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Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
SHARES IN SMEE EQUIPMENT (GROUP) CO., LTD.***

The Board is pleased to announce that on 19 November 2019 (after trading hours), Kinergy EMS and Nantong Semiconductor Fund entered into the Share Transfer Agreement, pursuant to which Kinergy EMS has conditionally agreed to purchase and Nantong Semiconductor Fund has conditionally agreed to sell 588,095 shares of SMEE, representing approximately 0.4% of the entire issue shares of SMEE. The Consideration, being RMB16.0 million (equivalent to approximately HK\$17.92 million), will be payable in cash by Kinergy EMS on Completion.

As at the date of this announcement, CEL, being one of the controlling shareholders of the Company, indirectly holds 100% interest of Shanghai CEL Puyan, which in turn manages and controls Nantong Semiconductor Fund. Accordingly, Nantong Semiconductor Fund is a connected person of the Group; and therefore the Share Transfer Agreement and the Acquisition thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Company pursuant to Rule 14A.76(2) of the Listing Rules.

Shareholders and investors should note that the Share Transfer Agreement is subject to various conditions precedent as stated in the section headed "Share Transfer Agreement — Conditions Precedent" of this announcement, which may or may not be fulfilled. The Acquisition may or may not complete. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the respective securities of the Company.

* For identification purpose only

SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on 19 November 2019 (after trading hours), Kinergy EMS and Nantong Semiconductor Fund entered into the Share Transfer Agreement, pursuant to which Kinergy EMS has conditionally agreed to purchase and Nantong Semiconductor Fund has conditionally agreed to sell the Sale Shares, on the terms summarised below.

Date: 19 November 2019

Parties: Kinergy EMS, as purchaser

Nantong Semiconductor Fund, as vendor

Subject matter to be acquired

The Sale Shares, being 588,095 shares of SMEE, representing approximately 0.4% of the entire issue shares of SMEE.

Consideration

The Consideration, being RMB16.0 million (equivalent to approximately HK\$17.92 million), will be payable in cash by Kinergy EMS within seven Business Days from the date on which all conditions precedent in the Share Transfer Agreement have been fulfilled or waived.

The Consideration was determined after arm's length negotiations between Kinergy EMS and Shanghai CEL Puyan after taking into account the following factors:

- (i) the business valuation of SMEE at RMB3.76 billion (equivalent to approximately HK\$4.21 billion) as at 30 June 2019 as assessed by an independent professional valuer;
- (ii) the synergies expected to be generated between the Group and SMEE Group upon Completion; and
- (iii) the potential listing of SMEE on a stock exchange in the PRC as stated in the section headed "Reasons for and benefits of the Acquisition" below.

The Group intends to finance the payment of the Consideration by using the net proceeds from the Global Offering.

Conditions precedent

The Completion is conditional on the satisfaction (or waiver, if applicable) of, among other things, the following conditions precedent on or before the Completion Date:

- (a) the completion of due diligence in relation to the business, operations, financial and other conditions or prospects of SMEE Group to the reasonable satisfaction of Kinergy EMS in its absolute discretion;
- (b) All major transaction documents in relation to the Acquisition having been signed, Kinergy EMS having received all the relevant signed documents and the Share Transfer Agreement becoming effective;
- (c) all necessary approvals, licenses, authorisations, consents, waivers, exemptions, clearances, orders, notifications or filings from or within all internal parties and/or external third parties (including the relevant governmental or regulatory authorities) for effecting the Acquisition having been obtained or made, effective and not having been revoked or withdrawn, a copy of which having been provided to Kinergy EMS;
- (d) there being no material adverse change in respect of (i) the business, operations, financial conditions or prospects of Nantong Semiconductor Fund or SMEE Group and (ii) the Sale Shares; no valid injunction or similar order that may prohibit or restrict either party from completing the Acquisition from the date of the Share Transfer Agreement to the Completion Date;
- (e) the representations and warranties provided by Kinergy EMS and Nantong Semiconductor Fund contained in the Share Transfer Agreement remaining true and accurate as at the Completion Date and as if repeated at all times between the date of the Share Transfer Agreement and the Completion Date; and
- (f) Nantong Semiconductor Fund having performed and complied with all agreements, obligations and conditions contained in Share Transfer Agreement that are required to be performed or complied with by it on or before the Completion.

