker during the year is calculated by dividing the total number of overtime (in hours) of our production workers in Singapore and Nantong Facility I of the relevant year by the annual average number of production worker, and then divided by twelve.
3. Overtime represents the number of hours worked in addition to normal working hours (being 8 hours a day) including any number of hours worked during Saturday, Sunday and public holidays.
4. The overall increase in the monthly average of overtime per production worker of our Group during the Track Record Period was due to the increase in orders from customers.

OUR BUSINESS FLOW

The key stages in our business flow for both EMS and ODM Divisions are set out in the diagram as follows:



While we may provide proposals for product enhancement, our EMS Division typically manufactures according to designs developed by our customers as opposed to our ODM Division which develops our own designs according to our customers' requirements. Accordingly, the conceptualisation stage may not apply to our EMS Division. The project lead time for (i) our EMS Division generally ranges from 8 to 16 weeks and (ii) our ODM

Division generally ranges from 3 weeks to 8 weeks. The length of project lead time depends on the complexity of the projects and the volume of our customers' purchase order and the lead time in our supply chain.

Conceptualisation and Design Verification

A project is usually initiated by a customer enquiry. For ODM Division, our business development team personnel communicates with our customers to understand their needs. We will then make a technical proposal with price estimate according to our customers' specifications. There will be discussions with our customers for modifying and finalising our designs and if our customers agrees with our proposal, our customers will place an order with us. For EMS Division, we will verify and review the information provided by the customer to ensure that all the customer's specifications and delivery requirements can be met, upon satisfaction of which we will accept the purchase order.

Confirmation of Customer Purchase Order

Our customers will provide us with a purchase order and delivery requirements, together with an information package generally comprising bill of materials (which is a schedule of components and parts required), technical drawings for the mechanical parts and components which may specify suppliers from which we will need to make our procurement and quality requirements. A project team, comprising engineers and members from the quality assurance team production and materials team, will be formed to be responsible for each order. Daily meetings will be held to review the general progress of production and schedules of critical materials.

For our ODM Division, during this stage, our engineering team will provide our bills of materials and drawings for our customers approval and pass on to our production and material requirements planning team upon approval.

Production, Scheduling and Materials Planning

All customers' purchase orders are scheduled and planned using the Enterprise Resources Planning ("ERP") system. Our production and material planning team will input information on the customer's purchase order to the ERP system. This system monitors and reports on the progress of our production orders according to our planned schedules. Such tracking will enable our production planning and control team to ensure that adequate resources are allocated for the order. The ERP system also allows us to track the status of our inventory and orders we place with our suppliers so we can control our supply chain effectively to ensure timely delivery of raw materials and minimise our inventory cost.

Material Procurement, Receiving and Inspection

Our material team manages and undertakes material procurement for the entire project from the receipt of the customers' purchase order up to the final delivery of our products. With the use of the ERP system, the material team works with our suppliers closely to ensure that there are sufficient production materials to meet our customers' purchase orders within the requisite timeframe. We will raise requisition for materials needed for production

during this stage and may make arrangement for third party service providers if necessary. Upon arrival of production materials, we will conduct quality inspection of the materials. For details of our quality assurance measures in relation to suppliers selection and materials procurement, please refer to the section headed “Quality Assurance” in this prospectus.

Storage and Kitting

Upon satisfaction of incoming quality check, specific production orders will be generated according to the production schedule and issued for our inventory and logistics team to kit the required materials into sub-modules for production use.

Manufacturing and Engineering Enhancement

We divide our manufacturing processes into sub-processing stations and each station is provided with comprehensive work instructions for understanding and reference by the relevant operators, who are trained to undertake the work required for the relevant sub-processing stations. Please refer to the section headed “Our Manufacturing Process” below for further details on the stages of our manufacturing process for each of our EMS and ODM Division. Where appropriate, we may also provide proposal for product enhancement during this stage as part of our value-added services.

Testing and Adjustment

The fully assembled products will undergo a series of tests and adjustments, such as functional tests and mechanical inspections conducted by our quality assurance personnel to ensure that our customers’ specifications are met.

Packaging and Delivery

Finished products will be packed and delivered to customers by logistic companies which may be nominated by customers.

OUR MANUFACTURING PROCESSES

EMS Division

The manufacturing processes of our EMS Division mainly involve the manual assembly and testing and adjustment of components or parts we produce in-house or we purchase from independent third-party suppliers. We adopt an In-Process Quality Control (“IPQC”) which integrates quality assurance procedures with the manufacturing processes of our EMS Division. Before commencing the production of an order, we conduct floor space planning and reconfigure our production floor if necessary. Our engineers conduct process design and divide the assembling processes of a product into different steps and tasks. We will then assign our assembly workers to different tasks/steps and our assembly workers will work in their own work stations. In order to ensure our assembly workers have the necessary skills and techniques to perform their assigned tasks/steps with precision, each technician will also be provided with a set of instructions in plain language with illustrative drawings carefully designed by our engineers which set out technical

requirements in details such as degree of rotation, tightness of screws and directions of placement. For some critical steps, another set of further instructions that we require our technicians to revise daily is provided to each technician. For each order, our assembly workers will be provided an updated or a new set of work instructions designed according to product specifications of a particular order. We believe that our training and guidance does not only ensure quality and precision but also enhance our manufacturing flexibility. With detailed instructions, technicians can pick up new skills easily when they are assigned to a new step/task which may require different skills and techniques, meaning the manpower is readily transferrable to serve other customers.

Technician are required to conduct self-inspection of their own part of work by filling in clearly formulated checklists which set out check points and quality standards of each step before passing on semi-finished products to the next stage, and thereby avoid passing on poor quality.

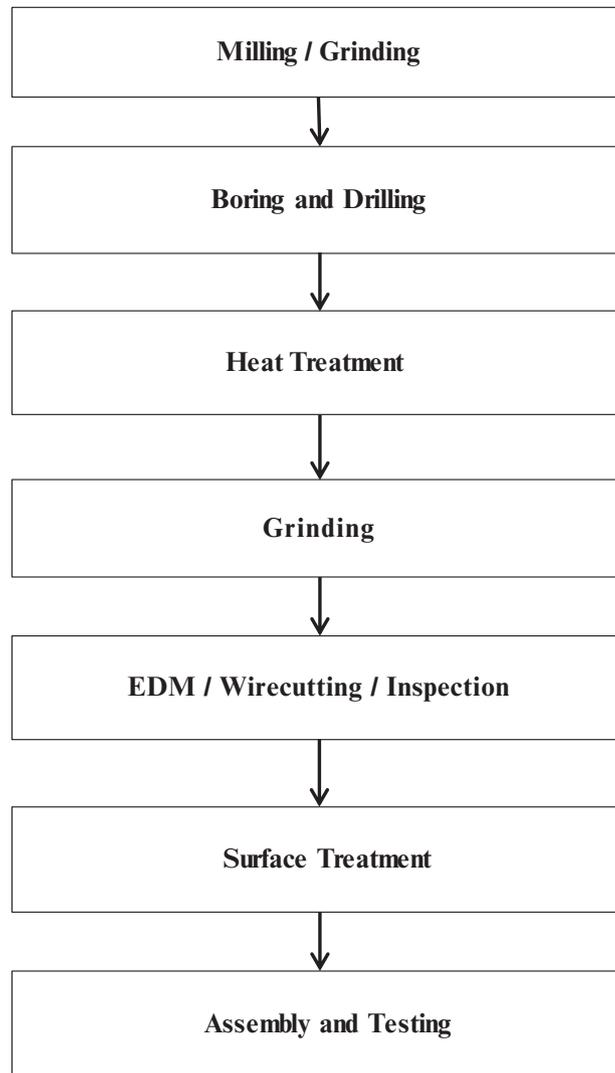
Testing and calibration of critical tools such as torques are tested and verified by third party laboratories before production use. Our technicians are also required to perform periodic inspection and calibration of these tools with testers to ensure they operate at a proper setting. We also keep records of these daily measurements to enhance traceability of defects.

While we conduct sample quality check of our incoming materials, our technicians are also taught to inspect parts and components before they assemble them. Instructions for identifying visual and minor defects such as surface finishing and colour patch of parts and components are provided to our workers. These checks for input conditions will allow us to address deviations at the earliest opportunity before they turn into major defects. If defects are found, our technicians will alert the material quality assurance personnel and a report would be filed detailing the problem identified, suggested disposition of the faulty part or component. The report will then be reviewed by the material review board which comprise personnel from our production, engineering, quality assurance and procurement department. Our material review board will then analyse the cause and devise containment plan. Where necessary, we may also notify and follow up with our suppliers for corrective and preventive actions.

For further details of our quality assurance procedures at different stages of production, please refer to the section headed “Business — Quality Assurance”.

ODM Division

Our ODM division is divided into Automated Equipment Department and Precision Tooling Department. The Automated Equipment Department of our ODM division has a similar manufacturing process as that of our EMS Division set out in the section headed “Business — Our Manufacturing Processes — EMS Division” above. The difference between the Automated Equipment Department of the ODM Division and our EMS Division is the former designs and manufactures our own “Kinergy” brand automated equipment. The key stages in our ODM manufacturing process of our Precision Tooling Department are set out in the diagram as follows:



Milling / Grinding

The raw material used in our Precision Tooling Department manufacturing process is typically steel blocks. These steel blocks are first cut into required sizes and shapes by our milling machines. If necessary in order to achieve more precise measurements and shapes, these milled steel blocks may be further refined in the grinding, electrical discharge machining (EDM) and wire cutting processes.

Boring and Drilling

Holes are bored and drilled into the milled steel blocks by our boring and drilling machines, according to the specifications of the design drawings. The methods of boring and drilling include radial drilling (which is suitable for regular sized holes), jig boring (which is suitable for drilling bigger holes) and gun drilling (which is suitable for drilling long holes).

Heat Treatment

Where necessary in order to meet the design specifications, the steel blocks are sent to third parties for heat treatment to enhance their hardness and rigidity.

Grinding

If very precise measurements and shapes are required (typically, measurements of between two to five microns), the measurements of the steel blocks are then refined through precise grinding by our grinding machines.

EDM / Wirecutting / Inspection

Following grinding, the hardened steel blocks are made to required shapes and precision using electrical discharge machining (EDM) and wire cutting method. Full inspection is conducted by vision measuring system.

Surface Treatment

To prolong the life of a tool and optimising tooling performance, special surface treatment such as hard chroming and titanium nitriding may be required and we engage third party specialists for these processes.

Assembly and Testing

The steel blocks are then assembled, together with other components, to form the final product, i.e. the finished tool or die. The completed product will undergo a series of tests and adjustments, such as a functional tests and mechanical inspection to ensure that our customers' specifications are met.

BUSINESS

CUSTOMERS

For our EMS Division, our customers include original design manufacturers of SPE. For our ODM Division, our customers include users of semiconductor process equipment. For the three years ended 31 December 2017, our Group had a total of 67, 63 and 78 customers which contributed to our revenue, respectively.

Geographical Coverage

The following table sets out our revenue by geographical locations during the Track Record Period. It should be noted that the following breakdown is based on the location of our customers. Our customers, in particular multinational corporations, may place purchase orders from various regional offices. The locations where our products are used may be different from where the customers locate.

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Singapore	61,244	57.3	86,390	80.7	114,492	88.8
The Philippines	4,623	4.3	2,590	2.4	3,550	2.7
The US	30,264	28.3	9,779	9.2	3,358	2.6
The PRC	4,460	4.2	4,101	3.8	1,662	1.3
Japan	1,255	1.2	582	0.5	2,781	2.2
Others <i>(Note)</i>	5,050	4.7	3,555	3.4	3,109	2.4
Total	106,896	100.0	106,997	100.0	128,952	100.0

Note: Includes Malaysia, Taiwan, Vietnam, Thailand, Sri Lanka, Indonesia, Mexico, Switzerland and Netherland.

The above breakdown sets out the revenue by geographical locations of our customers during the Track Record Period. Since our customers which are multinational corporations may place their purchase orders from regional offices not located in the PRC, the above breakdown may not directly reflect our ability to capture the opportunities presented by favourable industry development of the SPE industry in the PRC, from which our Directors expect our Group will be benefited as mentioned in the section headed “Business — Our Business Strategies” in this prospectus. However, as confirmed by the Industry Consultant, the PRC is the major market of our top ten customers during the Track Record Period (who are SPE manufacturers). It follows that our products are effectively sold to the PRC through our sales to our customers who serve the PRC market. In particular, the PRC market is the major market for two of our major customers during the Track Record Period, namely Customer A and Customer D, who, in aggregate, respectively represented approximately 52.8%, 79.4% and 84.1% of our total revenue for the three years ended 31 December 2017. As such, our Directors believe that we will be able to benefit from the migration of SPE manufacturers to China and the expected growth of the SPE industry.

BUSINESS

Top customers

For the three years ended 31 December 2017, revenue from our largest customer accounted for approximately 48.5%, 72.6% and 77.9% of our total revenue, respectively, while our five largest customers in aggregate accounted for approximately 87.2%, 89.5% and 92.9% of our total revenue, respectively. All of our five largest customers during the Track Record Period are Independent Third Parties. Our Group has maintained business relationships of approximately 2 to 18 years with our top customers during the Track Record Period.

The table below sets forth the details of our five largest customers during the Track Record Period:

For the year ended 31 December 2015

Customer	EMS/ODM Division	Products sold to the customer	Background and principal business	Approximate Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						SS'000	%
Customer A	EMS	sub-systems such as work-holders, magazine handlers and sliders for ball bonders	Customer A is a group company of a Singapore-headquartered group that designs and manufactures semiconductor back-end equipment and expendable tools with a dominating market share in global sales of wire bonders as of 2017	18	45 days upon date of invoice, payable by bank transfer	51,867	48.5
Customer B	EMS	Vibrators and reliability test systems	Customer B is a US-based world-leading technology company which designs and develops consumer electronics, computer software and online services	3	45 days upon date of invoice, payable by bank transfer	24,846	23.3
Customer C	EMS	Wafer die sawing systems and lapping systems	Customer C is a group company of a Netherlands-based group that designs, manufactures and markets equipment for development of electronic devices	5	60 days date of upon date of invoice, payable by bank transfer	8,236	7.7

BUSINESS

Customer	EMS/ODM Division	Products sold to the customer	Background and principal business	Approximate Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						US\$'000	%
Customer D	EMS	Hoist assembly modules	Customer D is a group company of a world-leading group which manufactures semiconductor front-end equipment	10	30 days upon date of invoice, payable by bank transfer	4,567	4.3
Customer E	ODM	IC encapsulation molds and current sensor assembly machines	Customer E is a group company of an internationally well-known US-based group that manufactures and sells semiconductors for use in various sector, a major player in the global magnetic market	17	45 days upon date of invoice, payable by bank transfer	3,664	3.4
Sub-total						93,180	87.2
All other customers						<u>13,716</u>	<u>12.8</u>
Total						<u>106,896</u>	<u>100.0</u>

BUSINESS

For the year ended 31 December 2016

Customer	EMS/ODM Division	Products sold to the customer	Background and principal business	Years of business relationship	Typical credit terms and payment method	Revenue derived from the customer	
						S\$'000	%
Customer A	EMS	Sub-systems such as work-holders, magazine handlers and sliders for ball bonders	Customer A is a group company of a Singapore-headquartered group that designs and manufactures semiconductor back-end equipment and expendable tools with a dominating market share in global sales of wire bonders as of 2017	18	45 days upon date of invoice, payable by bank transfer	77,645	72.6
Customer D	EMS	Hoist assembly modules	Customer D is a group company of a world-leading group which manufactures semiconductor front-end equipment	10	30 days upon date of invoice, payable by bank transfer	7,344	6.9
Customer B	EMS	Maintenance services	Customer B is a US-based world-leading technology company which designs and develops consumer electronics, computer software and online services	3	45 days upon date of invoice, payable by bank transfer	4,901	4.6
Customer F	EMS	Linear transportation modules, motor housing modules and plating handling modules	Customer F is a group company of an internationally well-known Japan-based group that manufactures and sells industrial machinery, one of the world's largest manufacturers of industrial pumps and related equipment	2	60 days upon date of invoice, payable by cheque	4,421	4.1
Customer E	ODM	IC encapsulation molds and current sensor assembly machines	Customer E is a group company of an internationally well-known US-based group that manufactures and sells semiconductors for use in various sector, a major player in the global magnetic market	17	45 days upon date of invoice, payable by bank transfer	1,489	1.3
Sub-total						95,800	89.5
All other customers						11,197	10.5
Total						106,997	100.0

BUSINESS

For the year ended 31 December 2017

<u>Customer</u>	<u>EMS/ODM Division</u>	<u>Products sold to the customer</u>	<u>Background and principal business</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method</u>	<u>Revenue derived from the customer</u>	
						<u>S\$'000</u>	<u>%</u>
Customer A	EMS	Sub-systems such as work-holders, magazine handlers and sliders for ball bonders	Customer A is a group company of a Singapore-headquartered group that designs and manufactures semiconductor back-end equipment and expendable tools with a dominating market share in global sales of wire bonders as of 2017	18	60 days upon date of invoice, payable by bank transfer	100,463	77.9
Customer D	EMS	Hoist assembly modules	Customer D is a group company of a world-leading group which manufactures semiconductor front-end equipment	10	45 days upon date of invoice, payable by bank transfer	7,926	6.1
Customer F	EMS	Linear transportation modules, motor housing modules and plating handling modules	Customer F is a group company of an internationally well-known Japan-based group that manufactures and sells industrial machinery, one of the world's largest manufacturers of industrial pumps and related equipment	2	60 days upon date of invoice, payable by bank transfer	7,500	5.8
Customer E	ODM	IC encapsulation molds and current sensor assembly machines	Customer E is a group company of an internationally well-known US-based group that manufactures and sells semiconductors for use in various sector, a major player in the global magnetic market	17	45 days upon date of invoice, payable by bank transfer	2,132	1.8
Customer G	EMS	Assembly spinners, assembly sample changes and assembly optics chargers	A world-leading Netherlands-based company that manufactures and sells analytical X-ray equipment internationally	6	30 days after upon invoice by bank transfer	1,710	1.3
Sub-total						119,731	92.9
All other customers						<u>9,221</u>	<u>7.1</u>
Total						<u>128,952</u>	<u>100.0</u>

BUSINESS

All of our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge of our Directors, none of our Directors (or any person who, to the best knowledge of our Directors, owns more than 5% of the issued share capital of any of our subsidiaries or any of their respective associates) had any interest in any of our five largest customers during the Track Record Period.

The table below sets out the number of new customers (i.e. companies which did not contribute to our revenue previously) during the Track Record Period and subsequent to the Track Record Period and up to the Latest Practicable Date and their revenue contribution in aggregate for the same periods:

	For the year ended 31 December			Subsequent to the Track Record Period and up to the Latest Practicable Date
	2015	2016	2017	
	S\$'000	S\$'000	S\$'000	
Number of new customers	8	6	8	nil
Contribution in aggregate to our total revenue of the same year	819	604	414	nil

Customer concentration

For each of the three years ended 31 December 2017, revenue from our five largest customers accounted for approximately 87.2%, 89.5% and 92.9% of our total revenue, respectively. In particular, the percentage of our total revenue attributable to our largest customer, Customer A, was approximately 48.5%, 72.6% and 77.9%, respectively, for the same years. Please refer to the section headed “Risk Factors — We rely on Customer A, our single largest customer during the Track Record Period” in this prospectus for the customer concentration risk.

RELIANCE ON CUSTOMER A

Our largest customer, namely Customer A, is currently listed on the NASDAQ and principally operates in the semiconductor industry, providing semiconductor packaging and electronic assembly solutions to the automotive, consumer, communications, computing and industrial segments. Its principal equipment segment products include wire bonders (including ball bonders and wedge bonders), advanced packaging and electronic assembly, among which ball bonders represented the largest portion its equipment business. According to the Industry Report, Customer A takes the lead in the global wire bonders market, with a market share of approximately 50.8% in terms of sales revenue in 2017 and revenue of approximately US\$635.6 million as of 2017. Customer A has expressed in writing that they do not consent and do not authorise us to disclose its name in this prospectus. Our legal advisers as to Singapore laws of the Company are of the view that we may face a real

BUSINESS

risk of a legal dispute or a litigation suit by Customer A if we proceed to disclose Customer A's name in this prospectus without Customer A's consent or authorisation. Therefore, the identity of Customer A cannot be disclosed.

We have approximately 18 years of business relationship with Customer A. Our sales to Customer A mainly comprise three sub-systems for ball bonders: (i) work-holders; (ii) magazine handlers; and (iii) sliders (collectively, the “**Ball Bonder Handling Systems**”), which are critical sub-systems used by Customer A for manufacturing ball bonders. Other than the Ball Bonder Handling Systems, we also sell parts and sub-systems used by Customer A for other equipment products, such as wedge bonders and advanced packaging. Our sales to Customer A accounted for approximately 48.5%, 72.6% and 77.9% of our total revenue for the three years ended 31 December 2017, respectively, among which over 90% of the sales were related to the Ball Bonder Handling Systems.

The following table sets forth our revenue derived from sales to Customer A during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
— Sales from the Ball Bonder Handling Systems	48,454	45.3	73,452	68.6	90,969	70.5
— Sales from other products	3,413	3.2	4,193	4.0	9,494	7.4
Total sales to Customer A	51,867	48.5	77,645	72.6	100,463	77.9
Total sales to other customers	55,029	51.5	29,352	27.4	28,489	22.1
	106,896	100.0	106,997	100.0	128,952	100.0

During the Track Record Period, the percentage of our sales to Customer A increased from approximately 48.5% for the year ended 31 December 2015 to approximately 72.6% for the year ended 31 December 2016 and further increased to approximately 77.9% for the year ended 31 December 2017. The increase in our revenue generated from Customer A is generally in tandem with the growth in revenue of Customer A. The relatively lower percentage of our sales to Customer A for the year ended 31 December 2015 was mainly attributable to the increase in sales to other customers for the same period. Comparing to the three months ended 31 March 2017, revenue contribution of Customer A for the three months ended 31 March 2018 decreased from approximately 82.2% to approximately 74.5%.

Master Framework Agreement with Customer A

We entered into a master framework agreement dated 25 August 2003 (the “Master Framework Agreement”), which shall remain in full force and effect until terminated by either party upon 60 days’ written notice. Material terms of the Master Framework Agreement are as follows:

- (i) terms of payment, being 45 days from the date of invoice;
- (ii) pricing of goods will be stipulated in purchase orders to be issued by Customer A;
- (iii) the Master Framework Agreement does not impose any purchase obligation on Customer A nor prohibits Customer A from purchasing similar products from any other third parties;
- (iv) Customer A will provide order forecast to us and Customer A has no liability for the forecasted amount;
- (v) products shall be packed and shipped in accordance with sound commercial practice; and
- (vi) performance and quality requirements such as (i) furnishing formal manufacturing, test and quality plan; (ii) providing reports of product process quality goals agreed by Customer A; (iii) using statistical techniques for the manufacture, test and quality of the commodity; and (iv) maintenance and execution of internal audits of our operation.

Our Directors confirmed that our Group had been in compliance with the Master Framework Agreement during the Track Record Period and up to the Latest Practicable Date.

With effect from 2017, at the request of Customer A, we have extended the credit term to 60 days for Customer A. Our Directors confirmed that the extension of credit term was due to the changing competitive landscape in which Customer A operates which poses higher inventory level and therefore higher cash flow requirement on Customer A. Having considered (i) our well-established business relationship with Customer A; (ii) Customer A’s payment history; and (iii) the healthy financial position of Customer A, we granted Customer A a longer credit term of 60 days, which was generally in line with the credit terms granted by us to the majority of our customers. Our Directors further confirmed that, up to the Latest Practicable Date, our Group did not have difficulties in collecting receivables due from Customer A and the extension of credit period did not have any material adverse impact on our Group. Apart from the extension of credit term, our Directors confirmed that there had not been any other change of material term under the Master Framework Agreement during the Track Record Period and up to the Latest Practicable Date.

Reasons for reliance

The reasons for our reliance on Customer A are mainly as follows:

- (a) According to the Industry Report, the wire bonder market was highly concentrated with the top three companies accounting for approximately 79.4% of the total market size in terms of sales revenue in 2017 and Customer A is largest among these top three manufacturers of wire bonders in the world as of 2017. Among these top three manufacturers of wire bonders, only Customer A sub-contracted its entire handling systems to contract manufacturers, while the other two manufacturers sub-contracted part of their handling systems to contract manufacturers. According to the Industry report, this dynamic has remained so for some time and is unlikely to change significantly in the future. Therefore, it is an industry norm for contract manufacturers of ball bonder handling system to rely on a limited number of customers.
- (b) Likewise, the global wire bonder handling system contract manufacturing industry is highly concentrated. According to the Industry Report, our Group held a dominant position with a global market share of approximately 49.6% in terms of sales revenue in 2017, and the other key market players accounted for market share of approximately 28.8% in terms of sales revenue in 2017. As such, our Group is among the few suppliers with track records and proven capabilities in manufacturing wire bonder handling systems.
- (c) Unlike a typical production machine in the general manufacturing industry, sub-systems of SPE are precise and high-tech equipment which require substantial fine-tuning of performance parameters of sub-systems of production lines, including customisable settings, in order to meet the specifications of any individual SPE manufacturer. Therefore, sourcing from a small number of contract manufacturers is an industry norm for the SPE industry as the number of contract manufacturers with track records and proven capabilities in providing specialised systems meeting the individual SPE manufacturer's stringent standard are limited. On the other hand, given the required substantial fine-tuning of performance parameters of sub-systems, instead of maintaining a wide range of SPE manufacturer customers, which would entail significant capital expenditures, a contract manufacturer of sub-systems of semiconductor process equipment (such as our Group) might instead focus on serving a limited number of dominant SPE manufacturers (such as Customer A) in order to achieve economies of scale.

Well-established relationship with Customer A

Our Group has approximately 18 years of business relationship with Customer A. We are Customer A's principal supplier of Ball Bonder Handling Systems and one of the approved vendors. Throughout the years, Customer A has granted us various awards, including the award regarding our outstanding contribution to Customer A's new product development in 2015. In view of (i) the long-term business relationship; (ii) the awards granted by Customer A; and (iii) the track record of our ability to provide consistent high quality and reliable sub-systems to Customer, it is considered that our Group will continue

BUSINESS

to be Customer A's principal supplier in the future. Our Directors believe that our long-established and stable relationship with Customer A is mainly due to our Group's reputation in the semiconductor back-end equipment industry, the products we offered with high quality, our competitive costs and our service.

Our Master Framework Agreement with Customer A sets out agreed procedures as to terms of payment, packing and shipment requirements, and general quality requirements, etc. Although there is no long term agreement stipulating purchase obligations, which is a common industry practice, Customer A has been placing purchase orders with us consistently. It has been a long established practice that Customer A gives weekly projection of three months forecast to us, and places purchase orders with our Group three months prior to the delivery date.

According to the Industry Report, it is a common industry practice and convention that SPE manufacturers normally will not enter into any long-term supply contracts containing purchase commitment with their contract manufacturers. This is mainly because SPE manufacturers have to retain its flexibility to adjust purchase quantity and upgrade or modify their product specifications from time to time depending on their customers' demand and market dynamics. Our Directors also believe that our Group's current arrangement with Customer A offers flexibility in our operations to cater for the changes in customer demand and technologies, given the dynamic nature of the SPE industry.

Mutual and complementary reliance

The SPE machines and technologies used in the manufacturing process are sophisticated and complex. According to the Industry Report, the performance of SPE machines highly depends on the reliability, accuracy and performance of the components and sub-systems used. A typical production line of semiconductor device can be made up of over 15 processes, and each process is made up of an SPE machine that is throughput-balanced with the other machines in the production line to achieve a predetermined output. The performance failure of any SPE machine would affect the entire production line of semiconductor device, which can cause severe economic losses for semiconductor device manufacturers using such unstable quality machine. As such, in order to ensure the robustness of SPE machines supplied to the semiconductor device manufacturer customers, SPE manufacturers rely heavily on their suppliers to provide sub-systems that meet their requirements. In view of the stringent technical specifications and strict quality standard, it is difficult for SPE manufacturers to identify qualified suppliers. Our Directors are of the view that SPE manufacturers intend to maintain a long-term business relationship with these qualified and reliable suppliers instead of taking the risks associated with unmatched or even flawed products arising from changing suppliers, and therefore, unlike a typical manufacturing industry, the relationships between SPE manufacturers as customers and their contract manufacturers as suppliers are mutual reliance.

Our Directors consider that there is mutual and complementary reliance between our Group and Customer A, given the below reasons.

(a) Our Group is the principal supplier to Customer A for several critical sub-systems that are used to build Customer A's ball bonder products, and thus the cessation of our Group's supply of these sub-systems to Customer A will have a material adverse impact on Customer A's business and financial results and for this reason, we have all these 18 years put in all contingency plans, to ensure business continuity for Customer A's supplies integrity

Our sales to Customer A mainly comprised Ball Bonder Handling Systems. Based on our understanding from Customer A, we are its principal supplier for Ball Bonder Handling Systems despite the fact that Customer A has a second supplier and had kept changing its second supplier over the years owing to the inconsistent quality of sub-systems provided by them. It is our estimation that Ball Bonder Handling Systems provided by us accounted for approximately 70% to 90% of Customer A's total purchases of these sub-systems. Based on our understanding from Customer A, Customer A's purchases from our Group represented approximately 25% to 30% of Customer A's total purchases in 2015 to 2017. Based on our understanding from Customer A, we are one of the top key suppliers of Customer A because of the consistently high quality and reliable sub-systems supplied by our Group. In addition, other than the Ball Bonder Handling Systems, Customer A also purchased parts and sub-systems that are used for its other equipment products from our Group.

As disclosed in the annual report of Customer A for their financial year of 2017, Customer A's revenue derived from the capital equipment segment accounted for approximately 80.6% of their total revenue, and ball bonders represented the largest portion of the capital equipment business. It is our estimation that ball bonders accounted for approximately 60% of the total revenue of Customer A in fiscal 2017. The Ball Bonder Handling Systems supplied by us are critical parts used for manufacturing ball bonders, and it is estimated that Ball Bonder Handling Systems account for approximately 30% to 33% of the total material cost of a ball bonder. In addition, Customer A's annual report also identified its reliance on "suppliers, including sole source suppliers, for critical raw materials, components and subassemblies" as a risk.

(b) In view of the stringent technical specifications and strict quality standard of the sub-systems for ball bonders, it is unduly burdensome and difficult for Customer A to seek alternative suppliers, while it is more productive and reliable to continue working with our Group to improve quality, robustness and lower prices

Ball Bonder Handling Systems are key to the performance of ball bonders. A Ball Bonder Handling System works as part of the wire bonding process by moving and holding individual lead-frames for wire bonding. Therefore, the Ball Bonder Handling System is essential for the wire bonding process, and no other systems are expected to be able to replace the Ball Bonder Handling Systems in the near future. Wire bonding can reach as accurate as 10 microns placement accuracy (which is thinner than the average thickness of a human hair of 80 microns). Other than high degree of accuracy,

Customer A's ball bonders are designed to bond over 30 stitches of individual wires per second, and are expected to work 24/7, 360 days a year with little human interface. As such, there is effectively no room for any error in the Ball Bonder Handling Systems.

Customer A is the largest player in the wire bonding equipment market. According to the Industry Report, Customer A has a consistent, historical recognition for being technologically advance, reliable and robust for its ball bonders. The high degree of accuracy, reliability and performance of Customer A's ball bonders rely heavily on the quality and performance of the critical sub-systems. Leveraging our technical competence, engineering capability, sophistication of design and quality of high-tech machines production, we are able to build sub-systems that meet the stringent technical specifications and strict quality standard of Customer A. As such, we have been the supplier of Customer A for approximately 18 years, and had not received any complaint from Customer A on any material product quality issue up to the Latest Practicable Date.

In view of the stringent technical specifications and strict quality standard of the sub-systems for ball bonders, we believe that it is unduly burdensome and difficult for Customer A to seek alternative suppliers. According to the Industry Report, the global wire bonder handling system contract manufacturing industry is highly concentrated, in which we held a dominant position with a global market share of approximately 49.6% in terms of sales revenue in 2017 and the other four key market players accounted for market share of approximately 28.8% in terms of sales revenue in 2017. Given there are only a few players with track records and proven capabilities in the global wire bonder handling system contract manufacturing industry and we are the dominant market player, we believe that it is logical for Customer A to purchase from us and it would be strenuous for Customer A to seek alternative suppliers. Based on the above, it is expected that we will continue to retain Customer A's business through the quality and robustness of its sub-systems, our value-added engineering capability and our continuous cost reduction efforts.

(c) In addition to offering sub-systems, our Group also provides value-added engineering services

Attributed to our engineering expertise and research and development capabilities, we also continuously provided value-added engineering services such as suggestions on improving performance parameters of Customer A's machines. We also work collaboratively with Customer A at the development stage of Customer A's new generation machines. Our Directors are of the view that this kind of collaboration, which underscores Customer A's product quality, reinforces the partnership between Customer A and us.

We have continuously enhanced the price competitiveness of the Ball Bonder Handling Systems offered to Customer A, while maintaining profitability, notwithstanding that the Ball Bonder Handling Systems are more sophisticated and harder to manufacture owing to the tighter tolerance of the performance parameters. Having considered the long-term business relationship with Customer A, during which

we have acquired an in-depth understanding of Customer A's ball bonder as well as the requirements of Customer A's customers, and the awards granted by Customer A, our Directors are of the view that it is well-positioned to continue to provide valuable supports to Customer A in improving its machines and price competitiveness.

(d) The cost of switching suppliers for Customer A is relatively high

Our Directors are of the view that the cost of switching suppliers for Customer A would be relatively strenuous, for the following reasons:

- (i) SPE machines (such as ball bonders), as well as their critical sub-systems, are sophisticated and demand a high degree of accuracy, reliability and performance. Any performance failure of the SPE machine or its sub-systems would affect the entire production line of semiconductor device, which can cause severe economic losses for semiconductor device manufacturers using such unstable quality equipment. In view of the severe consequences, "Copy Exact"^(Note) approach is commonly used in the semiconductor industry to assure product quality, and SPE manufacturers (such as Customer A) would choose their suppliers meticulously to ensure the suppliers meet the "Copy Exact" requirements. As such, the qualification process of new suppliers is very costly and time-consuming, as the new suppliers are required to adopt the SPE manufacturers' design and process under the "Copy Exact" approach. To the best knowledge of our Directors, it may take up to approximately three years for Customer A to go through the qualification and certification process to approve a new supplier for its critical sub-systems. In view of the risk associated therewith, the lengthy qualification process and the strict quality requirement, the SPE manufacturers generally tend not to change their suppliers once the sub-systems supplied to them are proven reliable. In view of the above, our Directors consider that Customer A will continue to procure the sub-systems from us and it would be unduly burdensome for Customer A to switch suppliers within a short period of time.
- (ii) We have been able to continuously reduce the costs of the Ball Bonder Handling Systems offered to Customer A, mainly attributable to (i) our production facilities in the PRC, which enables us to take advantage of the lower production costs; and (ii) our in-depth understanding of Customer A's ball bonder products as well as the requirements of Customer A's customers through long-term partnership with Customer A, which enables us to continuously improve production techniques and the price competitiveness. This in turn enables Customer A to offer competitive pricing to its customers. As such, our Directors believe that changing suppliers may potentially lead to an increase in material costs for Customer A, which may affect its competitiveness.

Note: "Copy Exact" is a technology transfer methodology aiming to ensure efficient and accurate transfer of research results to production and consistent yield at any factory, as well as improve consistency in quality performance between different factories, through methods such as requiring factories to use the exact manufacturing equipment and procedures that have been adopted in the research labs

BUSINESS

- (iii) Handling systems of wire bonders are sophisticated components subject to test for reliability and robustness over a long period of time. These sub-systems need to be fine-tuned and constantly upgraded over many years in order to attain maximum efficiency and effectiveness. Given the resources devoted by a new supplier, it is expected that Customer A would have to pay for a considerably higher price in purchasing sub-systems at an acceptable quality level from a new supplier.

Our Directors believe that it would be unduly burdensome and difficult for Customer A to find an alternative supplier that is comparable to us due to: (i) the consistent high quality and robustness of our Ball Bonder Handling Systems, which we have taken years to continuously develop the empirical and holistic knowledge required in order to fine-tune the quality and performance; (ii) our continuous contribution of value-added engineering services such as suggestions on improving performance parameters of Customer A's machines; (iii) our involvement in the development stage of new generation machines of Customer A; and (iv) our effort in continuously reducing the cost of Ball Bonder Handling Systems offered to Customer A.

To conclude, based on (i) our longstanding business relationship with Customer A for approximately 18 years; (ii) we are the principal supplier of Ball Bonder Handling Systems for Customer A's ball bonders, which represented the largest portion of the equipment business of Customer A; and (iii) we are one of the major players in the contract manufacturing handling systems for wire bonding equipment in terms of sales revenue, our Directors believe that Customer A and our Group have a mutually reliant business relationship, at which the interests of our Group and Customer A are aligned. While our Group derives sales revenue from Customer A, Customer A benefits from the reliable and competitively priced sub-systems, as well as the value-added engineering services, offered by us.

Continuity of business relationship with Customer A

Ball bonding accounts for approximately 90% of the entire wire bonding market, and wire bonding is the dominant process used in the semiconductor back-end processes. In addition, according to the Industry Report, there is no sight of any disruptive technology that might replace wire bonding in near future. In view of the significance of ball bonders for the semiconductor industry and the dominant position of Customer A in the global wire bonder market, it is unlikely that the demand for Customer A's ball bonder products will decrease significantly in the near future. As such, we expect that our sales to Customer A will remain stable over the next few years in light of our longstanding mutually reliant business relationship with Customer A and the consistent high quality and robustness of our sub-systems. In particular, having considered that Customer A has approached and consulted us at the development stage of its equipment products, our Directors are of the view that this kind of co-development underscores our business relationship with Customer A and makes it unproductive to break.

Ability to reduce reliance on Customer A

The revenue of the worldwide EMS market has been increasing for last few years and reached approximately US\$345.6 billion in 2017. The industry supplies a range of products including computers, communications equipment, medical devices, consumer devices, automotive parts, etc. In particular, according to the Industry Report, the global market size of SPE industry, which we principally engaged in, is about US\$56.6 billion in 2017, and it is expected to grow with a CAGR of approximately 7.0% over the next five years given the continuous increasing demand from areas beyond the traditional need of data, such as cognitive computing, neuromorphic computers, artificial intelligence, robotics and internet of things.

We are currently focusing in a fast growing semiconductor process equipment sector in China that is undergoing geographical change mainly caused by the PRC government's determination to develop domestic semiconductor industry. It is expected that China will be one of the largest markets in terms of total revenue in SPE manufacturing. We are of the view that the consequential significant migration of the semiconductor industry to China creates business opportunities for our Group, a Singapore company (which is commercially and culturally congenial to multinational companies) with proven manufacturing capabilities and capacities in China.

Japan has been an important market for SPE sales. As of 2016, the Japanese market accounted for approximately 11.2% of the global market size of SPE industry in terms of revenue. Besides the significant share of global SPE market, Japan's SPE market has shown an overall growth trend over the past five years. Between 2013 and 2017, market size of Japan's SPE market in terms of revenue increased at a CAGR of 17.7%. Moreover, there are many world leading Japanese SPE companies, whose production capacity has been handicapped owing to demographic reasons and the shrinking population of Japan. Therefore, it is considered that such companies will benefit significantly from using EMS providers (such as our Group) to increase their capacities. In addition, owing to Japanese legacy of cultural and political differences with China, the SPE companies in Japan face difficulties in operating in China where there is market and plentiful supply of trainable labour. In this regard, our Group, which is a Singapore company headed by Singaporean leaders with proven manufacturing capabilities in China, is well-positioned to capture the business opportunities in the Japanese market by offering quality, competitively priced services to SPE companies in Japan.

In view of (i) the growth of the SPE market; (ii) the PRC government's determination to develop domestic semiconductor industry; and (iii) the business opportunities in the Japanese market, our Group is set to expand its business through the following strategies by capitalising its competitive advantages:

(a) Diversifying through existing customer base

As a well-established contract manufacturer in the semiconductor back-end equipment industry, we have a diversified customer base with approximately 15 active customers for our EMS segment, including world-class companies in the SPE industry. We believe that some of our customers may outpace Customer A in view of their

revenue, profitability and technology expertise (such as Customer B, Customer C and Customer D with combined revenue of approximately US\$10.8 billion, US\$4.4 billion and US\$5.7 billion, respectively, in 2016). In view of the growth of the SPE market, we have been, and will continue, securing business opportunities from our existing and former customers as and when appropriate. To cope with the business expansion, we intend to enhance our engineering capability as well as manufacturing capacity through the following: (i) broadening our technological competence through, among others, the merger and acquisition of companies with empirical/holistic skills and technologies; (ii) expanding our manufacturing capacity. Please refer to the paragraph headed “Our Business Strategies” in this section for details of our strategies which we believe will diversify our customer base.

(b) Expanding into the Japan, the United States and Europe market

In view of the potential of the Japan market and the difficulties encountered by the SPE companies in Japan (such as a shrinking population), we have seized such opportunities and started exploring the Japan market by establishing a subsidiary in Japan in June 2015. Since then, we have successfully secured orders from notable Japanese SPE manufacturers, such as Customer F. Other than the semiconductor industry, we also target to serve Japanese companies in the other sectors such as the test and measurement and general industrial sector. We believe that having successfully entered into the Japan market, where we consider the demand for SPE contract manufacturer to be high, would enable us to further diversify our customer base and enhance our market penetration. As such, we intend to enhance our marketing efforts in Japan by setting up a new sales office, recruiting additional sales staff and service engineers to cope with the business expansion in Japan.

We also intend to expand our market share in the United States and Europe. For details of our future plans to expand our market in the United States and Europe, please refer to the section headed “Future Plans and Use of Proceeds”.

(c) Diversifying into other industries

Other than the semiconductor industry, we have also served companies in non-semiconductor industries such as the data storage, SMT and test and measurement industry. For details of our revenue by customers’ industry segments during the Track Record Period, please refer to the subsection headed “Description of Certain Key Items of the Consolidated Statements of Profit or Loss — Revenue breakdown by segments and product categories” in the section headed “Financial Information” in this prospectus. We intend to leverage on (i) our diversified customer base with companies engaging in non-semiconductor industries; and (ii) our experience and strengths in manufacturing for the semiconductor industry, particularly our capabilities attained in the semiconductor back-end equipment industry, and diversification into the test and analysis equipment for other industries, such as industrial, medical, communications and aviation industries, which also require a high degree of accuracy, reliability and performance. In this regard, we intend to enhance our marketing team with focus on this industries diversification.

(d) New business opportunities through pre-IPO investor

Diamond Wealth, as our pre-IPO Investor, held approximately 42.9% of the issued share capital of our Company as at the Latest Practicable Date. Benefiting from the business network of the pre-IPO investor, it is expected that more new business opportunities will be available to our Group, particularly in the PRC, thereby enabling us to diversify our customer base by capitalising on the growth in Chinese market. For instance, one of our new customers in 2017 was introduced by our pre-IPO investor.

(e) Business expansion through strategic acquisition opportunities

In tandem with the rapid development of the semiconductor industry in the PRC, and leveraging on our advantageous position to collaborate with SPE companies in Japan, we intend to seize the opportunities to work with Japanese enterprises, especially with small and medium enterprises, to exploit the growing Chinese market to increase our revenue. We intend to strengthen our market position as an EMS manufacturer through the acquisition of profitable companies with empirical/holistic skills and technologies, which to our belief, increase our revenue. More importantly, we believe that acquisition with companies with empirical knowledge and holistic skills will broaden our engineering and technological knowledge which is essential for sustainable growth in the future. The companies that we target for mergers and acquisitions include precision machine frame fabricators, sheet metal fabricators, engineering plastic components and machining of complex configurations of engineering plastic components and surface treatment factories. Our Directors confirm that, as at the Latest Practicable Date, we had not identified any target for strategic mergers or acquisition.

Our Directors are of the view that our long-term business relationship with Customer A, the largest player in the wire bonding equipment market, coupled with our clientele of world-class companies in the high-tech SPE industry, can be regarded as an accreditation indicating that we have the capability and propensity to grow. As such, our Directors believe that our business and growth prospects will remain positive going forward. We are confident that while our sales to Customer A will likely to remain stable over the next few years in view of the longstanding and mutually reliant business relationship between us and Customer A, our reliance on Customer A will be gradually alleviated through the increase of revenue from other customers along with our business growth. Therefore, we believe our relationship with Customer A will not affect our business prospects.

Sustainability of our business

Despite our Group's reliance on Customer A and in view of the above, in particular (i) our mutual and complementary business relationship with Customer A; (ii) that we are capable of maintaining our business in the near future in light of the positive outlook of the global semiconductor market; and (iii) our plan to further diversify our client base and reduce our reliance on Customer A, our Directors consider that our Group's business model is sustainable despite such customer concentration. Given that (i) our production facilities are versatile that can be configured to cater orders of different volume and products designs; (ii) the skills of assembly and expertise of precision engineering required for orders of different customers are generic, and both have wide applications in different industries; and (iii) our skilled workers are provided with different instructions specifically designed for different orders, our Directors consider that our production facilities and skills of our employees are readily transferable to other customers and are not specifically designed or trained to cater solely for Customer A. As such, in the unlikely event that Customer A substantially reduces the number of purchase orders or terminates its business relationship with us, our Directors consider that we will have sufficient capacity and capability to handle purchase orders from other customers. For details of our production facilities and manufacturing process which allow versatility for us to serve different customers, please refer to the section headed "Business — Our Production Facilities" and "Business — Our Manufacturing Processes".

PRICING POLICY

Our pricing policy is based on a cost-plus pricing model. In determining the selling prices of our products/services, we take into consideration an array of factors, including our customers' loyalty and our business relationship with them, as well as our costs of procurement and production. We also review and adjust our selling prices based on market competition and the general market trend. Our customers may require us to source material from nominated suppliers and room of mark-ups may be limited, which may affect our profitability.

Our overall gross profit margin was approximately 23.9%, 20.5% and 19.2% for the three years ended 31 December 2017, respectively. We consider that the fact that our pricing policy has taken into account our cost of sales and targeted margin percentage is the key success factor in maintaining a reasonable profit margin for our Group.

CREDIT POLICY

Our Group generally grants our customers a credit period ranging from 30 to 90 days from the date of invoice. The length of the credit period varies on a case-by-case basis depending on: (i) the customer's reputation and credibility; (ii) the customer's payment history; and (iii) the customer's business relationship with our Group.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material difficulty in collecting payments from our customers.

BUSINESS

KEY TERMS WITH CUSTOMERS

Our Group is generally engaged by our customers on an order-by-order basis by placing purchase orders, instead of entering into long-term contract which impose purchase commitments. Our Directors consider that such arrangement is in line with the common industry practice. The terms of each purchase order may be different and are based on negotiations with respective customers. The principal contract terms of a typical purchase order are summarised as below:

<u>Principal terms</u>	<u>Summary</u>
Specifications	: The purchase orders from our customers typically set out specifications, quantities and pricing
Delivery	: We deliver the products to our the customers via freight and all seagoing vessels
Credit terms and payment terms	: Our customers usually make payment in USD to us 30 to 90 days upon invoice and by way of bank transfer or cheques
Product warranty	: We usually provide one year warranty against defective workmanship

Major terms of master framework agreements with customers

For both EMS and ODM Division, we generally do not entered into any long-term agreements which impose purchase obligations with our customers. We have entered into master framework agreements with some of our EMS customers which set out the principal terms of the sales arrangement and the terms of each transaction (such as price, quantities, payment terms and delivery schedule) will be set out in the purchase order of each transaction. Our Directors are of the view that such arrangement is common within the industry given that we are in an industry which is subject to rapid technological changes and improvements. The major terms of a typical master framework agreement are set out below:

- (a) no binding purchase commitments are made in the master framework agreement. All purchases and services are initiated by the issuance of written purchase orders, subject to the terms and conditions of the relevant master framework agreements;
- (b) we will manufacture the products in accordance with customer's specifications and in accordance with the terms and conditions of the master framework agreement;
- (c) we will keep confidential any information disclosed by the customer in connection with the agreement, including the technology and know-how relating to the manufacture of the products;

BUSINESS

- (d) our customers have exclusive ownership to all right, title and interest in intellectual property rights relating to the products manufactured by us;
- (e) we will be held liable for any defects in the supply or manufacture of our customer's products caused by us and any failure to manufacture the products in accordance with our customers' specifications; and
- (f) our customers will have the right to terminate the agreement if we fail to manufacture products according to the specifications or otherwise materially breach the agreement.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any master framework agreement with our ODM customers.

During the Track Record Period and up to the Latest Practicable Date, we had not received complaints from any of our customers regarding our product quality which may have a material adverse impact on our business.

RAW MATERIALS AND SUPPLIERS

Raw Materials

We do not produce all the components or parts that we use for our production and we source some of them from independent third-party suppliers. We generally seek quotations from two to three suppliers for each type of raw materials. We believe that this practice minimises the risk of default and we could compare and negotiate terms of quotations with suppliers for better cost control. Our material team will then issue purchase requisitions and purchase orders to our suppliers according to the ERP run results. We generally make our purchase on a back-to-back basis that we only place order with our suppliers based on the volume of purchase orders and our production planning.

The principal raw materials we procure from our suppliers are commercial items which are ready-made items and fabrication items which are made according to specifications of our customers. During the Track Record Period, major commercial items we purchased include cable assemblies, motion controls, motors and printed circuit boards and assemblies and major fabricated parts we purchased include machining parts.

During the Track Record Period, we purchased our raw materials from the PRC, Singapore, Japan and Malaysia.

Management of our Suppliers

We select our suppliers based on quality, pricing, capability, delivery and responsiveness. Our suppliers are surveyed and selected through a process of formal audits and qualification by our supplier quality engineers. As at the Latest Practicable Date, we had more than 200 active suppliers. Some of them are nominated by our customers. In general, we are granted credit period from 30 days to 90 days by our suppliers. We closely monitor the quality of all materials provided by our suppliers to ensure that the stringent requirements of our customers are reached. For further details, please see the section headed “Quality Assurance” below. Generally, where the raw materials fail to meet the standards stipulated in our supply agreements, we are entitled to replacement at our suppliers’ own costs. In the event that our suppliers notify us of delay or shortage of supplies, we will inform our customers immediately and discuss with customers for a solution, usually either by adjusting the delivery schedule or source from alternative suppliers.

Top suppliers

For the three years ended 31 December 2017, purchases from our five largest suppliers accounted for approximately 19.3%, 25.2% and 26.8% of our Group’s total cost of purchases, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties. Our Directors do not consider our business as dependent on our suppliers. As of the Latest Practicable Date, our top suppliers had approximately 3 to 9 years of relationship with our Company. Our Directors believe that we have maintained stable business relationships with our top suppliers.

BUSINESS

The table below sets forth the details of our five largest suppliers during the Track Record Period:

For the year ended 31 December 2015

<u>Supplier</u>	<u>Products we purchased</u>	<u>Background and principal business</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method</u>	<u>Transaction amount and approximate percentage of our Group's total purchases</u>	
					<u>S\$'000</u>	<u>%</u>
Supplier A	Linear guide bearings and slide assemblies	Incorporated in Singapore, Supplier A supplies Linear motion products	9	90 days upon date of invoice payable by cheque	4,794	7.1
Supplier B	Mount machining	Incorporated in the PRC, Supplier B supplies machining components	8	90 days upon date of invoice payable by bank transfer	2,275	3.4
Supplier C	Tubing components	Incorporated in Singapore, Supplier C supplies pneumatic components	9	60 days upon date of invoice payable by cheque	2,257	3.4
Supplier D	Ball bearings	Incorporated in Singapore, Supplier D supplies linear motion products	3	90 days upon date of invoice payable by cheque	1,796	2.7
Supplier E	Sensors and circuit boards	Supplier E is a group company of a Singapore-based group that supplies printed circuits assemblies	9	45 days upon date of invoice payable by bank transfer	1,795	2.7
Sub-total					12,917	19.3
All other suppliers					<u>53,877</u>	<u>80.7</u>
Total purchases					<u>66,794</u>	<u>100.0</u>

BUSINESS

For the year ended 31 December 2016

<u>Supplier</u>	<u>Products we purchased</u>	<u>Background and principal business</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method</u>	<u>Transaction amount and approximate percentage of our Group's total purchases</u>	
					<u>S\$'000</u>	<u>%</u>
Supplier A	Linear guide bearings and slide assemblies	Incorporated in Singapore, Supplier A supplies Linear motion products	9	60 days upon date of invoice payable by cheque	4,479	6.2
Supplier D	Ball bearings	Incorporated in Singapore, Supplier D supplies linear motion products	3	60 days upon date of invoice payable by cheque	4,085	5.6
Supplier F	Clamps, jaws and brackets	Incorporated the PRC, Supplier F supplies machining products	8	60 days upon date of invoice payable by bank transfer	3,642	5.0
Supplier G	Brackets machining and base machining	Incorporated the PRC, Supplier G supplies machining products	3	90 days upon date of invoice payable by bank transfer	3,310	4.6
Supplier E	Sensors and circuit boards	Supplier E is a group company of a Singapore-based group that supplies printed circuits assemblies	9	45 days upon date of invoice payable by bank transfer	2,731	3.8
Sub-total					18,247	25.2
All other suppliers					<u>54,173</u>	<u>74.8</u>
Total purchases					<u>72,420</u>	<u>100.0</u>

BUSINESS

For the year ended 31 December 2017

<u>Supplier</u>	<u>Products sold to the customer</u>	<u>Background and principal business</u>	<u>Years of business relationship</u>	<u>Typical credit terms and payment method</u>	<u>Transaction amount and approximate percentage of our Group's total purchases</u>	
					<u>S\$'000</u>	<u>%</u>
Supplier A	Linear guide bearings and slide assemblies	Incorporated in Singapore, Supplier A supplies Linear motion products	9	60 days upon date of invoice payable by cheque	6,520	6.6
Supplier F	Clamps, jaws and brackets	Incorporated the PRC, Supplier F supplies machining products	8	90 days upon date of invoice payable by bank transfer	5,623	5.7
Supplier D	Ball bearings	Incorporated in Singapore, Supplier D supplies linear motion products	3	60 days upon date of invoice payable by cheque	5,475	5.6
Supplier G	Bracket machining and base machining	Incorporated the PRC, Supplier G supplies machining products	3	90 days upon date of invoice payable by bank transfer	5,109	5.2
Supplier E	Sensors and circuit boards	Supplier E is a group company of a Singapore-based group that supplies printed circuits assemblies	9	45 days upon date of invoice payable by bank transfer	3,634	3.7
Sub-total					26,361	26.8
All other suppliers					<u>72,051</u>	<u>73.2</u>
Total purchases					<u>98,412</u>	<u>100.0</u>

BUSINESS

KEY TERMS WITH SUPPLIERS

We generally do not enter into long-term supply agreements but procure raw materials on an order-by-order basis. We set forth below a summary of the key terms of our purchase orders to our suppliers during the Track Record Period:

<u>Principal terms</u>	<u>Summary</u>
Specifications	: The purchase orders typically set out the specifications, quantities and pricing
Delivery and inspection	: Our suppliers usually deliver the raw materials to our production facilities via seagoing vessels and/or trucks. We are entitled to inspect the raw materials upon delivery
Payment terms	: We generally settle our purchases with our suppliers in RMB or USD. In case where settlement in foreign currency is required, exchange rate is fixed at the time we enter into a contract with a supplier. We usually make payment to our suppliers by way of cheques or bank transfer
Credit terms	: Our suppliers typically provide us with credit terms ranging from 30 days to 90 days from the date of invoice

During the Track Record Period, none of our Directors or their respective associates or any Shareholder (whom to the best knowledge of our Directors owns more than 5% of the issued Shares) had any interest in any of our Group's five largest suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage or delay, price fluctuations or quality issues of materials that materially affected our business and production.

During the Track Record Period, we engage third-party service providers for some of our manufacturing processes such as gold plating, surface treatment and painting as we do not possess the necessary equipment. For the three years ended 31 December 2017, the amount we paid to these service providers represented less than 2% of our total cost of sales. We selected our service providers after taking into consideration of factors such as intellectual property protection, reliability, production capacity, product quality and price. We send our quality assurance personnel to our service providers' facilities to ensure the semi-finished products will adhere to our stringent quality requirements. Also, our service providers are required to sign a non-disclosure agreement before engagement pursuant to which they undertake to protect the confidentiality of the intellectual properties of us and our customers.

BUSINESS

Generally, we do not enter into any framework agreement nor long term arrangement with our service providers and we only engage them on an as-needed basis.

QUALITY ASSURANCE

We are committed to meet our customers' satisfaction and continuously seek to provide excellent quality and value to our customers. We adopt the philosophy of "built-in quality" as we believe that by the time of inspection, the quality of our product has already been determined, and therefore already too late to rectify. Therefore, our quality assurance approach aims to control variables within our production process, from precision of tools used by our technicians to assembly methods, to ensure each element of our product meets our quality standards at every increment throughout the production.

In order to achieve consistently high quality control standards, we have a quality assurance team comprising 19 members covering our Singapore operations and 44 members covering our PRC operations as at the Latest Practicable Date.

Quality assurance procedures are in place at each stage of our production as follows:

Customer requirement management

The initial stage of our quality management system is to understand our customers' requirements and to identify characteristics of such requirements that are critical to quality. This is done through a review of drawings, samples, bill of materials and specifications provided by our customers.

Supplier Management

We demand stringent quality standards from our suppliers. We have a supplier quality engineering team who is responsible for qualifying and assessing suppliers. We maintained an approved suppliers list. We conduct annual audit on our suppliers to ensure they meet our requirements. For new suppliers, it is our policy to conduct on-site inspections at the factories of the selected suppliers before they become our approved suppliers. Similarly, when we are sourcing a new component/part from an existing supplier, visit to our suppliers' factories will also be made. We will also conduct first article inspection during which we measure every dimensions of the components/parts and compare the results with our inspection plan which specifies the acceptable variance limits. In order to foster a close working relationship with our suppliers, we review the quality performance of our suppliers regularly and provide feedback to them to enable them to assess their own performance and make further improvements where necessary.

Incoming Quality Assurance

After we place an order for a component/part, in order to ensure that materials purchased from our suppliers meet the specifications, quality and functionality required and that there are no non-conforming materials being used, we conduct incoming quality check upon receipt of the materials according to our product inspection control procedure.

This may involve batch inspection of delivered materials to ensure that specifications are met. During our inspection, measurements of critical characteristics are made and recorded.

If the materials do not pass our inspection, a reject report detailing the types and quantity of failure will be prepared for investigation by our material review board comprising members from different departments. Depending on the nature and extent of failure, we will return the materials to our suppliers for replacement or rework. We have a monitoring system in place to measure our suppliers' lot acceptance rate that we will review regularly.

In addition, our technicians are also taught to inspect parts and components before they assemble them. Instructions about identifying visual and minor defects such as surface finishing and colour patch of parts are provided to our technicians. These checks for input conditions will allow us to address deviations at the earliest opportunity before they are complicated into major defects. If defects are found, our technicians will alert the material quality assurance personnel with a report detailing the problem identified, suggested disposition of the faulty part or component. The report will then be reviewed by the material review board which comprise personnel from our production, engineering, quality assurance and procurement department. Our material review board will then analyse the cause and devise containment plan. Where necessary, we may also notify and follow up with our suppliers for corrective and preventive actions.

In-line Quality Assurance

We integrate quality assurance procedures with the manufacturing process for our EMS division. Please refer to the section headed "Our Manufacturing Process — EMS Division" for our in-line quality assurance of the EMS Division and the Automated Equipment Department of our ODM Division.

Outgoing Quality Assurance

At this final stage, the completed products will again undergo a functional test as well as visual and mechanical inspections in accordance with quality assurance checklist by our experienced quality assurance personnel. We may also test our products with testing equipment provided by our customers. Records of inspections are provided and attached to each shipment. We will arrange shipment of finished products if they have matched acceptable quality level set by our customers. To ensure customer satisfaction, we conduct full inspection (i.e. 100% inspection) of our products. If the finished products do not pass our quality inspection, our engineering team will be notified to investigate the cause promptly.

Work Environment

In addition to the production processes, we believe that work environment is also a critical element of quality assurance. In order to minimise distractions to our technicians, movement of our technicians in the production area are restricted that our technicians are required to follow a timetable with time slots assigned for recess. We also require our technicians to maintain neatness of their work stations.

Continuous Improvement

In order to maintain our competitiveness, continuous improvement is essential. Our approach aims to motivate all employees, from engineers to assembly workers, to contribute to our improvement. We have incentives program for our employees for meaningful suggestions for improving our production. Our assembly workers may make suggestions on our assembly method to address issues they come across. These suggestions will then be reviewed and reflected in the work instructions we provide to our assembly workers. We believe that the cross-functional involvement between departments will increase our overall productivity. We also aim to achieve a certain number of improvement every quarter.

Our commitment to quality was recognised when our quality management system first became ISO certified in June 1999 and we have updated our certification to ISO9001:2015 in November 2017. We have implemented a quality management system which is designed with an overall objective of defect prevention and continuous improvements. As part of our ongoing compliance with our ISO 9001:2015 certification requirements, we conduct internal quality audits and management reviews of our quality system periodically. In addition, we have external quality reviews by independent third parties twice a year.

The effectiveness of our ISO-certified quality assurance approach is validated by our relationship with our customers, some of which are leading companies in areas and several awards from our customers. For details of our relationship with our customers and awards and accreditations we obtained, please refer to the sections headed “Customers” and “Awards and Certifications”.

PRODUCT WARRANTY

For both EMS and ODM customers, we provide a one-year warranty against defects in workmanship, generally from the date of delivery or the date of machine buy-off. When a customer makes a complaint of defect after the machines or sub-systems are shipped to our customer, we will send our technical personnel to our customer’s factories to investigate the cause of defects. If the defects is caused by defective components or parts, we will replace faulty components or parts. We would subsequently return the defective components or parts under warranty to the relevant supplier for exchange, subject to their investigations, and the relevant supplier normally bears the related costs under the purchase order. If the cause of defects is due to mishandling by customer, we may charge our customer upon investigation for our expenses on investigating the defects.

It is our policy to make provision for warranties based on our sales and past experience with the estimated level of repairs and reworks. For the three years ended 31 December 2017, the provision for warranty amounted to approximately S\$0.2 million, S\$0.1 million and S\$0.1 million, respectively. For the same periods, our warranty claims amounted to approximately S\$0.2 million, S\$0.3 million and S\$49,000, respectively.

Our Directors confirm, during the Track Record Period, that we had not experienced any material dispute or complaint arising from or in connection with the quality of our products.

INVENTORY, WAREHOUSING AND LOGISTICS**Inventory and Warehousing**

We have production facilities in Singapore, the PRC and the Philippines. For details, please refer to the section headed “Business — Properties” in this section.

Our inventory mainly comprise raw materials for production, work in progress and finished goods. It is our policy to maintain an optimum inventory level to minimise our stock holding cost. To effectively monitor our inventory level, we adopt measures and procedures as follows:

- we generally only keep inventory of raw materials which are for immediate use to meet the needs of our production;
- We generally making our purchase on a back-to-back basis or based on our forecast provided by our customer specifying their estimated demand for our products for a certain upcoming period, which enables us to better plan our purchasing and manufacturing activities;
- we employ ERP software to track inventory levels which enables us to control the movement and storage of inventory in our facilities so that we can make procurement plans based on our business needs and our production planning;
- we generally do not keep inventory of finished products in anticipation of order;
- our inventory level is closely monitored through the use of ERP system;
- we perform physical stock-take regularly and it is our policy to conduct 100% physical count of selected items and to reconcile the physical count quantity against system quantity.

Our inventory is stored in air-conditioned rooms arranged by sections assigned to customers.

Logistics

We engage logistic service providers or forwarders which may be nominated by customers for delivery of our products. For special products, we may engage professional packaging house to package before shipping to our customers. The usual logistic terms of sale are FCA or ex-factory.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material adverse impact on our operations as a result of failure to meet delivery schedules of our customers.

SALES AND MARKETING

In addition to customer servicing, our customer service team is also responsible for sales and marketing of our Group. In this regard, apart from project management, our customer service team has two major functions: to “search” and to “interest and secure customers”. In search of prospective customers, we attend industry exhibitions around the globe such as SEMICON to maintain and enhance our brand awareness and to identify and collect contacts of leading original design manufacturers which have the need and propensity to outsource their manufacturing to Asia. We also place advertisements on trade journals and engage search engines optimisation companies to enhance our online visibility. The personnel of our customer service team will present to the prospective companies the benefits and values we can bring to them by writing introductory emails. We may also arrange prospective customers to visit our production facilities. Upon success in attracting the interests of the prospective customer, our customer service team will start to work with them with pilot projects. When the pilot project is successfully carried out, our customer service team will appoint the liaison person for the management of all future business.

Currently, we have a sales office in Japan as we see strong market potential for our EMS segment in the Japan market. We intend to further strengthen our market effort in Japan. In light of the favourable industry development, we also plan to leverage our competitive advantages to expand our market share in the United States and Europe. For further details of our business strategies, please refer to the section headed “Our Business Strategies” above.

HEALTH AND SAFETY

We are required to comply with various occupational health and safety laws and regulations in Singapore, the PRC, Japan and the Philippines.

We value our employees as important assets of our Group and we strive to build a safe working environment for our employees. Our Group has established procedures and implemented work safety rules staff handbook for our staff to follow. In addition, our Group provides our employees with occupational safety education and training to enhance their awareness of safety issues. There are banners and posters around our facilities to remind and promote safety awareness. Additionally, we provide health and safety orientation to every new hire. Protective personal equipment such as mask and clean room attire are provided to operators if necessary. A government-authorized external work safety consultant visits our production facilities in Singapore and conduct inspection to ensure we are in compliance with the applicable occupational safety laws and regulations. We are bizSAFE certified by the Ministry of Manpower in Singapore. A safety committee comprising members of different department is established to regularly review the occupational safety level of our operations. We also hold regular meetings between our safety committee, managers and staff of different departments.

During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant incidents or accidents in relation to workers’ safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

RESEARCH AND DEVELOPMENT

We consider our research and development capabilities as one of our competitive strengths which allow us to continue to offer engineering value-added services to our customers.

Our R&D Activities

We consider our R&D capability is one of our competitive advantages and we strive to augment this competitive advantage continuously. Our R&D team also continuously monitor technological advancement in the industry to keep our knowledge up-to-date and relevant with our customers' new generation products. In particular, as a major footstep of strengthening our R&D capability, we have established a city-level enterprise technical center in Nantong, the PRC which is recognised by the Nantong City Economic and Information Technology Committee. As at the Latest Practicable Date, we have 11 members in our technical centre to perform our R&D functions. Our managers and regional materials director of EMS division may also participate in our R&D activities in our technical centre. In addition, we also have a R&D team of 10 members in our Singapore headquarter comprising members with tertiary and postgraduate qualifications in different disciplines. Also, we gather market intelligence from our customers and participating industry events to identify desired machine performance parameters and market needs which are not satisfied and form a team comprising expertise from different engineering disciplines for each initiative. We also carry out projects which aim to research and develop new functions of machines to enhance equality and productivity for customers.

As R&D work invariably requires a broad spectrum of expertise, we intend to tap onto research institutes in the future. By doing so, we believe that we can minimise our expenditure on R&D manpower and test machines and at the same time receive R&D knowledge of a very high standard. Our R&D capability is recognised by our customer portfolio which comprise companies with established presence globally. Please refer to the section headed "Business — Customers" for background of our customers. For details of our future plans to further expand our R&D efforts, please refer to the section headed "Business — Our Business Strategies".

R&D Policy

For the three years ended 31 December 2017, we have incurred development costs of approximately S\$4.2 million, S\$3.6 million and S\$2.6 million, respectively. Development costs represent amounts incurred for the production and development of new and improved automated machines.

Our development costs are capitalised and deferred in the balance sheet only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to compete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

BUSINESS

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

ENVIRONMENTAL MATTERS

Our production facilities in Nantong generate sewage, for which we have implemented environmental protection policies and obtained the relevant permits. For the three years ended 31 December 2017, we have incurred approximately S\$85,000, S\$25,000 and S\$121,000 for compliance with applicable environmental protection rules and regulations. Our PRC Legal Advisers advised that, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with all applicable laws and regulations on environmental protection in the PRC.

INTELLECTUAL PROPERTY

We have branded our business by using “Kinergy” as our brand name. As at the Latest Practicable Date, we were the registered owner of the trademark “ KINERGY” in Singapore. We have also made an application for the registration of the trademark “ KINERGY” in Hong Kong. We have also registered our domain name, www.kinergy.com.sg. As at the Latest Practicable Date, we had 42 patents registered in the PRC and have made applications for the registration of eight other patents in the PRC. Detailed information of our intellectual property rights are set out in the section headed “Intellectual property rights of our Group” in Appendix IV to this prospectus.

Maintenance of Confidentiality

In 2016, we made a compensation to one of our customers, Customer B, for an amount of approximately S\$6.9 million for leaking new generation product information of Customer B. For the three years ended 31 December 2017, our sales to Customer B accounted for approximately 23.2%, 4.6% and nil of our revenue and we provided maintenance services to Customer B for the same period. The incident was due to one of our employees who took a photo of the new generation product during an onsite visit at Customer B’s production facility which led to a violation of the confidentiality agreement between Customer B and us. There had been no litigation between Customer B and us in connection with this incident. Pursuant to the settlement agreement, upon full payment of the claim, Customer B will fully and forever release and charge us from any claims and liabilities arisen out of the incident and such payment was fully paid in January 2017. Our Directors confirm that no litigation had been or threatened to be initiated by Customer B up to the Latest Practicable Date in connection with this incident.

BUSINESS

The compensation we made to Customer B aforementioned resulted in a decrease in our net profit margin for the year ended 31 December 2016. However, our Directors are of the view that the incident did not have an adverse impact on our reputation and financial performance going onward, given (i) the number of new customers increased from 6 for the year ended 31 December 2016 to 8 for the year ended 31 December 2017, reflecting our ability to attract new customers in spite of the incident and (ii) our total revenue increased from approximately S\$107.0 million for the year ended 31 December 2016 to S\$129.0 million for the year ended 31 December 2017. Moreover, our Directors consider that our business relationship with Customer B going forward will not be adversely affected by the incident as there have been on-going discussions between Customer B and us after the incident in anticipation of cooperation and businesses in the future.

Please refer to the section headed “Financial Information” for further details of our financial performance for the two years ended 31 December 2016 and 2017.

Further to the incident, the following actions have been taken by us immediately to prevent future or similar incident:

- disciplinary actions had been taken against the involved employee after the investigation in accordance to the human resource policy;
- all employees were reiterated with the importance of safeguarding the confidentiality of our Group’s assets and customers’ intellectual property as well as the potential implication to our Group and the disciplinary actions to be taken for any non-compliance instance noted; and
- the control environment and operation processes were revisited for control enhancements.

In order to maintain confidentiality of our customers’ intellectual property, we have implemented the following measures:

Within the Group’s premises

- physical access to certain areas such as production floor, storage and data room is restricted;
- log-in is required in order to access data stored in our server and activity log is maintained;
- we have entered into non-disclosure agreements with our employees pursuant to which any breach will lead to termination of employment and liabilities;

BUSINESS

- we have devised confidentiality policy that outlines the employees' obligations to maintain confidentiality with respect to information pertaining to our operations, and conflict of interests policy are clearly stipulated within the employee handbook. All employees are given a copy of the employee handbook for ease of reference;
- surveillance cameras are installed in certain production areas; and
- employees are required to complete a document request form to be approved by designated personnel before printing out any technical drawings of our products.

Before visiting customers' sites and at the customers' sites

- briefings and guidelines in relation to protecting customers' intellectual property are provided to employees; and
- only authorised personnel are permitted to bring their mobiles to the production floor and where necessary, we provide phones with no camera to our personnels.

In addition to designs and drawings, our customers may also provide us apparatus, toolings and equipment for production and testing which are also considered as part of our customers' intellectual property. In this regard, we have adopted the following measures:

- a register recording all apparatus, toolings and equipment from customers is maintained; and
- guidelines for usage, storage and disposal of apparatus, toolings and equipment from customers are provided.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, there had been no (i) reported leak or misuse of the customers' designs, software, production moulds and/or intellectual property rights to external parties; and (ii) claims or threatened claims against us for breach of confidentiality agreements or leak of customers' intellectual property rights.

BUSINESS

EMPLOYEES

As at the Latest Practicable Date, we had 685 full-time employees. During the Track Record Period, there had been no material change in the number of our employees. A breakdown of our full-time employees by function and by geographical location, as at the Latest Practicable Date is set forth below:

Function	Number of Employees			
	Singapore	The Philippines	The PRC	Japan
Directors (excluding the independent non-executive Directors)	4	—	—	—
Finance and administration	15	5	68	—
Sales and marketing	13	3	13	3
Design and engineering	11	9	40	—
Production	44	21	258	—
Quality Assurance	19	3	44	—
Material, planning, procurement and purchasing	14	1	26	—
Research and development ⁽¹⁾	10	—	11	—
Inventory and logistics	21	2	27	—
Total	151	44	487	3

Note:

- As at the Latest Practicable Date, our research and development team consists of 22 members and one of them are part-time employees and not counted in the above table.

We generally recruit our employees from the open market and enter into employment contracts with our employees. We offer remuneration packages which we believe to be competitive to our employees. In addition to salaries, our employees who are retained after the probation period are entitled to medical insurance coverage, discretionary bonus and allowances, depending on the categories of staff. We provide a defined contribution to the central provident fund as required under the laws of Singapore for our eligible employees in Singapore. We also make contributions to pension insurance fund for our staffs in the PRC.

We incurred staff costs (including Directors' emoluments) of approximately S\$19.1 million, S\$18.7 million and S\$19.3 million for each of the three years ended 31 December 2017, respectively. We will review the performance of our employees and make reference to such performance reviews in our salary and/or promotional review in order to attract and retain talented employees.

BUSINESS

Labour dispatch and labour outsourcing arrangements

For our production in the PRC, during the Track Record Period, we entered into labour dispatch agreements with an employment agent which is an independent third party. The labour dispatch agreements expired on 30 December 2017. As of 31 December of the three years ended 2017, we had 2, 17 and 28 dispatched workers for our production in the PRC, respectively. Upon the expiration of the labour dispatch agreements, we have entered into labour sourcing agreements with another labour service provider, which is an independent third party, for a term of one year commencing from 1 January 2018. Under the labour dispatch agreements and the labour outsourcing agreements, we pay service fees to the employment agent and the labour service provider, and they provide suitable workers for our Group based on our job requirements. Under the relevant agreements, the employment agent and labour service provider bear the social insurance and housing funds, other welfare benefits of the workers in accordance with relevant PRC laws and regulations. For the three years ended 31 December 2017, we paid service fees to the employment agent in the amount of approximately S\$0.3 million, S\$0.1 million and S\$0.1 million, respectively. Our Directors consider that flexibility in our manpower is essential because we are producing on a “high mix, low volume” basis such that our orders vary highly on specifications which implies often changing manpower requirements. Our Directors believe that these labour outsourcing arrangement will provide us flexibility to manage our manpower that we do not need to maintain a large pool of workers all the time.

As advised by our PRC Legal Advisers, there is no contractual relationship between us and the workers under the labour dispatch arrangement and labour outsourcing arrangement. The workers under these arrangements are employed by the employment agent and the labour service provider, but not our Group. Our PRC Legal Advisers are of the view that these arrangements with the employment agent and labour service provider are in compliance with the applicable PRC laws and regulations in all material respects.

During the Track Record Period and up to the Latest Practicable Date, there had been no material workplace accidents nor casualties in our operation in the PRC which may materially and adversely affect the business of our Group.

We maintain good working relationships with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date. In order to promote overall efficiency, employee loyalty and retention, our employees are given employee handbooks and are required to attend orientation sessions when they first join us and may attend other training courses held onsite or externally. They are also required to sign non-competition and confidentiality undertaking in order to protect the intellectual properties of our customers.

INSURANCE

Our Directors consider our insurance coverage to be customary for businesses of our size and type and in line with the standard commercial practice in the jurisdictions where we have operations. We primarily maintain for our inventory, staff and machines and equipment.

BUSINESS

For each of the three years ended 31 December 2017, the total insurance costs incurred by our Group amounted to approximately S\$0.1 million, S\$0.1 million, and S\$0.1 million, respectively. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not make any material claim in respect of the insurance taken by us.

MARKET AND COMPETITION

While our customers come from different sectors, our revenue was mainly derived from our sales of wire bonder handling systems. According to the Industry Report, in terms of the market for contract manufacturing handling systems used in wire bonders, our Company held a dominant position as of 2017, having generated revenues of approximately US\$74.3 million, which accounted for 49.6% of the total market size. The top five players of the global wire bonder handling systems contract manufacturing industry together took up approximately 78.4% of the total market size.

Given (i) a sustainable demand for wire bonders as a result of continued expansion in global semiconductor manufacturing capacities, and (ii) the improved technological know-how of contract manufacturers in response to increased levels of bonding precision and higher bonding speeds, the global wire bonder handling systems contract manufacturing is expected to maintain its growth momentum. The size of the market is expected to increase at a CAGR of 7.2% between 2017 and 2022, reaching approximately US\$211.5 million by 2022.

Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths.

Further analysis of our industry and details of our competitive strengths are set out in the sections headed “Industry overview” and “Business — Our Competitive Strengths” in this prospectus, respectively.

BUSINESS

AWARDS AND CERTIFICATIONS

The following table sets out our Group's major awards and certifications obtained:

<u>Year(s) of certification/award</u>	<u>Certification/award</u>	<u>Award organisation or authority</u>
2017	ISO 9001:2015 Applicable to design and development and contract manufacturing of turnkey projects of process equipment and machinery for semiconductors and electro-mechanical equipment manufacturers	Lloyd's Register Quality Assurance
2015	Supplier's Day Award	Customer A
2015 (expiring in 2018)	ISO 9001:2008 and ISO14001:2004 Applicable to manufacture of precision moulds and precision components, contract manufacturing of precision automatic equipment and machinery of semi-conductors and electro-mechanical equipment manufactures	Lloyd's Register Quality Assurance
2007	Award for supporting a product record build	Customer A
2005	Award for supporting the successful launch of a product	Customer A
2002	Appreciation Award	Customer A

BUSINESS

PROPERTIES

Owned Properties

Singapore, the Philippines and Japan

As at the Latest Practicable Date, our Group did not own any property in Singapore, the Philippines and Japan.

The PRC

Land use rights

As at the Latest Practicable Date, we owned three parcels of land and we had obtained the land use right certificates for these three parcels of land, details of which are set out below:

<u>No.</u>	<u>Location</u>	<u>Permitted use</u>	<u>Approximate area</u>	<u>Expiry date of land use rights</u>	<u>How is the property used</u>	<u>Encumbrances</u>
1.	18 Fuxing Road, Nantong, Jiangsu Province, the PRC (“ 18 Fuxing Road ”)	Industrial	356,397.7 sq.ft.	25 June 2058	Production facilities and offices	Nil
2.	62 Zhongyang Road, Nantong Economic and Technological and Development Area, Jiangsu Province, the PRC (“ 62 Zhongyang Road ”)	Industrial	153,673.9 sq.ft.	Out of the 153,673.9 sq.ft., the land use right of 85,212.1 sq.ft. will expire on 23 August 2056, and that of 68,461.8 sq.ft. will expire on 24 April 2054.	Production facilities and offices	Nil

As at the Latest Practicable Date, we had not completed the construction completion inspection for our Nantong Facility II which is located on 18 Fuxing Road, Nantong, Jiangsu Province, the PRC. We had delayed the commencement of construction and the completion of construction of Nantong Facility II for more than four years and eight years, respectively. For details of the potential consequences of this non-compliance incident and our PRC Legal Advisers' opinion, please refer to the section headed "Legal Proceedings and Compliance — Regulatory compliance" below.

Building ownership

As at the Latest Practicable Date, on 62 Zhongyang Road, we had built and owned our production facilities with electricity distribution room and communication room, of an aggregate floor area of 212,340.7 sq.ft. Our PRC Legal Advisers confirmed that, we have complete, valid and legal ownership for these building properties for which we have obtained building ownership certificates.

As at the Latest Practicable Date, we had built production facilities with an area of 363,591.2 sq.ft. on 18 Fuxing Road and we had not completed construction completion inspection.

Building with defective title

As at the Latest Practicable Date, we had built an air-conditioning and compressor room on 62 Zhongyang Road with floor area of 2,278.6 sq.ft. (the "**Compressor Room**") for which we had not obtained the relevant construction approvals and building ownership certificate. As at the Latest Practicable Date, we are in the process of applying for the relevant construction approvals and building ownership certificate from the relevant governmental authorities for the Compressor Room. The Compressor Room is material but is not used for our production directly. It is a room designated for storing air-compressors, which mainly produce compressed air into our production facilities for cleaning parts and provide gas for the pneumatic electric switch of certain processing equipment. As the Compressor Room is located in our premises, the relevant competent governmental authorities in this regard had indicated that they would actively cooperate with us to obtain the relevant construction approvals and building ownership certificate. Based on the confirmation from Nantong Economic and Development Area Real Estate and Trading Centre, our PRC Legal Advisers are of the view that (i) there is no material legal impediment for us to obtain such building ownership certificates after necessary approval procedure and (ii) we will not be penalised by the competent authorities the absence of the building ownership certificate of the Compressor Room. We expect that we will obtain the relevant construction approvals and building ownership certificate by the end of 2018.

Despite the above defective title, we are of the view that such defect is not crucial to our operation. Our Directors confirm that we had not been penalised by any government authority over the safety condition in respect of the Compressor Room during the Track Record Period and up to the Latest Practicable Date. We are not aware of any difference in land cost or rental we would have to pay if the Compressor Room did not have such defect.

BUSINESS

Moreover, our Directors believe that we can relocate the Compressor Room to another location in our premises, if necessary, without any material adverse effect on our operations and financial conditions.

Leased Properties

Singapore

As at the Latest Practicable Date, we leased from an Independent Third Party one property situated at 1 Changi North Street 1, Lobby 2, Singapore with an aggregate floor area of approximately 48,856 sq. ft., which we used as our Singapore production facilities and office premises and our principal place of business. The lease of our Singapore will expire on 30 November 2022 and the rent is approximately S\$84,000 per month.

The PRC

We leased several properties in the PRC from Independent Third Parties. Details of properties leased by our Group in the PRC as at the Latest Practicable Date are set out below:

No.	Location	Use	Approximate area	Tenancy period	Rental
1.	Room 401, Block 115, Aima Huayuan, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,444.4 sq.ft.	9 March 2018 to 8 March 2019	RMB2,800 per month
2.	Room 102, Block 117, Aima Huayuan, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,061.6 sq.ft.	20 June 2018 to 19 June 2019	RMB2,100 per month
3.	Room 103, Block 2, Fumin Huayuan, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,381.7 sq.ft.	7 January 2018 to 6 January 2019	RMB2,500 per month

BUSINESS

No.	Location	Use	Approximate area	Tenancy period	Rental
4.	Room 105, Block 1, Tongshunju, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,396.6 sq.ft.	28 March 2018 to 27 September 2018	RMB2,600 per month
5.	Room 302, Block 15, Xinjing Jiayuan, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,432.9 sq.ft.	16 April 2018 to 15 April 2019	RMB3,000 per month
6.	Room 2002, Block 6, Xingfu Tiandi, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	947.7 sq.ft.	19 January 2018 to 18 January 2019	RMB3,100 per month
7.	Room 1205, Block 17, Xinghu Linli, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	1,049.1 sq.ft.	23 January 2018 to 22 January 2020	RMB4,000 per month
8.	Room 1502, Block 1, Zhonggang Feicuicheng, Nantong Economic and Technological and Development Area, Nantong, Jiangsu Province	Staff quarter	932.4 sq.ft.	18 September 2017 to 17 September 2018	RMB2,900 per month
9.	Room 506, Block 16, Huiyuan Xiaoqu, Nantong Economic and Technological and Development Area Nantong, Jiangsu Province	Staff quarter	1,196.4 sq.ft.	1 November 2017 to 31 October 2018	RMB2,000 per month
10.	Room 1201, Block B, Nantong Building, Nantong Economic and Technological and Development Area Nantong, Jiangsu Province	Staff quarter	1,081.5 sq.ft.	1 October 2017 to 30 September 2018	RMB3,500 per month

BUSINESS

No.	Location	Use	Approximate area	Tenancy period	Rental
11.	Room 2204, Block 27, Shidaishangcheng Huayuan, 108 Dongshahu Road, Suzhou, Jiangsu Province	Staff quarter	1,422.7 sq.ft.	10 April 2018 to 9 April 2019	RMB4,800 per month
12.	Room 703, Block 1, No. 8 Wuzhong Road, Xuhui District, Shanghai	Office	1,233.2 sq.ft.	4 October 2017 to 3 October 2019	Nil

The Philippines

As at the Latest Practicable Date, we leased from an Independent Third Party one property situated at Lot No. C2-6A Units 1 & 2 of CIP-II, Calamba City, Laguna with a gross floor area of approximately 10,549 sq.ft., which we mainly use as our production facilities. We have also rented a small office from an Independent Third Party situated at Unit 2008, Entrata Urban Complex Condominium, 2609 Civic Drive, Filinvest City, Alabang, Muntinlupa City, which we use as our office.

Japan

As at the Latest Practicable Date, we leased from an Independent Third Party one property situated at 1-24, Enoki-cho, Suita-shi, Osaka-fu with a gross floor area of approximately 1,065.6 sq.ft., which we mainly used as our office for our operations in Japan.

During the Track Record Period, our Group did not experience any difficulty in renewing our leases.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. As at the Latest Practicable Date, our Group had no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets. And on this basis, we are not required by Rule 5.01B of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

LICENSES AND PERMITS

As advised our legal advisers as to Singapore, the PRC, Japan and the Philippines laws, we have obtained all material requisite licenses, permits and approvals from the relevant government authorities for our operations in Singapore, the PRC, Japan and the Philippines.

LEGAL PROCEEDINGS AND COMPLIANCE

Material dispute and litigation

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

Regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, except for the non-compliance incident as follows, our Directors confirmed that there had been no material breach of applicable laws and regulations.

Non-compliance with the land grant contract of Nantong Facility II

Set out below the particulars of the non-compliance in respect of Nantong Facility II:

Location	Land area	Length of delay	Reasons for the delay	Potential consequence of the delay	Rectification and our PRC Legal Advisers' opinion
18 Fuxing Road, Nantong, Jiangsu Province, the PRC	356,591 sq.ft.	<p>Under the land grant contract we should commence construction on 18 Fuxing Road by 10 September 2008. The actual commencement date of construction was 9 May 2013.</p> <p>Under the land grant contract we should apply for construction completion inspection by 10 December 2009. We applied for construction completion inspection on 14 December 2017; however, as at the Latest Practicable Date, we had not completed the construction completion inspection.</p>	<p>In 2008, due to the global financial crisis, our Directors considered that it was not commercially sensible to commence the construction. As the economy gradually recovered, we commenced the construction in May 2013. We have engaged a supplier for power supply equipment for Nantong Facility II who provided substandard products and therefore led to a further delay during the construction. We subsequently engaged another supplier to replace the defective parts in August 2015. Moreover, new laws and regulations in Nantong were promulgated in 2015, and hence we were required to carry out additional work to our facility in order to comply with the new laws and regulations which resulted in a further delay. In December 2017, our fire safety filing was completed and as at the Latest Practicable Date, we were in the process of making other filings for our construction completion inspection.</p>	<p>Regarding the delay in construction commencement date, as advised by our PRC Legal Advisers, (i) if we fail to commence construction after one year from the construction commencement date prescribed in the relevant land grant contract, we may be subject to a penalty for idle land at an amount being 15% of the land grant premium (i.e. approximately RMB1.67 million), and there is no limitation period for such penalty; (ii) if we fail to begin construction works for more than two years from the prescribed construction commencement date, the relevant parcel of land may be forfeited without compensation, and there is no limitation period for such forfeiture; and (iii) we may be subject to a penalty at an amount being 0.05% of the consideration under the land grant contract calculated on a daily basis from the prescribed construction commencement date ("Late Commencement Damages"). In relation to Late Commencement Damages, as further advised by our PRC Legal Advisers, the limitation period for civil litigation under PRC laws is three years, starting from first day in breach of the land grant contract. Given the construction had commenced on 9 May 2013, any claim regarding the Late Commencement Damages had been time-barred on the date before the third anniversary (i.e. 8 May 2016) of the commencement date of the construction (i.e. 9 May 2013).</p> <p>Regarding the delay in applying construction completion inspection, as advised by our PRC Legal Advisers, we may be subject to damages at an amount being 0.05% of the consideration under the land grant contract for each day of delay ("Late Completion Damages"). In relation to Late Completion Damages, as further advised by our PRC Legal Advisers, any claim regarding the Late Completion Damages will be time-barred on the date before the third anniversary date (i.e. 13 December 2020) of the application date of the construction completion inspection (i.e. 14 December 2017) and as at the Latest Practicable Date, the estimated maximum amount of Late Completion Damages, that we may be subject to shall not be more than RMB5.7 million.</p> <p>In view of the foregoing view of our PRC Legal Advisers and after discussion with our reporting accountants, we did not make any provisions in respect of such maximum damages, which our Directors believe is reasonable and well grounded.</p>	<p>Our PRC Legal Advisers are of the view that the risk of us being penalised for land idling is remote based on the facts that (i) as at the Latest Practicable Date, we had not received any idle land investigation notice or penalty in relation to the delay in commencement of construction and construction completion inspection from the relevant governmental authorities; (ii) we had an interview on 16 January 2018 with the relevant competent authority (i.e. the Nantong Economic and Technological and Development Area branch of Nantong Bureau of Land and Resources) which confirmed that given the current status of the construction, Nantong Bureau of Land and Resources would neither forfeit 18 Fuxing Road nor impose any land idling penalty against our Group; (iii) we have fulfilled our obligations under the relevant land grant contract in principle and obtained the land use right for 18 Fuxing Road; and (iv) the intent of Late Commencement Damages and Late Completion Damages was only to encourage on-time commencement and completion of construction work, and any claim of these damages would contradict the intention of the land grant contract given our construction is approaching the final stage of construction completion inspection.</p> <p>As at the Latest Practicable Date, we were in the process of applying for the construction completion inspection and our Directors estimated that the construction completion inspection would be completed by August 2018. As advised by our PRC Legal Advisers, after completion of all necessary and compulsory regulatory procedures, there is no legal impediment for us to complete the construction completion inspection of 18 Fuxing Road.</p>

INTERNAL CONTROL, RISK MANAGEMENT AND CORPORATE GOVERNANCE

Internal Control and Risk Management

Our Directors are responsible for the formulation of and for overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In order to manage our external and internal risks and to ensure the smooth operation of our business, we have engaged an independent internal control consultant (the “**Internal Control Consultant**”) in August 2017 to assist us in reviewing our internal control system and provide recommendations for improving our internal control system. The Internal Control Consultant has conducted agreed-upon review procedures on our internal control system in aspects, including treasury functions, revenue, purchases, inventory management, human resources and information technology.

We have taken actions in response to the Internal Control Consultant’s findings and recommendations including adoption of written policies. The Internal Control Consultant performed follow-up procedures on our internal control system with regard to those actions taken by us and reported further commentary in June 2018. As advised by our Internal Control Consultant, no material deficiencies were identified. As our business continues to expand, we will enhance our internal control system in response to the evolving requirements of our operations as appropriate to ensure regulatory compliance in our business operations.

We have adopted stringent internal control measures and have formulated internal manuals setting out operating procedures and other policies and guidelines. In particular, we place strong emphasis on protecting our customers’ interests including their intellectual properties. Protection of intellectual property is crucial to us and our customers. As such, we had implemented measures to maintain the confidentiality of our intellectual properties and those of our customers as part of our internal control regime. For measures we have taken in this regard, please refer to the section headed “Intellectual Property — Maintenance of Confidentiality” above.

We have also implemented risk management procedures to address potential risks associated with our business operations, including strategic risk, operational risk, financial risk and legal compliance risk. We have in place procedures which aim to identify, analyse, categorise, mitigate and monitor various risks. Our management is responsible for the oversight of the overall risk management as well as the assessment and update of our risk management procedures on an annual basis.

Corporate governance

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operations. Our Board includes independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

We have strengthened our auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. We have established the audit committee which comprises independent non-executive Directors to review and monitor the effectiveness of our financial controls, internal control and risk management systems.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for management and conduct of our business.

The table below shows certain information in respect of members of our Board:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position(s) in our Company	Responsibilities	Relationship with other Director(s) and/or senior management
Mr. Lim Kuak Choi Leslie (林國財)	72	January 1988	January 1988	Executive Director and Chief Executive Officer	Primarily responsible for overall corporate management, strategic planning and business development of our Group	Spouse of Ms. Foo Kaw Jee and father of Mr. Lim Khin Mann
Mr. Du Xiaotang (杜曉堂)	44	October 2016	October 2016	Executive Director	Primarily responsible for strategic planning and general management of our Group	None
Mr. Chen Shuang (陳爽)	50	December 2017	December 2017	Non-executive Director and Chairman	Primarily responsible for policy making and planning and monitoring of the executive Directors	None
Ms. Foo Kaw Jee (符皓玉)	70	January 1988	January 1988	Non-executive Director	Primarily responsible for policy making and planning and monitoring of the executive Directors	Spouse of Mr. Lim Kuak Choi Leslie and mother of Mr. Lim Khin Mann
Mr. Lim Khin Mann (林欽銘)	46	December 2015	February 2017	Alternate Director to Ms. Foo Kaw Jee	Primarily responsible for policy making and planning and monitoring of the executive Directors	Son of Mr. Lim Kuak Choi Leslie and Ms. Foo Kaw Jee
Mr. Bradley Fraser Kerr	72	September 2000	September 2000	Non-executive Director	Primarily responsible for policy making and planning and monitoring of the executive Directors	None
Mr. Tsang Sui Cheong Frederick (曾瑞昌)	58	October 2016	October 2016	Non-executive Director	Primarily responsible for Policy making and planning and monitoring of the executive Directors	None
Mr. Ng Tiak Soon (黃哲順)	68	December 2006 ^(note)	19 June 2018	Independent non-executive Director	Provides strategic advice and independent judgement to our Board	None
Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka	57	19 June 2018	19 June 2018	Independent non-executive Director	Provides strategic advice and independent judgement to our Board	None
Professor Zhang Wei (張衛)	50	19 June 2018	19 June 2018	Independent non-executive Director	Provides strategic advice and independent judgement to our Board	None

Note: Mr. Ng was first appointed as an independent non-executive Director on 29 December 2006 and ceased to be a Director when our Company was delisted from the Catalist Board of the SGX-ST in March 2013.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Lim Kuak Choi Leslie (林國財), aged 72, is an executive Director and the chief executive officer of our Company and a Controlling Shareholder. Mr. Lim has been our Director since the incorporation of our Company in January 1988. He is primarily responsible for overall corporate management, strategic planning and business development of the Group. Mr. Lim is the spouse of Ms. Foo and the father of Mr. Lim Khin Mann.

Mr. Lim has more than 40 years of experience in semiconductor, electronics and chemical trading industries. Mr. Lim commenced his career as a teacher in Singapore Government Schools in January 1963 and served there for approximately 10 years. In March 1981, Mr. Lim was appointed as the managing director of Precision Carbide Tooling Pte Ltd, a semiconductor tooling manufacturer, which was the holding company of our Company during 1989 to 2000. In January 1988, Mr. Lim together with Ms. Foo founded our Company and served as director. From 1988 to 2000 and from 1989 to 2000 respectively, Mr. Lim was also the chairman of Kinerbac Pte Ltd and Kinertech Pte Ltd, both dealing in the design and manufacture of aluminium die-casting molds. In addition, Mr. Lim has been the director of Approved Chemicals (S.E.A) Pte Ltd. and Approved Chemicals (M) Sdn. Bhd., which are principally engaged in processing and trading of specialty chemicals, since January 1978, and he is responsible for policy making and planning and monitoring of executive directors.

Furthermore, Mr. Lim has assumed key managerial roles in the subsidiaries of the Company since their incorporation, such as a director of each of Kinergy Philippines, Kinergy Japan and KPL, as well as the director and legal representative of each of Kinergy EMS, Beta Nova and Kinergy Mechatronics.

Mr. Lim attended the Stanford-NUS Executive Program, conducted by Stanford University in conjunction with the National University of Singapore in 1985, and obtained a Certificate in Education from Singapore Teachers Training College in Singapore in March 1966. Mr. Lim was awarded a certificate in appreciation of his distinguished and valued service rendered as a member of the National Productivity Board by the Ministry of Trade and Industry, Republic of Singapore (1989 to 1992). Mr. Lim is also the chairman or committee of various Singapore government agencies or association, including Economic Development Board, National Productivity Board and Singapore Precision Engineering and Technology Association.

Mr. Lim once served as the chairman of Kinertech LLC., which had provided marketing services to our Company in the US since 2002 and had ceased operations in 2004, and subsequently it had voluntarily petitioned for liquidation. In addition, Mr. Lim was a director of Kinergy US, Kinergy Nantong, Kinergy Wuhan and Shanghai Jiao-Tong, which were dissolved/deregistered during the Track Record Period, details of which are set out in the section headed “History and Development — Dissolved/Deregistered Entities”.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lim also served as a director of the following Singapore companies prior to their dissolution:

Company	Nature of Business	Date of Dissolution	Status
Precision Carbide Tooling Pte Ltd	Manufacture of semiconductor toolings	27 March 2003	Members' voluntary winding up
Tools & Components Manufacturers Pte Ltd	Manufacture of dies, moulds, tools, jigs and fixtures	4 May 1994	Members' voluntary winding up
Kinerbac Pte Ltd	Manufacture of dies, moulds, tools, jigs and fixtures	1 February 2002	Members' voluntary winding up
Kinertech Pte Ltd	Installation of industrial machinery and equipment and mechanical engineering works	1 February 2002	Members' voluntary winding up
Perceptive Investments Pte Ltd	Bank/Financial holding companies	13 January 2001	Struck off
Schneeberger Pte Ltd	Manufacture of industrial and mechanical rubber goods	31 December 2003	Struck off
Kintras Pte. Ltd.	Holding company	11 March 2016	Members' voluntary winding up
Approved Home Products ^{Note}	Manufacture of soap, detergents, washing and other cleaning preparations and wholesale of industrial, construction and related machinery and equipment N.E.C.	2 November 2005	Cancelled

Note: Approved Home Products is a sole-proprietorship.

Mr. Lim confirmed that all the above companies were solvent at the time of dissolutions, and the dissolutions did not have any negative effect on the Group.

Mr. Du Xiaotang (杜曉堂), aged 44, is an executive Director. He was first appointed as a director of our Company on 1 October 2016. Mr. Du is primarily responsible for strategic planning and general management of our Group. Mr. Du is also the supervisor of our subsidiaries, namely Kinergy EMS, Beta Nova and Kinergy Mechatronics.

Mr. Du has over 15 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 commenced his career in Henan University (河南大學) as a teacher from July 1996. Between June 2003 and July 2013, Mr. Du was an associate and then a partner with Grandall Law Firm (國浩律師事務所), a PRC law firm.

Mr. Du is currently a department managing director of CEL and a director of Everbright (Qingdao) Investment Co., Limited (光大控股(青島)投資有限公司), a subsidiary of CEL. Mr. Du is also an independent director of Sichuan Jinlu Group Co., Ltd. (四川金路集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000510) and principally engaged in production and sales of chemical products such as PVC and caustic soda in the PRC, since April 2017 and an independent non-executive director of China Tianrui Group Cement Company Limited, a company listed on the Stock Exchange (stock code: 1252) since 11 June 2014.

DIRECTORS AND SENIOR MANAGEMENT

Notwithstanding Mr. Du's senior roles in other companies, Mr. Du has been, and will continue to be, able to devote sufficient time to discharge his duties as an executive Director, on the basis that (i) his primary role in the group of CEL (including being a department managing director of CEL and a director of Everbright (Qingdao) Investment Co., Limited) is to oversee the overall management and business development of those companies invested by the group of CEL, including our Company, and his commitments do not require him to work intensively on a daily basis as he is assisted by his subordinates in dealing with the day-to-day matters; (ii) in view of the relatively substantial shareholding interest in our Company held by CEL as compared to the shareholdings in other invested companies held by CEL, Mr. Du was nominated as an executive Director of our Company, and he has been, and will continue to be, devoting more time and effort to our Company as compared to other invested companies; (iii) notwithstanding his current engagements, he attended substantially all board meetings and meetings of the board committees of the two listed companies that he acts as an independent non-executive director during the financial period reported in their respective latest available annual reports; (iv) he is in charge of strategic planning and general management of our Company and does not participate in our daily operation; and (v) he has confirmed that he will devote sufficient time to perform his duties as an executive Director.

Mr. Du obtained a degree of Bachelor of Education in June 1996, and a degree of Master of Law in June 2002 from Henan University in the PRC. Subsequently Mr. Du obtained a degree of Doctor of Economics from Fudan University in the PRC in June 2005.

Non-executive Directors

Mr. Chen Shuang (陳爽), *JP*, aged 50, is our Chairman and a non-executive Director. Mr. Chen was appointed as a non-executive Director on 1 December 2017. Mr. Chen is mainly responsible for policy making and planning, and monitoring of the executive Directors.

Prior to joining China Everbright Group, Mr. Chen served Bank of Communications Co., Ltd. and his last position in Bank of Communications Co., Ltd. was Chief of Legal Department. Mr. Chen joined CE Hong Kong in February 2001. Currently Mr. Chen is an executive director and deputy general manager of CE Hong Kong, an executive director and the chief executive officer of CEL. He is also an executive director and chairman of China Aircraft Leasing Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1848) and the chairman of Everbright Jiabao Co., Ltd.* (光大嘉寶股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600622).

Mr. Chen is currently a member of the Financial Services Development Council of Hong Kong, the Vice-Chairman of China Mergers & Acquisitions Association, the Permanent Honorary Chairman of Chinese Financial Association of Hong Kong, the vice-chairman of Chinese Securities Association of Hong Kong, and a visiting professor of East China University of Political Science and Law (華東政法大學).

Notwithstanding Mr. Chen's senior roles in other companies, Mr. Chen has been, and will continue to be, able to devote sufficient time to discharge his duties as a non-executive Director, on the basis that (i) notwithstanding his current engagements, he had attended

DIRECTORS AND SENIOR MANAGEMENT

substantially all board meetings, meetings of the board committees and general meetings of other listed companies in Hong Kong and the PRC during the financial period reported in the latest available annual reports; (ii) as a non-executive Director, he does not participate in our daily operation and management, but only participates in the decision-making process of significant matters such as our operational strategies; and (iii) he has confirmed that he will devote sufficient time to perform his duties as a non-executive Director.

Mr. Chen obtained the degree of master of law from East China University of Political Science and Law (華東政法大學) in July 1992 and a diploma in legal studies from the School of Professional and Continuing Education of the University of Hong Kong in September 2003. Mr. Chen is a qualified lawyer in the PRC and a senior economist in the PRC.

Mr. Chen also served as a director of Everbright Equity Advantage Fund (the “EEAF”) incorporated in the Cayman Islands, which is in the proceeding of member’s voluntary liquidation, and a director of the following Hong Kong companies prior to their dissolution:

Company	Nature of Business	Date of Dissolution
China Everbright (Hong Kong) Project Development Limited	Investment	3 February 2012
China Everbright Financial Holdings Limited	Investment holding	14 October 2011
China Everbright Forex Limited	Forex trading	10 October 2008
China Everbright Insurance Agency Limited	Trading investment	2 October 2009
China Everbright Securities (Nominees) Limited	Trust service	2 October 2009
Everbright ALAM Guanyinqiao (Hong Kong) Limited	Investment holding	9 January 2015
Everbright Animation Company Limited	Investment management	27 July 2012
Everbright Ashmore Investment Green (Hong Kong) Limited	Investment holding	18 March 2016
Everbright Ashmore Investment Purple (Hong Kong) Limited	Investment holding	1 December 2017
Investment Blue (Hong Kong) Limited	Investment holding	20 May 2016
Tendai Limited	Investment holding	22 January 2010
View Win Investments Limited	Investment holding	26 June 2009

Mr. Chen confirmed that (i) he served as a director of these companies as a nominee of CEL; (ii) according to the development strategies of CEL, all the above Hong Kong companies were dissolved by deregistration because they had ceased to carry on business immediately prior to dissolution; and (iii) EEAF also commenced the proceeding of member’s voluntary liquidation on 13 June 2018 according to the development strategies of CEL and it was solvent before such proceeding. Under Section 291AA of the Predecessor Companies Ordinance or Section 750 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Foo Kaw Jee (符皓玉), aged 70, is a non-executive Director. Ms. Foo has been our Director since the incorporation of our Company in January 1988. She is primarily responsible for policy making and planning, and monitoring of the executive directors. Ms. Foo is the spouse of Mr. Lim and the mother of Mr. Lim Khin Mann.

Ms. Foo has more than 30 years of entrepreneurial experiences in strategic planning and operational management. Ms. Foo commenced her career as a teacher in Singapore Government Schools in October 1964 and served there for approximately 17 years. Prior to the appointment of a Director, Ms. Foo was appointed as the director of Precision Carbide Tooling Pte Ltd, the then holding company of our Company which was dealing in the manufacture of semiconductor tooling, in May 1988. In January 1988, Ms. Foo together with Mr. Lim founded our Company and served as a Director. As at the Latest Practicable Date, Ms. Foo has been a director of Kinergy Pte. Ltd. since December 2013.

Ms. Foo obtained a Certificate in Education from Singapore Teachers' Training College in Singapore in December 1967.

Ms. Foo also served as a director of the following Singapore companies prior to their dissolution:

<u>Company</u>	<u>Nature of Business</u>	<u>Date of Dissolution</u>	<u>Status</u>
Accredited Rental Pte Ltd	Financial leasing	31 August 1985	Struck off
Perceptive Investments Pte Ltd	Bank/Financial Holding Companies	13 January 2001	Struck off
Precision Carbide Tooling Pte Ltd	Manufacture of semiconductor toolings	27 March 2003	Members' voluntary winding up

Ms. Foo confirmed that all the above companies were solvent at the time of dissolutions, and the dissolutions did not have any negative effect on the Group.

Mr. Lim Khin Mann (林欽銘), aged 46, is the alternate Director to Ms. Foo Kaw Jee and business development manager of the Company. Mr. Lim Khin Mann joined the Group in December 2015 and was appointed as an alternate Director in February 2017. He is primarily responsible for policy making and planning, and monitoring of the executive Directors. Mr. Lim Khin Mann is the son of Mr. Lim and Ms. Foo Kaw Jee.

Mr. Lim Khin Mann has more than 20 years of experience in trading and marketing. Mr. Lim Khin Mann joined Approved Chemicals (S.E.A) Pte Ltd., a company engaging processing and trading of specialty chemicals, in June 1996. He is currently marketing manager in Approved Chemicals (S.E.A) Pte Ltd., mainly responsible for securing new business and maintaining existing business. Mr. Lim Khin Mann is also a director of Allchem Lubricants Sdn. Bhd., the principal activity of which is the manufacturing and trading of lubricants for machines. Mr. Lim Khin Mann is also a director of Kinergy EMS, Beta Nova and Kinergy Mechatronics.

Mr. Lim Khin Mann obtained a degree of Bachelor of Business Administration from the University of Michigan in the US in May 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Bradley Fraser Kerr, aged 72, is a non-executive Director. Mr. Kerr has been our non-executive Director since September 2000. He is primarily responsible for policy making and planning, and monitoring of the executive Directors.

Mr. Kerr has over 18 years of experience in corporate finance industry and over 26 years of experience in manufacturing and trading industry. He worked for Citibank N.A. in New York from August 1973 to April 1976, where he last held the position of assistant vice president, before moving on to Chase Manhattan Bank N.A. in New York and Hong Kong, where he held the position of vice president from April 1976 to December 1991. Whilst assuming senior managerial roles of the foregoing entities, Mr. Kerr was primarily involved in the retail banking and credit card operations sectors. Subsequently from April 1992 to present, Mr. Kerr was a director of Ustra Limited in Hong Kong, which is in the principal business of retail distribution of paper products. He was also appointed as a director of Precision Carbide Tooling Pte Ltd, the then holding company of our Company which was dealing in the manufacture of semiconductor tooling, in December 1992. Precision Carbide Tooling Pte Ltd was voluntary liquidated in 2003.

Mr. Kerr obtained a Bachelor of Arts degree from Rutgers University in the US in May 1968 and a Master in Business Administration degree from the University of Tennessee in the US in June 1973.

Mr. Tsang Sui Cheong Frederick (曾瑞昌), aged 58, is a non-executive Director. He was first appointed as a non-executive Director on 1 October 2016. He is primarily responsible for policy making and planning, and monitoring of the executive Directors.

Mr. Tsang has around 30 years of experience in the finance industry. He served as the assistant vice president in Wardley-Thomson Limited, a subsidiary of HSBC, from December 1988 to May 1990, before moving to Morgan Grenfell Asia & Partners (HK) Ltd., where he held the position of senior consultant in the research department in May 1990. Whilst assuming the roles of the foregoing entities, Mr. Tsang was primarily responsible for the daily operations of the research department. Mr. Tsang subsequently joined BNP Prime Peregrine Securities Limited (formerly known as Primeeast Securities (HK) Limited) as the executive director in October 1994, and was responsible for Hong Kong equity research and marketing. After working in BNP Prime Peregrine Securities Limited for approximately four years, Mr. Tsang served as the director, head of research in DBS Securities Hong Kong Limited from July 1998 to February 2000, and was responsible for supervising the research department, producing research documents and providing market investment ideas to clients. Mr. Tsang joined CEL in February 2000, and his current position is the chief risk officer, in charge of the CEL's risk matters and internal control.

Mr. Tsang obtained a Bachelor of Arts degree from Wilfrid Laurier University in Canada in October 1983 and a Master of Arts degree from the University of Alberta Canada in November 1984. Mr. Tsang has been a Chartered Financial Analyst charterholder since 1995.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tsang also served as a director of EAAF incorporated in the Cayman Islands, which is in the proceeding of member's voluntary liquidation, and a director of the following Hong Kong companies prior to their dissolution:

<u>Company</u>	<u>Nature of Business</u>	<u>Date of Dissolution</u>
China Everbright Insurance Agency Limited	Trading investment	2 October 2009
China Everbright Securities (Nominees) Limited	Trust service	2 October 2009
Essence Limited	Investment holding	6 July 2007
Everbright ALAM Guanyinqiao (Hong Kong) Limited	Investment holding	9 January 2015
Everbright Ashmore Investment Green (Hong Kong) Limited	Investment holding	18 March 2016
Everbright Ashmore Investment Purple (Hong Kong) Limited	Investment holding	1 December 2017
Innovation Limited	Investment holding	15 September 2006
Investment Blue (Hong Kong) Limited	Investment holding	20 May 2016
United Wide Investment Limited	Investment holding	27 March 2009
View Win Investments Limited	Investment holding	26 June 2009

Mr. Tsang confirmed that: (i) all the above Hong Kong companies were dissolved by deregistration because they had ceased to carry on business immediately prior to dissolution; (ii) save for Essence Limited and Innovation Limited, he served as a director of these companies as a nominee of CEL, and these companies were dissolved according to the development strategies of CEL; and (iii) EAAF also commenced the proceeding of member's voluntary liquidation on 13 June 2018 according to the development strategies of CEL and it was solvent before such proceeding. Under Section 291AA of the Predecessor Companies Ordinance or Section 750 of the Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Independent non-executive Directors

Mr. Ng Tiak Soon (黃哲順), aged 68, is an independent non-executive Director, responsible for provision of strategic advice and independent judgement to our Board. He was first appointed as an independent non-executive Director on 29 December 2006 and ceased to be a Director when our Company was delisted from the Catalist Board of the SGX-ST in March 2013. He has rejoined the Board as an independent non-executive Director since 19 June 2018.

Mr. Ng has over 30 years of experience in the audit, commercial and industrial sectors. In 1973, he joined Price Waterhouse and was with them until 1982 where the last position he held was as an audit manager. Mr. Ng left Price Waterhouse to be the group internal audit manager of the Harapan Group in May 1982, where he remained until August 1986. Mr. Ng served Ernst & Young LLP in Singapore since 1986 and retired in June 2005 as a partner. During his employment with Ernst & Young LLP, he held various positions which include head of banking, head of an audit group, partner-in-charge of audit quality review and chief financial officer. Mr. Ng served as an independent director of St. James Holdings Limited

DIRECTORS AND SENIOR MANAGEMENT

(now known as Perennial Real Estate Holdings Limited) (stock code: 5NH), a company listed on the Catalist Board of the SGX-ST, between August 2008 and October 2014, an independent director of Cordlife Group Limited (stock code: P8A), a company listed on the Mainboard of the SGX-ST, between November 2011 and October 2014 and an independent non-executive director of mDR Limited (stock code: A27), a company listed on the Mainboard of the SGX-ST, between November 2015 and May 2017.

Mr. Ng is currently an independent non-executive director of Parkson Retail Asia Limited (stock code: O9E), a company listed on the Mainboard of the SGX-ST, and an independent director of 800 Super Holdings Limited (stock code: 5TG) and Eurosports Global Limited (stock code: 5G1), both of which are listed on the Catalist Board of the SGX-ST. He is also a director of JurongHealth Fund which was established on 4 August 2011 as a company limited by guarantee to promote all medical and health-related services that are exclusively charitable and for the benefit of the Singapore community.

Mr. Ng is a member of the Institute of Singapore Chartered Accountant, a member of the Association of Chartered Certified Accountants, the UK as well as a member of the Singapore Institute of Directors.

Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka, aged 57, is an independent non-executive Director, responsible for provision of strategic advice and independent judgement to our Board.

Dr. Wickramanayaka was a research associate from November 1992 to March 1996 in the Display Device Division of the Research Institute of Electronics in Shizuoka University in Japan. Dr. Wickramanayaka joined Anelva Corporation in Japan in April 1996 and left Anelva Corporation in February 2005 as a manager. During the time with Anelva Corporation, Dr. Wickramanayaka was responsible for the marketing and supervision of the process and hardware development of semiconductor equipment, PVD and dry etching equipment. Dr. Wickramanayaka served ZyCube Company Limited in Japan as assistant general manager from March 2005 to August 2006, where he was responsible for the development and marketing of 3D integration technologies, processing techniques and 3D integrated chip scale packaging techniques. Dr. Wickramanayaka served EV Group Japan K.K. as a director of technology from September 2006 to March 2010, where he was responsible for the business development and customer education. From April 2010 to August 2012, Dr. Wickramanayaka served Ayumi Industry Company Limited as a general manager, where he was responsible for business development. After leaving Ayumi Industry Company Limited in Japan, Dr. Wickramanayaka joined Institute of Microelectronics in Singapore as a director for the technology development in September 2012 and was subsequently appointed as a director for the industry development in April 2017. While he was a director for technology development at the Institute of Microelectronics, Dr. Wickramanayaka was mainly responsible for the development of new technologies and technical presentations and he was responsible for the business relationship networking when he became the director for the industry development.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Wickramanayaka obtained a Bachelor of Science degree in November 1983 from Peradeniya University in Sri Lanka, a Master of Philosophy degree in February 1988 from University of Ruhuna in Sri Lanka, a Master of Management degree in September 2006 from University of Southern Queensland in Australia through distance learning and a Doctor of Philosophy degree in October 1992 from Shizuoka University in Japan.

Professor Zhang Wei (張衛), aged 50, is an independent non-executive Director, primarily responsible for provision of strategic advice and independent judgement to our Board.

Professor Zhang was an associate professor from May 1997 to April 1999 in Fudan University in Shanghai City, the PRC. He has been a professor in Fudan University since May 1999. He was the department head of department of microelectronics in Fudan University between June 2007 and April 2013. Professor Zhang became the associate dean of School of Microelectronics in April 2013 and was subsequently promoted to the executive dean of School of Microelectronics in Fudan University in September 2017.

Professor Zhang currently serves as a deputy editor-in-chief for Journal of Semiconductors in the PRC, a deputy director of the Academic Committee of Fudan University, a vice chairman of Shanghai Institute of Electronics and a deputy director of Center of IC Design and Manufacturing in Yangtze River Delta.

Professor Zhang is an independent non-executive director of TongFu Microelectronics Co., Ltd.* (通富微電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002156) and SMIC's New Research and Development (Shanghai) Company limited* (中芯國際集成電路新技術研發(上海)有限公司) since September 2014 and September 2015, respectively.

Professor Zhang obtained a bachelor's degree in Electrical Material and Insulation Technology in July 1988, and a master's degree in Electrical Material and Insulation Technology in June 1991, and a doctoral degree in Electrical Material and Insulation Technology in June 1995 from Xi'an Jiaotong University in the PRC.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

As at the Latest Practicable Date, save as disclosed in the section headed "Statutory and General Information" in this prospectus, each of our Directors did not have any interests in the Shares within the meaning of Part XV of the SFO. Save as disclosed in this section, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters relating to the appointment of Directors that need to be brought to the attention of the Shareholders and the Stock Exchange, nor is there any information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The table below shows certain information in respect of members of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Company	Responsibilities
Mr. Tay Kim Kah (鄭金呷)	80	January 2004	January 2004	Group financial controller	In-charge of finance, human resources and management information system and assisting our chief executive officer in formulating and implementing strategies for the Group
Mr. Cham Toon How (詹尊豪)	62	May 1988 <i>(Note)</i>	August 2002	Vice president	Responsible for determining the strategic direction and carrying out the strategic plan through overseeing operations, developing functional roles and assigning responsibilities to employees for the Group
Mr. Tan Hee Choon (陳喜俊)	49	November 2005	January 2014	Director of business development	Responsible for business development, maintaining and strengthening customer relationship for the Group
Mr. Lau Tay Hock (劉帝福)	60	June 2014	June 2014	Director of engineering	Responsible for engineering and new product development and innovation for the Group
Mr. Sim Seng Chye (沈盛財)	58	August 1998 <i>(Note)</i>	May 2016	Director of manufacturing	Responsible for control and management of EMS division of the Group
Mr. Kow Wee Khiang Nicholas (高為強)	60	June 2017	June 2017	Quality assurance director	Responsible for quality management for EMS division for the Group
Mr. Tiong Nang King (張南卿)	55	July 1999	October 2005	Senior purchasing manager	Responsible for material control and monitoring supplier's performances
Mr. Li Gong (李珙)	59	March 1992 <i>(Note)</i>	March 2015	Regional materials director of EMS division	Responsible for material management for the Group
Mr. Tan Chun Hee Matthias	49	April 2003	January 2005	MIS manager	Responsible for management of all IT functions and IT equipment of the Group
Mr. Yan Xiang (嚴翔)	46	April 2001	March 2017	Finance manager of Kinergy EMS	Responsible for accounting and finance of Kinergy EMS
Mr. Tong Hua (童華)	55	May 1992 <i>(Note)</i>	October 2016	General manager of Kinergy EMS	Responsible for human resources and development relationship with customers and local government in respect of our operations in the PRC

Note: This was the date when the relevant senior management first joined our Group. Such relevant senior management had left us after he first joined us, and rejoined us subsequently. For details, please refer to his biographical details set out in this section.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tay Kim Kah (鄭金呷), formerly known as Tee Kim Kah, aged 80, is the group financial controller of the Company and is mainly in-charge of finance, human resources and management information system and assisting chief executive officer in formulating and successfully implementing strategies for the Group. Mr. Tay joined our Group as a Director of the Company in January 2004. Mr. Tay has assumed key managerial roles in the subsidiaries of the Group, such as the director each of Kinergy Japan since June 2015, Kinergy EMS since June 2013, Beta Nova since September 2011 and Kinergy Mechatronics since July 2013.

Mr. Tay has over 50 years of experience in accounting and finance. From August 1967 to December 1984, Mr. Tay served in Keppel Corporation Limited which was principally involved in offshore and marine investment, and his last position was managing director who was primarily responsible for the Keppel Corporation Limited's finance, performance and strategy management. Subsequently between middle of 1985 and July 1986, Mr. Tay served as the finance director for Asia-Pacific region in Carrier International Corporation, an air condition manufacturer and a subsidiary of United Technologies Corporation. He then joined Consolidated Hotels Limited (now known as YTC Corporation Limited) which provided hotel and accommodation services in August 1986. His last position in YTC Corporation Limited was vice president, where Mr. Tay was primarily responsible for the financial function of the group and assisting in growth and development of the company. After leaving YTC Corporation Limited in 2001, Mr. Tay purchased a minority interest in Woleco Hotel Supplies Pte Ltd, a company which designs, formulates, manufactures and sells personal care products, and served as the manager director until 2003.

Mr. Tay studied accountancy in Singapore Polytechnic in Singapore in 1961. He took the examination set by The Australian Society of Accountants and qualified as an accountant in 1963. He was admitted to the Australian Society of Accountants as a registered accountant in March 1965 and upgraded to as a fellow of Australian Society of Accountants in November 1978. In May 1965 he was admitted as a registered accountant to the Singapore Society of Accountants which is now renamed as the Institute of Singapore Chartered Accountants. Mr. Tay attended a postgraduate course in London Business School in the UK in 1973.

Mr. Cham Toon How (詹尊豪), aged 62, is the vice president of our Group mainly responsible for determining the strategic direction and carrying out the strategic plan through overseeing operations, developing functional roles and assigning responsibilities to employees, as well as overseeing our operations in the PRC. Mr. Cham has assumed key managerial roles in the subsidiaries of the Group, such as the director of Kinergy Philippines since March 2017 and R & D manager of KPL since July 2000.

Mr. Cham has over 40 years of experience in precision, semiconductor and automation industry. Before joining our Group, Mr. Cham served as an engineering manager in Texas Instruments Singapore Pte Ltd., a semiconductor product manufacturer, between July 1978 and March 1988, and he was primarily responsible for engineering process. Mr. Cham first joined us in May 1988 as an operation manager. In the interim period between February 1992 and May 1999, Mr. Cham was a director of Design Solutions Pte Ltd., a manufacturer

DIRECTORS AND SENIOR MANAGEMENT

of electronics equipment, primarily responsible for formulating and successfully implementing strategies. Mr. Cham rejoined us in July 2000 as R&D manager and was appointed as the vice president of our Company in August 2002.

Mr. Cham obtained a degree of Bachelor of Engineering (Mechanical) from The University of Singapore (now known as National University of Singapore) in October 1978.

Mr. Tan Hee Choon (陳喜俊), aged 49, is the director of business development of our Group mainly responsible for business development, maintaining and strengthening customer relationships of our Group. Mr. Tan joined our Company in November 2005 as a senior business development executive, and was promoted to current position, director of business development, in January 2014.

Mr. Tan has over 26 years of experience in sales and handling customer relationships. Mr. Tan commenced his career in Leica Instrument Pte Ltd., the principal business of which is development and manufacturing microscopes and scientific instruments for the analysis of microstructures and nanostructures, as a line leader in 1989, primarily responsible for operating and sales management. After leaving Leica Instrument Pte Ltd., Mr. Tan served as a sales executive in Belgium Furnishing Pte. Ltd., a furnishings retailer, from 1989 to 1993, primarily responsible for customer service and maintaining and strengthening customer relationships. Before joining our Group, Mr. Tan served as a marketing manager in Sin Mah Decorama Home Furnishing Emporium Pte. Ltd. (now known as Sin Mah Decorama Pte. Ltd.), the principal business of which is decoration business, between 1994 and 2005, and he was primarily responsible for maintaining and developing customer relationships.

Mr. Tan obtained a diploma in Business Management from Management Development Institute of Singapore in February 2013.

Mr. Lau Tay Hock (劉帝福), aged 60, is the director of engineering of our Company and Kinergy EMS mainly responsible for our Group's engineering and new product development and innovation.

Mr. Lau has over 33 years of experience in electronic and semiconductor engineering industry. From November 1983 to September 1984, Mr. Lau served Hewlett Packard (S) Pte Ltd, the principal business of which is development and provision of a wide variety of hardware components as well as software and related services, as a process engineer, primarily responsible for engineering. From November 1985 to September 1987, Mr. Lau was an Engineer in Singapore Aircraft Industries Pte Ltd for Republic of Singapore Air Force aircraft upgrading program. Mr. Lau first joined Advanced Systems Automation Pte Ltd (now known as Advanced Systems Automation Limited) in November 1988 and rejoined in May 2004 as the vice president, where he was primarily responsible for new product development. The principal business of Advanced Systems Automation Pte Ltd is development, manufacturing of semiconductor assembly equipment. In the interim period between June 2002 and April 2004, Mr. Lau was a program director in Kulicke & Soffa Industries Inc., the principal business of which is manufacturing of semiconductor back-end equipment and expendable tools and Mr. Lau was primarily responsible for program management of new products. From June 2007 to May 2008, Mr. Lau served European

DIRECTORS AND SENIOR MANAGEMENT

Semiconductor Equipment Corporation (S) Pte Ltd as Product Director, where he was primarily responsible for working with Switzerland headquarter research and development for the manufacturing and worldwide sales of wire-bonder products. The principal business of European Semiconductor Equipment Corporation (S) Pte Ltd is development, manufacturing, marketing, sales and service of semiconductor assembly equipment. From July 2008 to June 2011, Mr. Lau served as a project director in Inzign Pte Ltd, the principal business of which is manufacturing of medical disposables and surgical supplies, primarily responsible for qualifying Singapore manufacturing site for disposable medical devices. Subsequent to Inzign Pte Ltd, Mr. Lau joined our Group as a director of engineering in June 2014.

Mr. Lau obtained a degree of Bachelor of Science in Engineering from University of Manchester in UK in July 1983, a degree of Master of Science in Management Science from Imperial College in UK in January 1986 and a degree of Master of Science in Manufacturing Automation from Imperial College in UK in February 1989.

Mr. Sim Seng Chye (沈盛財), aged 58, is the director of manufacturing of our Group mainly responsible for control and management of EMS division.

Mr. Sim has over 35 years of experience in semiconductors and electronic products manufacturing. In February 1982, Mr. Sim served as a production supervisor in National Semiconductor (Pte) Ltd, the principal business of which is developing analog chips and embedded processors, and he was primarily responsible for the supervision of products. Subsequently Mr. Sim served as a senior production supervisor in Seagate Technology Singapore Pte Ltd and then a senior production manager in Seagate Technology International, from December 1985 to 30 September 1994. The last position held by Mr. Sim in Seagate Technology International was production director, primarily responsible for control and managing of operation. Mr. Sim first joined us in August 1998 as an operations manager (high-tech) sub-assembly), primarily responsible for manufacturing and operating strategic management. Thereafter Mr. Sim joined Avertronics Inc., a wire-harness and cable assembly projects manufacturer in Taiwan, in October 2000, and served us again in May 2004 as a vice president of operations until January 2006. Between April 2006 and January 2008, Mr. Sim served Celestica Electronics Malaysia Sdn Bhd, an electronic products manufacturer, as a general manager of the Johor facility, primarily responsible for assisting management for implementation of operation and strategic management planning. From April 2008 to June 2011, Mr. Sim served MMI Holding Ltd., a high-precision electromechanical components manufacturer, as a general manager, primarily responsible for assisting management for implementation of operation and strategic management planning. In July 2011, Mr. Sim joined Broadway Industrial Group Ltd., a manufacturer of precision-machined components for the electronics, automotive, oil and gas, as a general manager of Chongqing Broadway Foam Applications & Total Packaging Co. Ltd.'s manufacturing facilities in Chongqing and Chengdu, primarily responsible for assisting management for implementation of operation and strategic management planning. Mr. Sim then joined our Group as a director of manufacturing in May 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sim obtained a diploma in Supervisory Management Studies from the Institute of Supervisory Management in March 1982, and a certificate in Supervising Studies from Lancastrian School of Management in September 1981 in UK. In addition, Mr. Sim obtained a Bachelor of Science degree from Kennedy Western University in the US in October 1991, and obtained a Master of Arts degree from University of Hull in UK in July 2000.

Mr. Kow Wee Khiang Nicholas (高為強), aged 60, is the quality assurance director of our Company mainly responsible for quality management for EMS division for our Group.

Mr. Kow has over 33 years of experience in electronic, semiconductor, automation and precision tooling industry. From April 1984 to May 1987, Mr. Kow served Philips Singapore Private Limited, an electronics, healthcare and lighting products manufacturer, as a development engineer, primarily responsible for development process. Subsequently Mr. Kow worked for Miniscribe Peripherals (Private) Limited, a disk storage products manufacturer, as a manufacturing engineer for around a year, primarily responsible for manufacturing engineering, before Mr. Kow joined Micropolis Limited in September 1988 as a manufacturing engineer primarily responsible for process engineering. The principal business of Micropolis Limited is manufacturing high capacity drives and controllers. After left Micropolis Limited, Mr. Kow served Chartered Semiconductor Manufacturing Pte Ltd, the principal business of which is provision of comprehensive wafer fabrication services and technologies to semiconductor suppliers and systems companies, from March 1994 to November 1997, as a senior engineer, primarily responsible for total quality management. Thereafter Mr. Kow served SPT Asia Pte Ltd, a die and wire bonding tools manufacturer, as a process and QA engineering manager from December 1997 to December 2005, primarily responsible for control and managing quality of input and output. Before joined us, Mr. Kow also worked for Manufacturing Integration Technology Ltd, the principal business of which is design, development and distribution of automated equipment, as a QA manager (Grade M3) from January 2006 to May 2017, primarily responsible for control and managing quality of input and output. Mr. Kow joined us in June 2017.

Mr. Kow obtained a bachelor's degree of Engineering Mechanical from National University of Singapore in June 1984, and a Degree of Master of Science (Industrial Engineering) from National University of Singapore in June 1992. Mr. Kow also obtained the certificates of Certified Quality Engineer, Certified Reliability Engineer, Certified Quality Manager and Certified Black Belt Six Sigma in June 1992, October 1995, October 1999 and March 2006, respectively, from American Society of Quality.

Mr. Tiong Nang King (張南卿), aged 55, is the senior purchasing manager of our Company mainly responsible for material control and monitoring supplier's performance. Mr. Tiong joined us in July 1999 and was promoted to current position in October 2005.

Mr. Tiong has over 30 years of experience in semiconductor industry. From June 1987 to February 1989, Mr. Tiong served Flextronics (S) Pte Ltd., an electronics products manufacturer, as a procurement engineer, primarily responsible for sourcing electronic and mechanical components. Subsequently, Mr. Tiong worked for Maxtor Singapore Ltd., a disk drives manufacturer, as a Exempt Level 2/ Procurement Engineer from February 1988

DIRECTORS AND SENIOR MANAGEMENT

to April 1994, primarily responsible for purchasing and sourcing for assigned commodity and projects transfer. Mr. Tiong worked for Next Electronic Technology Pte Ltd., an electronics products manufacturer, as a materials manager for around one year, before Mr. Tiong joined Capital Parade Sdn Bhd in June 1995 as a procurement manager primarily responsible for control of inventory and material purchasing. The principal business of Capital Parade Sdn Bhd is power supply. After leaving Capital Parade Sdn Bhd, Mr. Tiong served Vikay Industrial Ltd., a LCD and LCD assembly manufacturer, from May 1996 to November 1997, as a purchasing manager, primarily responsible for control of inventory and material purchasing. Before joined us, Mr. Tiong also worked for TRI-M Technologies(s) Ltd., an electronics products manufacturer, as a purchasing manager from November 1997 to July 1999, primarily responsible for management of purchasing material and new sourcing.

Mr. Tiong obtained a Bachelor of Engineering in Electrical Engineering from University of New South Wales in Australia in April 1987.

Mr. Li Gong (李琪), aged 59, is the regional materials director of EMS division of our Company and is mainly responsible for material management for our Group.

Mr. Li has over 30 years of experiences in mechanical engineering, casting tool design and manufacture and material and supply chain management in manufacturing industry. He commenced his career in Beijing Coal Mining Equipment Factory* (北京煤礦機械廠), the principal business of which is design and manufacturing supporting equipment for comprehensive coal mining faces, as an engineer in October 1982, primarily responsible for planning and management in factory planning. Subsequently, Mr. Li joined HuaYuan Sci&Tech Development Company* (華苑科技拓展公司), a technology company, as a manager in September 1988, and he was primarily responsible for the performance and management of a number of projects in the company. He then joined us in March 1992 as a manager, primarily responsible for control and management of aluminium die casting tool design and manufacturing. Since June 1997, Mr. Li was appointed as a QRA manager of the EMS division and was involved in the application for the ISO 9002 certification, which was awarded to us in 1999. Mr. Li left us in May 1999 and joined Pioneer Die-casting Industrial, a high precision die castings products manufacturer, as an engineering manager. Thereafter, Mr. Li served us again from April 2001 to September 2005 as a materials director. From September 2005 to December 2007, Mr. Li served as a commodity manager in Powerwave Technologies, Inc., a hardware, software and telecommunications service providers in the US, primarily responsible for strategizing and managing commodity function. From January 2008 to August 2013, Mr. Li served as a commodities and supplier quality manager in Solfocus, Inc., the principal business of which is developing, manufacturing and deploying concentrator photovoltaic systems, and he was primarily responsible for controlling supply quality. During the same period, Mr. Li also served as a manager in HCPV Solar Power System Innovation and MGF, a solar related products manufacturer, and he was primarily responsible for commodity and quality control in Asia. From August 2013 to March 2015, Mr. Li served QBotix Inc. and Suzhou Industrial Park Hexin Clean Electric Appliance Co., Ltd. as a representative of Asia manufacturing and chief operating officer respectively, and he was primarily responsible for company's product quality and delivery and strategy management in China. The principal business of QBotix Inc. is

DIRECTORS AND SENIOR MANAGEMENT

development of robotic operated tracking systems for photovoltaic solar farms. The principal business of Suzhou Industrial Park Hexin Clean Electric Appliance Co., Ltd. is manufacturing and packaging of LED light emitting products. Mr. Li rejoined us in March 2015 as the regional materials director of EMS division.

Mr. Li obtained a bachelor's degree in Mechanical Engineering from China University of Mining and Technology in the PRC in 1982. Mr. Li also obtained a graduation certificate of research course for Chief Economist from Jilin Province Industrial & Communication Management Institute in the PRC in 1986.

Mr. Tan Chun Hee Matthias, aged 49, is the MIS Manager of our Group mainly responsible for management of all information technology functions and Information Technology equipment of our Group. Mr. Tan joined us in April 2003 and was promoted to be current position in January 2005.

Mr. Tan has over 25 years of experience in information technology. From July 1992 to June 1994, Mr. Tan served Chartered Electronics Industries Pte Ltd., the principal business of which is electronics manufacturing services, as a junior programmer, primarily responsible for day to day systems administration and development of programs. From July 1994 to July 1995, Mr. Tan served SMT Circuit Assembly Pte Ltd., the principal business of which is electronics manufacturing services, as a systems administrator, primarily responsible for information technology support and network administration. Mr. Tan rejoined Chartered Electronics Industries Pte Ltd in June 1995 as a senior systems administrator, primarily responsible for information technology systems support and administration. Subsequently Mr. Tan worked for Manufacturers Services S'pore Pte Ltd., the principal business of which is electronics manufacturing services, as a senior application specialist from June 1996 to March 2001, primarily responsible for information technology systems or applications support. Before joined us, Mr. Tan served Jardin OneSolution Singapore Pte Ltd., a information technology company, as a senior system analyst from March 2001 to April 2003, primarily responsible for information technology systems or applications support and maintenance.

Mr. Tan obtained a higher diploma in Computer Studies from Staffordshire University in Singapore in August 1997 and a diploma of higher education in Information Systems from Thames Valley University in the UK in December 1998.

Mr. Yan Xiang (嚴翔), aged 46, is the finance manager of Kinergy EMS mainly responsible for accounting and finance of Kinergy EMS, one of our major subsidiaries. Mr. Yan joined us in April 2001 and was promoted to be current position in March 2017.

Mr. Yan has over 21 years of experience in accounting. Mr. Yan worked for Nantong Carlson Plastics Corporation* (南通嘉宏塑膠有限公司) (now known as Nantong Swanson Plastic Co., Ltd*. (順昶塑膠(南通)有限公司)), a plastic products manufacturer, from April 1996 to March 2001. The last position he held in the company was account manager, primarily responsible for accounting related matters such as audit and cost accounting.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yan obtained a college diploma in Electromechanical Engineering from Jiangsu Radio and TV University* (江蘇廣播電視大學) (now known as Jiangsu Open University* (江蘇開放大學)) in the PRC in July 1994. Mr. Yan attended the long distance learning courses in Nanjing Institute of Economics* (南京經濟學院) (now known as Nanjing University of Finance & Economics* (南京財經大學)) and obtained a college diploma in Accounting in June 1995 and a bachelor degree in Accounting in June 2001. He also obtained the qualification of assistant accountant and accountant as conferred by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997 and May 2002 respectively. Mr. Yan has become a non-practising member (非執業會員) of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since October 2006.

Mr. Tong Hua (童華), aged 55, is the general manager of Kinergy EMS mainly responsible for human resources and development relationship with customers and local government in respect of our operations in the PRC.

Mr. Tong has over 30 years of experience in semiconductor industry. Before joining our Group, Mr. Tong worked at Institute of Semiconductors, Chinese Academy of Sciences, an institution for research and development of semiconductor product and process in the PRC, from December 1987 to August 1991. Mr. Tong joined the Company in May 1992 as an engineer primarily responsible for automatic equipment manufacturing and management. Mr. Tong left us in 2013 and joined Nantong Sinfong Precision Engineering Co., Ltd. (南通新馮精密機械有限公司) as a deputy general manager. In October 2016, Mr. Tong rejoined us and he is now the general manager of Kinergy EMS.

Mr. Tong obtained a bachelor's degree in Physics from Peking University in the PRC in July 1984. Mr. Tong obtained a master degree in Science from Institute of Semiconductors, Chinese Academy of Sciences in the PRC in December 1987.

None of our senior management members has been a director of other public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn, was appointed as the company secretary of our Company on 15 January 2010. She is currently a partner of Shook Lin & Bok LLP and specializes in the areas of corporate finance, capital markets, corporate and commercial law as well as mergers and acquisitions. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment. Ms. Gn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial institutions on corporate governance, regulatory and corporate compliance issues.

Ms. Gn obtained an LLB (Hons) from the National University of Singapore in July 1994 and was admitted as an Advocate & Solicitor, Singapore in April 1995.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wan Kim Ying Kasina (溫劍瑩), was appointed as the joint company secretary of our Company on 5 March 2018. Ms. Wan has over 10 years of experience in corporate secretarial practice with listed companies. She is currently a company secretarial director of legal, compliance and company secretarial department of CEL. She is responsible for all company secretarial, listing and corporate governance related matters of CEL since 2006.

Ms. Wan obtained a master degree in corporate governance from The Hong Kong Polytechnic University in 2006 and a master degree in Business Administration from Murdoch University, Perth Western Australia in 2003. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

AUTHORISED REPRESENTATIVES

Mr. Lim Kuak Choi Leslie and Ms. Wan Kim Ying Kasina are the authorised representatives of our Company.

BOARD COMMITTEES

Audit Committee

The Company established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules as well as the Corporate Governance Code pursuant to a resolution of the Directors passed on 19 June 2018.

The audit committee comprises three members, namely Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Ng Tiak Soon.

The primary responsibilities of the audit committee include, among others, to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established the remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules as well as the Corporate Governance Code pursuant to a resolution of the Directors passed on 19 June 2018.

The remuneration committee comprises three members, namely Mr. Chen Shuang, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei, two of whom are independent non-executive Directors. The chairman of the remuneration Committee is Professor Zhang Wei.

DIRECTORS AND SENIOR MANAGEMENT

The primary responsibilities of the remuneration committee include, among others, (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

Nomination Committee

The Company established the nomination committee with written terms of reference in compliance with the Corporate Governance Code pursuant to a resolution of the Directors passed on 19 June 2018.

The nomination committee comprises three members, namely Mr. Bradley Fraser Kerr, Mr. Ng Tiak Soon and Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka, two of whom are independent non-executive Directors. The chairman of the nomination committee is Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management receive compensation in the form of fixed monthly salaries and cash bonus in accordance with their respective service contracts and letters of appointment with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Board regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After Listing, our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

For three years ended 31 December 2015, 2016 and 2017, the aggregate amount of remuneration including salaries, allowances, discretionary bonus, pension-defined contribution plans, performance related incentive payments and other benefits in kind (if applicable) granted by us to our Directors were approximately S\$0.4 million, S\$0.4 million and S\$0.5 million, respectively.

For three years ended 31 December 2015, 2016 and 2017, the aggregate amount of remuneration including salaries and allowances and pension-defined contribution plans which were paid by our Group to our five highest paid individuals including Directors were approximately S\$0.6 million, S\$0.7 million and S\$0.7 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of three years ended 31 December 2015, 2016 and 2017. Further, none of our Directors waived any remuneration for three years ended 31 December 2015, 2016 and 2017.

Under the arrangements currently in force, the aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind, but excluding discretionary bonus) of our Directors and senior management for the year ending 31 December 2018 is estimated to be approximately S\$1.9 million.

EMPLOYEES

Please see the section headed “Business — Employees” for details relating to our number of employees, recruitment and remuneration policies, our relationship with our employees and employees’ benefits.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 27 June 2018. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

JOINT COMPLIANCE ADVISERS

Pursuant to Rule 3A.19 of the Listing Rules, we have appointed China Everbright Capital Limited and Guoyuan Capital (Hong Kong) Limited as our joint compliance advisers who will provide us with guidance and advice as to compliance with the requirements under the Listing Rules as well as applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company, among others, under the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;

DIRECTORS AND SENIOR MANAGEMENT

- (b) where a transaction, which might constitute notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where the Company proposed to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation of the Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Shares held immediately following completion of the Global Offering</u>	
		<u>Number⁽¹⁾</u>	<u>Approximate percentage (%)</u>
Mr. Lim ⁽²⁾	Beneficial owner; interest of spouse	264,514,472 ^(L)	31.51
Ms. Foo ⁽²⁾	Beneficial owner; interest of spouse	264,514,472 ^(L)	31.51
Unitras	Beneficial owner	76,498,768 ^(L)	9.11
Ms. Joyce S. Kerr ⁽³⁾	Interest in a controlled corporation	76,498,768 ^(L)	9.11
Mr. Bradley Fraser Kerr ⁽⁴⁾	Interest of spouse	76,498,768 ^(L)	9.11
Diamond Wealth	Beneficial owner	262,084,380 ^(L)	31.22
CE Venture ⁽⁵⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
CEL ⁽⁵⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Honorich Holdings Limited ⁽⁶⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Datten Investments Limited ⁽⁶⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
CE Hong Kong ⁽⁶⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
China Everbright Group ⁽⁶⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Huijin ⁽⁷⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Ms. Foo is the spouse of Mr. Lim. Therefore, Mr. Lim is deemed or taken to be interested in the Shares held by himself and Ms. Foo, and Ms. Foo is deemed or taken to be interested in the Shares held by herself and Mr. Lim under the SFO.
- (3) Unitras 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 under the SFO.
- (4) Mr. Bradley Fraser Kerr is the spouse of Ms. Joyce S. Kerr. Therefore, Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares in which Ms. Joyce S. Kerr is interested under the SFO. Mr. Bradley Fraser Kerr is also our non-executive Director.
- (5) As at the Latest Practicable Date, CEL held 100% of the total issued share capital of CE Venture; and CE Venture held 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.
- (6) 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. 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 our Company under the SFO.
- (7) Huijin is indirectly wholly-owned by the State Council and holds approximately 55.67% equity interest of China Everbright Group. Accordingly, Huijin is deemed to be interested in China Everbright Group’s interest in our Company under the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with certain cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of Offer Shares in aggregate (rounded down to the nearest whole board lot of 2,000 Shares) which may be subscribed with an aggregate amount of HK\$84.2 million (the “**Cornerstone Placing**”) at the Offer Price.

Assuming an Offer Price of HK\$1.02 (being the low end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 82,578,000 Offer Shares, representing approximately (i) 39.3% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 9.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 9.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming an Offer Price of HK\$1.14 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 73,886,000 Offer Shares, representing approximately (i) 35.2% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 8.8% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 8.5% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming an Offer Price of HK\$1.26 (being the high end of the Offer Price range set out in this prospectus), the total number of Offer Shares subscribed for by the Cornerstone Investors would be 66,850,000 Offer Shares, representing approximately (i) 31.8% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 8.0% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 7.7% of the Shares in issue upon completion of the

CORNERSTONE INVESTORS

Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Each of the Cornerstone Investors has agreed that, if the requirement pursuant to Rule 8.08(3) of the Listing Rules, in which no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders cannot be satisfied by our Company, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company can adjust the allocation of the number of Shares to be subscribed for by the Cornerstone Investors in their discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

To the best knowledge of our Company, each of the Cornerstone Investors and (where applicable) their respective ultimate beneficial owner(s) is an Independent Third Party, independent of each other and not an existing shareholder of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 17 July 2018.

The Cornerstone Placing forms part of the International Placing. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other Offer Shares to be listed on the Stock Exchange and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules). The number of Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering described in the section headed “Structure and conditions of the Global Offering — The Hong Kong Public Offering” in this prospectus.

Cornerstone Investors

We have entered into a cornerstone investment agreement with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below is provided by the Cornerstone Investors in connection with the Cornerstone Placing.

GT Cedar Capital (Hong Kong) Limited (“GT Cedar”)

GT Cedar is incorporated in Hong Kong in 2018 whose business include investment of equity interests and securities. It is beneficially owned by China General Technology (Group) Holding Co., Ltd. (“Genertec”).

CORNERSTONE INVESTORS

Genertec was founded in 1998 and is a state-owned enterprise directly administered by the PRC government. Its core business is specialised in trade and engineering contracting, pharmaceutical and healthcare, technical services and consultancy and advanced manufacturing industries.

GT Cedar agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of approximately HK\$39.2 million (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.02, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that GT Cedar will subscribe for would be 38,464,000 Offer Shares, representing approximately (i) 18.3% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 4.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 4.4% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.14, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that GT Cedar will subscribe for would be 34,416,000 Offer Shares, representing approximately (i) 16.4% of the Offer Shares under the Global Offering, assuming that the Over -allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 4.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 4.0% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.26, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that GT Cedar will subscribe for would be 31,138,000 Offer Shares, representing approximately (i) 14.8% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 3.7% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares

CORNERSTONE INVESTORS

which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 3.6% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

VisionGain China Opportunities Fund (“VisionGain China”)

Incorporated in 2015, VisionGain China is an exempted company incorporated in the Cayman Islands with limited liability that mainly conducts investments. VisionGain China is managed by VisionGain Capital Investment Advisors (Cayman Islands) (the “**Management Company**”), which is in turn solely owned by Mr. Ye Xiang. VisionGain Capital Limited, a licensed corporation to conduct type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, is an investment advisor of the Management Company. VisionGain Capital Limited is ultimately and solely owned by Mr. Ye Xiang.

VisionGain China agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$25.0 million (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.02, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that VisionGain China will subscribe for would be 24,508,000 Offer Shares, representing approximately (i) 11.7% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 2.9% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 2.8% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.14, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that VisionGain China will subscribe for would be 21,928,000 Offer Shares, representing approximately (i) 10.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 2.6% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 2.5% of the Shares in issue upon

CORNERSTONE INVESTORS

completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.26, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that VisionGain China will subscribe for would be 19,840,000 Offer Shares, representing approximately (i) 9.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 2.4% of the Shares in issue upon completion of the Global Offering, without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 2.3% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Bonus First Holdings Limited (“Bonus First”)

Bonus First was incorporated in November 2016 in the British Virgin Islands as a limited liability company and is principally engaged in securities and equity interest investment. Bonus First is independent from and not connected with any directors, chief executives and substantial shareholders of the Company or any of its subsidiaries and any of their respective associates.

Bonus First agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of HK\$20.0 million (exclusive of brokerage, Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming the Offer Price is fixed at HK\$1.02, being the low end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Bonus First will subscribe for would be 19,606,000 Offer Shares, representing approximately (i) 9.3% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 2.3% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 2.3% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.14, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares that Bonus First will subscribe for would be 17,542,000 Offer Shares, representing approximately (i) 8.4% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued

CORNERSTONE INVESTORS

upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 2.1% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 2.0% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Assuming the Offer Price is fixed at HK\$1.26, being the high end of the Offer Price range set out in this prospectus, the total number of Offer Shares that Bonus First will subscribe for would be 15,872,000 Offer Shares, representing approximately (i) 7.6% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) 1.9% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; or (iii) 1.8% of the Shares in issue upon completion of Global Offering, assuming that the Over-allotment Option is exercised in full and without taking into account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme.

Conditions Precedent under the Cornerstone Investor Agreements

The obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional by no later than the time and date as specified therein and not having been terminated;
- (b) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued and such approval or permission having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (c) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investors (for itself and on behalf of their respective investing wholly-owned subsidiaries as defined in the relevant cornerstone investment agreements, if applicable) and our Company under the relevant cornerstone investment agreements are, at the relevant times, accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investors; and

CORNERSTONE INVESTORS

- (d) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Global Offering and there being no orders or injunctions from a court or authority of competent jurisdiction in effect precluding or prohibiting consummation of such transactions.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Company, the Joint Global Coordinators and the Joint Sponsors, it will not and, if applicable, will procure its investing wholly-owned subsidiaries (as defined in the relevant cornerstone investment agreements) not to, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes that it will, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by the terms and restrictions imposed on the Cornerstone Investor.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), our Company will be owned as to approximately 33.67% by the Lim Family and approximately 31.22% and 0.97% by Diamond Wealth and Sino Expo, respectively. Diamond Wealth is an indirect subsidiary of China Everbright Group and Sino Expo is wholly-owned by Mr. Du. As (i) the Lim Family, comprising Mr. Lim, Ms. Foo and Mr. Lim Khin Mann, as a group of Controlling Shareholders; and (ii) CE Related Parties, comprising Diamond Wealth and its holding companies, together with Mr. Du and Sino Expo, as another group of Controlling Shareholders are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company immediately following the Listing, each of the Lim Family and the CE Related Parties will be regarded as a group of Controlling Shareholders under the Listing Rules. Further information of our Controlling Shareholders is set out below.

The Lim Family

Immediately upon completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), Mr. Lim, Ms. Foo and Mr. Lim Khin Mann will hold approximately 29.35%, 2.16% and 2.16% of the issued share capital of our Company, respectively. Ms. Foo is Mr. Lim's spouse and Mr. Lim Khin Mann is the son of Mr. Lim and Ms. Foo. In view of their family relationship, Mr. Lim, Ms. Foo and Mr. Lim Khin Mann are parties acting in concert and are considered as a group of Controlling Shareholders of our Company.

In addition, pursuant to a confirmation dated 5 March 2018, members of the Lim Family agreed and confirmed that, among others, since the time he/she first held direct or indirect shareholding interest in our Company, they have been parties acting in concert, with an aim to achieving consensus and concerted action on all operating and financing decisions and major affairs relating to our Group and will continue to do so for so long as he/she holds any direct or indirect shareholding interest in our Company.

CE Related Parties

Immediately upon completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), Diamond Wealth and Sino Expo will hold approximately 31.22% and 0.97% of the issued share capital of our Company, respectively. Diamond Wealth, an indirect subsidiary of China Everbright Group, is our pre-IPO investor. Diamond Wealth became our Controlling Shareholder upon completion of the first tranche of pre-IPO investment in October 2016. Diamond Wealth was owned as to 97% by CE Venture and 3% by Mr. Du before the Share Swap, which took place on 5 February 2018 to enable Mr. Du to hold his effective interest in our Company through Sino Expo, an investment vehicle wholly-owned by Mr. Du. For

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

further details, please refer to the section headed “History and Development — Our Company”. Mr. Du is an executive Director nominated by Diamond Wealth pursuant to the Share Purchase Agreement and he holds several positions in subsidiaries of China Everbright Group. As such, Diamond Wealth and its holding companies, namely CE Venture, CEL, Honorich Holdings Limited, Datten Investments Limited, CE Hong Kong and China Everbright Group, together with Mr. Du and Sino Expo are parties acting in concert and are considered as a group of Controlling Shareholders of our Company.

China Everbright Group is a wholly state-owned company established under the PRC laws on 12 November 1990 whose registered capital was wholly-contributed by the Ministry of Finance. On 8 December 2014, China Everbright Group was converted into a joint stock company and renamed as “China Everbright Group Ltd.* (中國光大集團股份公司)”. China Everbright Group holds interests in our Company indirectly through its subsidiaries, namely CE Hong Kong, Datten Investments Limited, Honorich Holdings Limited, Everbright Investment & Management Limited, CEL, CE Venture and Diamond Wealth. As at the Latest Practicable Date, China Everbright Group was held as to approximately 44.33% by the Ministry of Finance and approximately 55.67% by Huijin.

As advised by the PRC Legal Advisers, the Ministry of Finance is a PRC state ministry. It is authorised by the State Council to, among other things, (i) formulate strategies, plans, policies and reform programs on development of public finance and taxation; (ii) draft laws and administrative regulations regarding public finance, financial affairs and accounting management; (iii) undertake the responsibilities for the management of fiscal revenues and expenditures of the PRC Central Government; (iv) be responsible for the management of the government’s non-tax revenues, governmental funds and administrative fees under relevant provisions; and (v) organise the formulation of rules on the treasury management. The Ministry of Finance is not engaged in any commercial operating activities and does not involve in any daily operating activities of any of the enterprises controlled by it.

Huijin is a state-owned investment company that is wholly owned by the State Council through CIC to carry out equity investment in major state-owned financial enterprises and on behalf of the PRC exercises investors’ rights and performs investors’ obligations in key state-owned financial enterprises within the amount of subscribed capital contribution, to maintain and increase the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity and does not intervene in the day-to-day business operations of the entities in which it invests.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 1.01 of the Listing Rules so that CIC, Huijin and other PRC Governmental Bodies shall not be regarded as controlling shareholders of our Company under the Listing Rules. As a result, the relevant requirements under the Listing Rules that are applicable to controlling shareholders do not apply to CIC, Huijin and other PRC Governmental Bodies. In particular, among other things, this prospectus does not have to disclose information regarding CIC’s and Huijin’s interests in a business, apart from our Company’s business, which competes or is likely to compete, either directly or indirectly, with our Company’s business in accordance with Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

For details relating to the foregoing waiver, please refer to the section headed “Waivers from Strict Compliance with the Listing Rules — Waiver and Confirmation in respect of CIC and Huijin”.

NO COMPETITION

We principally engaged in the manufacturing of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor industry.

Our Directors confirm that, none of our Controlling Shareholders have interests in any businesses other than the business of our Group which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Based on the following reasons, our Directors believe that we will be able to conduct our business independently from our Controlling Shareholders and their respective close associates (excluding our Group) upon the Listing:

Management independence

Our management and operational decisions are made by our Board and senior management. The Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors.

The overlapping directors and senior management between our Company and the corporate Controlling Shareholders include the following: (i) Mr. Du, our executive Director, is also a department managing director of CEL and a director of several subsidiaries of CEL, including Everbright (Qingdao) Investment Co., Limited; (ii) Mr. Chen Shuang, our Chairman and a non-executive Director, is also an executive director and deputy general manager of CE Hong Kong, an executive director and the chief executive officer of CEL, an executive director and chairman of China Aircraft Leasing Group Holdings Limited, the chairman of Everbright Jiabao Co., Ltd.* (光大嘉寶股份有限公司) and a director of Diamond Wealth and CE Venture. China Aircraft Leasing Group Holdings Limited and Everbright Jiabao Co., Ltd. are associates of CEL; and (iii) Mr. Tsang Sui Cheong Frederick, our non-executive Director, is also the chief risk officer of CEL and a director of Diamond Wealth and CE Venture.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Notwithstanding the overlapping directorships and senior management of Mr. Du, Mr. Chen Shuang and Mr. Tsang Sui Cheong Frederick in our Company and the subsidiaries/associates of China Everbright Group, we believe that our Directors and members of senior management are able to perform their roles in our Group independently and that we are capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum of the relevant board meeting;
- (b) notwithstanding the overlapping directorships of Mr. Du in our Company and in subsidiaries of China Everbright Group, Mr. Du is in charge of strategic planning and general management and he will devote sufficient time to our business and allocate his time appropriately to discharge his duties as an executive Director. With respect to Mr. Chen Shuang and Mr. Tsang Sui Cheong Frederick, as each of them is a non-executive Director, they do not participate in our daily operation and management, but only participate in the decision-making process of significant matters such as our operational strategies. In addition, the businesses of the subsidiaries/associates of China Everbright Group in which Mr. Du, Mr. Chen Shuang and Mr. Tsang Sui Cheong Frederick hold directorship and/or senior management positions are different from the business of our Group. As such, we do not consider that Mr. Du's, Mr. Chen Shuang's and Mr. Tsang Sui Cheong Frederick's overlapping directorships and senior management in our Company and the subsidiaries/associates of China Everbright Group would give rise to any substantive conflict of interests;
- (c) the independent non-executive Directors have been appointed in compliance with the requirements under the Listing Rules to ensure that the decisions of the Board will be made only after due consideration of independent and impartial opinion. Our independent non-executive Directors are also expected to oversee the decisions made by the Board independently to ensure that there is no potential conflict of interest. The independent non-executive Directors are sufficiently experienced and capable of monitoring our operations independently of the Controlling Shareholders. Therefore, our Directors are of the view that the interests of the Shareholders can be safeguarded. Please refer to the section headed "Directors and Senior Management" in this prospectus for details on the independent non-executive Directors; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) in addition to the Board of Directors, we have an independent senior management team to carry out and execute our business decisions independently. Our Directors are satisfied that the senior management team of our Group will be able to perform their roles in our Group independently.

In view of the above, our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders and their respective close associates after the Listing.

Operational independence

While our Board has full rights to make all decisions on the overall strategic development and management and operational aspects of our Group, our senior management (whose biographies are disclosed in the section headed “Directors and Senior Management”) have overseen major essential operation functions of our Group. Our senior management will continue overseeing those major essential operation functions of our Group, which can be executed without interference of our Controlling Shareholders and their close associates.

We have implemented a set of internal control procedures to facilitate the effective and independent operation of our business. Save as disclosed below, we either hold or are the licensee of all the trademarks and domain names with respect to our business, and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates.

Pursuant to a license agreement dated 19 June 2018 entered into between our Company and Yixing CEL Investment Limited* (宜興光控投資有限公司) (“**Yixing CEL**”), Yixing CEL has granted us a license to use “光控” in our Chinese name for nil consideration (the “**Licensing Arrangement**”). As Yixing CEL is a subsidiary of CEL, which is our Controlling Shareholder, Yixing CEL is a connected person of our Company under Chapter 14A of the Listing Rules. Notwithstanding the Licensing Arrangement, we market our services primarily under our “Kinergy” brand name, which is owned by our Group. The Licensing Arrangement is entered into as part of the efforts of CEL, as our Controlling Shareholder, to support our development. Therefore, our Directors are of the view that our independence should not be affected by the Licensing Arrangement. As Yixing CEL is a subsidiary of CEL, which is our Controlling Shareholder, Yixing CEL is a connected person of our Company under Chapter 14A of the Listing Rules. Therefore, the Licensing Arrangement will constitute continuing connected transaction of our Company after Listing. Since nil consideration is payable under the license agreement, the Licensing Arrangement will be exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Financial Independence

We have our own internal control and accounting systems, accounting and finance department and independent treasury function for cash receipts and payment, and we make financial decisions according to our own business needs. We have also established an independent audit system, a standardised financial and accounting system and a complete

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

financial management system. Our Directors are of the view that we have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons.

During the Track Record Period, our Group had certain banking facilities that were secured by personal guarantees given by Mr. Lim. Our Directors confirm that the said personal guarantees will be released and replaced by corporate guarantees to be provided by our Company upon the Listing. Accordingly, our Directors believe that, upon the Listing, we are capable of obtaining financing from external sources independently without the support of our Controlling Shareholders.

NON-COMPETITION UNDERTAKINGS

To better safeguard our Group from any potential competition, the Controlling Shareholders (being (i) the Lim Family and (ii) the CE Related Parties) entered into the Deeds of Non-competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of the Controlling Shareholders has irrevocably and unconditionally undertaken with our Company, amongst other matters, that he/she/it shall not, and shall procure that his/her/its close associates (other than members of our Group) not to, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently engaged by our Group (the “**Restricted Activity**”), except where the Controlling Shareholders hold less than 10% of the total issued share capital of any company which is engaged in any business that is or may be in competition with any Restricted Activity and they do not control majority of the composition of the board of directors of such company.

Further, each of the Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving a written notice (“**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company and providing the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only of independent non-executive Directors which has no interest in the Competing Business Opportunity) (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);
- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with the Group’s strategies and development plans and the general market conditions of its business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 days of receipt of the written notice referred above, inform the Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- the Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The respective Deeds of Non-competition will lapse automatically if (i) the Lim Family or the CE Related Parties (as the case may be) together with their close associates cease to hold, whether directly or indirectly, an aggregate of 30% of our Shares, or cease to be Controlling Shareholders of our Company for the purpose of the Listing Rules on a collective basis; or (ii) our Shares cease to be listed on the Stock Exchange.

CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between us on one hand and our Controlling Shareholders on the other hand in relation to compliance and enforcement of the Deeds of Non-competition, we have adopted the following corporate governance measures:

- (a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deeds of Non-competition by the Controlling Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- (c) each of the Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deeds of Non-competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- (d) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deeds of Non-competition, he/she may not vote on the resolutions of the Board approving that matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Constitution.

In order to further properly manage any potential or actual conflict of interests between us on one hand and our Controlling Shareholders on the other hand, we have implemented the following measures:

- (a) as part of our preparations for the Global Offering, we have amended our Constitution to comply with the Listing Rules. In particular, our Constitution provides that, unless otherwise provided, a Director shall not vote any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed to include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe that our independent non-executive Directors possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, and independent opinion to protect the interests of our public Shareholders; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) we have appointed China Everbright Capital Limited and Guoyuan Capital (Hong Kong) Limited as our compliance advisers, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or Directors on one hand and our Group on the other hand, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONNECTED TRANSACTIONS

We have entered into certain transactions with our connected persons which will constitute continuing connected transactions pursuant to the Listing Rules upon Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Compliance Adviser Agreement

Our Company entered into a compliance adviser agreement dated 7 March 2018 with China Everbright Capital Limited, pursuant to which we have appointed China Everbright Capital Limited as one of our compliance advisers pursuant to Rule 3A.19 of the Listing Rules. The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules.

As China Everbright Capital Limited is controlled by China Everbright Group, which is our Controlling Shareholder, China Everbright Capital Limited is a connected person of our Company under Chapter 14A of the Listing Rules. Therefore, the transactions under the compliance adviser agreement will constitute continuing connected transaction of our Company after Listing. As the applicable percentage ratios with respect to the compliance advisory fee on an annual basis are less than 5% and the annual total consideration is less than HK\$3 million, such transactions under the compliance adviser agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

License Agreement

Our Company entered into a license agreement dated 19 June 2018 with Yixing CEL Investment Limited* (宜興光控投資有限公司) (“**Yixing CEL**”), pursuant to which Yixing CEL has granted us a license to use “光控” in our Chinese name for nil consideration (the “**Licensing Arrangement**”). Yixing CEL is a subsidiary of CEL, our Controlling Shareholder.

While we market our services primarily under our “Kinergy” brand name, the Licensing Arrangement is entered into as part of the efforts of CEL, as our Controlling Shareholder, to support our development.

As Yixing CEL is a subsidiary of CEL, which is our Controlling Shareholder, Yixing CEL is a connected person of our Company under Chapter 14A of the Listing Rules. Therefore, the Licensing Arrangement will constitute continuing connected transaction of our Company after Listing. As the applicable percentage ratios with respect to the license agreement are less than 0.1%, the Licensing Arrangement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

SHARE CAPITAL

SHARE CAPITAL

All of the issued Shares of our Company comprise fully paid ordinary shares. Our Company did not have any treasury share as at the Latest Practicable Date. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorised share capital and there is no concept of par value in respect of issued shares.

Details of share capital immediately after the Global Offering:

	<u>Number of Shares</u>
Shares issued and fully paid as at the date of this prospectus	629,351,324
Shares to be issued pursuant to the Global Offering	<u>210,000,000</u>
Total	<u>839,351,324</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary Shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with an aggregate number of Shares that is not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme); and

SHARE CAPITAL

- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or any options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Constitution to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in writing of our Shareholders passed on 27 June 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares that is not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws (in Singapore or otherwise) and requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information About Our Group — 5. Repurchase of our Shares" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Constitution to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

SHARE CAPITAL

Further information on this general mandate is set out in the section headed “Statutory and General Information — A. Further Information About Our Group — 3. Resolutions in writing of our Shareholders passed on 27 June 2018” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Under the Singapore Companies Act and our Constitution, our Company may from time to time by ordinary resolution of our Shareholders (i) consolidate and divide all or any of its share capital; (ii) subdivide its Shares or any of them, provided always that in such subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in the case of the Share from which the reduced Share is derived; (iii) cancel the number of Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the Shares so cancelled; and (iv) convert its share capital or any class of shares from one currency to another currency. Under our Constitution, our Company may also by special resolution of our Shareholders reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law. Please refer to the section headed “Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore — (B) Alterations of Capital” in Appendix III to this prospectus for further details.

Under the Singapore Companies Act and our Constitution, the variation or abrogation of the special rights attached to any class of Shares may only be made either with the consent in writing of the holders of not less than three-quarters of the total number of issued Shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of the class and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. Please refer to the section headed “Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore — (D) Variation of Rights of Existing Shares or Classes of Share” in Appendix III to this prospectus for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our Group's audited consolidated financial statements for the years ended 31 December 2015, 2016 and 2017 and related notes thereto set forth in the Accountants' Report, set out in Appendix I and our selected historical consolidated financial information and operating data included elsewhere in this prospectus. Our Group's consolidated financial statements has been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained under this section of the prospectus.

The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and interpretation of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the sections headed "Risk Factors" and "Forward-looking statements" in this prospectus for discussions of those risks and uncertainties.

OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor back-end equipment industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS Division and ODM Division. Our EMS Division focuses primarily on manufacturing of sub-systems, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own "Kinergy" brand for use in the semiconductor back-end equipment industry. For the three years ended 31 December 2017, we derived our revenue mainly from the EMS Division, which accounted for approximately 87.2%, 91.5%, 92.7% of our total revenue, respectively. Details of the breakdown of our revenue by business segment are set out in the paragraph headed "Revenue" under this section.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial conditions have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

FINANCIAL INFORMATION

Changes in customers' demand and general economic conditions

Our sales are dependent on the orders from our customers. The demand for our products is affected by the level of business activity of our major customers, which is jointly influenced by the level of economic activity in the semiconductor industry and countries where they operate. A decline in the semiconductor industry or an economic downturn in the country that our customers reside could adversely affect the performance of our clients and the demand of our products in turn. Further, we do not enter into long-term sale and purchase agreements with our customers and as such, there is no assurance that our existing customers will continue to purchase our products at current levels or at all in the future. In these circumstances, our results of operations and financial performance may be affected.

Fluctuations in the foreign currency exchange rates

We mainly operate in Singapore and the PRC and most of our operating expenses are denominated in USD and RMB while most of our sales are denominated and settled in USD. Therefore, fluctuations in exchange rates between SGD and RMB and USD could materially impact our profit margin and overall results of operations, and there will be gains or losses resulting from fluctuations in the exchange rate. During the Track Record Period, we did not use forward contracts or other derivative instruments to manage our foreign exchange risks as our results of operations has generally been partially mitigated by the natural offset of our foreign currency receivables with our foreign currency payables. Going forward, we expect exchange rates between the SGD and RMB and the USD will continue to fluctuate. Management will continue to monitor our foreign currency exchange exposure and will take prudent measures to minimise the currency exchange risk.

Our relationship with Customer A

During the Track Record Period, Customer A has been our largest customer. For the three years ended 31 December 2017, our revenue attributable to Customer A was approximately 48.5%, 72.6% and 77.9%, respectively. We cannot assure you that we will successfully diversify our customer portfolio and there is no assurance that we will be able to secure new orders from other customers of similar volume and value. If Customer A ceases the business relationship with us or reduces its business volume or Customer A's business suffers a decline, our Group's business, financial condition and results of operations will be materially and adversely affected. For more details, please see the section headed "Business — Reliance on Customer A" in this prospectus.

We are subject to technological changes in the semiconductor industry

The semiconductor industry is technology-intense and highly dynamic in technological advances. We cannot assure you that no potentially disruptive technology can replace wire bonding (which is an essential process in the back-end equipment segment of the semiconductor industry) in the future.

FINANCIAL INFORMATION

While we keep track with the latest technology and market trend in the semiconductor industry and our ODM Division develops automated equipment, precision tools, and spare parts for the semiconductor back-end equipment industry, we may not be able to keep pace with the technological advances in a cost-effective manner and timely basis. We may encounter practical difficulties in diversifying our product portfolio. If we fail to adequately respond to the technological developments, our business, results of operations and financial condition may be materially and adversely affected.

Direct material costs

Our direct material costs constitute our largest segment of cost of sales during each of the three years ended 31 December 2017. We are exposed to the market risk of price fluctuation, and fluctuation in prices may cause fluctuation in our cost of sales. Any increase in the price of our cost of acquisition of direct materials would negatively impact our gross profit margin if we are unable to transfer the increased cost resulting from such price increase through increasing the selling price of our sales. Our direct material costs consist of mainly fabricated items which are made according to specifications of our customers such as machining parts and commercial items such as motion controls, motors and printed circuit boards. For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our direct material costs from our cost of sales on our profit before tax during the Track Record Period. Fluctuations in our direct material costs from our cost of sales are assumed to be 1%, 3% and 5%.

	+/-1%	+/-3%	+/-5%
	S\$'000	S\$'000	S\$'000
Decrease/increase in profit before tax if increase/ decrease in cost of sales			
FY2015	-/+ 642	-/+ 1,926	-/+ 3,211
FY2016	-/+ 676	-/+ 2,027	-/+ 3,378
FY2017	-/+ 860	-/+ 2,579	-/+ 4,299

Foreign currency risk

We are exposed to transactional currency fluctuation. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately, 95.17%, 95.57% and 98.75% of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 67.56%, 66.86% and 61.09% of purchases were denominated in the units' functional currencies for the years ended 31 December 2015, 2016 and 2017, respectively. The Group's trade receivables and trade payable balance at the end of the reporting period have similar exposures. As at 31 December 2017, the Group has no outstanding foreign currency forward exchange contract.

FINANCIAL INFORMATION

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rates against SGD for the monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	<u>Increase/ (decrease) in SGD rate</u> %	<u>Increase/ (decrease) in profit before tax</u> \$'000
2015		
If the Singapore dollar weakens against the USD	3	300
If the Singapore dollar strengthens against the USD	(3)	(300)
2016		
If the Singapore dollar weakens against the USD	3	725
If the Singapore dollar strengthens against the USD	(3)	(725)
2017		
If the Singapore dollar weakens against the USD	3	615
If the Singapore dollar strengthens against the USD	(3)	(615)

Exchange Differences on Translation of Foreign Operations

Our multi-country operations subject us to foreign exchange fluctuations on translation from functional currencies of our foreign operations to our presentation currency (i.e. Singapore dollars). We mainly operate in various locations including Singapore, the PRC, the Philippines and Japan, and most of our foreign operations are denominated in their local currency which is different from our presentation currency. As at the end of the reporting period, the assets and liabilities of our foreign operations are translated into the presentation currency of our Group at the exchange rates ruling at the end of the reporting period, and their statement of profit or loss are translated into our presentation currency at the weighted average exchange rates for the year.

FINANCIAL INFORMATION

The resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. During the Track Record Period, we recorded exchange differences on translation of foreign operations representing a gain of S\$0.6 million, a loss of S\$1.4 million and a loss of S\$0.4 million for the years ended 31 December 2015, 2016 and 2017, respectively.

BASIS OF PREPARATION

The financial information has been prepared by our Directors based on accounting policies that conform with International Financial Reporting Standards (“IFRSs”) which includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”), on the basis of preparation as set out in note 2.1 of the Accountants’ Report contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information. The historical financial information has been prepared on a historical cost convention except for available-for-sale investment which have been measured at fair value, and is presented in SGD. All values are round to nearest thousands except when otherwise indicated.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set out in detail in notes 2.3 and 3 of Appendix I to this prospectus respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Our estimates are based on historical experience, latest information and other assumptions that we believe to be reasonable under the current circumstances. Actual results may differ under different assumptions and conditions. We have not changed our assumptions or estimates in the past. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the foreseeable future.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth a summary of our consolidated statements of profit or loss from the financial statement during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus:

	For the year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Revenue	106,896	106,997	128,952
Cost of sales	<u>(81,396)</u>	<u>(85,080)</u>	<u>(104,142)</u>
Gross profit	25,500	21,917	24,810
Other income and gains	2,455	1,827	1,031
Selling and marketing expenses	(3,290)	(2,680)	(2,813)
General and administrative expenses	(10,653)	(10,440)	(10,915)
Other expense	—	(6,943)	(2,212)
Finance cost	(92)	(20)	(36)
Share of results of a joint venture	<u>43</u>	<u>—</u>	<u>—</u>
Profit before tax	13,963	3,661	9,865
Income tax expense	<u>(2,729)</u>	<u>(565)</u>	<u>(1,833)</u>
Profit for the year	<u>11,234</u>	<u>3,096</u>	<u>8,032</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (\$)	<u>2.15 cents</u>	<u>0.58 cents</u>	<u>1.41 cents</u>

FINANCIAL INFORMATION

DESCRIPTION OF CERTAIN KEY ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We derive our revenue from two business divisions, namely EMS Division and ODM Division. Under our EMS Division, we derive our revenue mainly from manufacture and sales of (i) sub-systems, (ii) complete machines, and (iii) components. Under our ODM Division, we generate our revenue from design, manufacture and sales of (i) our own “Kinergy” brand proprietary automated equipment, (ii) precision tools, and (iii) spare parts.

Revenue breakdown by segments and product categories

The following table sets out our revenue by divisions and product categories during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
EMS						
<i>Products</i>						
Sub-systems	58,518	54.7	90,053	84.2	114,401	88.7
Complete machines	22,907	21.4	2,597	2.4	255	0.2
Components	1,619	1.5	2,075	1.9	4,459	3.5
<i>Service income</i> ^(note)	<u>10,191</u>	<u>9.6</u>	<u>3,155</u>	<u>3.0</u>	<u>412</u>	<u>0.3</u>
Sub-total	<u>93,235</u>	<u>87.2</u>	<u>97,880</u>	<u>91.5</u>	<u>119,527</u>	<u>92.7</u>
ODM						
<i>Products</i>						
Automated equipment	4,702	4.4	2,432	2.3	3,342	2.6
Precision tools	4,644	4.3	2,842	2.6	2,430	1.9
Spare parts	<u>4,315</u>	<u>4.1</u>	<u>3,843</u>	<u>3.6</u>	<u>3,653</u>	<u>2.8</u>
Sub-total	<u>13,661</u>	<u>12.8</u>	<u>9,117</u>	<u>8.5</u>	<u>9,425</u>	<u>7.3</u>
Grand Total	<u>106,896</u>	<u>100.0</u>	<u>106,997</u>	<u>100.0</u>	<u>128,952</u>	<u>100.0</u>

Note: Revenue generated from the provision of maintenance and commissioning services.

During the Track Record Period, we generated most of our revenue from EMS Division, which accounted for approximately 87.2%, 91.5%, and 92.7% of our total revenue for the three years ended 31 December 2017, respectively.

FINANCIAL INFORMATION

Revenue generated from the sales of sub-systems under EMS Division represented our largest source of income, which accounted for approximately 54.7%, 84.2% and 88.7% of our total revenue for the year ended 31 December 2015, 2016 and 2017, respectively. Service income mainly represented income received for the maintenance, repair and technical services rendered to our customers. In 2015, we provided on-site support service to Customer B for the test machines we manufactured and sold to this customer in 2015. Our service income decreased to approximately S\$3.2 million for the year ended 31 December 2016 from approximately S\$10.2 million for the year ended 31 December 2015 following the ending of the service contract in 2016 resulting from the leakage of Customer B's new generation product information by one of our employees during his site visit to Customer B's production facilities.

The following table sets out our revenue by customers' industry segments during the Track Record Period:

	For the year ended 31 December					
	2015		2016		2017	
	S'000	%	S'000	%	S'000	%
SPE						
— Front-end	5,457	5.1	11,835	11.1	15,507	12.0
— Back-end	52,260	48.9	77,994	72.9	100,464	77.9
Semiconductor	13,661	12.8	9,117	8.5	9,425	7.4
Data storage	8,236	7.7	844	0.8	728	0.6
SMT	652	0.6	725	0.7	563	0.4
Test and measurement	1,178	1.1	1,077	1.0	1,721	1.3
Others ⁽¹⁾	<u>25,452</u>	<u>23.8</u>	<u>5,405</u>	<u>5.0</u>	<u>544</u>	<u>0.4</u>
Total	<u><u>106,896</u></u>	<u><u>100.0</u></u>	<u><u>106,997</u></u>	<u><u>100.0</u></u>	<u><u>128,952</u></u>	<u><u>100.0</u></u>

Notes:

1. Includes consumer electronics, industrial automation and process automation.

FINANCIAL INFORMATION

Revenue breakdown by geographical locations

The following table sets out our revenue by geographical locations during the Track Record Period. It should be noted that the following breakdown is based on the location of our customers. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products are used may be different from where the customers locate.

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Singapore ⁽¹⁾	61,244	57.3	86,390	80.7	114,492	88.8
The Philippines	4,623	4.3	2,590	2.4	3,550	2.7
The US ⁽²⁾	30,264	28.3	9,779	9.2	3,358	2.6
The PRC	4,460	4.2	4,101	3.8	1,662	1.3
Japan	1,255	1.2	582	0.5	2,781	2.2
Others ⁽³⁾	5,050	4.7	3,555	3.4	3,109	2.4
Total	106,896	100.0	106,997	100.0	128,952	100.0

Notes:

1. The increase in revenue from Singapore market during the Track Record Period was mainly due to the increase in demand order for sub-systems from Customer A, as a result of their business expansion in the PRC market.
2. The decrease in revenue from the US market during the Track Record Period was mainly due to decrease in demand for complete machines and a decrease in service income from a US based customer following the completion of a project in 2016.
3. Includes Malaysia, Taiwan, Vietnam, Thailand, Sri Lanka, Indonesia, Mexico, Switzerland and Netherland.

The above breakdown sets out the revenue by geographical locations of our Customers during the Track Record Period. Since our customers which are multinational corporations may place their purchase orders from regional offices not located in the PRC, the above breakdown may not directly reflect our ability to capture the opportunities presented by favourable industry development of the SPE industry in the PRC, from which our Directors expect our Group will be benefited as mentioned in the section headed “Business — Our Business Strategies” in this prospectus. However, as confirmed by the Industry Consultant, the PRC is the major market of our top ten customers during the Track Record Period (who are SPE manufacturers). It follows that our products are effectively sold to the PRC through our sales to our customers who serve the PRC market. In particular, the PRC market is the major market for two of our major customers during the Track Record Period, namely Customer A and Customer D, who, in aggregate, respectively represented approximately 52.8%, 79.4% and 84.1% of our total revenue for the three years ended 31 December 2017. As such, our Directors believe that we will be able to benefit from the migration of SPE manufacturers to China and the expected growth of the SPE industry.

FINANCIAL INFORMATION

During the three years ended 31 December 2017, Singapore was our largest market, which accounted for approximately 57.3%, 80.7% and 88.8% of our total revenue for the corresponding periods, respectively. The increase in revenue from Singapore market during the Track Record Period was mainly due to the increase in demand order for sub-systems from Customer A, as a result of their business expansion in the PRC market.

The decrease in revenue from the US market during the Track Record Period was mainly due to decrease in demand for complete machines and a decrease in service income from a US based customer following the completion of a project in 2016.

The increase in our revenue from the Japan market in 2017 was mainly attributable to our effort to diversify and penetrate the Japanese market.

Cost of sales

Our cost of sales mainly includes (i) direct material costs which consist of mainly fabricated items which are made according to specifications of our customers such as machining parts and commercial items such as motion controls, motors and printed circuit boards; (ii) labour costs which include the salary and benefits of our production workers; and (iii) manufacturing overheads which mainly include depreciation and the rental expense of our production facilities. Our total cost of sales were approximately S\$81.4 million, S\$85.1 million and S\$104.1 million for the three years ended 31 December 2017.

The following table sets forth the principal components of our cost of sales for the years indicated:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
EMS Division						
Direct material costs	57,680	70.9	64,301	75.6	82,741	79.5
Labour costs	3,203	3.9	3,647	4.3	3,655	3.5
Manufacturing overheads	8,911	10.9	9,917	11.6	10,034	9.6
Sub-total	69,794	85.7	77,865	91.5	96,430	92.6
ODM Division						
Direct material costs	6,531	8.0	3,253	3.8	3,239	3.1
Labour costs	1,889	2.4	1,434	1.7	1,486	1.4
Manufacturing overheads	3,182	3.9	2,528	3.0	2,987	2.9
Sub-total	11,602	14.3	7,215	8.5	7,712	7.4
Grand Total	81,396	100.0	85,080	100.0	104,142	100.0

FINANCIAL INFORMATION

Direct material costs accounted for the largest portion of our cost of sales, represented approximately 78.9%, 79.4%, and 82.6% of our total cost of sales for the years ended 31 December 2015, 2016 and 2017, respectively. The increase in our direct material costs during the Track Record Period are generally in line with that of our revenue, net of service income as we did not incur any direct material costs for our service income.

Gross profit and gross profit margin

Our overall gross profit was approximately S\$25.5 million, S\$21.9 million and S\$24.8 million for each of the three years ended 31 December 2017, respectively. Our overall gross profit margin was approximately 23.9%, 20.5% and 19.2% for each of the three years ended 31 December 2017, respectively.

	For the year ended 31 December					
	2015		2016		2017	
	Gross profit S\$'000	Gross profit margin (%)	Gross profit S\$'000	Gross profit margin (%)	Gross profit S\$'000	Gross profit margin (%)
EMS Division	23,441	25.1	20,015	20.4	23,097	19.3
ODM Division	2,059	15.1	1,902	20.9	1,713	18.2
Total	25,500	23.9	21,917	20.5	24,810	19.2

The higher gross profit margin in 2015 was mainly due to higher gross profit margin contributed by EMS Division, mainly attributable to the repair, maintenance and technical services rendered to a US-based customer for the test machines we manufactured, which accounted for approximately 9.0% of our total revenue for the same period, and was partially offset by the lower gross profit margin for ODM Division in 2015, mainly due to an impairment of development cost of approximately S\$0.7 million charged to cost of sales for the year ended 31 December 2015. In general, the gross profit margin of ODM Division varies with the product category, subject to complexity and order size of products manufactured and labours involved.

FINANCIAL INFORMATION

Other income and gains

The following table set forth a breakdown of our other income and gains for the years indicated:

	For the year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Bank interest income	113	289	127
Sale of scrap materials	6	28	13
Government grant	268	916	355
Foreign exchange gain	2,021	592	—
Gain on disposal of property, plant and equipment	44	—	536
Others	3	2	—
	<u>2,455</u>	<u>1,827</u>	<u>1,031</u>

Our other income and gains mainly represent (i) bank interest income which is the interest income received from bank deposits, (ii) sale of scrap materials, (iii) government grants which mainly consist of subsidies received from Singapore government under wage credit scheme and resettlement compensation received from the requisition of land by the local PRC government, (iv) foreign exchange gain, and (v) gain on disposal of property, plant and equipment.

The significant net foreign exchange differences recognised in 2015 was primarily due to the significant appreciation of US\$ against SGD during the year.

Selling and marketing expenses

Our selling and marketing expenses primarily comprise (i) staff costs which include salary and benefits of our sales personnel, (ii) transportation charges, (iii) entertainment expenses, (iv) service and warranty expenses, and (v) travelling expenses. The following table sets forth the breakdown of our selling and marketing expenses for the years indicated:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Staff costs	1,496	45.5	1,315	49.1	1,301	46.2
Transportation charges	678	20.6	653	24.4	874	31.1
Entertainment expenses	236	7.2	189	7.1	171	6.1
Service and warranty expenses	550	16.7	221	8.2	150	5.3
Travelling expenses	175	5.3	126	4.7	151	5.4
Others	155	4.7	176	6.5	166	5.9
	<u>3,290</u>	<u>100.0</u>	<u>2,680</u>	<u>100.0</u>	<u>2,813</u>	<u>100.0</u>

For each of the three years ended 31 December 2017, our selling and marketing expenses represented approximately 3.1%, 2.5% and 2.2% of our revenue, respectively.

FINANCIAL INFORMATION

General and administrative expenses

The following table sets forth the breakdown of our general and administrative expenses for the years indicated:

	For the year ended 31 December					
	2015		2016		2017	
	S\$'000	%	S\$'000	%	S\$'000	%
Staff costs	3,889	36.6	3,450	33.0	4,335	39.7
Research and development expenses	3,395	31.9	3,626	34.7	2,499	22.9
Listing expenses	—	—	—	—	822	7.5
Depreciation	866	8.1	623	6.0	763	7.0
Office expenses ⁽¹⁾	495	4.6	658	6.3	569	5.2
Professional fee	370	3.5	618	5.9	422	3.9
Rental fees	300	2.8	260	2.5	147	1.4
Provision	161	1.5	131	1.3	44	0.4
Other ⁽²⁾	1,177	11.0	1,074	10.3	1,314	12.0
	<u>10,653</u>	<u>100.0</u>	<u>10,440</u>	<u>100.0</u>	<u>10,915</u>	<u>100.0</u>

Notes:

- (1) mainly include expenses incurred during the ordinary course of administrative operations.
- (2) mainly include travelling and repair and maintenance expenses.

For each of the three years ended 31 December 2017, our general and administrative expenses represented approximately 10.0%, 9.8% and 8.5% of our revenue, respectively.

Our research and development expenses represents expenses associated with the development of our products, which primarily comprised labour costs, direct material costs and overhead costs.

Other expense

Other expense of approximately S\$6.9 million for the year ended 31 December 2016 relates to settlement of a customer's claim. For further details, please refer to section headed "Business — Intellectual Property — Maintenance of Confidentiality".

Other expense of approximately S\$2.2 million for the year ended 31 December 2017 relates to foreign exchange loss resulting from the depreciation of US\$ against SGD in 2017.

Finance cost

Finance cost represented interest incurred from bank borrowings and hire purchase contracts. For each of the three years ended 31 December 2017, our interest expenses amounted to approximately S\$92,000, S\$20,000 and S\$36,000, respectively.

FINANCIAL INFORMATION

Share of results of a joint venture

For each of the three years ended 31 December 2017, our share of results of a joint venture amounted to approximately S\$43,000, nil and nil, respectively.

Taxation

For each of the three years ended 31 December 2017, the tax expenses incurred by our Group amounted to approximately S\$2.7 million, S\$0.6 million and S\$1.8 million, respectively. This represents an effective tax rate of approximately 19.5%, 15.4% and 18.6%, respectively, for the corresponding years. The majority of our Group's profits are either earned in (i) Singapore, where the corporate income tax rate has been calculated at a rate of 17% on the estimated assessable profits arising in Singapore and (ii) the PRC, where enterprise income tax has been calculated at a rate of 25% on the assessable profits of our PRC subsidiaries as determined in accordance with the PRC Corporate Income Tax Law except for Kinergy EMS and Beta Nova which are qualified as High and New Technology Enterprises and was subject to a preferential income tax rate of 15% for the years ended 31 December 2016 and 2017. The effective tax rate of our Group is therefore dependent on the location of the assessable profits and also upon the incidence of items affecting assessable profits including but not limited to, non-deductible expenses, non-taxable income and utilisation of tax losses not previously recognised.

Our Directors confirm, as at the Latest Practicable Date, that we had made all required tax filings in all relevant jurisdictions and paid all tax liabilities that had become due. We were not subject to any dispute or potential dispute with any tax authorities.

REVIEW OF HISTORICAL OPERATING RESULTS

Year to year comparison of results of operations

Year ended 31 December 2017 compared to year ended 31 December 2016

Revenue

Our revenue increased by approximately S\$22.0 million, or approximately 20.5%, from approximately S\$107.0 million for the year ended 31 December 2016 to approximately S\$129.0 million for the year ended 31 December 2017. Such increase was primarily due to (i) an increase in revenue from EMS Division by approximately S\$21.6 million, or approximately 22.1%, from approximately S\$97.9 million for the year ended 31 December 2016 to approximately S\$119.5 million for the year ended 31 December 2017, as a result of the increase in sales of sub-systems by approximately S\$24.3 million, mainly due to strong demand from Customer A as a result of their business expansion in the PRC market, which was partially offset by the decrease in revenue contributed by service income of approximately S\$2.7 million upon the completion of a major service provided to our customer in 2016; and (ii) an increase in revenue from ODM Division by approximately S\$0.3 million, or approximately 3.3%, from approximately S\$9.1 million for the year ended 31 December 2016 to approximately S\$9.4 million for the year ended 31 December 2017, as

FINANCIAL INFORMATION

a result of the increase in sales of our automated equipment by approximately S\$0.9 million, mainly due to increase in demand from one of our major ODM customers in the Philippines.

Cost of sales

Our cost of sales increased by approximately S\$19.0 million, or approximately 22.3%, from approximately S\$85.1 million for the year ended 31 December 2016 to approximately S\$104.1 million for the year ended 31 December 2017. This increase was primarily attributable to increased direct material costs from EMS Division which was mainly due to the increased production of sub-systems as sales increases.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately S\$2.9 million, or approximately 13.2%, from approximately S\$21.9 million for the year ended 31 December 2016 to approximately S\$24.8 million for the year ended 31 December 2017. Our gross profit margin slightly decreased by approximately 1.3% from approximately 20.5% for the year ended 31 December 2016 to approximately 19.2% for the year ended 31 December 2017. Such decrease in gross profit margin was primarily due to the further decrease in proportion of revenue generated from service income which has a higher gross profit margin under the EMS Division.

Other income and gains

Our other income decreased by approximately S\$0.8 million, or approximately 44.4%, from approximately S\$1.8 million for the year ended 31 December 2016 to approximately S\$1.0 million for the year ended 31 December 2017, mainly because (i) no foreign exchange gain was recognised for the year ended 31 December 2017 as a result of the depreciation of US\$ against SGD; and (ii) decrease in government grants by approximately S\$0.6 million due to the resettlement compensation received from the local PRC government for the requisition of land in 2016 which was non-recurring in nature; and was partially offset by the gain on disposal of property, plant and equipment of approximately S\$0.5 million primarily due to the disposal of our property in Wuhan, the PRC.

Selling and marketing expenses

Our selling and marketing expenses increased by approximately S\$0.1 million, or approximately 3.7%, from approximately S\$2.7 million for the year ended 31 December 2016 to approximately S\$2.8 million for the year ended 31 December 2017. This increase was primarily due to the increased transportation expenses incurred resulting from the delivery of our products to customers as sales increase.

General and administrative expenses

Our general and administrative expenses increased by approximately S\$0.5 million, or approximately 4.8%, from approximately S\$10.4 million for the year ended 31 December 2016 to approximately S\$10.9 million for the year ended 31 December 2017. This increase

FINANCIAL INFORMATION

was primarily due to (i) the increase in staff costs of approximately S\$0.9 million as a result of an increase in headcount and salaries and bonuses for the year; and (ii) the listing expenses incurred of approximately S\$0.8 million, partially offset by the decrease in our research and development expenses of approximately S\$1.0 million, primarily due to less research and development activities carried out during the year ended 31 December 2017.

Finance cost

Our finance cost increased by approximately S\$16,000 or approximately 80%, from approximately S\$20,000 for the year ended 31 December 2016 to approximately S\$36,000 for the year ended 31 December 2017. This increase was primarily due to more interest expenses on bank borrowings incurred in 2017.

Income tax expense

Our income tax expense increased by approximately S\$1.2 million, or approximately 200.0%, from approximately S\$0.6 million for the year ended 31 December 2016 to approximately S\$1.8 million for the year ended 31 December 2017. The increase was mainly due to the increase in our profit before tax by approximately S\$6.2 million attributable to the factors discussed in the foregoing. Our effective tax rate increased from approximately 15.4% for the year ended 31 December 2016 to approximately 18.6% for the year ended 31 December 2017 as a result of (i) the relatively higher assessable profits arising in Singapore in 2017, with a statutory tax rate of 17% which is higher than the rate of PRC of 15%; and (ii) the decrease in the percentage of tax losses available for utilization from previous periods to our assessable profit in the PRC.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately S\$4.9 million, or approximately 159.4%, from approximately S\$3.1 million for the year ended 31 December 2016 to approximately S\$8.0 million for the year ended 31 December 2017. Our net profit margin increased from approximately 2.9% for the year ended 31 December 2016 to approximately 6.2% for the year ended 31 December 2017. The low net profit margin achieved by our Group in 2016 was primarily due to the settlement of a customer's one-off and non-recurring claim of approximately S\$6.9 million.

Year ended 31 December 2016 compared to year ended 31 December 2015

Revenue

Our revenue remained relatively stable at approximately S\$106.9 million for the year ended 31 December 2015 and S\$107.0 million for the year ended 31 December 2016, which was the combined effect of (i) an increase in revenue from EMS Division by approximately S\$4.6 million, or approximately 5.0% and (ii) a decrease in revenue from ODM Division by approximately S\$4.5 million, or approximately 33.3%.

FINANCIAL INFORMATION

The increase in revenue from EMS Division was primarily due to an increase in our sales of sub-systems by approximately S\$31.5 million, mainly due to an increased demand orders from Customer A, primarily attributable to their business expansion in the PRC market, which was partially offset by (i) a decrease in the sales of complete machines by approximately S\$20.3 million as a result of decrease in demand order from Customer B, and (ii) a decrease in service income by approximately S\$7.0 million, following the ending of the service contract in 2016 for Customer B resulting from the leakage of Customer B's new generation product information by one of our employees during his site visit to Customer B's production facilities.

The decrease in revenue from ODM Division was primarily due to a decrease in sales of our automated equipment by approximately S\$2.3 million mainly due to a drop in the demand from one of our major ODM customers in the Philippines; and to a lesser extent, a reduction in the sales of precision tools to PRC customers primarily due to increased competition the PRC market.

Cost of sales

Our cost of sales increased by approximately S\$3.7 million, or approximately 4.5%, from approximately S\$81.4 million for the year ended 31 December 2015 to approximately S\$85.1 million for the year ended 31 December 2016. The increase in the total cost of sales for the year ended 31 December 2016 was generally in line with our level of revenue. The increase in overall cost of sales was mainly due to the increase in our direct material costs under the EMS Division, which was mainly attributable to the increased production of sub-systems as sales increase.

Gross profit and gross profit margin

Our gross profit decreased by approximately S\$3.6 million, or approximately 14.1%, from approximately S\$25.5 million for the year ended 31 December 2015 to approximately S\$21.9 million for the year ended 31 December 2016, and our gross profit margin had decreased from approximately 23.9% for the year ended 31 December 2015 to approximately 20.5% for the year ended 31 December 2016. The higher gross profit and gross profit margin recorded in 2015 was mainly driven by the higher proportion of revenue generated from service income, which contributed higher gross margin by providing repair, maintenance and technical services as we did not incur any direct materials costs for such service. Such service contract was ended in 2016.

Other income and gains

Our other income decreased by approximately S\$0.7 million, or approximately 28.0%, from approximately S\$2.5 million for the year ended 31 December 2015 to approximately S\$1.8 million for the year ended 31 December 2016. The decrease was mainly due to decrease in foreign exchange gain by approximately S\$1.4 million as the appreciation of USD against SGD in 2016 was less than that in 2015, which was partially offset by an increase in government grants received by approximately S\$0.6 million due to resettlement compensation received from the local PRC government for the requisition of land in 2016 which was non-recurring in nature.

FINANCIAL INFORMATION

Selling and marketing expenses

Our selling and marketing expenses decreased by approximately S\$0.6 million, or approximately 18.2%, from approximately S\$3.3 million for the year ended 31 December 2015 to approximately S\$2.7 million for the year ended 31 December 2016. This decrease was primarily due to (i) a decrease in staff costs for our sales personnel by approximately S\$0.2 million mainly due to a reduction in headcounts; and (ii) a decrease in service and warranty cost by approximately S\$0.3 million.

General and administrative expenses

Our general and administrative expenses decreased by approximately S\$0.3 million or approximately 2.8%, from approximately S\$10.7 million for the year ended 31 December 2015 to approximately S\$10.4 million for the year ended 31 December 2016. This decrease was primarily due to the decrease in staff costs for our office and administrative staff, as a result of decrease in headcounts.

Other expense

In 2016, we settled a claim to customer B amounting to approximately S\$6.9 million which was one-off and non-recurring in nature. For further details, please refer to section headed “Business — Intellectual Property — Maintenance of Confidentiality” in this prospectus.

Finance cost

Our finance cost decreased by approximately S\$72,000, or approximately 78.3%, from approximately S\$92,000 for the year ended 31 December 2015 to approximately S\$20,000 for the year ended 31 December 2016. This decrease was primarily due to repayment of bank loan in 2016.

Share of results of a joint venture

Our share of results of a joint venture decreased by approximately S\$43,000, or 100.0%, from approximately S\$43,000 for the year ended 31 December 2015 to nil for the year ended 31 December 2016. The decrease was primarily due to the liquidation of the joint venture in 2016.

Income tax expense

Our income tax expense decreased by approximately S\$2.1 million, or approximately 77.8%, from approximately S\$2.7 million for the year ended 31 December 2015 to approximately S\$0.6 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in our profit before tax by S\$10.3 million mainly attributable to the factors disclosed in the foregoing. In 2016, our effective tax rate decreased by approximately 4.1%, which was primarily due to the lower tax rate enacted by the PRC local authority for the High and New Technology Enterprises, at a preferential income tax rate of 15%.

FINANCIAL INFORMATION

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately S\$8.1 million, or approximately 72.4%, from approximately S\$11.2 million for the year ended 31 December 2015 to approximately S\$3.1 million for the year ended 31 December 2016. Our net profit margin decreased from approximately 10.5% for the year ended 31 December 2015 to approximately 2.9% for the year ended 31 December 2016. Such decrease was primarily due to the settlement of our customer's one-off and non-recurring claim of approximately S\$6.9 million in 2016.

LIQUIDITY AND CAPITAL RESOURCES

Our Group's principal cash requirement is for our working capital needs as well as capital expenditure. During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash generated from operations, short-term bank borrowings and the proceeds of capital injection from our Shareholders. In the future, we expect to continue relying on cash flows from operation, the proceeds from the Global Offering and other debt and equity financing to fund our working capital needs and finance part of our business expansion.

Our capital structure represents equity attributable to owners of our Company, comprising issued share capital and reserves including retained profits. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new loan borrowings with reference to the capital costs and the associated risks.

Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Net cash flows from operating activities	14,009	1,906	3,017
Net cash flow (used in)/generated from investing activities	(12,104)	6,035	(9,772)
Net cash flow (used in)/generated from financing activities	(2,610)	1,120	(1,261)
Net (decrease)/increase in cash and cash equivalents	(705)	9,061	(8,016)
Cash and cash equivalents at beginning of financial year	13,736	13,248	21,820
Effect of exchange rate changes on cash and cash equivalents	217	(489)	(147)
Cash and cash equivalents at end of financial year	<u>13,248</u>	<u>21,820</u>	<u>13,657</u>

FINANCIAL INFORMATION

Net cash flow generated from operating activities

Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) non-cash items such as depreciation of property, plant and equipment, and amortisation of prepaid land lease payment, impairment and amortization of development costs, gain on disposal of property, plant and equipment and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including increase or decrease in inventories, trade and other receivables and trade and other payables which lead to cash generated from operations; and (iii) interest income received, interest expense paid and income tax paid, which result in net cash generated from operating activities.

For the year ended 31 December 2015, our net cash generated from operating activities of approximately S\$14.0 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to approximately S\$15.9 million; (ii) adjusted by net outflow of working capital amounted to approximately S\$0.6 million; and (iii) income tax paid of approximately S\$1.3 million. Change in working capital primarily reflected the decrease in trade payables of approximately S\$8.2 million, partially offset by (i) the decrease in trade receivables of approximately S\$6.4 million; and (ii) the increase in other payables, accruals and provision for warranty of approximately S\$1.4 million.

For the year ended 31 December 2016, our net cash generated from operating activities of approximately S\$1.9 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to approximately S\$6.6 million; (ii) adjusted by net outflow of working capital amounted to approximately S\$2.8 million; and (iii) income tax paid of approximately S\$2.1 million. Change in working capital primarily reflected the increase in trade receivables of approximately S\$4.5 million, partially offset by the increase in trade payables of approximately S\$2.3 million.

For the year ended 31 December 2017, our net cash generated from operating activities of approximately S\$3.0 million was primarily resulted from (i) our operating cash flow before changes in working capital amounted to approximately S\$11.2 million; (ii) adjusted by net outflow of working capital amounted to approximately S\$7.6 million; and (iii) income tax paid of approximately S\$0.7 million. Change in working capital primarily reflected (i) the increase in inventories of approximately S\$8.7 million; and (ii) increase in trade receivables of approximately S\$3.5 million, partially offset by the increase in trade payables of S\$4.4 million.

Net cash flow (used in) generated from investing activities

Cash flows (used in) generated from investing activities mainly relate to purchase and disposal of property, plant and equipment, purchase and disposal of investment securities such as available-for-sale investment.

For the year ended 31 December 2015, we had net cash used in investing activities of approximately S\$12.1 million, which was primarily attributable to (i) purchase of property, plant and equipment of approximately S\$2.0 million; and (ii) purchase of available-for-sale investment of approximately S\$9.4 million.

FINANCIAL INFORMATION

For the year ended 31 December 2016, we had net cash generated from investing activities of approximately S\$6.0 million, which was primarily attributable to proceeds from disposal of available-for-sale investment of approximately S\$9.4 million, partially offset by the purchase of property, plant and equipment of approximately S\$3.7 million.

For the year ended 31 December 2017, we had net cash used in investing activities of approximately S\$9.8 million, which was primarily attributable to the purchase of property, plant and equipment of approximately S\$3.3 million and purchase of available-for-sale investment of approximately S\$13.5 million, partially offset by the proceeds from disposal of available-for-sale investment of S\$6.8 million.

Net cash (used in) generated from financing activities

Cash flows (used in) generated from financing activities includes proceeds from and repayments of bank borrowings, dividend paid on ordinary shares, repayment of finance lease liabilities and proceeds from issuance of share capital.

For the year ended 31 December 2015, we had net cash used in financing activities of approximately S\$2.6 million, which was primarily attributable to repayments of bank borrowings of approximately S\$4.8 million and dividends paid on ordinary shares of approximately S\$1.3 million, partially offset by the cash proceeds from bank borrowings of S\$3.6 million.

For the year ended 31 December 2016, we had net cash generated from financing activities of approximately S\$1.1 million, which was primarily attributable to proceeds from issuance of new shares to pre-IPO investor, namely Diamond Wealth, of approximately S\$4.7 million and proceeds from bank borrowings of S\$5.6 million, which was partially offset by (i) the repayment of bank borrowings of approximately S\$6.3 million and (ii) dividends paid on ordinary shares of approximately S\$2.6 million.

For the year ended 31 December 2017, we had net cash used in financing activities of approximately S\$1.3 million, which was primarily attributable to the dividends paid on ordinary shares of approximately S\$7.7 million, which was partially offset by the proceeds from issuance of new shares of approximately S\$6.5 million.

WORKING CAPITAL SUFFICIENCY

Taking into account our cash flow from operations and the net proceeds from the Global Offering, our Directors are satisfied after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Save as disclosed in the section headed “Risk Factors” and note 39 of the Accountants’ Report contained in Appendix I to this prospectus, our Directors are not aware of any other factors that would have a material impact on our liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed “Future Plans and Use of Proceeds” in this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth our current assets and current liabilities of the consolidated statements of financial position as at the respective dates indicated:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	S\$'000	S\$'000	S\$'000	S\$'000 (Unaudited)
Current Assets				
Inventories	25,841	25,406	33,974	39,429
Trade receivables	13,452	17,819	21,216	33,503
Prepayment, deposits and other receivables	2,423	2,699	3,319	6,773
Available-for-sale investment	9,382	—	6,758	—
Cash and cash equivalents	13,248	21,820	13,657	24,895
Total current assets	64,346	67,744	78,924	104,600
Current liabilities				
Trade payables	12,698	17,216	21,472	44,185
Other payables and accruals	6,829	4,077	5,483	4,238
Provision for warranty	223	83	82	86
Interest-bearing bank and other borrowings	902	86	—	—
Tax payable	1,722	25	908	1,278
Total current liabilities	22,374	21,487	27,945	49,701
Net current assets	41,972	46,257	50,979	54,899

Our current assets consist of inventories, trade receivables, prepayment, deposits and other receivables, available-for-sale investment and cash and cash equivalents. Our current liabilities consist of trade payables, other payables and accruals, provision for warranty, interest-bearing bank and other borrowings and tax payable.

Our Group's net current assets increased by approximately S\$4.3 million from approximately S\$42.0 million as at 31 December 2015 to approximately S\$46.3 million as at 31 December 2016. The increase was primarily due to (i) the increase in trade receivables of approximately S\$4.4 million; (ii) the increase in cash and cash equivalents of approximately S\$8.6 million; (iii) the decrease in other payables and accruals of approximately S\$2.8 million; (iv) the decrease in tax payable of approximately S\$1.7 million, partially offset by (i) the decrease in available-for-sale investment of approximately S\$9.4 million; and (ii) the increase in trade payables of approximately S\$4.5 million.

FINANCIAL INFORMATION

Our net current assets further increased by approximately S\$4.7 million from approximately S\$46.3 million as at 31 December 2016 to approximately S\$51.0 million as at 31 December 2017. The increase was primarily due to (i) the increase in inventories of approximately S\$8.6 million; (ii) the increase in trade receivables of approximately S\$3.4 million; and (iii) the increase in available-for-sale investment of approximately S\$6.8 million, partially offset by (i) the increase in trade payables of approximately S\$4.3 million; (ii) the increase in other payables and accruals of approximately S\$1.4 million; and (iii) the decrease in cash and cash equivalents of approximately S\$8.2 million.

Our net current assets increased by approximately S\$3.9 million from approximately S\$51.0 million as at 31 December 2017 to approximately S\$54.9 million as at 30 April 2018. The increase was primarily due to (i) the increase in inventories of approximately S\$5.5 million; (ii) the increase in trade receivables of approximately S\$12.3 million; (iii) the increase of prepayment, deposits and other receivables of approximately S\$3.5 million; and (iv) the increase of cash and cash equivalents of approximately S\$11.2 million, partially offset by (i) the decrease in available-for-sale investment of approximately S\$6.8 million as the available-for-sale investment matured; and (ii) the increase in trade payables of approximately S\$22.7 million.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Property, plant and equipment mainly comprised of leasehold building, construction in progress, plant and machinery and office renovation. The carrying amount of property, plant and equipment remained relatively stable at S\$16.9 million and S\$16.8 million as at 31 December 2015 and 2016, respectively. The carrying amount of property, plant and equipment subsequently increased to S\$18.1 million as at 31 December 2017, mainly due to the addition of property, plant and equipment of approximately S\$3.3 million, partially offset by the depreciation charge of approximately S\$1.7 million.

Prepaid land lease payments

As at 31 December 2015, 2016 and 2017, our prepaid land lease payments represented the land where one of our principal business addresses is located in the PRC. The prepaid land lease payments was stated at cost less accumulated amortisation. The decrease in net carrying amount of our prepaid land lease payments was mainly due to its amortisation.

FINANCIAL INFORMATION

Inventories

Our inventories mainly comprised raw materials, work in progress and finished goods. The following table sets out the balance of our inventories as at the respective dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Raw materials	13,055	13,411	16,647
Work in progress	8,489	9,126	13,187
Finished goods	4,297	2,869	4,140
	25,841	25,406	33,974

The inventory balance decreased slightly from approximately S\$25.8 million as at 31 December 2015 to approximately S\$25.4 million as at 31 December 2016 and subsequently increased to approximately S\$34.0 million as at the year ended 31 December 2017. The increase in the inventories as at 31 December 2017 was mainly due to the increased number of purchase orders we received close to the year end.

Our management reviews the inventory ageing analysis at the end of each reporting period. We evaluated the analyses and assessments with respect to slow moving and obsolete stock, the expected demand and market value related to inventory. Inventory which is no longer available for sale in the normal course of business are deemed to be obsolete. Inventory is to be treated as excess and 100% provision is required if (a) item without stock movement for more than three years, (b) product/model line is discontinued, and (c) item has exceeded its known technical or engineering shelf life. The three years reference period is based on our management past experience with customers on the time spent in developing and implementing a technical specification change. It relates to product/model line that is still active. As such, it is not a general application to all inventories and it does not apply to (i) product/model that has been discontinued due to a change in technical specification by the customer; (ii) the Company is no longer the appointed contractor for the product/model. In addition, if an item value has fallen below its net realisable value, a written down to its net realisable value is required.

The table below sets out our average inventory turnover days for the relevant date indicated.

	As at 31 December		
	2015	2016	2017
	days	days	days
Average inventory turnover days (<i>Note</i>)	115	110	104

Note: Average inventory turnover days is calculated as the average of the beginning and ending inventory balances for the year, divided by the cost of sales for that year, multiplied by 365 days.

FINANCIAL INFORMATION

Our average inventory turnover days decreased from 115 days for the year ended 31 December 2015 to 110 days for the year ended 31 December 2016 and further decreased to 104 days for the year ended 31 December 2017. Such decrease was resulted from our Group's effort in enhancing our control on inventory level.

Set out below is the aging analysis of our inventories as at the respective dates as indicated:

Raw materials

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
0 to 180 days	11,087	11,060	15,227
181 to 365 days	847	752	574
1 to 2 years	974	1,406	455
2 to 3 years	551	492	594
3 to 4 years	654	432	374
Over 4 years	573	1,000	1,204
Sub-total	14,686	15,142	18,428
Less: stock allowance	(1,631)	(1,731)	(1,781)
Total	13,055	13,411	16,647

Work in progress

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
0 to 180 days	6,619	8,449	12,583
181 to 365 days	975	197	503
1 to 2 years	887	470	30
2 to 3 years	12	15	57
3 to 4 years	225	15	35
Over 4 years	—	10	11
Sub-total	8,718	9,156	13,219
Less: stock allowance	(229)	(30)	(32)
Total	8,489	9,126	13,187

FINANCIAL INFORMATION

Finished goods

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
0 to 30 days	3,001	2,219	3,894
31 to 60 days	307	271	43
61 to 90 days	284	106	72
91 to 180 days	220	18	22
Over 180 days	544	417	188
Sub-total	<u>4,356</u>	<u>3,031</u>	<u>4,219</u>
Less: stock allowance	<u>(59)</u>	<u>(162)</u>	<u>(79)</u>
Total	<u><u>4,297</u></u>	<u><u>2,869</u></u>	<u><u>4,140</u></u>

As at the Latest Practicable Date, approximately S\$29.9 million (or approximately 88.1%) of our inventories as at 31 December 2017 had been utilised.

Trade receivables

Our trade receivables mainly represented values of original invoices amounts recognised. The table below sets forth the breakdown of our trade receivables as at the respective dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Trade receivables	13,462	17,819	21,216
Less: Impairment	<u>(10)</u>	<u>—</u>	<u>—</u>
	<u><u>13,452</u></u>	<u><u>17,819</u></u>	<u><u>21,216</u></u>

Our Group performed ongoing estimates on the collectability of our trade receivables during the Track Record Period. Our Group recorded allowance for impairment of approximately S\$10,000, nil and nil as at 31 December 2015, 2016 and 2017 respectively. Set out below is the movement in relation to our impairment of trade receivables as at respective reporting dates as indicated below:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
As the beginning of the year	61	10	—
Write-back of allowance	(52)	(10)	—
Exchange differences	<u>1</u>	<u>—</u>	<u>—</u>
	<u><u>10</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

FINANCIAL INFORMATION

We recorded trade receivables from sales to our customers during the Track Record Period. Our trade receivables increased from approximately S\$13.5 million as at 31 December 2015 to approximately S\$17.8 million as at 31 December 2016 and further increased to approximately S\$21.2 million as at 31 December 2017. The increase in trade receivables was primarily due to the increase in our sales made towards the year end.

The following tables sets forth the aging analysis of trade receivables, based on invoice date and net of provision, as at the respective financial position dates:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within 1 month	7,206	8,031	8,656
1 to 2 months	4,027	6,797	8,914
2 to 3 months	651	663	2,862
Over 3 months	1,568	2,328	784
	13,452	17,819	21,216

The following tables sets forth the aging analysis of the trade receivables that are not individually nor collectively considered to be impaired as at the relevant years indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Neither past due nor impaired	11,147	11,685	18,886
Past due but not impaired:			
Less than 1 month past due	704	2,602	2,133
1 to 3 months past due	724	1,728	97
More than 3 months past due	877	1,804	100
	13,452	17,819	21,216

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom these were no recent history of default.

Trade receivables that were past due but not impaired accounted for approximately 17.1%, 34.4%, and 11.0% of our total trade receivables as at 31 December 2015, 2016 and 2017, respectively. Such past due but not impaired trade receivables mainly relate to a number of ODM customers who had good payment record in the past. Our directors consider that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered to be fully recoverable based on past experience.

FINANCIAL INFORMATION

The table below sets out our average trade receivable turnover days as at the relevant dates indicated.

	As at 31 December		
	2015	2016	2017
	days	days	days
Average trade receivable turnover days (<i>Note</i>)	57	53	55

Note: Average trade receivable turnover days is calculated as the average of the beginning and ending trade receivable balances for the year, divided by revenue for that year, multiplied by 365 days.

We generally grant a credit period of 30 to 90 days from the date of invoice to our customers during the Track Record Period. Our average trade receivable turnover days for the three years ended 31 December 2017 were approximately 57 days, 53 days and 55 days, respectively, and are within the general credit period granted.

During the Track Record Period, our Group had not experienced any material bad debt problems and material difficulties in collecting payments from our five largest customers.

As at the Latest Practicable Date, approximately S\$20.9 million (or approximately 98.6%) of the trade receivables as at 31 December 2017 was subsequently settled.

Prepayments, deposits and other receivables

Set out below is the breakdown of our prepayments, deposits and other receivables as at the respective dates as indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Advance to suppliers	135	425	1,639
Deposits	514	388	445
Deferred listing expenses	—	—	274
Other receivables	165	39	140
Prepaid goods and services tax/Value-added tax	1,050	1,140	690
Prepayments	559	707	131
Prepayments, deposits and other receivables	2,423	2,699	3,319

Our other receivables mainly comprised (i) advance to suppliers which mainly represented amount paid to our suppliers for the purchase of direct materials; (ii) deposits which mainly represented deposits paid for utilities and rental; (iii) prepaid goods and services tax/value added tax; and (iv) prepayments which mainly represented prepaid insurances, road tax, and other subscription fees.

FINANCIAL INFORMATION

Available-for-sale investment

The following table sets forth a breakdown of our available-for-sale investment as at the respective dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Investment in bank financial products	9,382	—	6,758

The investment in bank financial products we held represented investments in bank financial products issued by banks in the PRC. The investment in bank financial products as at 31 December 2015 bears an expected yield rate of approximately 2% per annum upon maturity in January 2016. The investment in bank financial products as at 31 December 2017 bears an expected yield rate of approximately 4.2% per annum upon maturity in March 2018. The principals are all protected. The fair values of the financial products approximate to their costs plus expected interest. The fair values of wealth management products have been estimated using a discounted cash flow valuation model. The valuation requires the directors to make estimates about the expected future cash flows from future proceed when the investment mature. Our Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, are reasonable, and that they were the most appropriate values at the end of each of the relevant periods. As at the Latest Practicable Date, apart from the wealth management products we had already invested in during the Track Record Period yet unmatured, we had no intention to invest in any wealth management product.

Cash and cash equivalents

The following table sets forth the breakdown of our cash and cash equivalents as at the respective financial position dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Cash and bank balances	4,952	5,654	13,657
Non-pledged short-term deposits	8,296	16,166	—
Cash and cash equivalents	13,248	21,820	13,657

Our cash and cash equivalents, being cash and bank balances and non-pledged short-term deposits, increased from approximately S\$13.2 million as at 31 December 2015 to approximately S\$21.8 million as at 31 December 2016. Our cash and cash equivalents decreased to approximately S\$13.7 million as at 31 December 2017 mainly due to increase in dividend payment approximately S\$7.7 million as at 31 December 2017 as compared to approximately S\$2.6 million as at 31 December 2016. During the Track Record Period, cash at banks earned interest at floating rates based on daily bank deposit rates. Non-pledged short-term deposits are made for varying periods of between one day and three months and earned interest at the respective non-pledged short-term deposits rates.

FINANCIAL INFORMATION

The relative low balance of cash and cash equivalent as at the year ended 31 December 2015 and 2017, respectively, was primarily due to the acquisition of available-for-sale investments amounting to approximately S\$9.4 million and S\$13.5 million for the year ended 31 December 2015 and 2017, respectively.

Trade payables

In general, our suppliers grant us a credit period of 30 to 90 days from the date of invoice. The following table sets forth the aging analysis of our trade payables based on the invoice date as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within 1 month	6,649	12,394	14,662
1 to 2 months	2,083	3,319	4,550
2 to 3 months	1,378	1,251	2,053
Over 3 months	2,588	252	207
	12,698	17,216	21,472

The table below sets out our average trade payable turnover days as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	days	days	days
Average trade payable turnover days (<i>Note</i>)	75	64	68

Note: Average trade payable turnover days is calculated as the average of the beginning and ending trade payable balances for the year, divided by the cost of sales for that year, multiplied by 365 days.

The fluctuation in average trade payable turnover days in the years ended 31 December 2015, 2016 and 2017 mainly due to timing difference and are generally within credit period granted. The average trade payable turnover days for the three years ended 31 December 2017 were approximately 75 days, 64 days and 68 days, respectively.

As at the Latest Practicable Date, approximately S\$15.5 million (or approximately 72.4%) of the trade payables as at 31 December 2017 was subsequently settled.

FINANCIAL INFORMATION

Other payables and accruals

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated.

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Advances from customers	190	178	430
Payroll and welfare accruals	1,769	979	2,216
Accruals	1,752	1,773	1,930
Other payables	1,251	1,147	907
Deferred income	1,867	—	—
Other payables and accruals	6,829	4,077	5,483

Other payables and accruals decreased from approximately S\$6.8 million as at 31 December 2015 to approximately S\$4.1 million as at 31 December 2016, which was mainly because (i) no deferred income was recognised and (ii) decreased in payroll and welfare accruals as a result of less accrued staff bonus provided due to the lower profit generated for the year ended 31 December 2016.

Other payables and accruals subsequently increased to approximately S\$5.5 million as at 31 December 2017, which was mainly attributable to an increase in payroll and welfare accruals mainly due to increase in accrued staff bonuses resulting from the improved business performance for the year ended 31 December 2017.

As at 31 December 2015, we recorded deferred income of S\$1.9 million, which is represented by the service fees paid to us in advance for provision of future service. Such project was completed in 2016.

Provisions for warranty

The following table sets forth an analysis of provision for warranty as at the respective dates indicated:

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
At 1 January	137	223	83
Additional provision	303	118	49
Amounts utilised during the year	(218)	(256)	(49)
Exchange realignment	1	(2)	(1)
At 31 December	223	83	82

Our provisions for warranty represented estimate cost to fulfill warranty and after sale repair obligation for products sold under the ODM segment. The balance of our provisions for warranty decreased from approximately S\$0.2 million as at 31 December 2015 to

FINANCIAL INFORMATION

approximately S\$83,000 as at 31 December 2016 and remained relatively stable at S\$82,000 as at 31 December 2017, which were generally in line with our sales made in the ODM Division for the three years ended 31 December 2017.

Interest-bearing bank and other borrowings

The following table sets forth our interest-bearing bank and other borrowings as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Current			
Bank loans — secured	707	—	—
Finance lease payables	195	86	—
Sub-total	902	86	—
Non-current			
Finance lease payables	84	—	—
Total bank and other borrowings	986	86	—

The balance as at 31 December 2015 amounted to approximately S\$0.7 million which is represented by a US\$0.5 million short-term loan with local bank in the PRC which bear interest rates of 3.1% per annum. The short-term loans were secured by corporate guarantee provided by another subsidiary within our Group in the PRC. As at 31 December 2016 and 2017, all bank loans had been fully repaid.

Finance lease payables represented the hire purchases of the leased plant and machinery and motor vehicle, which our Group uses to conduct part of our operations. Such hire purchases will expire in the following years and the discount rates implicit in the lease range from 1.30% to 2.99% (2015 and 2016: 1.30% to 2.99%) per annum. Our finance lease payables' balance decreased from approximately S\$0.3 million as at 31 December 2015 to approximately S\$86,000 as at 31 December 2016. The decrease of finance lease payables was due to the repayment of the hire purchase as at 31 December 2016. The finance lease payable balance as at 31 December 2017 was fully settled.

FINANCIAL INFORMATION

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth our total indebtedness as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively:

Interest-bearing bank and other borrowings

	As at 31 December			As at
	2015	2016	2017	30 April
	S\$'000	S\$'000	S\$'000	2018
				S\$'000
				(Unaudited)
Current				
Bank loans — secured	707	—	—	—
Finance lease payables	195	86	—	—
Sub-total	902	86	—	—
Non-current				
Finance lease payables	84	—	—	—
Total bank and other borrowings	<u>986</u>	<u>86</u>	<u>—</u>	<u>—</u>

We had bank loans with a carrying value of approximately S\$0.7 million, nil, nil and nil respectively as at 31 December 2015, 2016 and 2017 and 30 April 2018, secured by corporate guarantee provided by another subsidiary within the Group in the PRC. Our effective interest rate of bank loans as of 31 December 2015 was approximately 3.1% per annum.

Our Group had acquired certain plant and machinery and motor vehicle under finance lease arrangements. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the aggregated outstanding balance was approximately S\$0.3 million, S\$86,000, nil and nil, and the discount rates implicit in the lease range from 1.30% to 2.99% (2015 and 2016: 1.30% to 2.99%) per annum, respectively.

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement, we had banking facilities of approximately S\$26.3 million, of which approximately S\$26.3 million was unutilised. We had no outstanding bank and other borrowings as at 30 April 2018. In May 2018, we have drawn down a short term banking borrowing of approximately S\$4.0 million from our banking facilities for general working capital purpose.

Contingent liability

As at 30 April 2018, being the latest practicable date for the purpose of the indebtedness statement, our Group did not have any contingent liabilities or guarantees.

FINANCIAL INFORMATION

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, debentures, mortgages, charges, finance lease or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

COMMITMENTS

Capital commitments

As at 31 December 2015, 2016 and 2017, our capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Land and buildings	330	130	173
Plant and machinery	—	25	1,422
	330	155	1,595

The capital commitment principally related to (i) the cost incurred for the construction of the Nantong Facility II during the Track Record Period, and (ii) the machinery order in advance for the Nantong Facility II as at 31 December 2017.

Operating lease commitments

As lessee:

The following table summarises our total future minimum lease payments under non-cancellable operating leases falling due as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	S\$'000	S\$'000	S\$'000
Within one year	1,094	929	1,115
In the second to fifth year, inclusive	964	46	4,048
After five years	28	16	5
	2,086	991	5,168

Our Group is the lessee in respect of properties held under operating leases. The lease typically runs for a period of ranging from three to six years.

FINANCIAL INFORMATION

CAPITAL EXPENDITURE

Throughout the Track Record Period, the Group has made capital expenditures, typically in connection with the acquisition of plant and machinery, computers and office renovation. These capital expenditures amounted to approximately S\$2.0 million, S\$3.7 million and S\$3.3 million as at 31 December 2015, 2016 and 2017, respectively.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

SUMMARY OF FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for each of the three years ended 31 December 2017 and should be read in conjunction with the Accountants' Report included as Appendix I to this prospectus.

	As at/For the year ended 31 December		
	2015	2016	2017
Current ratio ⁽¹⁾	2.9 times	3.2 times	2.8 times
Gearing ratio ⁽²⁾	1.6%	0.1%	N/A
Debt to equity ratio ⁽³⁾	N/A	N/A	N/A
Interest coverage ⁽⁴⁾	152.8 times	184.1 times	275.0 times
Return on total assets ⁽⁵⁾	13.5%	3.6%	8.1%
Return on equity ⁽⁶⁾	18.7%	4.9%	11.4%
Net profit margin ⁽⁷⁾	10.5%	2.9%	6.2%

Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year end.
2. Gearing ratio is calculated based on the total interest-bearing bank and other borrowings divided by the total equity as at the respective year end and multiplied by 100%.
3. Debt to equity ratio is calculated by the net debt (total debts being the total bank and other borrowings net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.
4. Interest coverage is calculated by the profit before interest and tax divided by the finance costs as at the respective year end.

FINANCIAL INFORMATION

5. Return on total assets is calculated by profit for the year divided by the total assets as at the respective year end and multiplied by 100%.
6. Return on equity is calculated by profit for the year divided by the shareholders' equity as at the respective year end and multiplied by 100%.
7. Net profit margin is calculated by the profit for the year divided by revenue for the respective year and multiplied by 100%.

Current ratio

Our Group had maintained net current asset position and recorded current ratio of approximately 2.9 times, 3.2 times and 2.8 times as at 31 December 2015, 2016 and 2017. Our current ratio increased slightly from approximately 2.9 times as at 31 December 2015 to 3.2 times as at 31 December 2016. The increase was mainly due to increase in cash and cash equivalents from approximately S\$13.2 million as at 31 December 2015 to approximately S\$21.8 million as at 31 December 2016. Our current ratio subsequently decreased to 2.8 times as at 31 December 2017, mainly due to decrease in cash and cash equivalent from approximately S\$21.8 million as at 31 December 2016 to S\$13.7 million as at 31 December 2017, and the increase in trade payables from approximately S\$17.2 million as at 31 December 2016 to S\$21.5 million as at 31 December 2017.

Gearing ratio

Our gearing ratio was approximately 1.6%, 0.1% and nil as at 31 December 2015, 2016 and 2017 respectively. Gearing ratio decreased from approximately 1.6% as at 31 December 2015 to 0.1% as at 31 December 2016 primarily due to our decreasing level of debts supported by our stronger liquidity position as at 31 December 2016. No interest-bearing liabilities was recorded as at 31 December 2017 thus, gearing ratio is not applicable as at 31 December 2017.

Debt to equity ratio

As at 31 December 2015, 2016 and 2017, we had cash and cash equivalents exceeding our total debts as of the respective dates, debt to equity ratio were not applicable.

Interest coverage

Our interest coverage ratio increased from approximately 152.8 times for the year ended 31 December 2015 to 184.1 times for the year ended 31 December 2016 primarily due to the decrease in finance costs of approximately 78.3% for the year ended 31 December 2016. Our interest coverage ratio further increased to 275.0 times for the year ended 31 December 2017 was primarily due to increase in profitability for the year ended 31 December 2017.

FINANCIAL INFORMATION

Return on total assets

Our return on total assets was approximately 13.5%, 3.6% and 8.1% for the years ended 31 December 2015, 2016 and 2017 respectively. Our return on total assets decreased significantly from approximately 13.5% for the year ended 31 December 2015 to approximately 3.6% for the year ended 31 December 2016 was principally due to the decrease in profit for the year by approximately S\$8.1 million or 72.4% as a result of the settlement of a customer's claim for the year ended 31 December 2016. Our return on total assets subsequently increased to approximately 8.1% for the year ended 31 December 2017 as a result of the increase in profit for the year for the year ended 31 December 2017.

Return on equity

Our return on equity was approximately 18.7%, 4.9% and 11.4% for the years ended 31 December 2015, 2016 and 2017. The decrease in our return on equity from approximately 18.7% to 4.9% was mainly due to the decrease in profit for the year by approximately S\$8.1 million or 72.4% as a result of the settlement of a customer's claim for the year ended 31 December 2016. Our return on equity then increased to approximately 11.4% for the year ended 31 December 2017 mainly due to the increase in profit for the year by approximately S\$4.9 million or 159.4%.

Net profit margin

Our net profit margin was approximately 10.5%, 2.9% and 6.2% for the years ended 31 December 2015, 2016 and 2017. The decrease in net profit margin from approximately 10.5% to 2.9% was mainly due to the settlement of our customer's one-off and non-recurring claim of approximately S\$6.9 million in 2016. The net profit margin then increased to approximately 6.2% for the year ended 31 December 2017 was mainly due to the combined effect of (i) the abovementioned one-off settlement of \$6.9 million in 2016; and (ii) the foreign exchange loss of approximately S\$2.2 million resulting from the depreciation of US\$ against SGD in 2017.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

During our normal course of business, we are exposed to various financial risks, including credit risk, liquidity risk and foreign currency risk. For details, please refer to note 39 to the Accountants' Report set out in Appendix I of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 35 to the Accountants' Report included as Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms or better, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

FINANCIAL INFORMATION

LISTING EXPENSES

Assuming the Offer Size Adjustment Option is not exercised and assuming the Offer Price of HK\$1.14 per Offer Share, being the mid-point of the indicative range of the Offer Price stated in this prospectus, the listing expenses (including the underwriting commission), which are non-recurrent in nature, are estimated to be approximately S\$5.3 million.

Of such amount to be borne by us, approximately S\$2.2 million of our estimated listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately S\$3.1 million has been or is to be charged to the consolidated statements of profit or loss, of which (i) approximately S\$0.8 million was charged during the year ended 31 December 2017 (according to our audited financial statement as set out in Appendix I to this prospectus); and (ii) approximately S\$2.3 million is expected to be charged prior to or upon Listing (according to our current estimation).

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2018 would be materially and adversely affected by the listing expenses mentioned above.

DISTRIBUTABLE RESERVES

As at 31 December 2017, our Company had distributable reserve available for distribution to our Shareholders amounted to S\$26.4 million.

DIVIDEND

For each of the three years ended 31 December 2015, 2016 and 2017, our Group declared and paid dividends by way of cash of approximately S\$1.3 million, S\$2.6 million and S\$7.7 million, respectively from internal resources.

Pursuant to Share Purchase Agreement of the pre-IPO Investment, subject to compliance with the requirements of Singapore law, upon getting approval from the Stock Exchange for our Company's listing application, prior to completion of the Qualified IPO, Mr. Lim and Unitras, as the vendors pursuant to the Share Purchase Agreement, shall procure that our Company would declare and pay dividends of approximately S\$28.4 million in July 2018, which consists of (i) dividend of approximately S\$7.7 million to the existing Shareholders (other than Diamond Wealth and Sino Expo), representing dividends of in respect of profits accumulated prior to completion of Tranche 1 Sales Shares, which was completed in October 2016, (ii) dividend of approximately S\$4.4 million to the existing Shareholders (other than Diamond Wealth and Sino Expo), representing half of the adjusted net profits for the financial period from 1 January 2016 to 30 September 2016, and (iii) dividend of approximately S\$16.3 million to all Shareholders, representing the

FINANCIAL INFORMATION

remaining undistributed profits up till 30 April 2018. Such dividends will be paid through our internal cash resources, including net cash generated from operation and will draw from unutilised banking facilities if need, and will be settled before Listing.

Save for disclosed above, we have no plan to pay or declare any dividends prior to the listing. We do not intend to determine any expected dividend payout ratio after listing since our priority is to use our earnings for business development and expansion of customer base in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our Constitution and the Company Act, including the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 December 2017. Save as disclosed in the section headed "Summary – Recent Development and No Material Adverse Change" in this prospectus, our Directors have not noticed any potential disruptions to our business which would have a material adverse impact on our financial and operating position.

Our Directors confirmed that from 31 December 2017 up to the date of this prospectus, (i) there had been no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business — Our Business Strategies” for detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.14 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$208.3 million (equivalent to approximately S\$35.6 million), assuming that Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 40.4%, or HK\$84.2 million (equivalent to approximately S\$14.4 million), will be used for expansion of our production capacity, allocated as below:
 - (i) approximately 27.1%, or HK\$56.4 million (equivalent to approximately S\$9.7 million), will be used for renovation and setting up additional production floor space in Nantong Facility II. For details of facilities we are going to build in Nantong Facility II, please refer to the section headed “Business — Our Business Strategies — Our expansion plan” in this prospectus;
 - (ii) approximately 12.4%, or HK\$25.8 million (equivalent to approximately S\$4.3 million), will be used for acquiring production machines and equipment in order to expand our partial vertical integration and expand our production capacity in general. For details of machines and equipment we are going to acquire, please refer to the section headed “Business – Our Business Strategies – Our expansion plan” in this prospectus;
 - (iii) approximately 1.0%, or HK\$2.0 million (equivalent to approximately S\$0.4 million), will be used for new recruitment and providing training for employees to populate the increased production floor space and to operate the new machines and equipment in Nantong Facility II after expansion. For further details, please refer to the section headed “Business — Our Business Strategies — Pursue expansion of production capacity — Recruitment of additional manpower to populate the expanded production facilities” in this prospectus;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 29.3%, or HK\$61.0 million (equivalent to approximately S\$10.4 million), will be used for developing and acquiring engineering and technological knowledge, allocated as follows:
 - (i) approximately 24.2%, or HK\$50.3 million (equivalent to approximately S\$8.6 million) will be used in mergers and acquisitions, mainly for our expansion in the semiconductor front-end equipment industry. After the Listing, we will start identifying targets companies matching the following criteria:
 - (i) with profitability and customer base comprising customers from the semiconductor front-end equipment industry;
 - (ii) with established knowledge base of empirical/holistic skills and technologies which are applicable to the semiconductor front-end equipment industry such as precision frame fabrication, sheet metal fabrication and machining of complex configurations of engineering plastic, components and surface treatment; and
 - (iii) preferably, companies located in Japan.

Size of the mergers and acquisitions may vary, depending on the size of our target companies which we will only start identifying after the Listing. We currently do not have a specific timeframe for mergers and acquisition as it takes time to identify suitable targets. We will acquire target companies which match the aforementioned criteria should suitable opportunities arise. As at the Latest Practicable Date, we had not identified targets for merger and acquisitions and we plan to start searching for suitable targets upon Listing; and

- (ii) approximately 5.1%, or HK\$10.7 million (equivalent to approximately S\$1.8 million) will be used for self-learning, which will involve providing training and development opportunities to our staff. We will also recruit high caliber with technologists knowledge and expertise in empirical and holistic sciences with wide industrial applications. In this regard, we plan to hire eight staff specialising in optics, lasers technologies, software controls, material science, mechanical and electronics engineering from 1st Quarter 2019.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 17.6%, or HK\$36.6 million (equivalent to approximately S\$6.3 million), will be used for expansion of our market share in Japan, Europe and the United States, allocated as below:
 - (i) approximately 10.9%, or HK\$22.7 million (equivalent to approximately S\$3.9 million), will be used for setting up a new office as well as for the expansion and product/service training of our sales force and customer service team and their marketing activities in Japan. Timeframe for setting up a new office and our recruitment is set out below:
 - (a) *3rd Quarter 2018 to 2nd Quarter 2019* — we plan to set up a new sales office in Japan and hire four senior sales persons focusing on Tokyo areas and Osaka areas, three service engineers for the Japan market, one buyer and one administrative staff
 - (b) *3rd Quarter 2019 to 1st Quarter 2020* — we plan to hire two additional sales persons, and two additional service engineers and one administrative staff
 - (c) *2nd Quarter 2020 to 4th Quarter 2020* — we plan to hire one additional service engineer and one additional senior sales person
 - (ii) approximately 4.3%, or HK\$9.0 million (equivalent to approximately S\$1.6 million), will be used for conducting market activities on an on-going basis such as production of marketing materials, participating trade exhibitions and industry events and cultivating relationships with potential customers such as visits to our potential and existing customers;
 - (iii) approximately 2.4%, or HK\$4.9 million (equivalent to approximately S\$0.8 million), will be used for engaging marketing agents in the United States and in Europe within the timeframe set out below:
 - (a) *3rd Quarter 2018 to 2nd Quarter 2019* — we will focus on the Japan market and we do not plan to engage any marketing agents in the United States and Europe at this stage
 - (b) *3rd Quarter 2019 to 1st Quarter 2020* — we plan to engage one marketing agent in the East coast of the United States and one marketing agent in Germany
 - (c) *2nd Quarter 2020 to 4th Quarter 2020* — we plan to engage one additional marketing agent in the West coast of the United States and one additional marketing agent in Switzerland. We also plan to hire one more senior marketing staff to support and manage the marketing agents;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 11.7%, or HK\$24.4 million (equivalent to approximately S\$4.2 million), will be used for strengthening our R&D to keep abreast and relevant to the dynamic changes in technology, allocated as below:
 - (i) approximately 3.7%, or HK\$7.7 million (equivalent to approximately S\$1.3 million), will be used for recruitment of five additional staff specialising in mechanical, material science, optics and laser technologies from 1st Quarter 2019;
 - (ii) approximately 3.3%, or HK\$7.0 million (equivalent to approximately S\$1.2 million), will be used for acquiring advanced equipment for our R&D activities such as particle count equipment from 3rd Quarter 2019; and
 - (iii) approximately 4.7%, or HK\$9.7 million (equivalent to approximately S\$1.7 million), will be used for R&D activities such as supporting the development of products under our own “Kinergy” brand and future R&D projects as well as collaborating with research institutes to leverage on their research capabilities for product development projects;
- approximately 1.0%, or HK\$2.1 million (equivalent to approximately S\$0.3 million), will be used as working capital and general corporate purposes.

If the Offer Price is set at HK\$1.26 per Offer Share (being the high-end of the indicative Offer Price), HK\$1.02 per Offer Share (being the low-end of the indicative Offer Price) or any price in between, we intend to apply the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions for so long as it is in our best interests.

REASONS FOR THE GLOBAL OFFERING

The Directors are of the view that the semiconductor front-end segment is capital intensive, and the proceeds from the Global Offering will allow us to expand our existing marketing share in the semiconductor front-end segment.

FUTURE PLANS AND USE OF PROCEEDS

We intend to utilise the proceeds from the Global Offering instead of the (i) cash balance of approximately S\$24.9 million as at 30 April 2018, which will be used for payment of dividends as disclosed in the section head “Financial Information — Dividend” and our day-to-day operations, and (ii) unutilised bank facilities of approximately S\$26.3 million as at 30 April 2018, which are mainly for trade facilities and invoice financing that are short term in nature for working capital and day-to-day operations and are not suitable for purchasing fixed assets for use in the long term as contemplated in our expansion plan. In addition, our Directors do not intend to procure additional borrowing to finance our expansion plan based on the following reasons:

- (i) given our Group requires approximately S\$35.6 million for our expansion plan, it will be difficult for us to obtain borrowing of such a significant amount being a private company relying on our Controlling Shareholders’ personal guarantee;
- (ii) our Group only had approximately S\$18.1 million of property, plant and equipment as at 31 December 2017, which may be pledged as collateral for bank borrowing, but the exact amount of borrowing that could be obtained is uncertain, depending on the quality of the assets, and even if the Group is able to borrow S\$18.1 million, being the full amount of the value of the collateral, it still falls short of the S\$35.6 million that our Group needs for our expansion plan;
- (iii) despite a low-interest environment, procuring bank borrowing would still incur additional finance cost for our Group, and there are likely debt covenants and other restrictions being imposed that may adversely affect our Group’s financial and operational performance; and
- (iv) the Listing, in addition to fulfilling our mid to long term strategic needs, will bring other benefits to the Group such as building up further creditability for existing and potential customers as well as our business partners and enabling our Group to have ready and continuous access to the capital market for future fund raising to timely capture opportunities in the fast-changing semiconductor industry, which will not be available through procuring additional borrowing.

UNDERWRITING

HONG KONG UNDERWRITERS

China Everbright Securities (HK) Limited
CLC Securities Limited
First Capital Securities Limited
Guoyuan Capital (Hong Kong) Limited
Haitong International Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited

INTERNATIONAL UNDERWRITERS

China Everbright Securities (HK) Limited
CLC Securities Limited
First Capital Securities Limited
Guoyuan Capital (Hong Kong) Limited
Haitong International Securities Company Limited
Yuanta Securities (Hong Kong) Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 21,000,000 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Over-allotment Option) by the Listing Committee and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Singapore, Hong Kong, the PRC, the Philippines, Japan, the United States or any of the jurisdictions in which our Company operates or has or is deemed by any applicable laws to have a presence (by whatever name called) or any other jurisdiction relevant to our Company (each a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, forward markets, commodity markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a fluctuation of the Hong Kong dollars, Singapore dollars and/or the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, snowstorms, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation and operations, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms, economic sanction, withdraw of trading privileges, cancellation of trade treaties in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or
 - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (v) any moratorium, suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange; or
- (vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (vii) (A) any change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
- (viii) the issue or requirement to issue by our Company of a supplemental or amendment to this prospectus, Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering; or
- (ix) any litigation or claim being threatened or instigated against our Company or any Director; or
- (x) any change in the development plan of our Company (as described in this prospectus); or
- (xi) any loss or damage sustained by our Company (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xii) any Governmental Authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against our Company or any Director; or
- (xiii) any Director or senior management (as named in this prospectus) vacating his/her office, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any Governmental Authority of any action against any Director or senior management (as named in this prospectus) in his/her capacity as such or an announcement by any Governmental Authority that it intends to take any such action; or

UNDERWRITING

(xiv) any demand by creditors for repayment of indebtedness or any indebtedness becoming repayable before its stated maturity or a petition being presented for the winding-up or liquidation of our Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of our Company or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or anything analogous thereto occurs in respect of our Company; or

(xv) a prohibition on our Company for whatever reason from offering, allotting or selling the Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering;

and which, in any such case individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(A) is or will be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company; or

(B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will make or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Documents; or

(D) would have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus, the Application Forms, the Formal Notice (and, in each case, all amendments or supplements thereto) (the "**Hong Kong Offer Documents**"), the Post Hearing Information Pack and/or any notices, announcements, advertisements, communications issued

UNDERWRITING

or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading in any material respect or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Offer Documents, the Post Hearing Information Pack and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

- (ii) any contravention by our Company or any Director of any law which in the sole opinion of the Joint Global Coordinators (i) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for, or (ii) has made or is likely to make or will make it impracticable or inadvisable or incapable, for any material part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged, or to proceed with the Global Offering; or
- (iii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or
- (v) either (A) there has been a material breach of any of the warranties or provisions of the Hong Kong Underwriting Agreement by our Company or the Lim Family, CEL, CE Venture, Diamond Wealth, Mr. Du and Sino Expo (the “Covenantors”) or (B) any of the warranties is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or
- (vi) any event, act or omission which gives or is likely to give rise to any liability of our Company, the Lim Family, Mr. Du or Sino Expo pursuant to the indemnities given by our Company, the Lim Family, Mr. Du or Sino Expo under the Hong Kong Underwriting Agreement; or
- (vii) any breach of any of the obligations of our Company or the Covenantors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (viii) any experts as disclosed in the Hong Kong Offer Documents has withdrawn or subject to withdraw its consent to being named in any of the Hong Kong Offer Documents or to the issue of any of the Hong Kong Offer Documents; or

UNDERWRITING

- (ix) any material adverse change or material prospective adverse change or development involving a prospective material adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Company; or
- (x) our Company has withdrawn this prospectus or the Global Offering,

then the Joint Global Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Lock-up Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken with each of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, and each of the Lim Family, Mr. Du and Sino Expo has further undertaken with each of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) to procure that:

- (a) except for the issue of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) or as otherwise with the Joint Global Coordinators' prior written consent and unless in compliance with the Listing Rules, our Company will not at any time during the period commencing on the date by reference to which disclosures of the shareholdings of the Covenantors are made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
 - (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities or interest therein as described in paragraph (i) above; or

UNDERWRITING

(iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction described in paragraph (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any interest therein by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Undertaking by the Covenantors

Each of the Covenantors has undertaken to each of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that:

(a) it/he/she will not, and will procure that the relevant registered holder(s) and its/his/her associates and companies controlled by it/him/her and any nominee or trustee holding in trust for it/him/her will not, without the Joint Global Coordinators’ prior written consent and unless in compliance with the Listing Rules, at any time during the First Six-Month Period:

(i) offer, accept subscription for, sell, pledge, mortgage, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) beneficially owned by it/him/her as at the Listing Date;

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the share capital, debt capital or other securities of our Company or any interest therein as described in (i) above;

(iii) enter into any transaction with the same economic effect as any transaction referred to in paragraph (i) or (ii) above; or

UNDERWRITING

(iv) offer to or agree to or announce any intention to effect any transaction referred to in paragraph (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraph (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise;

- (b) it/he/she will not, and will procure that the relevant registered holder(s) and its/his/her associates and companies controlled by its/his/her and any nominee or trustee holding in trust for it/him/her will not, at any time during the Second Six-Month Period, enter into any of the foregoing transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Covenantors cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company;
- (c) until expiry of the Second Six-Month Period, in the event that it/he/she enters into any such transactions or offer agrees or contracts to or publicly announces an intention to enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above by virtue of the aforesaid exceptions, it/he/she will take all reasonable steps to ensure that such action not create a disorderly or false market in the Shares or other securities of our Company; and
- (d) comply with the requirements of Rule 10.07(1) and Notes (1), (2) and (3) to Rule 10.07(2) of the Listing Rules, to procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him/her or by the registered holder controlled by it/him/her and its/his/her close associates and companies controlled by it/him/her of any Shares or other securities of our Company.

Each of the Covenantors has further undertaken to the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling twelve (12) months from the Listing Date, it will:

- (A) when it/he/she pledges or charges any Shares or other securities or interests in the securities of our Company in respect of which it/he/she is the beneficial owner, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing of any such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

UNDERWRITING

- (B) when it/he/she receives any indication, whether verbal or written, from any such pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators (for themselves and on behalf of all the Hong Kong Underwriters) and the Stock Exchange in writing of any such indication.

Undertakings by our Company and the Covenantors

Our Company has undertaken to the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), and the Covenantors has undertaken to the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that it/he/she will procure our Company to, inform the Stock Exchange as soon as our Company has been informed of the matters mentioned in paragraph (A) or (B) above, and to make a public disclosure of such matters as soon as possible thereafter in accordance with the Listing Rules.

Lock-up Undertakings to the Stock Exchange

Undertakings of no further issue of Shares pursuant to Rule 10.08 of the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities), whether or not of a class already listed, or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances permitted by Rule 10.08(1), 10.08(3) or 10.08(4) of the Listing Rules.

Undertakings of non-disposal of Shares pursuant to Rule 10.07 of the Listing Rules

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders irrevocably and unconditionally undertake to each of our Company and the Stock Exchange that, except pursuant to the Global Offering, the Over-allotment Option or otherwise permitted under the Listing Rules:

- (a) in the First Six-Month Period, he/she/it shall not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares in respect of which he/she/it is shown in this prospectus to be the beneficial owner; and
- (b) in the Second Six-Month Period, he/she/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the

UNDERWRITING

Laws of Hong Kong)) for a bona fide commercial loan) in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders further irrevocably and unconditionally undertake to each of our Company and the Stock Exchange that within the period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in the prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (a) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company shall inform the Stock Exchange as soon as we have been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

International Placing

In connection with the International Placing, it is expected that our Company, will enter into the International Underwriting Agreement with, *inter alia*, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing. Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot and issue up to an aggregate of 31,500,000 additional Shares, representing 15.0% of the initial Offer Shares in aggregate, at the same price per Share under the International Placing to cover, among other things, over-allocations in the International Placing, if any, and/or the obligations of the Stabilising Manager to return Shares which it may borrow under the Stock Borrowing Agreement.

UNDERWRITING

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commissions and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of up to 3.0% of the total Offer Price for all the Offer Shares (including the Shares to be issued pursuant to the Over-allotment Option) underwritten by them, out of which they shall pay any sub-underwriting commissions. Our Company will also pay for all expenses in connection with any exercise of the Over-allotment Option or over-allocations in the International Placing.

The underwriting commission and incentive fee, listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK\$1.14 (being the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), are estimated to amount to HK\$31.1 million in total, and are payable by our Company.

JOINT SPONSORS' AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Joint Sponsors will receive a sponsor fee. The Joint Global Coordinators, the Joint Bookrunners the Joint Lead Managers and other Underwriters will receive an underwriting commission and/or incentive fee. Particulars of such underwriting commission and expenses are set out in the section headed “Underwriting — Underwriting Arrangements and Expenses — Commissions and Expenses” above.

Our Company has appointed China Everbright Capital Limited and Guoyuan Capital (Hong Kong) Limited as our joint compliance advisers pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first financial year commencing after the Listing Date and such appointment may be renewed by mutual agreement.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company nor any interest in the Global Offering. Upon Listing, China Everbright Capital Limited and China Everbright Securities (HK) Limited will be connected persons of our Company.

UNDERWRITING

INDEPENDENCE OF THE JOINT SPONSORS

China Everbright Capital Limited does not satisfy the independence criteria applicable to the sponsors as set forth in Rule 3A.07 of the Listing Rules because China Everbright Capital Limited is controlled by China Everbright Group which is one of our Controlling Shareholders. Diamond Wealth is an indirect subsidiary of China Everbright Group. As such, China Everbright Group, which controls China Everbright Capital Limited, through Diamond Wealth holds and will continue to hold more than 5% of total number of our Shares in issue before and immediately after the Listing.

Guoyuan Capital (Hong Kong) Limited satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

The Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters (the “**Syndicate Members**”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to the Shares, other activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying assets our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in the Shares in most cases. All these activities may occur both during and after the end of the stabilising period described in the section headed “Structure and Conditions of the Global Offering — Stabilisation and Over-allotment” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITING

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 210,000,000 Offer Shares will be made available under the Global Offering, of which 189,000,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and other investors under the International Placing. The remaining 21,000,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering. The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for the Offers Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both. The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in “Pricing and Allocation” below in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$1.26 per Offer Share and is expected to be not less than HK\$1.02 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$1.26 per Hong Kong Offer Share plus 1.0% brokerage, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$2,545.40 per board lot of 2,000 Shares. Each Application Form includes a table showing the exact amount payable on certain multiples of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.26, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Please see the section headed “How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 10 July 2018 and in any event, no later than Wednesday, 11 July 2018.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 11 July 2018, the Global Offering will not proceed and will lapse.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, promptly following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be posted on the websites of our Company at www.kinergy.com.sg and the Stock Exchange at www.hkexnews.hk notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications, unless positive confirmations from the applicants to proceed are received.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Allocation

The Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Announcement of Final Offer Price and Basis of Allocations

The applicable final Offer Price, the level of indications of interest in the International Placing and the basis of allocations of the Hong Kong Offer Shares are expected to be announced on Tuesday, 17 July 2018 on the websites of our Company at www.kinergy.com.sg and the Stock Exchange at www.hkexnews.hk.

Results of allocations in the Hong Kong Public Offering, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving electronic application instructions to HKSCC via CCASS or to the designated eWhite Form Service Provider through the eWhite Form service at www.ewhiteform.com.hk, will be made available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional upon, among other things:

- the Listing Committee granting the approval for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including the Shares that may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme);
- the Offer Price having been duly agreed on or before the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or before the Price Determination Date; and
- the obligations of the Underwriters under each of the Underwriting Agreements becoming, and continuing to be, unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms. If the above conditions are not fulfilled or waived, prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be announced by our Company on the websites of our Company at www.kinergy.com.sg and the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be despatched on Tuesday, 17 July 2018 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 18 July, 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus has not been exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 21,000,000 new Shares at the Offer Price, representing 10% of the 210,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent approximately 2.51% of the total number of Shares in issue after completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Hong Kong Public Offering is subject to the conditions as set out in “Conditions of the Hong Kong Public Offering” above in this section.

Allocation

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 10,500,000 Hong Kong Offer Shares and Pool B will comprise 10,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus of the Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 10,500,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment reallocation at the discretion of the Joint Global Coordinators, subject to the following:

- (a) where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 21,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 42,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (A) 15 times or more but less than 50 times; (B) 50 times or more but less than 100 times; and (C) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 63,000,000 Offer Shares (in the case of (A)), 84,000,000 Offer Shares (in the case of (B)) and 105,000,000 Offer Shares (in the case of (C)) representing 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively;
- (b) where the International Placing Shares are undersubscribed:
 - (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 21,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 42,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$1.02 per Offer Share) according to guidance letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

Applications

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing. References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

Our Company is initially offering 189,000,000 new Shares for subscription at the Offer Price under the International Placing, representing 90% of the 210,000,000 Offer Shares initially available under the Global Offering, subject to adjustment as mentioned in the section headed “Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation” above. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation

Pursuant to the International Placing, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in “Pricing and Allocation” above in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares after Listing.

Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and the Shareholders as a whole.

OVER-ALLOTMENT OPTION

Our Company intends to grant the Over-allotment Option to the International Underwriters, exercisable at the discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) within 30 days from the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators will have the sole and absolute discretion to require us to allot and issue up to an aggregate of 31,500,000 additional Shares representing in aggregate 15% of the Offer Shares, at the Offer Price, to cover over-allocations in the International Placing, if any, and/or the obligations of the Stabilising Manager to return Shares which it may borrow under the Stock Borrowing Agreement. If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued will represent approximately 3.62% of our Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. Assuming an Offer Price of HK\$1.14 (being the mid-point of the Offer Price range of HK\$1.02 and HK\$1.26), our Company would receive additional net proceeds (after deducting commission and expenses attributable to the exercise of the Over-allotment Option) of HK\$34.8 million. A public announcement will be made in the event that the Over-allotment Option is exercised.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilising Manager may choose to borrow, up to 31,500,000 Shares from Mr. Lim, one of our Controlling Shareholders, pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Listing Rules 10.07(3).

STABILISATION AND OVER-ALLOTMENT

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate, make purchase or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. Stabilising action, if taken, may be discontinued at any time at the sole and absolute discretion of the Stabilising Manager. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely, 31,500,000 Shares, which is 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on the last Business Day immediately before the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 31,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters (at the discretion of the Joint Global Coordinators), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 31,500,000 Shares from Mr. Lim, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 18 July 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 18 July 2018. The Shares will be traded in board lots of 2,000 Shares each under the stock code 3302.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- (a) use a **WHITE** or **YELLOW** Application Form;
- (b) apply online via the **eWhite Form** Service Provider at www.ewhiteform.com.hk; or
- (c) electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **eWhite Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- (a) are 18 years of age or older;
- (b) have a Hong Kong address;
- (c) are outside the United States, and are not a US person (as defined in Regulation S under the U.S. Securities Act); and
- (d) are not a legal or natural person of the PRC.

If you apply online through the **eWhite Form** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **eWhite Form** for the Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- (a) an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- (b) a director or chief executive of our Company and/or any of our subsidiaries;
- (c) a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- (d) a close associate (as defined in the Listing Rules) of any of the above; or
- (e) have been allocated or have applied for any International Placing Shares or have otherwise participated in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.ewhiteform.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Tuesday, 10 July 2018 from:

- (a) the following offices of the Underwriters:

China Everbright Securities (HK) Limited	24/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
First Capital Securities Limited	Unit 4512, 45/F The Center, 99 Queen's Road Central Central, Hong Kong
Guoyuan Capital (Hong Kong) Limited	22/F, CCB Tower 3 Connaught Road Central Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
CLC Securities Limited	13/F, Nan Fung Tower 88 Connaught Road Central Central, Hong Kong
Yuanta Securities (Hong Kong) Company Limited	23/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty, Hong Kong

- (b) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Global Offering:

District	Branch	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F Hennessy Apartments 488 & 490 Hennessy Road Hong Kong
Kowloon	Tsimshatsui Branch	Shop 1&2, G/F No. 35-37 Hankow Road Tsimshatsui, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building 721-725 Nathan Road Mongkok, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road Tsuen Wan New Territories
	Sheung Shui Branch	Shop 2, G/F San Fung Building No. 33 San Fung Avenue Shek Wu Hui Sheung Shui New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Saturday, 30 June 2018 until 12:00 noon on Tuesday, 10 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**ICBC (Asia) Nominee Limited — Kinergy Corporation Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Saturday, 30 June 2018	—	9:00 a.m. to 1:00 p.m.
Tuesday, 3 July 2018	—	9:00 a.m. to 5:00 p.m.
Wednesday, 4 July 2018	—	9:00 a.m. to 5:00 p.m.
Thursday, 5 July 2018	—	9:00 a.m. to 5:00 p.m.
Friday, 6 July 2018	—	9:00 a.m. to 5:00 p.m.
Saturday, 7 July 2018	—	9:00 a.m. to 1:00 p.m.
Monday, 9 July 2018	—	9:00 a.m. to 5:00 p.m.
Tuesday, 10 July 2018	—	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 10 July 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **eWhite Form** Service Provider, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Constitution;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Constitution;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (h) agree to disclose to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, the receiving bank, and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) (if the laws of any place outside Hong Kong apply to your application) agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number of such Shares allocated to you under the application;
- (o) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as an agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eWHITE FORM

General

Individuals who meet the criteria set out in “2. Who Can Apply” in this section may apply through the **eWhite Form** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at www.ewhiteform.com.hk.

Detailed instructions for application through the **eWhite Form** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

Time for Submitting Applications under the eWhite Form

You may submit your application to the **eWhite Form** Service Provider at www.ewhiteform.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Saturday, 30 June 2018 until 11:30 a.m. on Tuesday, 10 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 10 July 2018 or such later time in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **eWhite Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **eWhite Form** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **eWhite Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **eWhite Form** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to Hong Kong Securities Clearing Company Limited Customer Service Center, of which the address is at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number of such Shares allocated;
- (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as an agent;
- (vi) confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- (vii) authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- (x) agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, the Hong Kong Share Registrar, receiving bank and/or their respective advisors and agents;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Constitution; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- (a) instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- (b) instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- (c) instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, 3 July 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Wednesday, 4 July 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Thursday, 5 July 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Friday, 6 July 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Saturday, 7 July 2018	—	8:00 a.m. to 1:00 p.m. ^(Note)
Monday, 9 July 2018	—	8:00 a.m. to 8:30 p.m. ^(Note)
Tuesday, 10 July 2018	—	8:00 a.m. ^(Note) to 12:00 noon

Note: These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 6:00 a.m. on Monday, 2 July 2018 until 12:00 noon on Tuesday, 10 July 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 10 July 2018, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section in the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **eWhite Form** is also only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 10 July 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- (a) an account number; or
- (b) some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- (a) control the composition of the board of directors of the company;
- (b) control more than half of the voting power of the company; or
- (c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** or **YELLOW** Application Forms have tables showing the exact amount payable for our Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee in full upon application for our Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **eWhite Form** Service Provider in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.ewhiteform.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and SFC transaction levy and Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Global Offering — Determining the Offer Price”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 10 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 10 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing and the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 17 July 2018 on our Company's website at www.kinergy.com.sg and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our Company's website at www.kinergy.com.sg and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 17 July 2018;
- (b) from the designated results of allocations website at www.ewhiteform.com.hk/results with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Tuesday, 17 July 2018 to 12:00 midnight on Monday, 23 July 2018;
- (c) by telephone enquiry line by calling (852) 2153 1688 between 9:00 a.m. and 6:00 p.m. from Tuesday, 17 July 2018 to Friday, 20 July 2018 (excluding Saturday, Sunday and public holiday); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 17 July 2018 to Friday, 20 July 2018 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. See "Structure and Conditions of the Global Offering" for details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedures to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(b) If our Company or our agents exercise our discretion to reject your application:

Our Company, the Joint Global Coordinators, the **eWhite Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(c) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **eWhite Form** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, we or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.26 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the conditions set out in “Structure and Conditions of the Global Offering — Conditions of the Hong Kong Public Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 17 July 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque(s), if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheque(s) and Share certificates are expected to be posted on or around Tuesday, 17 July 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 18 July 2018 provided that the Global Offering has become unconditional and the right of termination described in the section "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 17 July 2018, by ordinary post and at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 17 July 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 17 July 2018, or in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(c) If you apply through the eWhite Form Service Provider

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, from 9:00 a.m. to 1:00 p.m. on Tuesday, 17 July 2018, or such other date as notified by our Company in the newspapers at the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 17 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(d) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- (a) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 17 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- (b) Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" in this section on Tuesday, 17 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 17 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- (c) If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- (d) If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 17 July 2018.
- (e) Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- (f) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 17 July 2018.

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Kinergy Corporation Ltd.
China Everbright Capital Limited
Guoyuan Capital (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of Kinergy Corporation Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-66, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of the financial position of the Company as at 31 December 2015, 2016 and 2017 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2018 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2015, 2016 and 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 31 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

30 June 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young Hong Kong in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Singapore Dollars ("SGD" or "\$") and all values are rounded to the nearest thousand (\$'000) except when otherwise indicated.

Consolidated statements of profit or loss

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
REVENUE	5	106,896	106,997	128,952
Cost of sales		<u>(81,396)</u>	<u>(85,080)</u>	<u>(104,142)</u>
Gross profit		25,500	21,917	24,810
Other income and gains	5	2,455	1,827	1,031
Selling and marketing expenses		(3,290)	(2,680)	(2,813)
General and administrative expenses		(10,653)	(10,440)	(10,915)
Other expense	7	—	(6,943)	(2,212)
Finance cost	8	(92)	(20)	(36)
Share of results of a joint venture		<u>43</u>	<u>—</u>	<u>—</u>
PROFIT BEFORE TAX	6	13,963	3,661	9,865
Income tax expense	11	<u>(2,729)</u>	<u>(565)</u>	<u>(1,833)</u>
PROFIT FOR THE YEAR		<u>11,234</u>	<u>3,096</u>	<u>8,032</u>
Attributable to:				
Owners of the parent		<u>11,234</u>	<u>3,096</u>	<u>8,032</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (\$)	12	<u>2.15 cents</u>	<u>0.58 cents</u>	<u>1.41 cents</u>

Details of the dividends for the Relevant Periods are disclosed in note 31 to the Historical Financial Information.

Consolidated statements of comprehensive income

	Year ended 31 December		
	2015	2016	2017
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
PROFIT FOR THE YEAR	<u>11,234</u>	<u>3,096</u>	<u>8,032</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>609</u>	<u>(1,377)</u>	<u>(371)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>11,843</u></u>	<u><u>1,719</u></u>	<u><u>7,661</u></u>

Consolidated statements of financial position

	<i>Notes</i>	As at 31 December		
		2015 \$'000	2016 \$'000	2017 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	16,851	16,807	18,083
Prepaid land lease payments	14	1,505	1,394	1,338
Intangible assets	15	16	119	314
Advance payment for property, plant and equipment		—	—	679
Investment in a joint venture	17	<u>458</u>	<u>—</u>	<u>—</u>
Total non-current assets		<u>18,830</u>	<u>18,320</u>	<u>20,414</u>
CURRENT ASSETS				
Inventories	19	25,841	25,406	33,974
Trade receivables	20	13,452	17,819	21,216
Prepayments, deposits and other receivables	21	2,423	2,699	3,319
Available-for-sale investment	16	9,382	—	6,758
Cash and cash equivalents	22	<u>13,248</u>	<u>21,820</u>	<u>13,657</u>
Total current assets		<u>64,346</u>	<u>67,744</u>	<u>78,924</u>
CURRENT LIABILITIES				
Trade payables	24	12,698	17,216	21,472
Other payables and accruals	25	6,829	4,077	5,483
Provisions for warranty	26	223	83	82
Interest-bearing bank and other borrowings	27	902	86	—
Tax payable		<u>1,722</u>	<u>25</u>	<u>908</u>
Total current liabilities		<u>22,374</u>	<u>21,487</u>	<u>27,945</u>
NET CURRENT ASSETS		<u>41,972</u>	<u>46,257</u>	<u>50,979</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>60,802</u>	<u>64,577</u>	<u>71,393</u>

		As at 31 December		
		2015	2016	2017
	<i>Notes</i>	\$'000	\$'000	\$'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	27	84	—	—
Deferred tax liabilities	32	<u>650</u>	<u>770</u>	<u>1,100</u>
Total non-current liabilities		<u>734</u>	<u>770</u>	<u>1,100</u>
Net assets		<u><u>60,068</u></u>	<u><u>63,807</u></u>	<u><u>70,293</u></u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	29,729	34,357	40,879
Reserves	30	<u>30,339</u>	<u>29,450</u>	<u>29,414</u>
Total equity		<u><u>60,068</u></u>	<u><u>63,807</u></u>	<u><u>70,293</u></u>

Consolidated statements of changes in equity

	Attributable to equity holders of the Company				
	Share capital	Statutory reserve*	Translation reserve*	Retained profits*	Total equity
	(note 29) \$'000	(note 30) \$'000	(note 30) \$'000	\$'000	\$'000
At 1 January 2015	29,729	3,147	1,930	14,723	49,529
Profit for the year	—	—	—	11,234	11,234
Other comprehensive income for the year					
Exchange differences related to foreign operations	—	—	609	—	609
Transfer from retained profits	—	325	—	(325)	—
Dividends distribution (note 31)	—	—	—	(1,304)	(1,304)
At 31 December 2015 and 1 January 2016	29,729	3,472	2,539	24,328	60,068
Profit for the year	—	—	—	3,096	3,096
Other comprehensive income for the year					
Exchange differences related to foreign operations	—	—	(1,377)	—	(1,377)
Transfer to retained profits due to liquidation of a subsidiary	—	(994)	—	994	—
Ordinary shares issued during the year	4,696	—	—	—	4,696
Capital reduction by cancellation of ordinary shares	(68)	—	—	—	(68)
Dividends distribution (note 31)	—	—	—	(2,608)	(2,608)
At 31 December 2016 and 1 January 2017	34,357	2,478	1,162	25,810	63,807
Profit for the year	—	—	—	8,032	8,032
Other comprehensive income for the year					
Exchange differences related to foreign operations	—	—	(371)	—	(371)
Transfer to retained profits due to liquidation of a subsidiary	—	(232)	—	232	—
Ordinary shares issued during the year	6,522	—	—	—	6,522
Dividends distribution (note 31)	—	—	—	(7,697)	(7,697)
At 31 December 2017	<u>40,879</u>	<u>2,246</u>	<u>791</u>	<u>26,377</u>	<u>70,293</u>

* These reserve accounts comprise the consolidated reserves of \$30,339,000, \$29,450,000 and \$29,414,000 in the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

Consolidated statements of cash flows

	<i>Notes</i>	Year ended 31 December		
		2015 \$'000	2016 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before tax		13,963	3,661	9,865
Adjustments for:				
Write-back of allowance for trade receivables		(52)	(10)	—
Provision for warranty	26	303	118	49
Depreciation of property, plant and equipment	13	1,495	2,936	1,681
Amortisation of prepaid land lease payments	14	35	30	28
Gain on disposal of property, plant and equipment	5	(44)	—	(536)
Finance cost	8	92	20	36
Interest income	6	(113)	(289)	(127)
Net loss from liquidation of a subsidiary		—	40	—
Share of results of a joint venture (Write-back of)/allowance for inventory obsolescence		(43)	—	—
Impairment of intangible assets		(615)	32	(24)
Amortisation of intangible assets	15	664	5	—
Unrealised foreign exchange loss		137	10	129
		<u>37</u>	<u>54</u>	<u>55</u>
		15,859	6,607	11,156
Decrease/(increase) in inventories		87	(46)	(8,662)
Decrease/(increase) in trade receivables		6,409	(4,486)	(3,478)
Increase in prepayments, deposits and other receivables		(230)	(366)	(1,340)
(Decrease)/increase in trade payables		(8,240)	2,305	4,427
(Decrease)/increase in other payables, accruals and provision for warranty		<u>1,377</u>	<u>(256)</u>	<u>1,475</u>
Cash flow generated from operations		15,262	3,758	3,578
Interest expense paid		(92)	(20)	(36)
Interest income received		113	289	127
Income tax paid		<u>(1,274)</u>	<u>(2,121)</u>	<u>(652)</u>
Net cash flows from operating activities		<u>14,009</u>	<u>1,906</u>	<u>3,017</u>

	<i>Notes</i>	Year ended 31 December		
		2015 \$'000	2016 \$'000	2017 \$'000
CASH FLOWS FROM				
 INVESTING ACTIVITIES:				
Purchase of property, plant and equipment		(2,031)	(3,712)	(3,253)
Proceeds from disposal of property, plant and equipment		110	10	563
Additions to intangible assets		(801)	(118)	(324)
Purchase of available-for-sale investment		(9,382)	—	(13,516)
Proceeds from disposal of available-for-sale investment		—	9,382	6,758
Proceeds from liquidation of a joint venture		—	473	—
		<u>—</u>	<u>473</u>	<u>—</u>
Net cash flow (used in)/generated from investing activities		<u>(12,104)</u>	<u>6,035</u>	<u>(9,772)</u>
CASH FLOWS FROM				
 FINANCING ACTIVITIES:				
Repayments on finance lease payable		(177)	(193)	(86)
Proceeds from bank borrowings		3,624	5,595	—
Repayments of bank borrowings		(4,753)	(6,302)	—
Proceeds from issuance of new shares	29	—	4,696	6,522
Capital reduction by cancellation of ordinary shares	29	—	(68)	—
Dividends paid on ordinary shares	31	<u>(1,304)</u>	<u>(2,608)</u>	<u>(7,697)</u>
Net cash flow (used in)/generated from financing activities		<u>(2,610)</u>	<u>1,120</u>	<u>(1,261)</u>
Net (decrease)/increase in cash and cash equivalents		(705)	9,061	(8,016)
Cash and cash equivalents at beginning of financial year		13,736	13,248	21,820
Effects of exchange rate changes on cash and cash equivalents		<u>217</u>	<u>(489)</u>	<u>(147)</u>
Cash and cash equivalents at end of financial year		<u><u>13,248</u></u>	<u><u>21,820</u></u>	<u><u>13,657</u></u>

		Year ended 31 December		
	<i>Notes</i>	2015 \$'000	2016 \$'000	2017 \$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	4,952	5,654	13,657
Non-pledged short-term deposits with original maturity of less than three months when acquired	22	<u>8,296</u>	<u>16,166</u>	<u>—</u>
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		<u>13,248</u>	<u>21,820</u>	<u>13,657</u>

Statements of financial position

	<i>Notes</i>	As at 31 December		
		2015 \$'000	2016 \$'000	2017 \$'000
NON-CURRENT ASSETS				
Property, plant and equipment		—	—	1,319
Intangible assets		—	—	314
Investments in subsidiaries	18	<u>33,435</u>	<u>25,290</u>	<u>25,407</u>
Total non-current assets		<u>33,435</u>	<u>25,290</u>	<u>27,040</u>
CURRENT ASSETS				
Inventories	19	—	—	19,771
Trade receivables	20	—	—	18,483
Prepayments, deposits and other receivables		—	—	1,947
Amounts due from subsidiaries	23	14,695	10,061	590
Cash and cash equivalents	22	<u>146</u>	<u>16,209</u>	<u>11,779</u>
Total current assets		<u>14,841</u>	<u>26,270</u>	<u>52,570</u>
CURRENT LIABILITIES				
Trade payables	24	—	—	3,130
Amount due to subsidiaries	23	—	—	20,553
Other payables and accruals	25	12	14	3,052
Provision for warranty		—	—	47
Interest-bearing bank and other borrowings	27	167	59	—
Tax payable		<u>49</u>	<u>—</u>	<u>399</u>
Total current liabilities		<u>228</u>	<u>73</u>	<u>27,181</u>
NET CURRENT ASSETS		<u>14,613</u>	<u>26,197</u>	<u>25,389</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,048</u>	<u>51,487</u>	<u>52,429</u>

		As at 31 December		
		2015	2016	2017
	<i>Notes</i>	\$'000	\$'000	\$'000
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	27	<u>57</u>	<u>—</u>	<u>—</u>
Total non-current liabilities		<u>57</u>	<u>—</u>	<u>—</u>
Net assets		<u>47,991</u>	<u>51,487</u>	<u>52,429</u>
EQUITY				
Share capital	29	29,729	34,357	40,879
Reserves	30	<u>18,262</u>	<u>17,130</u>	<u>11,550</u>
Total equity		<u>47,991</u>	<u>51,487</u>	<u>52,429</u>

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore.

The registered office of the Company is located at No. 1 Changi North Street 1, Lobby 2, Singapore 498789.

The principal activities of the Company and its subsidiaries are to provide contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision moulds and dies.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued shares/registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Kinergy EMS (Nantong) Company Limited ("Kinergy EMS") (a)	People's Republic of China (the "PRC") 23 July 2003	RMB124.6 million	100	—	Manufacture and assembling of sub-systems
Kinergy Japan K.K. ("Kinergy Japan") (b)	Japan 11 June 2015	JPY10 million	100	—	Business development office
Kinergy Philippines, Inc. ("KPI") (c)	Philippines 6 April 2000	PHP20 million	100	—	Manufacture and sale of mechanical components
Kinergy Pte. Ltd. ("KPL") (d)	Singapore 19 December 2013	SGD0.2 million	—	100	Manufacturing, design, engineering and assembling for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision molds and dies
Beta Nova Electronic Company Limited ("Beta Nova") (a)	PRC 29 November 2007	USD10 million	—	100	Manufacture and assembling of sub-systems
Kinergy Mechatronics Shanghai Company Limited ("Kinergy Mechatronics") (a)	PRC 2 July 1999	RMB8.8 million	—	100	Marketing and logistics, strategic procurement of materials

Notes:

- (a) The statutory financial statements of Kinery EMS, Beta Nova and Kinery Mechatronics for 2015 and 2016 were prepared in accordance with People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP") and were audited by Nantong Zheng Hua United CPA, PRC.
- (b) No audited financial statements have been prepared for the entity for 2015 and 2016, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (c) The statutory financial statements of KPI for 2015 and 2016 were prepared in accordance with Philippines Generally Accepted Accounting Principles and were audited by Dela Cruz Tatunay & Co. CPA, Philippines.
- (d) The statutory financial statements of KPL for 2015 and 2016 were prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards and were audited by Ernst & Young Singapore, Public Accountants and Chartered Accountants.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods. The Historical Financial Information has been prepared under the historical cost convention, except for available-for-sale investment which have been measured at fair value.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these Historical Financial Information.

Amendments to IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to IFRS 4	<i>Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts¹</i>
IFRS 9	<i>Financial Instruments¹</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation²</i>
Amendments to IFRS 10 And IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to IFRS 15	<i>Clarifications to IFRS 15 Revenue from Contracts with Customers¹</i>
IFRS 16	<i>Leases²</i>
Amendments to IAS 40	<i>Transfers of Investment Property¹</i>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments²</i>
Amendments to IFRS 1 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>First-time Adoption of International Financial Reporting Standards¹</i>
Amendments to IAS 28 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Investments in Associates and Joint Ventures¹</i>

Amendments to IFRS 3 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Business Combinations</i> ²
Amendments to IFRS 11 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Joint Arrangements</i> ¹
Amendments to IAS 12 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Income Taxes</i> ²
Amendments to IAS 23 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Borrowing Costs</i> ²
Amendments to IAS 28 IFRS 17	<i>Long-term Interests in Associates and Joint Ventures</i> ² <i>Insurance Contracts</i> ³
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's financial performance and financial position, except as described below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During Relevant Periods, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts arising from the adoption of IFRS 9 relate to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group's trade receivables mainly derive from sales of machines, and sub-systems which are generally collectible within the credit period and will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group expects that the impact on the Group's financial position and results of operations upon the adoption of IFRS 9 will not be material.

IFRS 15 and Amendments to IFRS 15

IFRS 15 issued in May 2014 establishes a new five-step model to account for revenue arising from contracts with customers: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition.

The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in IFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of IFRS 15 will not be material.

IFRS 16 Leases

IFRS 16 issued in May 2016, replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases — Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees that they can elect as practical expedients — leases of low-value assets and short-term leases.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40 Investment Property. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more

extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The new standard would result in an increase in assets and liabilities.

The Group is a lessee of office premises and warehouses which are currently classified as operating leases and its current accounting policy for such leases is set out in Note 2.3. The Group expects to adopt IFRS 16 from 1 January 2019. As disclosed in note 33 to the Historical Financial Information, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately \$5,168,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption. The Group anticipate that the application of IFRS 16 in the future will result in an increase in assets and liabilities, which is likely to have significant impact on the Group's financial position. However, the Group anticipate that the net impact on the Group's financial performance is limited.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity, including a structured entity, directly or indirectly, controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 are stated at cost less any impairment losses.

Investment in joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in joint venture is stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of the joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investments in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of the joint venture is included as part of the Group's investment in the joint venture.

If an investment in associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date through fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generated units, or groups of cash-generated units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Foreign currencies

These financial statements are presented in Singapore dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.

The functional currencies of the certain overseas subsidiaries and joint venture are currencies other than the Singapore dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and their statement of profit or loss are translated into Singapore dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Singapore dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Singapore dollars at the weighted average exchange rates for the year.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, as further explained in the accounting policy for “Contracts for services” below;
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Revenue from the on-site support service rendered is recognised on a time proportion basis over the contract terms.

Taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other employee benefits*Pension scheme*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Company make contributions to the Central Provident Fund (the "CPF") Scheme in Singapore, a defined contribution pension scheme, for its employees in Singapore.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate method.

The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investments are reported as interest income and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised i.e., removed from the Group's consolidated statement of financial position when:

- (a) The rights to receive cash flows from the asset have expired; or
- (b) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables, accruals and interest-bearing loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated and company statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Leasehold building	10 to 40 years
Plant and machinery	8 to 10 years
Computers	3 years
Furniture, fittings, air-conditioners and electrical installation	5 to 8 years
Motor vehicles	5 years
Workshop tools	3 to 7 years
Office renovation	5 years
Office equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over the useful life of 50 years.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provision for warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed and adjusted if appropriate at least annually.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the notes to Historical Financial Information:

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities at 31 December 2017 were \$908,000 (2015: \$1,722,000, 2016: \$25,000) and \$1,100,000 (2015: \$650,000, 2016: \$770,000), respectively.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the end of the reporting period is disclosed in note 37 to the Historical Financial Information.

Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

- i) Electronics Manufacturing Services division ("EMS") focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.

- ii) Original Design Manufacturing division (“ODM”), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group’s own “Kinergy” brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders, precision tools such as encapsulation molds and dies and spare parts.

The Group’s chief operating decision maker is the Chief Executive Officer, who reviews revenue and results of major type of products sold for the purpose of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group’s accounting policies described in note 2.3 to the Historical Financial Information. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted gross profit. No analysis of the Group’s assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

Year ended 31 December 2015

	EMS	ODM	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Segment revenue			
Sales to external customers	93,235	13,661	106,896
Intersegment sales	<u>66,172</u>	<u>3,770</u>	<u>69,942</u>
	159,407	17,431	176,838
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(69,942)</u>
Revenue			<u>106,896</u>
Segment results	23,441	2,059	25,500
<i>Reconciliation:</i>			
Other income and gains			2,455
Selling and marketing expenses			(3,290)
General and administrative expenses			(10,653)
Finance cost			(92)
Share of results of a joint venture			<u>43</u>
Profit before tax			<u>13,963</u>
	EMS	ODM	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Other segment information:			
Share of profit and losses of a joint venture	—	43	43
Impairment losses recognised in the statement of profit or loss	—	664	664
Impairment losses reversed in the statement of profit or loss	(650)	(17)	(667)
Depreciation and amortisation	1,279	388	1,667
Investment in a joint venture	—	458	458
Capital expenditure*	1,889	943	2,832

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2016

	EMS \$'000	ODM \$'000	Total \$'000
Segment revenue			
Sales to external customers	97,880	9,117	106,997
Intersegment sales	<u>77,084</u>	<u>1,631</u>	<u>78,715</u>
	174,964	10,748	185,712
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(78,715)</u>
Revenue			<u><u>106,997</u></u>
Segment results	20,015	1,902	21,917
<i>Reconciliation:</i>			
Other income and gains			1,827
Selling and marketing expenses			(2,680)
General and administrative expenses			(10,440)
Other expense			(6,943)
Finance cost			<u>(20)</u>
Profit before tax			<u><u>3,661</u></u>
	EMS \$'000	ODM \$'000	Total \$'000
Other segment information:			
Impairment losses recognised in the statement of profit or loss	177	—	177
Impairment losses reversed in the statement of profit or loss	—	(150)	(150)
Depreciation and amortisation	2,886	90	2,976
Capital expenditure*	2,165	1,665	3,830

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Year ended 31 December 2017

	EMS \$'000	ODM \$'000	Total \$'000
Segment revenue			
Sales to external customers	119,527	9,425	128,952
Intersegment sales	<u>98,564</u>	<u>1,940</u>	<u>100,504</u>
	218,091	11,365	229,456
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(100,504)</u>
Revenue			<u><u>128,952</u></u>
Segment results	23,097	1,713	24,810
Other income and gains			1,031
Selling and marketing expenses			(2,813)
General and administrative expenses			(10,915)
Other expenses			(2,212)
Finance cost			<u>(36)</u>
Profit before tax			<u><u>9,865</u></u>
	EMS \$'000	ODM \$'000	Total \$'000
Other segment information:			
Impairment losses reversed in the statement of profit or loss	38	(62)	(24)
Depreciation and amortisation	1,388	450	1,838
Capital expenditure*	1,706	1,871	3,577

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

*Geographic information**(a) Revenue from external customers*

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Singapore	61,244	86,390	114,492
United States	30,264	9,779	3,358
Mainland China	4,460	4,101	1,662
Other countries	<u>10,928</u>	<u>6,727</u>	<u>9,440</u>
Total	<u>106,896</u>	<u>106,997</u>	<u>128,952</u>

The revenue information above is based on the location of the customers.

(b) Non-current assets

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Mainland China	16,950	16,816	18,506
Singapore	1,415	1,136	1,633
Philippines	<u>465</u>	<u>368</u>	<u>275</u>
Total	<u>18,830</u>	<u>18,320</u>	<u>20,414</u>

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue from individual customers which amounted to more than 10% of the Group's revenue of each of the Relevant Periods is set out below:

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Customer A	51,867	77,645	100,463
Customer B	<u>24,846</u>	<u>N/A*</u>	<u>N/A*</u>
Total	<u>76,713</u>	<u>77,645</u>	<u>100,463</u>

* Less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and various types of government surcharges and the value of services rendered.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Revenue			
Sale of goods	96,705	103,842	128,540
Rendering of services	<u>10,191</u>	<u>3,155</u>	<u>412</u>
	<u>106,896</u>	<u>106,997</u>	<u>128,952</u>
Other income			
Bank interest income	113	289	127
Sale of scrap materials	6	28	13
Government grant (<i>note (a)</i>)	268	916	355
Others	<u>3</u>	<u>2</u>	<u>—</u>
	<u>390</u>	<u>1,235</u>	<u>495</u>
Gains			
Foreign exchange differences, net	2,021	592	—
Gain on disposal of property, plant and equipment	<u>44</u>	<u>—</u>	<u>536</u>
	<u>2,065</u>	<u>592</u>	<u>536</u>
Total other income and gains	<u>2,455</u>	<u>1,827</u>	<u>1,031</u>

Note:

- (a) The amount represents (i) resettlement compensation from a local PRC government authority in relation to requisition of land by the local PRC government; (ii) grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development, and (iii) grants received from Singapore government authorities under the Wage Credit Scheme to protect local citizen's employment status. There are no unfulfilled conditions and other contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	Year ended 31 December		
		2015	2016	2017
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cost of inventories		64,211	67,554	85,980
Cost of service rendered		1,469	496	62
Depreciation of property, plant and equipment	13	1,495	2,936	1,681
Amortisation of prepaid land lease payments	14	35	30	28
Research and development expenses		<u>4,196</u>	<u>3,829</u>	<u>2,629</u>
Minimum lease payments under operating leases		1,124	1,110	1,086
Auditor's remuneration		180	167	146
Listing expenses		—	—	822
Professional fees		128	340	199
Employee benefit expense (excluding directors' and chief executive's remuneration) (<i>note 9</i>):				
Wages and salaries		16,496	16,037	16,967
Pension scheme contributions (defined contribution scheme)		<u>2,650</u>	<u>2,648</u>	<u>2,338</u>
		<u>20,578</u>	<u>20,302</u>	<u>21,558</u>
Foreign exchange differences, net		(2,021)	(592)	2,212
Write-back of trade receivables, net (Write-back)/allowance of inventory obsolescence	20	(52)	(10)	—
Product warranty provision	26	(615)	32	(24)
Bank interest income	5	303	118	49
Gain on disposal of property, plant and equipment	5	113	289	127
Settlement of a customer's claims	7	(44)	—	(536)
		<u>—</u>	<u>6,943</u>	<u>—</u>

7. OTHER EXPENSE

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Foreign exchange differences, net	—	—	2,212
Settlement of a customer's claim	—	6,943	—
	<u>—</u>	<u>6,943</u>	<u>2,212</u>

8. FINANCE COST

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Interest on bank borrowings	77	12	34
Finance charge payable under a hire purchase contract	15	8	2
	<u>92</u>	<u>20</u>	<u>36</u>

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Lim Kuak Choi Leslie was appointed as an executive director and the chief executive of the Company since the incorporation of the Company in January 1988. Mr. Du Xiaotang was appointed as executive director of the Company in October 2016. Mr. Tsang Sui Cheong Frederick was appointed as non-executive director of the Company in October 2016. Mr. Lim Khin Mann was appointed as non-executive director of the Company in February 2017. Mr. Chen Shuang was appointed as non-executive director of the Company in December 2017. Subsequent to the end of the Relevant Periods, Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei were appointed as independent non-executive directors of the Company on 19 June 2018.

Directors' and Chief Executive's remuneration for the Relevant Periods are as follows:

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Fees	45	45	45
Other emoluments:			
Salaries, allowances and benefits in kind	249	249	353
Performance related bonuses	120	120	120
Pension scheme contributions	6	8	8
	<u>420</u>	<u>422</u>	<u>526</u>

(a) Independent non-executive directors

No independent non-executive director was appointed and there were no fees and other emoluments payable to the independent non-executive director during the Relevant Periods.

(b) Executive directors, the chief executive and non-executive directors

	Fees \$'000	Salaries, allowances and benefits in kind \$'000	Performance related bonuses \$'000	Pension scheme contributions \$'000	Total remuneration \$'000
2015:					
Executive director:					
Mr. Lim Kuak Choi Leslie	—	249	120	6	375
Non-executive directors:					
Ms. Foo Kaw Jee	20	—	—	—	20
Mr. Bradley Fraser Kerr	25	—	—	—	25
	45	—	—	—	45
Total	45	249	120	6	420
2016:					
Executive directors:					
Mr. Lim Kuak Choi Leslie	—	249	120	8	377
Mr. Du Xiaotang	—	—	—	—	—
	—	249	120	8	377
Non-executive directors:					
Ms. Foo Kaw Jee	20	—	—	—	20
Mr. Bradley Fraser Kerr	25	—	—	—	25
Mr. Tsang Sui Cheong Frederick	—	—	—	—	—
	45	—	—	—	45
Total	45	249	120	8	422
2017:					
Executive directors:					
Mr. Lim Kuak Choi Leslie	—	249	120	8	377
Mr. Du Xiaotang	—	104	—	—	104
	—	353	120	8	481
Non-executive directors:					
Ms. Foo Kaw Jee	20	—	—	—	20
Mr. Bradley Fraser Kerr	25	—	—	—	25
Mr. Tsang Sui Cheong Frederick	—	—	—	—	—
Mr. Lim Khin Mann	—	—	—	—	—
Mr. Chen Shuang	—	—	—	—	—
	45	—	—	—	45
Total	45	353	120	8	526

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid or payable by the Group to the executive directors and the chief executive as an inducement to join or upon joining the Group or as compensation for the loss of office.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 1 director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 4 highest paid employees who are neither a director nor chief executive of the Group during the Relevant Periods are as follows:

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Salaries, allowances and benefits in kind	478	485	656
Performance related bonuses	67	158	42
Pension scheme contributions	<u>37</u>	<u>32</u>	<u>45</u>
	<u>582</u>	<u>675</u>	<u>743</u>

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	2015	2016	2017
Nil to HK\$1,000,000	4	3	4
HK\$1,000,001 to HK\$1,500,000	<u>—</u>	<u>1</u>	<u>—</u>
	<u>4</u>	<u>4</u>	<u>4</u>

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group operates.

The Singapore statutory income tax for the Company and KPL has been provided at the rate of 17% on the estimated assessable profits arising in Singapore during the Relevant Periods.

The provision for Mainland China income tax has been provided at the applicable income tax rate of 25% on the assessable profits of certain PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. Kinergy EMS and Beta Nova are qualified as High and New Technology Enterprises and are subject to a preferential income tax rate of 15% for the years of 2016 and 2017.

The major components of income tax expense are as follows:

	Year ended 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Current tax — Singapore			
Charge for the year	1,227	—	874
(Overprovision)/underprovision in prior years	(431)	13	32
Current tax — Mainland China			
Charge for the year	1,264	466	599
Underprovision/(overprovision) in prior years	11	(49)	(38)
Current tax — Elsewhere			
Charge for the year	22	15	14
(Overprovision)/underprovision in prior years	(14)	—	22
Deferred tax (<i>note 32</i>)	<u>650</u>	<u>120</u>	<u>330</u>
Total income tax expense for the year	<u>2,729</u>	<u>565</u>	<u>1,833</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable statutory rates to the effective tax rates, are as follows:

2015	Singapore		Mainland China		Others		Total	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Profit/(loss) before tax	<u>9,745</u>		<u>4,348</u>		<u>(130)</u>		<u>13,963</u>	
Tax at the statutory tax rate	1,657	17.0	1,087	25.0	(56)	(43.1)	2,688	19.3
Adjustments in respect of current tax of previous periods	(431)	(4.4)	11	0.3	(14)	(10.8)	(434)	(3.1)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	—	—	650	14.9	—	—	650	4.6
Effect of partial tax exemption and enhanced deductions	(297)	(3.0)	—	—	—	—	(297)	(2.1)
Income not subject to tax	(455)	(4.7)	(98)	(2.3)	—	—	(553)	(4.0)
Expenses not deductible for tax	324	3.3	406	9.3	57	43.8	787	5.6
Tax losses utilised from previous periods	—	—	(510)	(11.7)	—	—	(510)	(3.7)
Tax losses not recognized	—	—	387	8.9	—	—	387	2.8
Others	<u>(1)</u>	<u>—</u>	<u>(9)</u>	<u>(0.2)</u>	<u>21</u>	<u>16.2</u>	<u>11</u>	<u>0.1</u>
Income tax expense at the Group's effective rate	<u>797</u>	<u>8.2</u>	<u>1,924</u>	<u>44.2</u>	<u>8</u>	<u>6.2</u>	<u>2,729</u>	<u>19.5</u>

Unrecognised tax losses

The Group has tax losses arising in Mainland China of nil (2015: \$1.0 million, 2016: \$0.2 million) that will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Tax consequences of proposed dividends

There are no income tax consequences (2015 and 2016: Nil) attaching to the payment of dividends by the Company to its shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit attributable to equity holders of the parent, and the weighted average number of ordinary shares of 521,656,000, 533,433,612, 568,075,472 shares in issue during the years ended 31 December 2015, 2016 and 2017, respectively, considering the share subdivision occurred on 20 June 2018, the share subdivision was treated as having been in issue for the whole Relevant Periods.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The following reflects the income and share data used in the basic earnings per share computation:

	Year ended 31 December		
	2015	2016	2017
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Earnings			
Profit attributable to owners of the parent,			
used in the basic earnings per share calculation	<u>11,234</u>	<u>3,096</u>	<u>8,032</u>
	Number of shares		
	2015	2016	2017
Shares			
Weighted average number of shares in issue			
during the year, used in the basic earnings			
per share calculation	<u>521,656,000</u>	<u>533,433,612</u>	<u>568,075,472</u>

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold building \$'000	Plant and machinery \$'000	Computers \$'000	Furniture, fittings, air-conditioners and electrical installation \$'000	Motor vehicles \$'000	Work-shop tools \$'000	Office renovation \$'000	Office equipment \$'000	Construction in progress \$'000	Total \$'000
Cost										
At 1 January 2015	5,371	19,281	2,520	2,345	1,443	1,340	2,290	323	8,827	43,740
Additions	—	824	194	60	55	29	85	127	657	2,031
Disposals	—	(271)	(52)	(6)	(28)	(7)	—	(3)	—	(367)
Exchange differences	116	58	15	23	13	1	25	2	188	441
At 31 December 2015 and 1 January 2016	5,487	19,892	2,677	2,422	1,483	1,363	2,400	449	9,672	45,845
Additions	—	2,165	270	270	—	194	88	41	684	3,712
Disposals	(127)	(41)	(218)	(5)	(26)	(22)	(2)	(35)	—	(476)
Exchange differences	(239)	(380)	(31)	(49)	(28)	(50)	(53)	(5)	(421)	(1,256)
At 31 December 2016 and 1 January 2017	5,121	21,636	2,698	2,638	1,429	1,485	2,433	450	9,935	47,825
Additions	—	1,832	550	26	—	248	463	128	6	3,253
Disposals	(59)	(5)	(32)	(36)	(62)	(45)	—	(60)	—	(299)
Exchange differences	(83)	(187)	(17)	(23)	(17)	(21)	(38)	(3)	(160)	(549)
At 31 December 2017	4,979	23,276	3,199	2,605	1,350	1,667	2,858	515	9,781	50,230
Accumulated depreciation and impairment										
At 1 January 2015	1,330	18,243	2,158	1,968	1,070	1,340	1,274	323	—	27,706
Charge for the year	134	668	125	123	200	6	175	64	—	1,495
Disposals	—	(210)	(50)	(3)	(28)	(7)	—	(3)	—	(301)
Exchange differences	16	32	9	13	8	—	14	2	—	94
At 31 December 2015 and 1 January 2016	1,480	18,733	2,242	2,101	1,250	1,339	1,463	386	—	28,994
Charge for the year	127	1,926	199	134	121	133	225	71	—	2,936
Disposals	(127)	(37)	(218)	(3)	(26)	(20)	(2)	(33)	—	(466)
Exchange differences	(42)	(247)	(21)	(41)	(19)	(39)	(33)	(4)	—	(446)
At 31 December 2016 and 1 January 2017	1,438	20,375	2,202	2,191	1,326	1,413	1,653	420	—	31,018
Charge for the year	122	684	313	164	88	70	170	70	—	1,681
Disposals	(44)	(9)	(31)	(36)	(52)	(41)	—	(59)	—	(272)
Exchange differences	(15)	(121)	(12)	(19)	(15)	(19)	(77)	(2)	—	(280)
At 31 December 2017	1,501	20,929	2,472	2,300	1,347	1,423	1,746	429	—	32,147
Net carrying amount										
At 31 December 2017	3,478	2,347	727	305	3	244	1,112	86	9,781	18,083
At 31 December 2016	3,683	1,261	496	447	103	72	780	30	9,935	16,807
At 31 December 2015	4,007	1,159	435	321	233	24	937	63	9,672	16,851

Included in the net carrying amount of the Group's property, plant and equipment are those motor vehicles and plant and machinery acquired under hire purchase amounting to nil (2016: \$63,000; 2015: \$220,000) and nil (2016: \$156,000; 2015: \$91,000), respectively.

14. PREPAID LAND LEASE PAYMENTS

	Prepaid land lease payments \$'000
31 December 2015	
At 1 January 2015:	
Cost	1,638
Accumulated amortisation	<u>(139)</u>
Net carrying amount	<u>1,499</u>
Cost at 1 January 2015:	
Net of accumulated amortisation	1,499
Amortisation provided during the year	(35)
Exchange differences	<u>41</u>
At 31 December 2015	<u>1,505</u>
At 31 December 2015	
Cost	1,683
Accumulated amortisation	<u>(178)</u>
Net carrying amount	<u><u>1,505</u></u>
31 December 2016	
At 1 January 2016:	
Cost	1,683
Accumulated amortisation	<u>(178)</u>
Net carrying amount	<u>1,505</u>
Cost at 1 January 2016:	
Net of accumulated amortisation	1,505
Amortisation provided during the year	(30)
Exchange differences	<u>(81)</u>
At 31 December 2016	<u>1,394</u>
At 31 December 2016	
Cost	1,591
Accumulated amortisation	<u>(197)</u>
Net carrying amount	<u><u>1,394</u></u>

**Prepaid land
lease payments**
\$'000

31 December 2017

At 1 January 2017:

Cost	1,591
Accumulated amortisation	<u>(197)</u>
Net carrying amount	<u>1,394</u>

Cost at 1 January 2017:

Net of accumulated amortisation	1,394
Amortisation provided during the year	(28)
Exchange differences	<u>(28)</u>

At 31 December 2017

1,338

At 31 December 2017

Cost	1,591
Accumulated amortisation	<u>(253)</u>
Net carrying amount	<u><u>1,338</u></u>

15. INTANGIBLE ASSETS

	Development cost	Others	Total
	\$'000	\$'000	\$'000
31 December 2015			
Cost at 1 January 2015	—	16	16
Addition	801	—	801
Amortisation provided during the year	(137)	—	(137)
Impairment during the year	<u>(664)</u>	<u>—</u>	<u>(664)</u>
At 31 December 2015	<u>—</u>	<u>16</u>	<u>16</u>
At 31 December 2015:			
Cost	1,234	42	1,276
Accumulated amortisation and impairment	<u>(1,234)</u>	<u>(26)</u>	<u>(1,260)</u>
Net carrying amount	<u>—</u>	<u>16</u>	<u>16</u>
31 December 2016			
Cost at 1 January 2016	—	16	16
Addition	118	—	118
Amortisation provided during the year	(10)	—	(10)
Impairment during the year	<u>—</u>	<u>(5)</u>	<u>(5)</u>
At 31 December 2016	<u>108</u>	<u>11</u>	<u>119</u>

	Development cost	Others	Total
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 31 December 2016:			
Cost	1,352	32	1,384
Accumulated amortisation and impairment	<u>(1,244)</u>	<u>(21)</u>	<u>(1,265)</u>
Net carrying amount	<u>108</u>	<u>11</u>	<u>119</u>
31 December 2017			
Cost at 1 January 2017	108	11	119
Addition	324	—	324
Amortisation provided during the year	<u>(129)</u>	<u>—</u>	<u>(129)</u>
At 31 December 2017	<u>303</u>	<u>11</u>	<u>314</u>
At 31 December 2017:			
Cost	1,676	32	1,708
Accumulated amortisation and impairment	<u>(1,373)</u>	<u>(21)</u>	<u>(1,394)</u>
Net carrying amount	<u>303</u>	<u>11</u>	<u>314</u>

Impairment loss recognised

An impairment loss was recognised to write-down the carrying amount of development costs attributable to ODM segment based on the value in use assessment during the annual impairment assessment exercise. The impairment loss of nil (2015: \$664,000, 2016: nil) had been recognised in profit or loss under the line item “cost of sales”.

16. AVAILABLE-FOR-SALE INVESTMENT

	As at 31 December		
	2015	2016	2017
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Investment in bank financial products	<u>9,382</u>	<u>—</u>	<u>6,758</u>

Available-for-sale investment represent investment in bank financial products issued by banks in the PRC. The investment as at 31 December 2015 bears an expected yield rate of 2% per annum upon maturity in January 2016. The investment as at 31 December 2017 bears an expected yield rate of 4.2% per annum upon maturity in March 2018. The principals are all protected. The fair values of the financial products approximate to their costs plus expected interest. The fair values of wealth management products have been estimated using a discounted cash flow valuation model. The valuation requires the directors to make estimates about the expected future cash flows from future proceeds when the investments mature. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

17. INVESTMENT IN A JOINT VENTURE

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Share of net assets	458	—	—

Particulars of the joint venture are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shanghai Kinergy Jiao-Tong Mold Co., Ltd.	Ordinary shares	PRC	50	Manufacture of precision molds and dies

The Group's shareholdings in the joint venture is held through a wholly-owned subsidiary of the Company.

* *The joint venture, Shanghai Kinergy Jiao-Tong Mold Co., Ltd., was liquidated during the year ended 31 December 2016. The proceeds from the liquidation was \$473,000 in 2016 with no gain/loss resulted.*

18. INVESTMENT IN SUBSIDIARIES

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Unlisted investment, at cost	33,435	25,290	25,808
Impairment loss	—	—	(401)
	<u>33,435</u>	<u>25,290</u>	<u>25,407</u>

In relation to the Company's wholly-owned subsidiary, KPI, the Company has recorded an impairment loss of \$401,000 in the financial year ended 31 December 2017 as it has been loss making for the past 2 years.

19. INVENTORIES

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Raw materials	13,055	13,411	16,647
Work in progress	8,489	9,126	13,187
Finished goods	<u>4,297</u>	<u>2,869</u>	<u>4,140</u>
	<u>25,841</u>	<u>25,406</u>	<u>33,974</u>

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Raw materials	—	—	7,573
Work in progress	—	—	10,120
Finished goods	<u>—</u>	<u>—</u>	<u>2,078</u>
	<u>—</u>	<u>—</u>	<u>19,771</u>

20. TRADE RECEIVABLES

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Trade receivables	13,462	17,819	21,216
Impairment	<u>(10)</u>	<u>—</u>	<u>—</u>
	<u>13,452</u>	<u>17,819</u>	<u>21,216</u>

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Trade receivables	<u>—</u>	<u>—</u>	<u>18,483</u>

Trade debtors are non-interest bearing and are generally on 30–90 days' term. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Within 1 month	7,206	8,031	8,656
1 to 2 months	4,027	6,797	8,914
2 to 3 months	651	663	2,862
Over 3 months	<u>1,568</u>	<u>2,328</u>	<u>784</u>
	<u>13,452</u>	<u>17,819</u>	<u>21,216</u>

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Within 1 month	—	—	7,887
1 to 2 months	—	—	7,822
2 to 3 months	—	—	2,714
Over 3 months	<u>—</u>	<u>—</u>	<u>60</u>
	<u>—</u>	<u>—</u>	<u>18,483</u>

Group

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
As the beginning of the year	61	10	—
Write-back of allowance	(52)	(10)	—
Exchange differences	<u>1</u>	<u>—</u>	<u>—</u>
	<u>10</u>	<u>—</u>	<u>—</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables as at 31 December 2015, 2016 and 2017 of \$10,000, nil and nil, respectively, with a carrying amount before provision of nil (2015: \$10,000, 2016: nil).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Neither past due nor impaired	11,147	11,685	18,886
Past due but not impaired:			
Less than 1 month past due	704	2,602	2,133
1 to 3 months past due	724	1,728	97
More than 3 months past due	<u>877</u>	<u>1,804</u>	<u>100</u>
	<u>13,452</u>	<u>17,819</u>	<u>21,216</u>

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Neither past due nor impaired	—	—	16,301
Past due but not impaired:			
Less than 1 month past due	—	—	2,111
1 to 3 months past due	—	—	71
More than 3 months past due	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>18,483</u>

Receivables that were neither past due nor impaired relate to a number of independent customers that have good track record with the Group and there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Advance to suppliers	135	425	1,639
Deposits	514	388	445
Deferred listing expenses	—	—	274
Other receivables	165	39	140
Prepaid Goods and Services Tax ("GST")/ Value-added tax ("VAT")	1,050	1,140	690
Prepayments	<u>559</u>	<u>707</u>	<u>131</u>
	<u>2,423</u>	<u>2,699</u>	<u>3,319</u>

22. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Cash and bank balances	4,952	5,654	13,657
Non-pledged short-term deposits	<u>8,296</u>	<u>16,166</u>	<u>—</u>
Cash and cash equivalents	<u>13,248</u>	<u>21,820</u>	<u>13,657</u>
Denominated in RMB	10,280	1,855	1,470
Denominated in USD	1,863	13,250	5,601
Denominated in SGD	1,007	6,633	6,518
Denominated in other currencies	<u>98</u>	<u>82</u>	<u>68</u>
Cash and cash equivalents	<u>13,248</u>	<u>21,820</u>	<u>13,657</u>

Company

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Cash and bank balances	146	43	11,779
Non-pledged short-term deposits	<u>—</u>	<u>16,166</u>	<u>—</u>
Cash and cash equivalents	<u>146</u>	<u>16,209</u>	<u>11,779</u>
Denominated in USD	122	10,177	5,169
Denominated in SGD	24	6,032	6,480
Denominated in RMB	<u>—</u>	<u>—</u>	<u>130</u>
Cash and cash equivalents	<u>146</u>	<u>16,209</u>	<u>11,779</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. Non-pledged short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective non-pledged short-term deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

23. AMOUNTS DUE FROM/TO SUBSIDIARIES

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Due from subsidiaries:			
Non-trade (net of allowance for impairment)	14,695	10,061	590
Due to subsidiaries:			
Trade	—	—	10,467
Non-trade	—	—	10,086
Total	—	—	20,553

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. All receivables are to be settled in cash.

As at 31 December 2017, the following amounts are included in amounts due from subsidiaries:

\$346,000 (2015: \$11,141,000, 2016: \$4,341,000) due from subsidiaries are denominated in United States Dollars.

24. TRADE PAYABLES

An aged analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Within 1 month	6,649	12,394	14,662
1 to 2 months	2,083	3,319	4,550
2 to 3 months	1,378	1,251	2,053
Over 3 months	2,588	252	207
	12,698	17,216	21,472

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Within 1 month	—	—	2,031
1 to 2 months	—	—	1,026
2 to 3 months	—	—	73
	<u>—</u>	<u>—</u>	<u>3,130</u>

The trade payables are non-interest bearing and are normally settled on 30–90 days' term.

25. OTHER PAYABLES AND ACCRUALS**Group**

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Advances from customers	190	178	430
Payroll and welfare accruals	1,769	979	2,216
Accruals	1,752	1,773	1,930
Other payables	1,251	1,147	907
Deferred income	<u>1,867</u>	<u>—</u>	<u>—</u>
	<u>6,829</u>	<u>4,077</u>	<u>5,483</u>

Company

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Advances from customers	—	—	327
Payroll and welfare accruals	—	—	1,167
Accruals	12	14	759
Other payables	<u>—</u>	<u>—</u>	<u>799</u>
	<u>12</u>	<u>14</u>	<u>3,052</u>

Other payables are non-interest-bearing are repayable on demand.

26. PROVISION FOR WARRANTY

Analysis of provision for warranty:

Group

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
At 1 January	137	223	83
Additional provision	303	118	49
Amounts utilised during the year	(218)	(256)	(49)
Exchange realignment	<u>1</u>	<u>(2)</u>	<u>(1)</u>
At 31 December	<u><u>223</u></u>	<u><u>83</u></u>	<u><u>82</u></u>

The Group provides one-year warranties to its customers on certain of its products, under which faulty products are repaired. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS**Group**

	As at 31 December 2015		
	Effective interest rate (%)	Maturity	\$'000
Current			
Bank loans — secured	3.10	2016	707
Finance lease payables (<i>note 28</i>)	1.30–2.99	2016	<u>195</u>
			<u>902</u>
Non-current			
Finance lease payables (<i>note 28</i>)	1.30–2.99	2017	<u>84</u>
			<u>84</u>
			<u><u>986</u></u>

	As at 31 December 2016		
	Effective interest rate (%)	Maturity	\$'000
Current			
Finance lease payables (<i>note 28</i>)	1.30–2.99	2017	<u>59</u>

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Analysed into:			
Other borrowings repayable:			
Within one year or on demand	167	59	—
In the second year	<u>57</u>	<u>—</u>	<u>—</u>
	<u>224</u>	<u>59</u>	<u>—</u>
Total bank and other borrowings	<u>224</u>	<u>59</u>	<u>—</u>

28. FINANCE LEASE PAYABLES

The Group conduct a portion of its operations using leased plant and machinery and motor vehicle. These leases have purchase options but no escalation clauses. There are no restrictions placed on the Group and the Company by entering into these leases. These leases are classified as hire purchases and expire over the next years. The discount rates implicit in the leases range from 1.30% to 2.99% (2015 and 2016: 1.30% to 2.99%) per annum. Future minimum lease payments under hire purchase together with the present value of the net minimum lease payments are as follows:

	2015		2016		2017	
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
Amounts payable:						
Within one year	203	195	88	86	—	—
In the second year	85	84	—	—	—	—
In the third to fifth year, inclusive	—	—	—	—	—	—
After five years	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total minimum lease payments	288	<u>279</u>	88	<u>86</u>	—	<u>—</u>
Less: Amounts representing finance charges	<u>(9)</u>	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total net finance lease payables	279		86		—	
Portion classified as current liabilities (<i>note 27</i>)	<u>(195)</u>		<u>(86)</u>		<u>—</u>	
Non-current portion (<i>note 27</i>)	<u>84</u>		<u>—</u>		<u>—</u>	

Company

	2015		2016		2017	
	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000	Minimum lease payments \$'000	Present value of payments \$'000
Within one year	172	167	60	59	—	—
After one year but not more than five years	<u>58</u>	<u>57</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total minimum lease payments	230	<u>224</u>	60	<u>59</u>	—	<u>—</u>
Less: Amounts representing finance charges	<u>(6)</u>		<u>(1)</u>		<u>—</u>	
Total net finance lease payables	224		59		—	
Portion classified as current liabilities (<i>note 27</i>)	<u>(167)</u>		<u>(59)</u>		<u>—</u>	
Non-current portion (<i>note 27</i>)	<u>57</u>		<u>—</u>		<u>—</u>	

29. SHARE CAPITAL

	2015 \$'000	2016 \$'000	2017 \$'000
Issued and fully paid: 157,337,831 (2015: 130,414,000, 2016: 141,587,348) ordinary shares		<u>29,729</u>	<u>34,357</u>
			<u>40,879</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital \$'000
At 1 January 2015, 31 December 2015 and 1 January 2016	130,414,000	29,729
Shares issued (<i>note (1)</i>)	11,340,348	4,696
Shares reduction (<i>note (2)</i>)	<u>(167,000)</u>	<u>(68)</u>
At 31 December 2016 and 1 January 2017	141,587,348	34,357
Shares issued (<i>note (3)</i>)	<u>15,750,483</u>	<u>6,522</u>
As at 31 December 2017	<u>157,337,831</u>	<u>40,879</u>

Notes:

- (1) In September 2016, the Company issued 11,340,348 ordinary shares at \$0.41 per share to its new investor, Diamond Wealth Global Limited.
- (2) Approval was given on 14 September 2016 for the reduction of the Company's capital by returning \$68,470 to certain shareholders of the Company and cancelling 167,000 ordinary shares of the Company.

- (3) In December 2017, the Company issued 15,750,483 ordinary shares at \$0.41 per share to its new investor, Diamond Wealth Global Limited.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

30. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Company

	Retained profits
	<i>\$'000</i>
Balance at 1 January 2015	17,482
Total comprehensive income for the year	2,084
Dividends distribution	<u>(1,304)</u>
At 31 December 2015 and 1 January 2016	<u>18,262</u>
Balance at 1 January 2016	18,262
Total comprehensive income for the year	1,476
Dividends distribution	<u>(2,608)</u>
At 31 December 2016 and 1 January 2017	<u>17,130</u>
Balance at 1 January 2017	17,130
Total comprehensive income for the year	2,117
Dividends distribution	<u>(7,697)</u>
At 31 December 2017	<u><u>11,550</u></u>

31. DIVIDENDS

The dividends declared and paid by the Company to the shareholders during the Relevant Periods are as follows:

	2015	2016	2017
	\$'000	\$'000	\$'000
Dividends to the shareholders	<u>1,304</u>	<u>2,608</u>	<u>7,697</u>

32. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the year are as follows:

	Withholding taxes*		
	2015	2016	2017
	\$'000	\$'000	\$'000
At 1 January	—	650	770
Deferred tax charged to the statement of profit or loss during the year	<u>650</u>	<u>120</u>	<u>330</u>
Gross deferred tax liabilities recognised in the consolidated statement of financial position as at 31 December	<u>650</u>	<u>770</u>	<u>1,100</u>

* Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributable by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

33. OPERATING LEASE ARRANGEMENTS**As lessee**

The Group lease certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years.

Future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Within one year	1,094	929	1,115
In the second to fifth years, inclusive	964	46	4,048
After five years	<u>28</u>	<u>16</u>	<u>5</u>
	<u>2,086</u>	<u>991</u>	<u>5,168</u>

34. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitment at the end of each of the Relevant Periods:

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Contracted, but not provided for:			
Land and buildings	330	130	173
Plant and machinery	—	25	1,422
	<u>330</u>	<u>155</u>	<u>1,595</u>

35. RELATED PARTY TRANSACTIONS**(a) Compensation of key management personnel**

	Year ended 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Short-term employee benefits	1,337	1,345	1,390
Defined contribution benefits	73	78	72
Other short-term benefits	12	9	9
	<u>1,422</u>	<u>1,432</u>	<u>1,471</u>

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Major non-cash transactions**

During the Relevant Periods, the Group has no significant non-cash arrangement.

(b) Changes in liabilities arising from financing activities

	Bank loans \$'000	Finance lease payables \$'000
At 1 January 2015	1,836	456
Changes from financing cash flows	<u>(1,129)</u>	<u>(177)</u>
At 31 December 2015 and 1 January 2016	<u>707</u>	<u>279</u>
Changes from financing cash flows	<u>(707)</u>	<u>(193)</u>
At 31 December 2016 and 1 January 2017	<u>—</u>	<u>86</u>
Changes from financing cash flows	<u>—</u>	<u>(86)</u>
At 31 December 2017	<u>—</u>	<u>—</u>

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group*Financial assets*

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Trade receivables	13,452	17,819	21,216
Financial assets included in prepayments, deposits and other receivables	679	427	585
Cash and cash equivalents	13,248	21,820	13,657
Available-for-sale investment	<u>9,382</u>	<u>—</u>	<u>6,758</u>
	<u>36,761</u>	<u>40,066</u>	<u>42,216</u>

Financial liabilities

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Trade payables	12,698	17,216	21,472
Financial liabilities included in other payables and accruals	4,772	3,899	5,053
Interest-bearing bank and other borrowings	<u>986</u>	<u>86</u>	<u>—</u>
	<u>18,456</u>	<u>21,201</u>	<u>26,525</u>

Company*Financial assets*

	As at 31 December		
	2015 \$'000	2016 \$'000	2017 \$'000
Trade receivables	—	—	18,483
Financial assets included in prepayments, deposits and other receivables	—	—	1,947
Amount due from subsidiaries	14,695	10,061	590
Cash and cash equivalents	<u>146</u>	<u>16,209</u>	<u>11,779</u>
	<u>14,841</u>	<u>26,270</u>	<u>32,799</u>

Financial liabilities

	As at 31 December		
	2015	2016	2017
	\$'000	\$'000	\$'000
Trade payables	—	—	3,130
Financial liabilities included in other payables and accruals	12	14	3,052
Amount due to subsidiaries	—	—	20,553
Interest-bearing bank and other borrowings	<u>167</u>	<u>59</u>	<u>—</u>
	<u>179</u>	<u>73</u>	<u>26,735</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Assets measured at fair value:*As at 31 December 2015*

	Quoted prices in active markets (Level 1) \$'000	Fair value measurement using		Total \$'000
		Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Available-for-sale investments:				
Investment in bank financial products	<u>—</u>	<u>9,382</u>	<u>—</u>	<u>9,382</u>

As at 31 December 2017

	Quoted prices in active markets (Level 1) \$'000	Fair value measurement using		Total \$'000
		Significant observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Available-for-sale investments:				
Investment in bank financial products	<u>—</u>	<u>6,758</u>	<u>—</u>	<u>6,758</u>

The Group did not have any financial liabilities measured at fair value as at 31 December 2015, 2016 and 2017.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature. The carrying amounts of long term interest-bearing loans and borrowings, which incur interest at floating interest rate, also approximate to their fair values as the interest rate is periodically adjusted to market rate.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Chief Financial Officer ("CFO").

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and other financial assets include in note 37, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the Historical Financial Information.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group 2015	
	<i>\$'000</i>	<i>% of total</i>
By country:		
Singapore	8,229	61.17
USA	1,994	14.82
PRC	2,220	16.51
Philippines	<u>1,009</u>	<u>7.50</u>
	<u><u>13,452</u></u>	<u><u>100.00</u></u>

	Group 2016	
	<i>\$'000</i>	<i>% of total</i>
By country:		
Singapore	13,158	73.84
USA	1,361	7.64
PRC	2,757	15.47
Philippines	<u>543</u>	<u>3.05</u>
	<u><u>17,819</u></u>	<u><u>100.00</u></u>

	Group 2017	
	<i>\$'000</i>	<i>% of total</i>
By country:		
Singapore	18,193	85.75
USA	1,178	5.55
PRC	808	3.81
Philippines	<u>1,037</u>	<u>4.89</u>
	<u><u>21,216</u></u>	<u><u>100.00</u></u>

For the year ended 31 December 2017, approximately 77.90% (2015: 48.52%, 2016: 72.56%) of the Group's total revenue was derived from a major customer. At the end of each of the Relevant Periods, approximately 73.49% (2015: 49.00%, 2016: 61.80%) of the trade receivables balance of the Group is due from a major customer.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. Bank borrowing is a preferred source of financing to ensure continuity of funding. The Group also ensures availability of bank credit facilities to address any short-term funding requirement.

The Group's surplus funds are also managed centrally by placing them with reputable financial institutions on varying maturities.

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment, is as follows:

Group

	On demand \$'000	Less than 3 months \$'000	2015 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Trade payables	180	9,191	3,327	—	12,698
Financial liabilities included in other payables and accruals	2,167	2,360	245	—	4,772
Interest-bearing bank and other borrowings	<u>729</u>	<u>51</u>	<u>152</u>	<u>85</u>	<u>1,017</u>
Total undiscounted financial liabilities	<u><u>3,076</u></u>	<u><u>11,602</u></u>	<u><u>3,724</u></u>	<u><u>85</u></u>	<u><u>18,487</u></u>

	On demand \$'000	Less than 3 months \$'000	2016 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Trade payables	362	11,979	4,875	—	17,216
Financial liabilities included in other payables and accruals	1,945	1,775	179	—	3,899
Interest-bearing bank and other borrowings	<u>—</u>	<u>43</u>	<u>45</u>	<u>—</u>	<u>88</u>
Total undiscounted financial liabilities	<u><u>2,307</u></u>	<u><u>13,797</u></u>	<u><u>5,099</u></u>	<u><u>—</u></u>	<u><u>21,203</u></u>

	On demand \$'000	Less than 3 months \$'000	2017 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Trade payables	620	20,650	202	—	21,472
Financial liabilities included in other payables and accruals	<u>1,918</u>	<u>2,996</u>	<u>139</u>	<u>—</u>	<u>5,053</u>
Total undiscounted financial liabilities	<u><u>2,538</u></u>	<u><u>23,646</u></u>	<u><u>341</u></u>	<u><u>—</u></u>	<u><u>26,525</u></u>

Company

	On demand \$'000	Less than 3 months \$'000	2015 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Financial liabilities included in other payables and accruals	12	—	—	—	12
Interest-bearing bank and other borrowings	—	43	128	58	229
Total undiscounted financial liabilities	<u>12</u>	<u>43</u>	<u>128</u>	<u>58</u>	<u>241</u>

	On demand \$'000	Less than 3 months \$'000	2016 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Financial liabilities included in other payables and accruals	14	—	—	—	14
Interest-bearing bank and other borrowings	—	35	25	—	60
Total undiscounted financial liabilities	<u>14</u>	<u>35</u>	<u>25</u>	<u>—</u>	<u>74</u>

	On demand \$'000	Less than 3 months \$'000	2017 3 to less than 12 months \$'000	1 to 5 years \$'000	Total \$'000
Financial liabilities:					
Trade payables	519	2,611	—	—	3,130
Financial liabilities included in other payables and accruals	3,052	—	—	—	3,052
Amount due to subsidiaries	<u>20,553</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,553</u>
Total undiscounted financial liabilities	<u>24,124</u>	<u>2,611</u>	<u>—</u>	<u>—</u>	<u>26,735</u>

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 98.75% (2015: 95.17%, 2016: 95.57%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 61.09% (2015: 67.56%, 2016: 66.86%) of purchases were denominated in the units' functional currencies. The Group's trade receivables and trade payable balance at the end of the reporting period have similar exposures. As at 31 December 2017, the Group has no outstanding foreign currency forward exchange contract.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rates against SGD for the monetary assets and liabilities, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in SGD rate %	Increase/ (decrease) in profit before tax \$'000
2015		
If the Singapore dollar weakens against the USD	3	300
If the Singapore dollar strengthens against the USD	3	(300)
2016		
If the Singapore dollar weakens against the USD	3	725
If the Singapore dollar strengthens against the USD	3	(725)
2017		
If the Singapore dollar weakens against the USD	3	615
If the Singapore dollar strengthens against the USD	3	(615)

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015, 2016 and 2017.

As disclosed in note 30, the subsidiaries of the Group in Mainland China are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2015, 2016 and 2017.

41. EVENT AFTER THE RELEVANT PERIODS

On 19 June 2018, shareholders of the Company resolved that each issued share was sub-divided into four shares with effect from 20 June 2018 such that the total number of issued shares of the Company increased from 157,337,831 shares to 629,351,324 shares.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 December 2017.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 31 December 2017 as if it had taken place on 31 December 2017.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 December 2017 or any future date. It is prepared based on our consolidated net tangible assets as of 31 December 2017 as set out in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated Net Tangible Assets attributable to the owners of the Company as of 31 December 2017 S\$'000 (Note 1)	Estimated Net Proceeds from the Global Offering S\$'000 (Note 2)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of our Group S\$'000	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share	
				S\$	HK\$
				<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price Of HK\$1.02 per Share	69,979	31,455	101,434	0.12	0.71
Based on an Offer Price Of HK\$1.26 per Share	69,979	39,818	109,797	0.13	0.76

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma adjusted consolidated net tangible assets assuming the dividend of S\$28.4 million under the Share Purchase Agreement of the pre-IPO Investment had been paid as at 31 December 2017 is set out below:

	Consolidated Net Tangible Assets of Our group as of 31 December 2017	Estimated Proceeds from the Global Offering	Unaudited Pro Forma Adjusted Net Tangible Assets of our Group	Unaudited Pro Forma Adjusted Net Tangible Assets per Share	
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on an Offer Price of HK\$1.02 per Share	41,579	31,455	73,034	0.09	0.51
Based on an Offer Price of HK\$1.26 per Share	41,579	39,818	81,397	0.10	0.57

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2017 is extracted from the Accountants' Report, which is based on the consolidated equity attributable to owners of the Company as of 31 December 2017 of approximately SGD70.0 million after deducting other intangible assets of SGD0.3 million.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$1.02 per Share or HK\$1.26 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into SGD at an exchange rate of HK\$1 to S\$0.1711.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 839,351,324 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1 to S\$0.1711.
- (5) No adjustment has been made to reflect any trading result or open transaction of the Group entered into subsequently to 31 December 2017.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the directors of Kinergy Corporation Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Kinergy Corporation Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2017, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 June 2018 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2017 as if the transaction had taken place at 31 December 2017. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the year ended 31 December 2017, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2018

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

Set out below is a summary of certain provisions of our Constitution and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Constitution.

The Constitution was adopted by special resolution of the Shareholders passed on 27 June 2018 to take effect on 18 July 2018 (being the day on which the shares of the Company are first traded on the Stock Exchange).

The following is a summary of certain provisions of the Constitution. The capitalised term in the summary of the constitution of our Company in this Appendix III shall be defined as follows:

“Act”	the Singapore Companies Act, Chapter 50 or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force concerning companies and affecting the Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent Companies Act.
“address” or “registered address”	In respect of any Member, his physical address for service or delivery of notices or documents personally or by post, unless otherwise expressly provided in the Constitution.
“Chairman”	The chairman of the Directors or the chairman of the General Meeting as the case may be.
“Chief Executive Officer”	The chief executive officer of the Company for the time being.
“close associate(s)”	Shall have the meaning attributed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“Constitution”	The Constitution or other regulations of the Company for the time being in force.
“current address”	Shall have the meaning ascribed to it in the Act.
“Designated Stock Exchange”	A stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company.

“Director”	Includes any person acting as director of the Company and includes any person duly appointed and acting for the time being as an alternate Director.
“Directors”	The directors of the Company for the time being, as a body or as a quorum present at a meeting of directors.
“Dividend”	Includes bonus and payment by way of bonus.
“electronic communication”	Shall have the meaning ascribed to it in the Act.
“General Meeting”	A general meeting of the Company.
“in writing” or “written”	Written or produced by any substitute for writing or partly one and partly the other, and includes (except where otherwise expressly specified in the Constitution or the context otherwise requires, and subject to any limitations, conditions or restrictions contained in the Act) printing, lithography, typewriting and any other mode of representing or reproducing words, symbols or other information which may be displayed in visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.
“Member”	A member of the Company, save that references in these Regulations to “Member(s)” shall where the Act requires, exclude the Company where it is a member by reason of its holding of its shares as treasury shares.
“month”	Calendar month.
“Office”	The registered office of the Company for the time being.
“Ordinary Resolution”	Shall have the meaning ascribed to it in the Act.
“paid-up”	Paid-up or credited as paid-up.
“Register of Members”	The Company’s register of Members.
“Regulations”	The regulations of the Constitution as from time to time amended.
“relevant intermediary”	Shall have the meaning ascribed to it in the Act.
“Seal”	The common seal of the Company.

“Secretary”	Any person appointed by the Directors to perform any of the duties of the Secretary or where two or more persons are appointed to act as Joint Secretaries any one of those persons.
“SFA”	The Securities and Futures Act, Chapter 289 or any statutory modification, amendment or re-enactment thereof for the time being in force or any and every other act for the time being in force affecting the Company and any reference to any provision as so modified, amended or re-enacted or contained in any such subsequent SFA.
“shares”	Shares in the capital of the Company.
“Special Resolution”	Shall have the meaning ascribed to it in the Act.
“Statutes”	The Act, SFA and every other written law or regulations for the time being in force concerning companies and affecting the Company.
“year”	Calendar year.

(A) DIRECTORS

(i) A Director’s power to contract with the Company

Regulation 81

- (A) Other than the office of Auditor, a Director may hold any other office or place of profit under the Company and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement or transaction with the Company either as vendor, purchaser or otherwise nor shall such contract, arrangement or transaction or any contract, arrangement or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract, arrangement or transaction by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director and Chief Executive Officer (or person(s) holding an equivalent position) shall observe the provisions of the Act and the rules of the Designated Stock Exchange relating to the disclosure of the interests of the Directors and Chief Executive Officers (or person(s) holding an equivalent position) in

transactions or proposed transactions with the Company or of any office or property held by a Director or a Chief Executive Officer (or person(s) holding an equivalent position) which might create duties or interests in conflict with his duties or interests as a Director or a Chief Executive Officer (or an equivalent position), as the case may be.

- (B) A Director may be or become a director of or hold any office or place of profit (other than as Auditor) or be otherwise interested in any company in which the Company may be interested as vendor, purchaser, shareholder or otherwise and unless otherwise agreed shall not be accountable for any fees, remuneration or other benefits received by him as a director or officer of or by virtue of his interest in such other company.
- (C) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

(ii) Borrowing powers exercisable by the Directors

Regulation 108

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(iii) Appointment of Directors/Rotation of Directors

Regulation 88

The Company may by Ordinary Resolution appoint any person to be a Director either as an additional Director or to fill a casual vacancy. Without prejudice thereto the Directors shall also have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number fixed by or in accordance with these Regulations. Any person appointed by the Directors to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any person appointed by the Directors as an addition to the existing Board shall

hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

Regulation 89

At each Annual General Meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, Provided that each Director shall retire at least once every three years.

Regulation 90

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

Regulation 91

The Company at a General Meeting at which a Director retires under any provision of these Regulations may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected will continue in office without a break.

Regulation 92

A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any General Meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it, and any resolution moved in contravention of this provision shall be void.

Regulation 93

No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for re-election, be eligible for appointment as a Director at any General Meeting unless there shall have been left at the Office or the Company's place of business in Hong Kong as registered under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) notice in writing signed by some Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him, provided that the minimum length of the period, during which such notice(s) may be given, shall be at least seven days and that (if the notice(s) are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

(iv) Vacation of office***Regulation 94***

The office of a Director shall be vacated in any of the following events, namely:

- (a) if he shall cease to be a Director by virtue of the Act or become prohibited or disqualified by the Statutes or any other law from acting as a Director; or
- (b) if (not being a Director holding any executive office for a fixed term) he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer; or
- (c) if he shall become bankrupt or have a receiving order made against him or shall make arrangement or composition with his creditors generally; or
- (d) if he becomes of unsound mind or mentally disordered and incapable of managing himself or his affairs, or if in Singapore or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs; or

- (e) is absent, for more than six months and without leave of the Directors, from meetings of the Directors held during that period; or
- (f) if he is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds, he shall immediately resign from the Board of Directors; or
- (g) if he is removed by the Company in General Meeting pursuant to these Regulations.

(v) Holding of shares by way of qualification

Regulation 76

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at General Meetings.

(B) ALTERATIONS OF CAPITAL

Regulation 10

(A) The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital;
- (b) sub-divide its shares, or any of them (subject nevertheless to the provisions of the Act and the Constitution), Provided Always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be same as it was in the case of the share from which the reduced share is derived;
- (c) subject to the provisions of the Constitution and the Act, convert its share capital or any class of shares from one currency to another currency; and/or
- (d) cancel the number of shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled.

(B) The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.

Regulation 11

- (A) The Company may reduce its share capital or any other undistributable reserve in any manner permitted, and with, and subject to, any incident authorised, and consent or confirmation required, by law.
- (B) The Company may purchase or otherwise acquire its issued shares subject to and in accordance with the provisions of the Statutes (including the Act) and any other relevant rule, law or regulation enacted or promulgated by any relevant competent authority from time to time (including the rules of the Designated Stock Exchange) (hereafter, the “Relevant Laws”), on such terms and in such manner as it may from time to time think fit, and subject to such conditions as the Company may in General Meeting prescribe in accordance with the Relevant Laws. Any shares purchased or acquired by the Company as aforesaid shall, unless held as treasury shares in accordance with the Act and the rules of the Designated Stock Exchange and other Relevant Laws, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Regulations and the Statutes, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly. Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.

(C) ISSUE OF SHARES**Regulation 3**

- (A) Subject to the Act and to these Regulations and, where applicable, the rules of the Designated Stock Exchange, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Regulation 5, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and whether or not subject to the payment of any part of the amount (if any) thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with the Act and the rules of the

Designated Stock Exchange, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards Dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, or which confer special, limited or conditional voting rights, or which do not confer voting rights, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the rules of the Designated Stock Exchange. Where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

- (B) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
- (C) Except so far as otherwise provided by the conditions of issue or by these Regulations, all new shares shall be issued subject to the provisions of the Statutes and of these Regulations with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
- (D) Except as herein provided, no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members and shall have paid all calls and other monies due for the time being on every share held by him.

Regulation 4

The Company shall not exercise any right in respect of treasury shares other than as provided by the Act and the rules of the Designated Stock Exchange. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act and the rules of the Designated Stock Exchange.

Regulation 5

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares, the offer shall be made

by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of the aforesaid time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares or by reason of any other difficulty in apportioning the same) cannot, in the opinion of the Directors, be conveniently offered under this Regulation.

(B) Notwithstanding Regulation 5(A) above but subject to Regulation 8(E), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and
- (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,

Provided that:

- (1) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Act and the rules of the Designated Stock Exchange;
- (2) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the Act and these Regulations and the rules of the Designated Stock Exchange; and
- (3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required

by law to be held, or the expiration of such other period as may be prescribed by the Act and the rules of the Designated Stock Exchange (whichever is the earliest).

- (C) The Company may, notwithstanding Regulations 5(A) and 5(B) above, authorise the Directors not to offer new shares to Members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such Members on such terms and conditions as the Company may direct.

Regulation 8

- (A) Preference shares may be issued subject to these Regulations and the rules of the Designated Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the Dividend on the preference shares is more than six months in arrear.
- (B) Subject to the rules of the Designated Stock Exchange, the Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- (C) Subject to the rules of the Designated Stock Exchange, the Company has power to issue different classes of shares, including shares which confer special, limited or conditional voting rights, or which do not confer voting rights.
- (D) The rights attaching to shares of a class other than ordinary shares shall be expressed in the Constitution.
- (E) Notwithstanding anything in Regulation 8(C) and Regulation 8(D), the Company shall not undertake any issuance of shares that confer special, limited or conditional voting rights, or that confer no voting rights, except in accordance with the Act and the rules of the Designated Stock Exchange, and unless it is approved by the Members by Special Resolution.
- (F) The Company may issue shares for which no consideration is payable to the Company.

Regulation 8A

No share shall be issued to bearer.

(D) VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES**Regulation 9**

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, only be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Regulation 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The rights attached to any class of shares having preferential or other rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

(E) SPECIAL RESOLUTION**(i) Variation of rights*****Regulation 9***

(please refer to “Section (D) Variation of Rights of Existing Shares or Classes of Shares” directly above.)

(ii) Company may convert one class of shares into another class of shares***Regulation 10(B)***

The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.

(iii) Winding Up***Regulation 147***

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the Members *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(F) VOTING RIGHTS OF MEMBERS**Regulation 62**

- (A) Subject to any special rights, privileges or restrictions as to voting attached by or in accordance with these Regulations to any class of shares, and to Regulation 4, each Member entitled to vote may vote in person or by proxy or by attorney, and in the case of a Member being a corporation, by its duly authorized representative.
- (B) On a show of hands every Member who is present in person or by proxy or by attorney, and in the case of a Member being a corporation, by its duly authorized representative shall have one vote, provided that:
- (a) in the case of a Member who is not a clearing house or its nominee(s) or a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
 - (b) in the case of a Member who is a clearing house or its nominee(s) or a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

- (C) On a poll every Member who is present in person or by proxy or by attorney, and in the case of a Member being a corporation, by its duly authorized representative shall have one vote for every share of which he holds or represents.

Regulation 63

In the case of joint holders of a share, any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy or by attorney, or in the case of a corporation, by its duly authorized representative as if he were solely entitled thereto, but if more than one of such persons is present at a meeting, the vote of the senior who tenders a vote, whether in person or by proxy or by attorney, or in the case of a corporation, by its duly authorized representative, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the name which stands first in the Register of Members in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Regulation be deemed joint holders thereof.

Regulation 64

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

Regulation 65

No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or by attorney, or in the case of a Member being a corporation, by its duly authorized representative or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

Regulation 65A

Where the Company has knowledge that any Member is, under the rules and regulations of the Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

Regulation 66

No objection shall be raised as to the admissibility of any vote except at the General Meeting or adjourned General Meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the General Meeting whose decision shall be final and conclusive.

Regulation 67

On a poll, votes may be given either personally or by proxy or by attorney, and in the case of a Member being a corporation, by its duly authorized representative and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 68

(A) Save as otherwise provided in the Act:

- (a) a Member who is not a clearing house or its nominee(s) or a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
- (b) a Member who is a clearing house or its nominee(s) or a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

(B) Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(C) A proxy need not be a Member of the Company.

Regulation 69

(A) An instrument appointing a proxy for any Member shall be in writing in any usual or common form or in any other form which the Directors may approve (provided that this shall not preclude the use of the two-way form) and:

(a) in the case of an individual Member:

- (i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or
- (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

(b) in the case of a Member which is a corporation:

- (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post; or
- (ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of this Regulation, designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(B) The signatures on an instrument of proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of a Member by an attorney, the letter or power of attorney or a duly certified copy thereof shall (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Regulation, failing which the instrument of proxy may be treated as invalid.

(C) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in Regulation 69(A)(a)(ii) and 69(A)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), Regulation 69(A)(a)(i) and/or (as the case may be) Regulation 69(A)(b)(i) shall apply.

Regulation 70

- (A) An instrument appointing a proxy or the power of attorney or other authority, if any:
- (a) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or
 - (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,
- and in either case not less than 48 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid.
- (B) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 70(A)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 70(A)(a) shall apply.
- (C) An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the General Meeting as for the meeting to which it relates, Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

Regulation 71

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting.

Regulation 72

A vote cast by proxy in accordance with the terms of an instrument of proxy (which for the purposes of the Constitution shall also include a power of attorney) shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office (or

such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the General Meeting or adjourned General Meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Regulation 73

Subject to these Regulations, the Statutes and the rules of the Designated Stock Exchange, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Members who are unable to vote in person at any General Meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Regulation 74

- (A) Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting or of any class of Members. The person so authorized shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual Member of the Company and such corporation shall for the purposes of these Regulations (but subject to the Act) be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (B) If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives at any meeting of the Company or at any meeting of any class of members provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorized. Each person so authorized under the provisions of this article shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)), including, where a show of hands is allowed, the right to vote individually on a show of hands.
- (C) Any reference in these Regulations to a duly authorized representative of a Member being a corporation shall mean a representative authorized under the provisions of this Regulation.

(G) GENERAL MEETINGS**Regulation 46**

Save as otherwise permitted under the Act and the rules and regulations of the Designated Stock Exchange, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. All other General Meetings shall be called Extraordinary General Meetings. The interval between the close of a financial year of the Company and the date of the Company's Annual General Meeting shall not such period as prescribed by the Act and/or other legislation applicable to the Company from time to time.

Regulation 47

The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

(H) FINANCIAL STATEMENTS**Regulation 136**

- (A) The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Act and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.
- (B) Accounting records sufficient to show and explain the Company's transactions and otherwise complying with the Statutes, shall be kept at the Office or at such other place as the Directors think fit. No Member of the Company or other person shall have any right of inspecting any account or book or document of the Company except as conferred by statute or ordered by a court of competent jurisdiction or authorised by the Directors.

Regulation 137

The Directors shall from time to time, in accordance with the provisions of the Act, cause to be prepared and to be laid before a General Meeting of the Company financial statements, balance sheets, reports, statements and other documents as may be prescribed by the said Act.

Regulation 138

A copy of the financial statements and, if required, balance-sheet (including every document required by law to be attached or thereto), which is duly audited and which is laid before the Company in General Meetings accompanied by a copy of the

Auditor's report thereon and the Directors' report, shall not less than 21 days before the date of the meeting be sent to every Member of the Company and to every other person who is entitled to receive notices of General Meetings under the provisions of the Statutes or of these Regulations, Provided Always that (a) these documents may be sent less than 21 days before the date of the General Meeting if all persons entitled to receive notices of General Meetings from the Company so agree; and (b) this Regulation shall not require a copy of these documents to be sent to more than one of any joint holders or to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

(I) NOTICES OF MEETING AND BUSINESS TO BE CONDUCTED THEREAT

Regulation 48

Save as otherwise permitted under the Act and the rules of the Designated Stock Exchange Stock Exchange, an Annual General Meeting shall be called by notice of not less than twenty-one clear days or twenty clear Business Days (whichever is longer) and any Extraordinary General Meeting at which the passing of a Special Resolution is to be considered shall be called by notice of not less than twenty-one clear days or ten clear Business Days (whichever is longer). All other Extraordinary General Meetings may be called by notice of not less than fourteen clear days or ten clear Business Days (whichever is longer). The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than those who are not under the provisions of these Regulations entitled to receive such notices from the Company, provided that if permitted by the rules of the Designated Stock Exchange, a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote at thereat,

provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. At least fourteen days' notice (excluding the date of notice and the date of meeting) of any General Meeting shall be given to shareholders by advertisement in the daily press, Provided Always that in the case of any Extraordinary General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing (excluding the date of notice and the date of meeting) of such Extraordinary General Meeting shall be given to shareholders by advertisement in the daily press.

Regulation 49

- (A) Every notice calling a General Meeting shall specify the place, day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of him and that a proxy need not be a Member of the Company. Where the Company has one or more classes of shares that confer special, limited or conditional voting rights, or that confer no voting rights, the notice calling a General Meeting shall also specify the special, limited or conditional voting rights, or the absence of voting rights, in respect of each such class of shares.
- (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (C) In the case of any General Meeting at which business other than routine business (“special business”) is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.

Regulation 50

Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

- (a) declaring Dividends;
- (b) receiving and adopting the financial statements, the Directors’ statement, and the Auditors’ reports and other documents required to be attached or annexed to the financial statements;
- (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;
- (d) appointing Auditors or re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);
- (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and
- (f) fixing the Directors fees.

Regulation 51

Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

(J) TRANSFER OF SHARES**Regulation 32**

- (A) All transfers of shares shall be effected by written instruments of transfer in the usual or common form in a form prescribed by the Designated Stock Exchange or in the form for the time being approved by the Directors.
- (B) The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed and may be signed under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof. Notwithstanding the above, transfers of shares which are listed on the Designated Stock Exchange may be effected by any method of transferring or dealing in securities permitted by the rules and regulations of the Designated Stock Exchange and which has been approved by the Directors for such purpose.

Regulation 33

The Registers of Members and of Transfers may be closed, and the registration of transfers may be suspended, at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year.

Regulation 34

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or the rules of the Designated Stock Exchange) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten business days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Relevant Laws and/or the Designated Stock Exchange from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant, transferor and/or the transferee stating the facts which are considered to justify the refusal as required by the Statutes.

- (B) The Directors may decline to register any instrument of transfer unless:
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Relevant Laws and/or the Designated Stock Exchange from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (d) the instrument of transfer is in respect of only one class of shares.

Regulation 35

All instruments of transfer shall be registered and retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

Regulation 36

The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all Dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective

document in accordance with the recorded particulars thereof in the books or records of the Company, Provided Always that:

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

(K) POWER FOR OUR COMPANY TO PURCHASE OUR OWN SHARES**Regulation 11**

(please refer to “Section (B) Alterations of Capital” in this Appendix III above.)

(L) DIVIDENDS AND RESERVES**Regulation 123**

The Company may by Ordinary Resolution declare Dividends but no such Dividend shall exceed the amount recommended by the Directors.

Regulation 124

If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed Dividends on any class of shares carrying a fixed Dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim Dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Regulation 125

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Regulation, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Regulation 126

- (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. The payment by the Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All Dividends remaining unclaimed after one year from having been first payable may be invested or otherwise made use of by the Directors for the benefit of the Company, and any Dividend or any such monies unclaimed after six (6) years from having been first payable shall be forfeited and shall revert to the Company Provided Always that the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the Dividend so forfeited to the person entitled thereto prior to the forfeiture.

Regulation 127

No Dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Regulation 128

- (A) The Directors may retain any Dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the Dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.
- (C) A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

Regulation 129

The waiver in whole or in part of any Dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Regulation 130

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a Dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company or in any one or more of such ways) and the Directors shall give effect to such resolution. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Regulation 131

Any Dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members of the Member or person entitled thereto (or, if two or more persons are registered in the Register of Members as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such Member or person or persons may by writing direct.

Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Regulation 132

If two or more persons are registered in the Register of Members as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any Dividend, return of capital or other monies payable or property distributable on or in respect of the share.

Regulation 133

Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of such Dividend of transferors and transferees of any such shares.

Regulation 134

(A) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit.

In such case, the following provisions shall apply:

- (a) the basis of any such allotment shall be determined by the Directors;
- (b) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation;
- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the “elected ordinary shares”) and in lieu and in satisfaction thereof ordinary shares shall

be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and (notwithstanding any provision of the Regulations to the contrary), the Directors shall be empowered to do all things necessary and convenient for the purpose of implementing the aforesaid including, without limitation, the making of each necessary allotment of shares and of each necessary appropriation, capitalisation, application, payment and distribution of funds which may be lawfully appropriated, capitalised, applied, paid or distributed for the purpose of the allotment and without prejudice to the generality of the foregoing the Directors may (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

- (B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Regulation shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any appropriation, capitalisation, application, payment and distribution of funds pursuant to the provisions of paragraph (A) of this Regulation, with full power to make such provisions as they think fit in the case of fractional entitlements to shares (including, notwithstanding any provision to the contrary in these Regulations, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members) and to authorize any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such appropriation, capitalisation, application, payment and distribution of funds and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.
- (c) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of

which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular Dividend or Dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Regulation 134.

- (C) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 134, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Regulation 134 shall be read and construed subject to such determination.
- (D) The Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation 134, further determine that no allotment of ordinary shares or rights of election for ordinary shares under that paragraph shall be made available or made to Members whose registered addresses entered the Register of Members is outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant Dividend resolved or proposed to be paid or declared.
- (E) Notwithstanding the foregoing provisions of this Regulation 134, if at any time after the Directors' resolution to apply the provisions of paragraph (A) of this Regulation 134 in relation to any Dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (A) of this Regulation 134.

(M) PROXIES

Regulation 67

(please refer to "Section (F) Voting Rights of Members" in this Appendix III above.)

Regulation 68

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

Regulation 69

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

Regulation 70

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

Regulation 71

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

Regulation 72

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

Regulation 73

(please refer to “Section (F) Voting Rights of Members” in this Appendix III above.)

(N) CALLS ON SHARES**Regulation 17**

The Directors may from time to time make calls upon the Members in respect of any monies unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Regulation 18

Each Member shall (subject to receiving at least fourteen days’ notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.

Regulation 19

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding eight per cent. per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest in whole or in part.

Regulation 20

Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In the case of non-payment, all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Regulation 21

The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

Regulation 22

The Directors may if they think fit receive from any Member willing to advance the same all or any part of the monies uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made and upon the monies so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent. per annum, unless the Company in general meeting otherwise directs) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, whilst bearing interest, confer a right to participate in a dividend and any other distribution subsequently declared.

(O) FORFEITURE AND LIEN**Regulation 23**

If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.

Regulation 24

The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.

Regulation 25

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

Regulation 26

A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposal, the forfeiture or surrender may be cancelled on such terms as the Directors shall think fit. The Directors may, if necessary, authorise some person to transfer a share so forfeited or surrendered to any such other person as aforesaid.

Regulation 27

A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of such shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of such shares with interest thereon at eight per cent. per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of such shares at that time of forfeiture or surrender or waive payment in whole or in part.

Regulation 28

The Company shall have a first and paramount lien on every share (not being a fully paid share) and Dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such monies are due and unpaid, and to such amounts as the

Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation 28.

Regulation 29

- (A) The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto (if any) entitled to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice. Provided Always that if a Member shall have died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person shall have given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice.
- (B) In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold.

Regulation 30

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the debts or liabilities (including unpaid calls and accrued interest and expenses) and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assignees, as he may direct. For the purpose of giving effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser.

Regulation 31

A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate delivered to a purchaser or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to

whom the share is sold, re-allotted or disposed of shall be registered as the holder of the share. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

(P) QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

Regulation 9(A)

(please refer to “Section (D) Variation of Rights of Existing Shares or Classes of Shares” above.)

Regulation 53

No business other than the appointment of a Chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two Members present in person or by proxy, provided that (i) a proxy representing more than one Member shall only count as one Member for purpose of determining if the quorum aforesaid is present; and (ii) where a Member is represented by more than one proxy, such proxies of such Member shall only count as one Member for purposes of determining if the quorum aforesaid is present. In addition, for the purposes of a quorum, joint holders of any share shall be treated as one Member.

Regulation 54

If within thirty minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place or such other day, time or place as the Directors may by not less than ten days’ notice appoint.

Regulation 55

The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or *sine die*) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned *sine die*, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or *sine die*, not less than seven days’ notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.

Regulation 98

The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number, shall be two. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

Regulation 100

A Director shall not vote (nor be counted in the quorum) on any resolution in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has a material interest, directly or indirectly, but this prohibition shall not apply to any of the following:

- (a) any contract or arrangement or any other proposal for the giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associate(s) or obligations incurred or undertaken by him or any of his close associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) any contract or arrangement or any other proposal for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement or any other proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any contract or arrangement or any other proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his close associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights; or

- (e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries, including the following:
 - (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors or his close associate(s) and to employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; or
- (f) any contract or arrangement or any other proposal in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

Regulation 100A

A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(Q) WINDING UP**Regulation 146**

The Directors shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.

Regulation 147

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the Members *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members of different classes of Members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(R) INDEMNITY**Regulation 149**

Subject to the provisions of and so far as may be permitted by the Statutes, every Director and other officer of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company. Without prejudice to the generality of the foregoing, no Director or other officer of the Company shall be liable for any loss or expense which may happen to or be incurred by the Company in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, default, breach of duty or breach of trust.

Regulation 150

The Company must not indemnify any person in respect of any costs, charges, losses, expenses and liabilities pursuant to Regulation 149, or pay any premium for a contract pursuant to Regulation 148, if and to the extent that the Company is prohibited by law from doing so.

(S) SHARE CERTIFICATE RENEWAL**Regulation 16**

Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled or purchaser, as the Directors shall require, and in case of defacement or wearing out on delivery of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Relevant Laws and/or the Designated Stock Exchange from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to, and to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

SALIENT PROVISIONS OF THE CORPORATE LAWS OF SINGAPORE

The following summarises the salient provisions of the corporate laws of Singapore as at the date of this prospectus. The summaries below are for general guidance only and do not constitute legal advice, nor shall they be used as a substitute for specific legal advice on the corporate laws of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed or conferred by the corporate laws of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the laws of Singapore or otherwise. Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations under the relevant laws of Singapore.

Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the web-links listed in Appendix V (Documents Delivered to the Registrar of Companies and Available for Inspection) to this prospectus.

REPORTING OBLIGATIONS OF SHAREHOLDERS**(1) Obligation to notify Company of substantial shareholding and change in substantial shareholding***Section 81(1) of the Singapore Companies Act*

A person has a substantial shareholding in a company if he has an interest or interests in one or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares in the company.

Section 82 of the Singapore Companies Act

A person who is a substantial shareholder in a company shall give notice in writing to the company stating his name and address and full particulars of the voting shares in the company in which he has an interest or interests and full particulars of each such interest and of the circumstances by reason of which he has that interest within two business days after becoming a substantial shareholder.

Section 83 of the Singapore Companies Act

Where there is a change in the percentage level of the interest or interests of a substantial shareholder in a company in voting shares in the company, the substantial shareholder shall give notice in writing to the company stating the name and address of the substantial shareholder, the date of change and the circumstances leading to that change, and such other particulars as may be pressurized within two business days after he becomes aware of such a change.

The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest or interests in the company which results in his interest or interests, following such change, increasing or decreasing to the next discrete 1.0% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Section 84 of the Singapore Companies Act

A person who ceases to be a substantial shareholder in a company shall give notice in writing to the company stating his name and date on which he ceased to be a substantial shareholder and full particulars of the circumstances by reason of which he ceased to be a substantial shareholder within two business days after the person ceased to be a substantial shareholder.

Consequence of non-compliance

Section 89 of the Singapore Companies Act provides for the consequences of non-compliance with Sections 82, 83 and 84 of the Singapore Companies Act. Under Section 89 of the Singapore Companies Act, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 of the Singapore Companies Act provides for a defence to a prosecution for failing to comply with Sections 82, 83 or 84 of the Singapore Companies Act. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that:

- (a) he was not so aware on the date of the summons; or
- (b) he became so aware less than seven days before the date of the summons.

However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time:

- (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or
- (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

(2) Powers of the court with respect to defaulting substantial shareholders*Section 91 of the Singapore Companies Act*

Under Section 91 of the Singapore Companies Act, where a substantial shareholder fails to comply with Sections 82, 83 or 84 of the Singapore Companies Act, the Singapore courts may, on the application of the Minister of Finance of Singapore, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;

- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) above from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded;
- (h) for the purposes of securing compliance with any other order made under Section 91 of the Singapore Companies Act, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under Section 91 of the Singapore Companies Act may include such ancillary or consequential provisions as the Singapore courts thinks just.

The Singapore courts shall not make an order under Section 91 of the Singapore Companies Act, other than an order restraining the exercise of voting rights, if it is satisfied that:

- (a) the failure of the substantial shareholder to comply with Sections 82, 83 or 84 of the Singapore Companies Act was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and
- (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under Section 91 of the Singapore Companies Act that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE COMPANY**(1) Prohibition against false trading and market manipulation**

Sections 197 and 202 of the Securities and Futures Act (Chapter 289 of the laws Singapore) (“SFA”)

Section 197 of the SFA prohibits a person from:

- (a) doing any thing, causing any thing to be done or engaging in any cause of conduct for the purpose of creating a false or misleading appearance:
 - (i) of active trading in any securities on a securities market; or
 - (ii) with respect to the market for, or price of, such securities;
- (b) doing any thing, causing any thing to be done or engaging in any cause of conduct that creates, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities, if:
 - (i) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
 - (ii) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (c) the purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

Under Section 197(3) of the SFA, it shall be presumed that a person’s purpose, or are of his purposes, is to create a false or misleading appearance of active trading in securities on a securities market if he:

- (a) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (b) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or

- (c) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) of the SFA provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) of the SFA provides a defence in proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the person establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

(2) Prohibition against securities market manipulation

Section 198 of the SFA

Under Section 198(1) of the SFA, no person shall effect, take part in, be concerned in or carry out, directly or indirectly, two or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities on a securities market with intent to induce other persons to subscribe for, sell or purchase them or the securities of a related corporation.

Section 198(2) of the SFA provides that transactions in securities of a corporation includes the making of:

- (a) an offer to purchase or sell such securities of the corporation; and
- (b) an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

(3) Prohibition against the manipulation of the market price of securities by the dissemination of misleading information and the dissemination of information about illegal transactions

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under Section 199 of the SFA, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely:

- (a) to induce other persons to subscribe for securities;
- (b) to induce the sale or purchase of securities by other persons; or
- (c) to have the effect of raising, lowering, maintaining or stabilising the market price of securities,

if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the circulation or dissemination of information about illegal transactions. Section 202 of the SFA prohibits the circulation or dissemination (or authorising or being concerned in the circulation or dissemination) of any statement or information to the effect that the price of any securities of a corporation will, or is likely, to rise or fall or be maintained by reason of transactions entered into or to be entered into or other act or thing done or to be done in relation to securities of that corporation, or of a corporation that is related to that corporation, as the case may be, which to the person's knowledge, was entered into or done in contravention of Sections 197, 198, 199, 200 or 201 of the SFA or it entered into or done would be in contravention of Sections 197, 198, 199, 200 or 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the statements or information:

- (a) is the person, or associated with the person, who has entered into or purports to enter into any such transaction or has done as purports to do any such act or thing; or
- (b) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit for circulating or disseminating, or authorising or being concerned in the circulation or dissemination of, the statement or information.

(4) Prohibition against fraudulently inducing persons to deal in securities*Section 200 of the SFA*

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, by:

- (a) making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- (b) any dishonest concealment of material facts;
- (c) the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or
- (d) recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular,

unless it is established that, at the time when the person so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

(5) Prohibition against employment of manipulative and deceptive devices*Section 201 of the SFA*

Section 201 of the SFA prohibits a person from, directly or indirectly, in connection with the subscription, purchase or sale of any securities:

- (a) employing any device, scheme or artifice to defraud;
- (b) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (c) making any statement he knows to be false in a material particular; or
- (d) omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

(6) Prohibition against insider trading*Section 218 and 219 of the SFA*

Sections 218 and 219 of the SFA prohibit persons, whether as principal or agent, from dealing in or procuring another person to deal in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it were generally available, might have a material effect on the price or value of securities of that corporation. Such persons include

officers and substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of any professional or business relationship between himself (or his employer or a corporation of which he is an officer) with the corporation or a related corporation, or by being an officer of a substantial shareholder in that corporation or in a related corporation.

When trading in such securities is permitted on the securities market of a securities exchange or futures market of a futures exchange, the person must not, directly or indirectly, communicate the information or cause the information to be communicated if the insider knows, or reasonably ought to know, that the other person would or would be likely to deal in (or procure a third person to deal in) such securities.

For an alleged contravention of Section 218 or 219, Section 220 makes it clear that it is not necessary for the prosecution or the plaintiff to prove that the accused person or defendant intended to use the information referred to in Section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of Section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

(7) Penalties

Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum:

- (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or
- (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation,

whichever is the greater.

If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes Sections 197 to 203 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 204 of the SFA.

Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

Section 221 of the SFA

Any person who contravenes Sections 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 221 of the SFA.

Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

TAKE-OVER OBLIGATIONS

Pursuant to written confirmation obtained by our Company from the Securities Industry Council of Singapore, in light of the protections afforded to shareholders under the Takeovers Code, the Singapore Code on Take-overs and Mergers will cease to apply to the Company upon the Listing and the Company will thereafter be subject to the Takeovers Code.

COMPULSORY ACQUISITION

Section 215 of the Singapore Companies Act

Under Section 215(1) of the Singapore Companies Act, where a scheme or contract involving the transfer of all of the shares in a company to a person (“**Offer**”) has, within four (4) months after the making of the Offer by the transferee (“**Offeror**”), been approved

by the holders of not less than 90% of the total number of those shares (excluding treasury shares) (other than the shares already held at the date of the Offer by the Offeror (which shall include its nominees and related corporations), the Offeror may at any time within two (2) months, after the approval of the offer give notice to any dissenting shareholder (“**Dissenting Shareholder**”) that it desires to acquire his shares.

When such a notice is given, the Offeror shall, unless the Court otherwise orders on an application made by the Dissenting Shareholder within the stipulated time period, be entitled and bound to acquire those shares on the terms of the original Offer (unless otherwise specified in the Offer as being applicable to Dissenting Shareholders).

Under and subject to section 215(3) of the Singapore Companies Act, where pursuant to an Offer, shares in the company are being transferred to the Offeror or its nominee and those shares together with any other shares held by the Offeror (which shall include its nominees and related corporations) as at the date of transfer comprise or include 90% of the total number of shares in the company, the Offeror shall, within one month from the date of the transfer (unless on a previous transfer in pursuance of the scheme or contract it has already complied with this requirement), give notice to the holders of the remaining shares, who may within 3 months from the notice require the Offeror to acquire their shares.

SHARE CAPITAL

Section 161 of the Singapore Companies Act

Under Section 161 of the Singapore Companies Act, notwithstanding anything to the contrary in the constitution of a company, prior approval of a company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares, or otherwise the share issue is void.

Such approval may be confined to a particular exercise of that power or may apply to the exercise of that power generally; and any such approval may be unconditional or subject to conditions. Any approval, once given, will only continue in force until the conclusion of the next annual general meeting or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, provided that such approval has not been previously revoked or varied by the company in a general meeting.

Section 64A of the Singapore Companies Act

Pursuant to Section 64A of the Singapore Companies Act, and subject to the approval of the shareholders of a public company incorporated in Singapore by Special Resolution, different classes of shares in the public company may be issued if the issue of the class(es) of shares is provided for in the constitution of the company, and the constitution of the company sets out in respect of each class of shares the rights attached to that class of shares. Such class(es) of shares may confer special, limited or conditional voting rights, or not confer any voting rights.

MINORITY RIGHTS**Section 216 of the Singapore Companies Act**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Singapore Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company has taken an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and may make such order as the court thinks fit with the view to bringing an end or remedying the matters complained of. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of the shares of the company by other members of the company or by the company itself;
- (e) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital;
- (f) order the amendment of the company's constitution; or
- (g) provide that the company be wound up.

EXCHANGE CONTROLS

Apart from anti-money laundering and tax legislation, there are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and

- (b) the remittance of dividends, interest or other payments to non-resident holders of a company's securities.

MEMBERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS

Section 176 of the Singapore Companies Act

Section 176 of the Singapore Companies Act provides that notwithstanding anything in the constitution, the directors shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10% of the total number of paid-up shares as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition.

For the purpose of section 176 of the Singapore Companies Act, any of the Company's paid-up shares as treasury shares shall be disregarded.

Section 183 of the Singapore Companies Act

Section 183 of the Singapore Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to:

- (a) give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of members required for such a requisition shall be any number of members representing not less than 5% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation**

Our Company was incorporated in Singapore under the Singapore Companies Act as a private company limited by shares on 4 January 1988. Our Company was converted into a public company and changed its name from “Kinergy Pte. Ltd.” to “Kinergy Ltd.” on 22 December 2006. Our Company subsequently changed its name from “Kinergy Ltd.” to “Kinergy Corporation Ltd.” with effect from 12 December 2013.

Our Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 April 2018. We have established a place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong. Ms. Wan Kim Ying Kasina has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in Singapore, its operations are subject to the relevant laws and regulations of Singapore and our Constitution. A summary of our Constitution and the salient provisions of the Singapore Companies Act is set out in Appendix III to this prospectus.

2. Change in share capital

As at the date of incorporation of our Company, the issued and paid-up share capital of our Company was S\$2.00 divided into two shares of S\$1.00 each. Pursuant to the Companies (Amendment) Act 2005 of Singapore, the concepts of authorised share capital and par value in respect of issued shares were abolished. The following sets out the alteration in the issued and paid-up share capital of our Company within the two years immediately preceding the issue of this prospectus:

- (a) On 30 September 2016, our Company issued and allotted 11,340,348 Shares to Diamond Wealth for the consideration of S\$4,696,000.
- (b) On 7 November 2016, our Company undertook a capital reduction exercise in accordance with Section 78C of the Singapore Companies Act and the Constitution, pursuant to which 167,000 Shares held by certain public Shareholders were cancelled and our Company’s share capital was reduced by returning an aggregate of S\$68,470 to these public Shareholders.
- (c) On 21 December 2017, our Company issued and allotted 15,750,483 Shares to Diamond Wealth for the consideration of S\$6,522,000.
- (d) On 19 June 2018, our Shareholders resolved that each issued Share was subdivided into four Shares with effect from 20 June 2018 such that the total number of issued Shares of our Company increased from 157,337,831 Shares to 629,351,324 Shares.

Save as disclosed above and in the paragraph headed “3. Resolutions in writing of our Shareholders passed on 27 June 2018” below, there has been no alteration in the share capital of our Company in the two years preceding the date of this prospectus.

As at the Latest Practicable Date, our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on 27 June 2018

Pursuant to the written resolutions passed by our Shareholders on 27 June 2018:

- (a) the Constitution will be adopted in substitution for and to the exclusion of the then existing constitution of the Company with effect from 18 July 2018 (being the Listing Date);
- (b) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (ii) the entering into of the Price Determination Agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with their terms or otherwise, in each case, on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the grant of the Over-allotment Option were approved and pursuant to Section 161 of the Singapore Companies Act, our Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed “D. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme;
 - (iii) pursuant to Section 161 of the Singapore Companies Act and the Listing Rules, a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue (as defined below), or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Constitution or pursuant to the grant

of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme);

For the purpose of this paragraph, “Rights Issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options, or other securities giving rights to subscribe for shares in the capital of the Company open for a period fixed by our Directors to holders of Shares in the Company on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body, or any stock exchange applicable to the Company);

- (iv) pursuant to section 76B and section 76E of the Singapore Companies Act and the Listing Rules, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of the Company to repurchase on the Stock Exchange, or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme);

In relation to the Shares to be purchased pursuant to the Repurchase Mandate, the share price should not exceed 105% of the average closing market price. For this purpose, the average closing market price is the official closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the date of repurchase; and

- (v) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iii) above to include the aggregate number of Shares which may be repurchased pursuant to paragraph (iv) above.

Each of the general mandates referred to in paragraphs (iii), (iv) and (v) above will remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by any applicable law or the Constitution to hold the next annual general meeting of our Company; or
- (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History and Development" to this prospectus, our Company has no other subsidiaries.

Save as for the changes as mentioned in the section headed "History and Development" to this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to resolution passed by our Shareholders on 27 June 2018, the Repurchase Mandate was given to our Directors to exercise all powers of the Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate number of Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the

Global Offering (excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of options which may be granted under the Share Option Scheme), details of which have been described above in the paragraph headed “3. Resolutions in writing of our Shareholders passed on 27 June 2018” to this section.

(ii) Source of funds

Any payment made by the Company in consideration of any repurchases of Shares may be made out of the Company’s capital or profits so long as the Company is solvent in accordance with the Constitution, the Listing Rules and the Singapore Companies Act. The Company is not permitted to repurchase the Shares on the Main Board for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by the Company must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

Any payment made by the Company in consideration of any repurchases of Shares may be made out of the Company’s capital or profits so long as the Company is solvent in accordance with the Constitution, the Listing Rules, and the Singapore Companies Act. In any event, our Directors do not propose to exercise the Repurchase Mandate to such an extent that would, in the circumstances, have a material adverse effect on our Company’s working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Constitution and the applicable Singapore laws and regulations.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory place in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstance.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the subscription agreement dated 5 September 2016 entered into between Kinergy Corporation Ltd. and Diamond Wealth Global Limited pursuant to which Kinergy Corporation Ltd. allotted and issued to Diamond Wealth Global Limited 11,340,348 shares of Kinergy Corporation Ltd. at cash consideration of S\$4,696,000, and granted an option to Diamond Wealth Global Limited to subscribe for 15,750,483 shares of Kinergy Corporation Ltd. at cash consideration of S\$6,522,000;
- (b) the Deed of Indemnity;
- (c) the cornerstone investment agreement (基石投資協議) dated 26 June 2018 entered into between Kinergy Corporation Ltd., GT Cedar Capital (Hong Kong) Limited, China Everbright Capital Limited, Guoyuan Capital (Hong Kong) Limited, China Everbright Securities (HK) Limited and First Capital

Securities Limited, pursuant to which GT Cedar Capital (Hong Kong) Limited agreed to subscribe for such number of shares in the share capital of Kinergy Corporation Ltd. (rounded down to the nearest whole board lot of 2,000 shares) which may be purchased with the amount of HK\$39,235,000 at the Offer Price;

- (d) the cornerstone investment agreement (基石投資協議) dated 26 June 2018 entered into between Kinergy Corporation Ltd., VisionGain China Opportunities Fund, China Everbright Capital Limited, Guoyuan Capital (Hong Kong) Limited, China Everbright Securities (HK) Limited and First Capital Securities Limited, pursuant to which VisionGain China Opportunities Fund agreed to subscribe for such number of shares in the share capital of Kinergy Corporation Ltd. (rounded down to the nearest whole board lot of 2,000 shares) which may be purchased with the amount of HK\$25,000,000 at the Offer Price;
- (e) the cornerstone investment agreement (基石投資協議) dated 26 June 2018 entered into between Kinergy Corporation Ltd., Bonus First Holdings Limited, China Everbright Capital Limited, Guoyuan Capital (Hong Kong) Limited, China Everbright Securities (HK) Limited and First Capital Securities Limited, pursuant to which Bonus First Holdings Limited agreed to subscribe for such number of shares in the share capital of Kinergy Corporation Ltd. (rounded down to the nearest whole board lot of 2,000 shares) which may be purchased with the amount of HK\$20,000,000 at the Offer Price; and
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which, in opinion of our Directors, are material to our business:

<u>Trademark</u>	<u>Registration Number</u>	<u>Class</u>	<u>Name of Registered Proprietor</u>	<u>Place of Registration</u>	<u>Expiry Date</u>
 KINERGY	T0015149F	9 (see note below)	Kinergy Corporation Ltd.	Singapore	26 August 2020
 KINERGY	304289752	9 (see note below)	Kinergy Corporation Ltd.	Hong Kong	29 September 2027

Note: Automatic semiconductor apparatus.

(b) Domain name

As at the Latest Practicable Date, we have registered the following domain name which, in opinion of our Directors, is material to our business:

<u>Domain name</u>	<u>Name of Registered Proprietor</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
KINERGY.COM.SG	Kinergy Pte. Ltd.	24 September 1997	24 September 2018

(c) Patents

As at the Latest Practicable Date, we are the registered owner of the following patents in the PRC which, in opinion of our Directors, are material to our business:

<u>No.</u>	<u>Patent</u>	<u>Type</u>	<u>Patent number</u>	<u>Application Date</u>	<u>Owner</u>	<u>Period of validity (No. of years as from the Application Date)</u>
1	A multi-module bus control system and method (一種多模組總線控制系統及方法)	Patent for invention	ZL201410327063.8	10 July 2014	Kinergy EMS	20
2	A stent to stress treatment method (一種支架去應力處理方法)	Patent for invention	ZL201410327360.2	10 July 2014	Kinergy EMS	20
3	A processing gyrate device for heat based products (一種熱底座產品旋轉加工裝置)	Patent for utility model	ZL201420380270.5	10 July 2014	Kinergy EMS	10
4	A dual in-line package lead frame device for semiconductor chip arrangement (一種半導體排片設備的雙引線框架排片裝置)	Patent for utility model	ZL201420380048.5	10 July 2014	Kinergy EMS	10
5	A multiple work pieces processing device for cubical products (一種產品小方盒多片加工裝置)	Patent for utility model	ZL201420379953.9	10 July 2014	Kinergy EMS	10
6	A dual semiautomatic positioning system assembly device (一種半自動雙定位銷組裝裝置)	Patent for utility model	ZL201420379834.3	10 July 2014	Kinergy EMS	10
7	A detecting device for automatic chip arrangement machine racks (一種自動排片機料架檢測裝置)	Patent for utility model	ZL201420382586.8	11 July 2014	Kinergy EMS	10
8	A high vertical precision tensioning device for heating pipes (一種加熱支架高垂直精度裝夾裝置)	Patent for utility model	ZL201420382056.3	11 July 2014	Kinergy EMS	10
9	A tensioning device for heating pipes (一種加熱支架的裝夾裝置)	Patent for utility model	ZL201420382058.2	11 July 2014	Kinergy EMS	10
10	A feeding device for plastics (一種膠料送料裝置)	Patent for utility model	ZL201420402284.2	21 July 2014	Kinergy EMS	10
11	A semiconductor trim and formation mold for high speed replacement of cutting tools (一種快速更換刀具的半導體切筋成型模具)	Patent for utility model	ZL201420404554.3	21 July 2014	Kinergy EMS	10
12	A floating positioning frame for feeding rack (一種上片架浮動定位框)	Patent for utility model	ZL201420404281.2	22 July 2014	Kinergy EMS	10

No.	Patent	Type	Patent number	Application Date	Owner	Period of validity (No. of years as from the Application Date)
13	A detecting device for automatic chip arrangement machine feeding rack (一種自動排片機上料架檢測機構)	Patent for utility model	ZL201420410778.5	24 July 2014	Kinergy EMS	10
14	A processing device for dowel installation of high precision heating claws (一種高精度熱爪子的安裝銷釘加工裝置)	Patent for utility model	ZL201621156646.X	25 October 2016	Kinergy EMS	10
15	A force and alignment adjusting device for linear sliders (一種調節直線導軌推力和平行度的裝置)	Patent for utility model	ZL201621210268.9	10 November 2016	Kinergy EMS	10
16	A high speed installation clipping device for wear-resisting plastic rings and shafts (一種耐磨塑料環與沖膠料桿的快速便捷安裝夾具)	Patent for utility model	ZL201621210277.8	10 November 2016	Kinergy EMS	10
17	A new detecting device for dual material slices (一種新型雙料片檢測裝置)	Patent for utility model	ZL201621210260.2	10 November 2016	Kinergy EMS	10
18	A simple C-shaped structure with high stability (一種結構簡單、穩定性能強的C型導向結構)	Patent for utility model	ZL201621210229.9	10 November 2016	Kinergy EMS	10
19	A multi-station rotating processing device for T-shaped slide boards (一種T形滑塊多工位回轉加工裝置)	Patent for utility model	ZL201621157737.5	25 October 2016	Kinergy EMS	10
20	A function testing device for high precision transducers of automatic packing equipment (一種自動封裝設備高精度傳感器功能測試設備)	Patent for utility model	ZL201621210259.X	10 November 2016	Kinergy EMS	10
21	A highly-precise device for measurement of heating stands (一種熱支架高精度尺寸評估裝置)	Patent for utility model	ZL 201621210267.4	10 November 2016	Kinergy EMS	10
22	A device for controlling the straightness of detecting machine (一種探測機架直線度控制裝置)	Patent for utility model	ZL201620568385.6	14 June 2016	Beta Nova	10
23	A quick processing gyrate device for heating chassis (一種加熱底座快速旋轉加工裝置)	Patent for utility model	ZL201620576037.3	14 June 2016	Beta Nova	10
24	A testing device for controlling the acceleration sensor of mobile phone (一種手機加速度感應測試穩定控制裝置)	Patent for utility model	ZL201620517319.X	1 June 2016	Beta Nova	10
25	An air-operated testing device for the position of hole on heating stand (一種加熱支架孔位置度氣動檢測裝置)	Patent for utility model	ZL201620425397.3	12 May 2016	Beta Nova	10
26	An air-operated installing and clamping device for optical measuring disc (一種光學測量圓盤氣動裝夾裝置)	Patent for utility model	ZL201620425399.2	12 May 2016	Beta Nova	10
27	A testing and transmitting device for the amplification of volume of mobile phone (一種手機音量增益檢測傳送裝置)	Patent for utility model	ZL201620297778.8	12 April 2016	Beta Nova	10

No.	Patent	Type	Patent number	Application Date	Owner	Period of validity (No. of years as from the Application Date)
28	A detecting device with slide retainers for the depth of hole with specific taper (一種定位滑塊的特殊錐度精孔深度檢測裝置)	Patent for utility model	ZL201620259058.2	31 March 2016	Beta Nova	10
29	An air-operated installing and clamping device for chassis of gravity sensor of mobile phone (一種手機重力傳感器托盤的氣動裝夾裝置)	Patent for utility model	ZL201620271270.0	31 March 2016	Beta Nova	10
30	A servo motor driven testing device (一種伺服電機驅動測試裝置)	Patent for utility model	ZL201520736075.6	22 September 2015	Beta Nova	10
31	A tester for gravity sensor of mobile phone (一種手機重力傳感器的測試機)	Patent for utility model	ZL201520689994.2	8 September 2015	Beta Nova	10
32	A processing device for thermal insulated stand (一種隔熱支架加工裝置)	Patent for utility model	ZL201520629523.2	20 August 2015	Beta Nova	10
33	A processing gyrate device for cooling connector (一種散熱連接器的旋轉加工裝置)	Patent for utility model	ZL201520630048.0	20 August 2015	Beta Nova	10
34	An air-operated processing device injecting loading disk (一種輸入負載盤加工的氣動裝置)	Patent for utility model	ZL201520630067.3	20 August 2015	Beta Nova	10
35	A highly-precise air-operated clamping device with vertical heating stand (一種加熱支架高垂直精度氣動夾緊裝置)	Patent for utility model	ZL201520630071.X	20 August 2015	Beta Nova	10
36	A installing and clamping device with vacuum chuck for processing tray thickness (一種托盤厚度加工真空吸盤裝夾裝置)	Patent for utility model	ZL201520630114.4	20 August 2015	Beta Nova	10
37	A quick installing and clamping device for processing triangle chassis (一種三角中心底盤加工快速裝夾裝置)	Patent for utility model	ZL201520630134.1	20 August 2015	Beta Nova	10
38	A positioning and clamping device for counterboring with heat claw (一種熱爪沉孔加工定位夾緊裝置)	Patent for utility model	ZL201720224340.1	9 March 2017	Beta Nova	10
39	An air-operated positioning and clamping device with chuck (一種卡爪氣動夾緊定位裝置)	Patent for utility model	ZL201720224391.4	9 March 2017	Beta Nova	10
40	A quick positioning and clamping device for chassis (一種底座快速定位夾緊裝置)	Patent for utility model	ZL201720225529.2	9 March 2017	Beta Nova	10
41	An equiflux heating plate in tearing film machine (一種撕膜機均勻加熱平台)	Patent for utility model	ZL201720989888.5	9 August 2017	Kinergy EMS	10
42	A highly precise device for adjusting and evaluating the parallelism of wire bonding machine (一種高精度調節和評估線鍵合機平行度設備裝置)	Patent for utility model	ZL201621210228.4	10 November 2016	Kinergy EMS	10

As at the Latest Practicable Date, applications have been made for the registration of the following patents in the PRC which, in opinion of our Directors, are material to our business:

No.	Title	Type	Application number	Application Date	Applicant
1	A data communication device and its application methods (一種數據通訊裝置及使用方法)	Patent for invention	201510606703.3	22 September 2015	Beta Nova
2	A precision frame welding fixture (一種精密框架焊接用工裝夾具)	Patent for utility model	201820642174.1	2 May 2018	Kinergy EMS
3	A guide rail heating device that automatically detecting temperature (一種導軌加熱自動檢測溫度的裝置)	Patent for utility model	201820642775.2	2 May 2018	Kinergy EMS
4	An automatic magnetic sheet detection and screening device (一種自動檢測磁片及篩選裝置)	Patent for utility model	201820642772.9	2 May 2018	Kinergy EMS
5	A DC motor voltage and current linear accuracy detection device (一種直流電機電壓電流線性精確檢測裝置)	Patent for utility model	201820644134.0	2 May 2018	Kinergy EMS
6	An application based on linkage mechanism in dispensing Machine (一種基於連桿機構在點膠機中的應用)	Patent for utility model	201820643500.0	2 May 2018	Kinergy EMS
7	A guide rail screw mounting device (一種導軌螺絲安裝裝置)	Patent for utility model	201820642774.8	2 May 2018	Kinergy EMS
8	A highly efficient communication control method in servo system (一種伺服系統中的高效通信控制方法)	Patent for invention	201810410293.9	2 May 2018	Kinergy EMS

Save as aforesaid, there are no other trade or service marks, patents, other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering (without taking into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Interests in our Company

<u>Name of Director</u>	<u>Nature of interest</u>	<u>Number of Shares⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Mr. Lim ⁽²⁾	Beneficial owner; interest of spouse	264,514,472 ^(L)	31.51%
Ms. Foo ⁽²⁾	Beneficial owner; interest of spouse	264,514,472 ^(L)	31.51%
Mr. Bradley F. Kerr ⁽³⁾	Interest of spouse	76,498,768 ^(L)	9.11%
Mr. Du Xiaotang ⁽⁴⁾	Interest of a controlled corporation	8,105,704 ^(L)	0.97%
Mr. Lim Khin Mann ⁽⁵⁾	Beneficial owner	18,148,000 ^(L)	2.16%

Notes:

(1) The letter “L” denotes the person’s long position in the Shares.

- (2) These Shares comprise 246,366,472 Shares held directly by Mr. Lim and 18,148,000 Shares held directly by Ms. Foo. Ms. Foo is the spouse of Mr. Lim. Therefore, Mr. Lim is deemed or taken to be interested in the Shares held by himself and Ms. Foo, and Ms. Foo is deemed or taken to be interested in the Shares held by herself and Mr. Lim under the SFO.
- (3) These Shares are held by Unitras. Mr. Bradley Fraser Kerr is the spouse of Ms. Joyce S. Kerr, and Ms. Joyce S. Kerr owns 100% of the issued share capital of Unitras. Therefore, Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares held by Unitras under the SFO.
- (4) These Shares are held by Sino Expo. Sino Expo is owned as to 100% by Mr. Du Xiaotang. Mr. Du Xiaotang is also the sole director of Sino Expo. Therefore, Mr. Du Xiaotang is deemed or taken to be interested in the Shares held by Sino Expo under the SFO.
- (5) Mr. Lim Khin Mann is the alternate Director to Ms. Foo.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The annual basic salary of Mr. Lim and Mr. Du is S\$30,000 and S\$30,000 respectively, subject to any increment as recommended by the remuneration committee. In addition, each of the executive Directors is also entitled to a discretionary bonus subject to approval of the Board and the remuneration committee of our Company having regard to the operating results of our Group and the performance of the executive Director.

Each of our non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The director's fee of each of the non-executive Directors is S\$30,000 per annum subject to any increment as recommended by the remuneration committee.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other. The director's fees of Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei are S\$38,000, S\$30,000 and S\$30,000 per annum, respectively subject to any increment as recommended by the remuneration committee.

(c) Directors' remuneration

For each of the three years ended 31 December 2015, 2016 and 2017, the aggregate amount of the remuneration paid (including salaries, bonuses, allowance, benefits in kind and pension scheme contributions) to the Directors

by our Group were approximately S\$0.42 million, S\$0.42 million, and S\$0.53 million, respectively. Details in respect of director emoluments is set out in note 9 headed “Directors’ and chief executive’s remuneration” to the Accountants’ Report set out in Appendix I to this prospectus.

Under the arrangement currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind, but excluding discretionary bonus) of our Directors for the year ending 31 December 2018 is estimated to be approximately S\$501,000.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of interest	Shares held immediately following the completion of the Placing and the Capitalisation Issue	
		Number ⁽¹⁾	Percentage (%)
Unitras	Beneficial owner	76,498,768 ^(L)	9.11
Ms. Joyce S. Kerr ⁽²⁾	Interest in a controlled corporation	76,498,768 ^(L)	9.11
Diamond Wealth	Beneficial owner	262,084,380 ^(L)	31.22
CE Venture ⁽³⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
CEL ⁽³⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Honorich Holdings Limited ⁽⁴⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Datten Investments Limited ⁽⁴⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
CE Hong Kong ⁽⁴⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
China Everbright Group ⁽⁴⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22
Huijin ⁽⁵⁾	Interest in a controlled corporation	262,084,380 ^(L)	31.22

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Unitras 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 under the SFO.
- (3) As at the Latest Practicable Date, CEL held 100% of the issued share capital of CE Venture; and CE Venture held 100% of the 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 SFO.
- (4) 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. 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 our Company under the SFO.
- (5) Huijin is indirectly wholly-owned by the State Council and holds approximately 55.67% equity interest of China Everbright Group. Accordingly, Huijin is deemed to be interested in China Everbright Group’s interest in our Company under the SFO.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

4. Disclaimers

Save as disclosed herein:

- (a) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the voting shares of any other member of our Group;
- (b) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register

referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;

- (c) none of our Directors or experts referred to under the heading “E. Other Information — 7. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (f) none of the experts referred to under the heading “E. Other Information — 8. Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in 5% or more of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) Acceptance of an offer of Options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HKD1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one

board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering, being 83,935,132 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r)

below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company which shall comply with Rules 17.03(4) and 17.06 of the Listing Rules containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; and
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by our Company and the approval of the shareholders in general meeting on a poll at which the grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or after inside information has come to the knowledge of our Company until it has been published pursuant to the requirement of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results, half-year, quarterly or other interim period (whether or not required under the Listing Rules);
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules), and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be).

Where the grant of options is to a Director no options shall be granted:

- (iii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of Option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of five years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than five years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an Eligible Participant:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, in the event of termination of employment with the Group; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement

does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights, dividend or other rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof.

Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;

- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his or her relationship with the Group on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally or any other ground as determined by the Board that would warrant the termination of his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the adoption date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 83,935,132 Shares in total.

E. OTHER INFORMATION

1. Tax and other indemnities

The Lim Family entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in item (b) under the paragraph headed “B. Further Information about the Business — 1. Summary of material contracts” in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject and payable on or before the date when the Global Offering becomes unconditional.

2. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Joint sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme).

China Everbright Capital Limited, being one of the Joint Sponsors, is controlled by China Everbright Group, one of our Controlling Shareholders. As such, China Everbright Capital Limited is a connected person of our Company. Apart from China Everbright Capital Limited, another Joint Sponsor, Guoyuan Capital (Hong Kong) Limited, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The aggregate sponsor fees of the Joint Sponsors is approximately HK\$5.2 million and are payable by our Company.

4. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately S\$700.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Singapore

(i) Dividend Distributions

Dividends paid by a Singapore tax resident company would be considered as sourced from Singapore. Dividends received from a Singapore tax resident company by either Singapore tax resident or non-Singapore tax resident shareholders are not subject to Singapore withholding tax.

Under the one-tier corporate tax system in Singapore, the tax paid by a Singapore tax resident company is a final tax and the after-tax profits of the company can be distributed to its shareholders as tax exempt (one-tier) dividends.

As our Company is a Singapore tax resident company, our Company can distribute the after-tax profits of our Company to our Shareholders as tax exempt (one-tier) dividends. The dividends will be exempt from Singapore income tax in the hands of our shareholders, regardless of the tax residence status or the legal form of our shareholders.

(ii) Gains on Disposals of Ordinary Shares

Singapore does not impose tax on capital gains. There are no specific laws or regulations which deal with the characterisation of whether a gain is revenue or capital in nature. The characterisation would usually depend on the facts and circumstances surrounding the purchase and sale of a particular asset. In general, gains or profits derived from the disposal of our Shares acquired for long-term investment purposes should be considered as capital gains and not subject to Singapore tax.

On the other hand, gains may be construed to be of an income nature and subject to Singapore income tax if they arise from or are otherwise connected with activities which the Comptroller regards as the carrying on of a trade or business of dealing in shares in Singapore.

The tax treatment on any gains/losses that may arise from the disposal of shares (i.e. whether the gains/losses are capital or revenue in nature) would continue to be determined based on a consideration of the specific facts and circumstances of the case and by reference to established case law principles.

(iii) Stamp Duty

There is no stamp duty payable on the subscription and issuance of our Shares.

Where our shares evidenced in certificate form are acquired in Singapore and where our Company maintains a share registry in Singapore, stamp duty is payable on the instrument of transfer of our shares at the rate of 0.2% of the consideration for, or net asset value of such shares, whichever is higher. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer for shares in a Singapore entity is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

The Stamp Duties Act (Chapter 312 of the laws of Singapore) was amended by the Stamp Duties (Amendment) Act 2017 with effect from 11 March 2017 to, among other things, introduce the additional conveyance duty to be levied on acquisitions and disposals of equity interests in residential property-holding entities and imposed the obligation to pay stamp duty once the agreement for the sale and purchase of shares was executed. However, pursuant to the Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018 which came into effect on 11 April 2018, the position on stamp duty for the sale and purchase of shares before the enactment of Stamp Duties (Amendment) Act 2017 was reinstated. Stamp duties for agreements for the sale and purchase of shares were remitted with effect from 11 April 2018 except where the shares to be transferred are in property-holding entities. Further, stamp duty in respect of sale and purchase of shares remains payable on the instrument of transfer.

Upon the Listing, Shareholders are not liable to Singapore stamp duty if the relevant instrument of transfer is not executed in Singapore and is lodged with our Hong Kong Share Registrar.

(iv) Estate Duty

Singapore estate duty was abolished with effect from 15 February 2008.

(v) Goods and Services Tax (“GST”)

GST is a consumption tax levied on the importation of goods, as well as most supplies of goods and services in Singapore. GST on importation is collected by the Singapore Customs while GST on local supplies of goods and services is collected by GST-registered persons. The prevailing standard GST rate is 7%. Certain supplies are exempt from GST. Broadly, these include sales and leases of residential properties and the provision of certain financial services. Export of goods and provision of international services are generally zero-rated (i.e. subject to GST at 0%).

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

7. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
China Everbright Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Guoyuan Capital (Hong Kong) Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Ernst & Young	Certified Public Accountants
Shook Lin & Bok LLP	Legal advisers to the Company as to Singapore law
AnJie Law Firm	Legal advisers to the Company as to PRC law
Fortun Narvasa & Salazar	Legal advisers to the Company as to Philippines law
TMI Associates	Legal advisers to the Company as to Japanese law
China Insights Consultancy Limited	Industry consultant

8. Consents of experts

Each of the experts named in paragraph 7 of this Appendix has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

9. Interests of experts in our Company

None of the persons named in paragraph 7 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2017 (being the date to which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in Singapore and a branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in Singapore. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system; and
- (h) our Company has no outstanding convertible debt securities or debentures.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Others

The English text of the prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin, at 39/F, Two Int’l Finance Centre, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Constitution of our Company;
- (b) the Accountants’ Report of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2015, 2016 and 2017;
- (e) the letter from Shook Lin & Bok LLP, our Singapore legal advisers, summarising certain aspects of Singapore company laws referred to in the section headed “Summary of the Constitution of our Company and Salient Provisions of the Laws of Singapore” in Appendix III to this prospectus;
- (f) the legal opinion issued by Shook Lin & Bok LLP, our legal advisers as to Singapore law, in respect of certain aspects of our Group in Singapore;
- (g) the legal opinions issued by AnJie Law Firm, our PRC Legal Advisers, in respect of certain aspects of our Group and property interests in the PRC;
- (h) the legal opinion issued by Fortun Narvasa & Salazar, our legal advisers as to Philippines law, in respect of certain aspects of our Group in the Philippines;

- (i) the legal opinion issued by TMI Associates, our legal advisers as to Japanese law, in respect of certain aspects of our Group in Japan;
- (j) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 8. Consents of experts” in Appendix IV to this prospectus;
- (l) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme;
- (n) the report issued by China Insights Consultancy Limited, the industry consultant to our Company; and
- (o) the Singapore Companies Act.

In addition, prospective investors and/or Shareholders can access copies of the following documents via the following web-links:

Singapore Companies Act (Chapter 50) of Singapore

<https://sso.agc.gov.sg/Act/CoA1967>

Singapore Securities and Futures Act (Chapter 289) of Singapore

<https://sso.agc.gov.sg/Act/SFA2001>

The background of the page features a series of thin, light gray lines that intersect to form a grid of diamond-shaped patterns. These lines are oriented diagonally, creating a sense of depth and movement across the entire page.

 **KINERGY**

Kinergy Corporation Ltd.
光控精技有限公司*