Save and except conditions (a) and (e), Kinergy EMS may waive in writing any of the above conditions precedent at any time before Completion. If any of the above conditions precedent is not fulfilled or waived by Kinergy EMS on or before the Completion Date (or such later date to be agreed between Kinergy EMS and Nantong Semiconductor Fund in writing), the Share Transfer Agreement shall lapse and all obligations and liabilities of the parties thereunder (with the exception of certain provisions intended to survive any termination) shall cease and no party shall have any claim against the other save and except for antecedent breaches.

Completion

Completion shall take place no later than the seven Business Days from the date on which all conditions precedents in the Share Transfer Agreement have been fulfilled or waived (or such later date to be agreed between Kinergy EMS and Nantong Semiconductor Fund in writing).

Immediately following the Completion, SMEE will be owned as to approximately 0.4% by Kinergy EMS, approximately 11.58% by Nantong Semiconductor Fund and approximately 88.02% by 11 other shareholders of SMEE which are Independent Third Parties. SMEE will not be accounted for as a subsidiary of the Company following the Completion.

INFORMATION OF THE PARTIES TO THE SHARE TRANSFER AGREEMENT

Kinergy EMS

Kinergy EMS is a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company.

Nantong Semiconductor Fund

Nantong Semiconductor Fund is a limited partnership established in the PRC on 19 December 2018. It is principally engaged in equity investments in enterprises in the design, research and development, manufacturing, sales and trading of high-end semiconductor equipment, pan-semiconductor equipment, intelligent equipment, industry 4.0, high-end equipment, intelligent manufacturing, TMT, and other related fields in the PRC. The initial size of the Nantong Semiconductor Fund is RMB500 million (equivalent to approximately HK\$560 million). The executive partner of Nantong Semiconductor Fund is Shanghai CEL Puyan.

Shanghai CEL Puyan is a limited liability company established in the PRC on 6 July 2015 and an indirect wholly-owned subsidiary of CEL. It is principally engaged in equity fund raising activities for non-listed corporations and related consultation services. Shanghai CEL Puyan currently manages three private equity funds in the PRC, namely Nantong Semiconductor Fund, Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)) and Haimen CEL Health and Elderly Care Industry Investment Partnership (Limited Partnership)* (海門光控健康養老產業投資合夥企業(有限合夥)).

INFORMATION OF SMEE GROUP

SMEE is a joint stock company established in the PRC on 7 March 2002. As at the date of the Share Transfer Agreement, the registered capital and paid-up capital of SMEE are RMB147,023,788. SMEE is currently owned as to approximately 11.98% by Nantong Semiconductor Fund and approximately 88.02% by other 11 shareholders which are Independent Third Parties.

SMEE Group is principally engaged in the development, design, manufacture, sales and provision of technical services of semiconductor equipment, pan-semiconductor equipment and high-end intelligent equipment in the PRC. SMEE Group has three main product categories, namely (i) mask aligner; (ii) laser application and optical inspection; and (iii) special application.

SMEE Group is committed to the development of China's domestic mask aligners. It has undertaken "The Development of Scanning Projection Mask Aligners" in the 863 major science and technology project of the PRC's Ministry of Science and Technology, and the development and breakthrough tasks of various types of advanced mask aligners in the National 02 major science and technology project.

Set out below is the financial information of SMEE Group for the two years ended 31 December 2018 and the six months ended 30 June 2019:

	For the financial year ended		For the six months ended
	31 December 2017	31 December 2018	30 June 2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)	(unaudited)
Net profit/(loss) before tax	42,546	69,535	(7,021)
Net profit/(loss) after tax	42,970	60,234	(7,021)
Net asset value	1,450,021	1,521,251	1,514,239

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the net loss of SMEE Group recorded for the six months ended 30 June 2019 was mainly due to overall decline of the global semiconductor market in 2019 led by the trade tension between U.S. and the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a limited liability company incorporated in Singapore. The principal activities of the Group are to provide contract manufacturing, design, engineering and assembly for the semiconductor industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision molds and dies.

One of the Group's business strategies is to tap into the semiconductor front-end equipment industry through mergers and acquisitions. It is the Group's plan to expand its presence in the semiconductor front-end equipment industry, as there will be a migration of production to the PRC by SPE manufacturers (from both semiconductor front-end and back-end segment) and there is an increasing trend that front-end SPE manufacturers adopt contract manufacturing, which is favourable to the Group as a contract manufacturer.

SMEE Group is a leading mask aligner manufacturer in the PRC, which has been a customer of the semiconductor front-end segment of the Group since 2017 with immaterial transaction amount. The Directors believe that the Acquisition is not only a natural expansion of the Group's operations, but can also allow the Group to strengthen its relationship with SMEE Group.

Furthermore, SMEE has been undergoing the guidance in preparation for listing on a stock exchange in the PRC. The Group believes that its investment in SMEE will generate optimistic return to the Company and hence the Shareholders if the listing of SMEE is materialised.

Having considered the above, the Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement are fair and reasonable, and that the Acquisition is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CEL, being one of the controlling shareholders of the Company, indirectly holds 100% interest of Shanghai CEL Puyan, which in turn manages and controls Nantong Semiconductor Fund. Accordingly, Nantong Semiconductor Fund is a connected person of the Group; and therefore the Share Transfer Agreement and the Acquisition thereunder constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition is less than 5%, the Acquisition is subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement of the Company pursuant to Rule 14A.76(2) of the Listing Rules.

GENERAL

Shareholders and investors should note that the Share Transfer Agreement is subject to various conditions precedent as stated in the section headed "Share Transfer Agreement — Conditions Precedent" of this announcement, which may or may not be fulfilled. The Acquisition may or may not complete. Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the respective securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Acquisition”	the acquisition of the Sale Shares by Kinergy EMS pursuant to the Share Transfer Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Broad”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which banks generally are open for business in the PRC
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and one of the controlling shareholders of the Company
“Company”	Kinergy Corporation Ltd. (光控精技有限公司*), a company incorporated in Singapore with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the aggregate amount of RMB16 million that will be payable in cash by Kinergy EMS on Completion
“controlling shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Global Offering”	the offering of new Shares for subscription by the public in Hong Kong and to institutional, professional and other investors as described in the Prospectus
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	a third party which is independent of and not connected with the Company and otherwise not a connected person of the Company

“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), which is more particularly described in the section headed “Information of the parties to the Share Transfer Agreement — Kinergy EMS” of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Nantong Semiconductor Fund”	Nantong CEL Semiconductor Industry Investment Fund Partnership (Limited Partnership)* (南通光控半導體產業投資基金合夥企業(有限合夥)), which is more particularly described in the section headed “Information of the parties to the Share Transfer Agreement — Nantong Semiconductor Fund” of this announcement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	588,095 shares of SMEE, representing approximately 0.4% of the issued share capital in SMEE
“Shanghai CEL Puyan”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), which is more particularly described in the section headed “Information of the parties to the Share Transfer Agreement — Nantong Semiconductor Fund” of this announcement
“Share(s)”	shares(s) of the Company
“Share Transfer Agreement”	the share transfer agreement dated 19 November 2019 entered into between Kinergy EMS as purchaser and Nantong Semiconductor Fund as vendor in respect of the Acquisition
“Shareholder(s)”	shareholders of the Company
“Singapore”	the Republic of Singapore
“SMEE”	SMEE Equipment (Group) Co., Ltd.* (上海微電子裝備(集團)股份有限公司), which is more particularly described in the section headed “Information of SMEE Group” of this announcement

“SMEE Group”	collectively, SMEE and its subsidiaries
“SPE”	semiconductor process equipment, equipment used in the production of semiconductors
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.12 for the purpose of illustrations.

By order of the Board
Kinergy Corporation Ltd.
Lim Kuak Choi Leslie
Executive Director and Chief Executive Officer

Hong Kong, 19 November 2019

As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann and Mr. Tay Kim Kah; the non-executive Directors are Mr. Yang Ping (Chairman) and Mr. Tsang Sui Cheong Frederick; and the independent non-executive Directors are Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei.