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Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**DISCLOSEABLE AND CONNECTED TRANSACTION
SUPPLEMENTAL AGREEMENT TO THE FUND
PARTNERSHIP AGREEMENT**

THE SUPPLEMENTAL AGREEMENT

On 19 August 2021 (after trading hours), the parties to the Fund Partnership Agreement entered into the Supplemental Agreement to amend and supplement certain terms and conditions of the Fund Partnership Agreement. Pursuant to the Supplemental Agreement, the Partners conditionally agreed to contribute further capital in the aggregate amount of RMB140,000,000 in proportion to the percentage of Initial Capital Contribution. Immediately following the further capital contribution, the size of the Fund will be increased from RMB60,000,000 to RMB200,000,000.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Supplemental Agreement and the transactions contemplated thereunder individually or as aggregated with the Fund Partnership Agreement pursuant to Rule 14.22 of the Listing Rules, exceed 5% but all applicable percentage ratios are less than 25%, the Supplemental Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company, and shall be subject to notice and announcement requirements set out in Chapter 14 of the Listing Rules.

As at the date of this announcement, CEL, a substantial shareholder of the Company, holds approximately 48.97% interest in Shanghai CEL Puyan. Shanghai CEL Puyan is therefore an associate of CEL and a connected person of the Company. Besides, Mr. Du, an executive Director, holds approximately 99.01% interest in Guangguan Zhihe. Guangguan Zhihe is therefore an associate of Mr. Du and a connected person of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the independent shareholders' approval, inter alia, for the Fund Partnership Agreement and the transaction contemplated thereunder at the EGM.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened to obtain the Independent Shareholders' approval for the Supplemental Agreement and the transactions contemplated thereunder. The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for Mr. Du and his associates and CEL and its associates, no Shareholder has a material interest in the Additional Capital Contribution. Mr. Du and his associates and CEL and its associates shall abstain from voting on the resolution(s) for approving the Additional Capital Contribution at the EGM.

A circular containing, among other things, (i) further details of the Fund Partnership Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched by the Company to the Shareholders in compliance with the requirements of the Listing Rules on or before 9 September 2021.

Since the Supplemental Agreement including the Additional Capital Contribution is subject to the fulfilment of the conditions precedent as set out in the Supplemental Agreement, the Additional Capital Contribution may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 August 2021 in relation to the Fund Partnership Agreement and the establishment and management of the Fund.

On 19 August 2021 (after trading hours), the parties to the Fund Partnership Agreement entered into the Supplemental Agreement to amend and supplement certain terms and conditions of the Fund Partnership Agreement. Pursuant to the Supplemental Agreement, the Partners conditionally agreed to contribute further capital in the aggregate amount of RMB140,000,000 in proportion to the percentage of Initial Capital Contribution. Immediately following the further capital contribution, the size of the Fund will be increase from RMB60,000,000 to RMB200,000,000.

MAJOR TERMS OF THE SUPPLEMENTAL AGREEMENT

Date: 19 August 2021

Parties:

1. Shanghai CEL Puyan (as General Partner)
2. Kinergy IME (as Limited Partner)
3. Guangguan Zhihe (as Limited Partner)
4. Nanyang Chanye (as Limited Partner)
5. Zibo Fuyan (as Limited Partner)

As at the date of this announcement, CEL, a substantial shareholder of the Company, holds approximately 48.97% interest in Shanghai CEL Puyan. Shanghai CEL Puyan is therefore an associate of CEL and a connected person of the Company.

As at the date of this announcement, Mr. Du holds approximately 99.01% interest in Guangguan Zhihe. Guangguan Zhihe is therefore an associate of Mr. Du and a connected person of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Nanyang Chanye, Zibo Fuyan and their respective ultimate beneficial owners are an Independent Third Party.

Size of the Fund and
Capital Contribution:

The size of the Fund shall be increased by RMB140,000,000 (equivalent to approximately HK\$168,000,000) to RMB200,000,000 (equivalent to approximately HK\$240,000,000), subject to fulfilment of the conditions precedent set out in the Supplemental Agreement.

The respective total capital contribution of the Partners before and after the Additional Capital Contribution is as follows:

Partner	Type	Capital Contribution before the Additional Capital Contribution	Additional Capital Contribution	Aggregate Capital Contribution after the Additional Capital Contribution	Percentage after the Additional Capital Contribution
Shanghai CEL Puyan	General Partner	RMB10,200,000	RMB23,800,000	RMB34,000,000	17%
Kinergy IME	Limited Partner	RMB12,000,000	RMB28,000,000	RMB40,000,000	20%
Guanguan Zhihe	Limited Partner	RMB1,800,000	RMB4,200,000	RMB6,000,000	3%
Nanyang Chanye	Limited Partner	RMB18,000,000	RMB42,000,000	RMB60,000,000	30%
Zibo Fuyan	Limited Partner	RMB18,000,000	RMB42,000,000	RMB60,000,000	30%

The respective Additional Capital Contribution of the Partners is determined after arm's length negotiations between the Partners with reference to the projected capital requirements of the Fund and the Partners' proportionate interests therein.

Conditions Precedent

The Supplemental Agreement is conditional upon:

- (a) the Partners having obtained approvals of the Supplemental Agreement in accordance with their respective approval requirements;
- (b) the Independent Shareholders having approved the Supplemental Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (c) the Company having obtained all necessary approvals and consents in relation to the execution of the Supplemental Agreement and the transactions contemplated hereunder.

If any of the above conditions precedent is not fulfilled, all rights and obligations of the Partners under the Supplemental Agreement shall cease and terminate and payment notice will not be issued by the General Partner.

Save as amended by the Supplemental Agreement, all other terms and provisions of the Fund Partnership Agreement shall remain unchanged.

The investment in the Fund by the Group is to be made with the internal resources of the Group, primarily from proceeds for the share subscriptions of the Company which were completed on 1 April 2021 and 13 April 2021, respectively.

INFORMATION OF THE FUND

Purpose and Objectives of the Fund

The Fund will make equity investments in enterprises in the optoelectronics industry, precision technology equipment manufacturing industry, information technology industry, advanced manufacturing and other related industries in the PRC. The Fund will focus on investments in companies with prospect and potential of listing. The Fund may use not more than twenty percent (20%) of the paid-up capital contribution in establishing sub-funds.

Investment Target and Restrictions

The Fund targets to invest in enterprises incorporated in the PRC or foreign enterprises with operations in the PRC. It will prioritise investments in enterprise that is registered in Nanyang City or enterprises that is not registered in Nanyang City but has set up subsidiaries or investment projects in Nanyang City. The Fund has no specific restrictions on the amounts to be invested or proportion of the paid-up capital contribution to be invested in each of its potential investment projects.

The Fund will invest in growth companies or assets and will provide capital, professional network and other resources to corporations involved in industrial integration. It targets to enhance the value of business of its target companies through business optimisation, mergers and acquisitions and management incentives and subsequently exit by means of sale of shares or listing.

The Fund will also make equity investment in non-listed corporations in the form of common stocks, preferred stocks, and convertible preferred stocks and participate in placement, mergers and acquisitions, reorganisation, and privatisation of listed companies and non-listed corporations, which include companies listed on National Equities Exchange and Quotations (全國中小企業股份轉讓系統). Unutilised capital of the Fund can be used to invest in bank deposits, government bonds, low-risk wealth management products, currency funds or other cash management products.

The Fund is restricted from involving in, among others, (i) external guarantees, sponsorships or donations, (ii) any investment involving unlimited liabilities, (iii) capital contribution to the General Partner, and (iv) investment in futures, security investment funds, real estate, corporate bonds with ratings below AAA, non-guaranteed wealth management products, insurance plans and other financial derivatives.

INFORMATION OF THE PARTIES TO THE SUPPLEMENTAL AGREEMENT

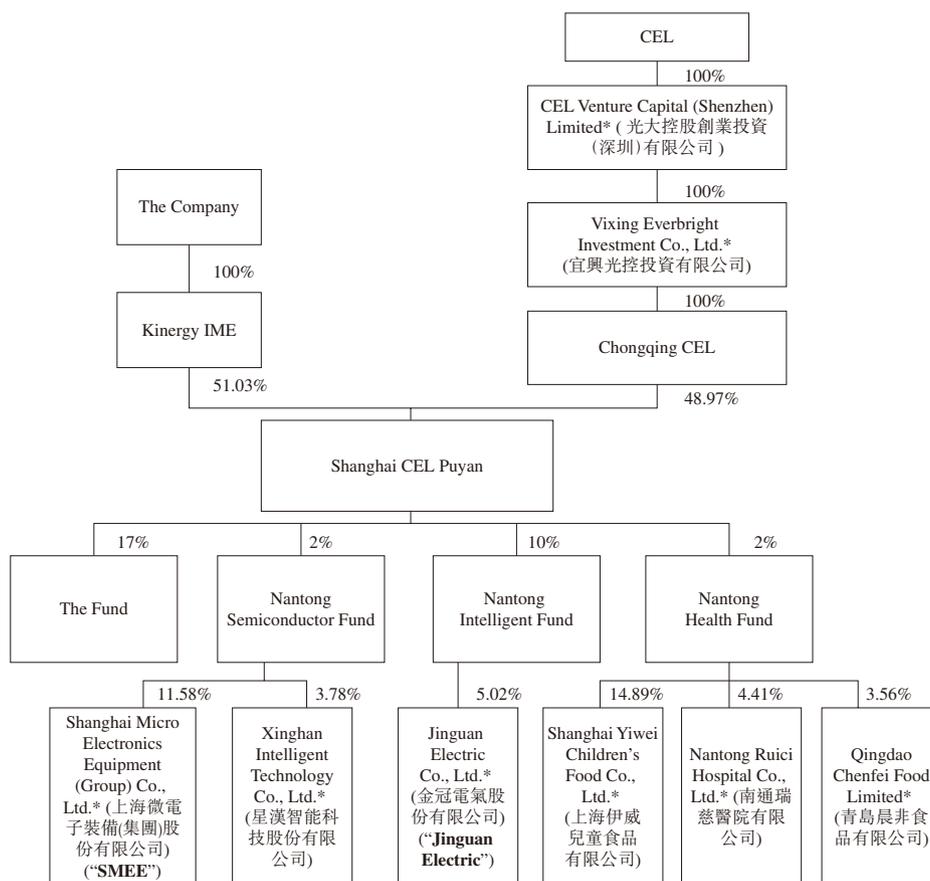
Information of the parties who are connected persons

Shanghai CEL Puyan

Shanghai CEL Puyan is a private equity fund manager (私募基金管理人) established on 6 July 2015 and registered with the AMAC which currently manages, as general partner, four funds namely (i) Nantong Intelligent Fund, (ii) Nantong Semiconductor Fund, (iii) Nantong Health Fund, and (iv) the Fund.

Reference is made to the announcement dated 6 November 2020 and circular dated 27 November 2020 of the Company in relation to the Capital Injection. Following the completion of the Capital Injection and as at the date of this announcement, the registered capital of the Shanghai CEL Puyan is RMB61.26 million and is ultimately and beneficially owned as to approximately 51.03% by the Company and approximately 48.97% by CEL.

Set out below is the group structure of Shanghai CEL Puyan as at the date of this announcement:



Major development of the funds managed by Shanghai CEL Puyan since the Capital Injection are set forth below.

Nantong Intelligent Fund

As at the date of this announcement, Nantong Intelligent Fund has an AUM of RMB200 million, of which RMB20 million was contributed by Shanghai CEL Puyan and RMB40 million was contributed by Kinergy EMS. It has a total investment of approximately RMB98.39 million and holds approximately 5.02% equity interests in Jinguan Electric. Jinguan Electric was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange on 18 June 2021 (stock code: 688517).

Nantong Semiconductor Fund

As at the date of this announcement, Nantong Semiconductor Fund has an AUM of RMB500 million, of which RMB10 million was contributed by the Shanghai CEL Puyan. It has a total investment amount of approximately RMB456.97 million, approximately RMB435.58 million of which has been invested approximately in 11.58% equity interests in SMEE, and the remaining RMB21.39 million has been invested in 3.78% equity interests in Xinghan Intelligent Technology Co., Ltd.* (星漢智能科技股份有限公司). The Group is directly interested in approximately 0.4% equity interests in SMEE.

Nantong Health Fund

As at the date of this announcement, Nantong Health Fund has an AUM of RMB441.5 million, of which RMB8.83 million (i.e. 2% of its AUM) was contributed by the Shanghai CEL Puyan. It has a total investment amount of RMB230 million, RMB70 million of which has been invested in 14.89% equity interests in Shanghai Yiwei Children's Food Co., Ltd.* (上海伊威兒童食品有限公司), RMB100 million has been invested in approximately 4.41% equity interests in Nantong Ruici Hospital Co., Ltd.* (南通瑞慈醫院有限公司), and the remaining RMB60 million has been invested in approximately 3.56% equity interest in Qingdao Chenfei Food Limited* (青島晨非食品有限公司).

Guanguan Zhihe

To the best knowledge of the Directors having made all reasonable enquiries, Guanguan Zhihe is a limited partnership established in the PRC on 21 June 2019 and ultimately and beneficially owned as to approximately 99.01% by Mr. Du and approximately 0.99% by Zhuang Haoran (莊浩然). It is principally engaged in providing corporate advisory services.

Information of the parties who are Independent Third Parties

Nanyang Chanye

To the best knowledge of the Directors having made all reasonable enquiries, Nanyang Chanye is a limited liability company established in the PRC and is an Independent Third Party. It is principally engaged in private equity investment fund management services and its ultimate beneficial shareholder is Nanyang City Finance Bureau* (南陽市財政局).

Zibo Fuyan

To the best knowledge of the Directors having made all reasonable enquiries, Zibo Fuyan is a limited liability company established in the PRC and is an Independent Third Party. It is principally engaged in private equity investment fund management services and its ultimate beneficial owner is Liang Liyu* (梁力予) and Shanghai Huafu Asset Management Co., Ltd.* (上海華弗資產管理有限公司).

Information of Kinergy IME

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE SUPPLEMENTAL AGREEMENT

Pursuant to the Fund Partnership Agreement, the size of the Fund may be increased by RMB140,000,000, subject to the unanimous consent of all Partners by way of a separate written agreement and subject to the Company obtaining the necessary approval from the shareholders of the Company.

Subsequent to the Initial Capital Contribution, the General Partner has identified various new investment targets and opportunities, investment in which is required to be completed by end of 2021. Investment targets and opportunities which the Fund intends to invest in are:

Potential Investment Target	Proposed Investment Amount
(i) A optical material manufacturer with headquarters in Nanyang City, the PRC	Not more than RMB100,000,000
(ii) A semi-conductor equipment manufacturer with headquarters in Shanghai, the PRC	Not more than RMB30,000,000
(iii) An automotive connector manufacturer with headquarters in Henan Province, the PRC and with overseas sales offices and subsidiaries	Not more than RMB50,000,000

It is expected that the Additional Capital Contribution will provide the Fund with capital resources to capture the above investment opportunities to achieve satisfactory return to the Partners.

In view of the above, the Directors (excluding the independent non-executive Directors, whose view would be set out in a circular to be despatched to the Shareholders after considering the recommendation from independent financial advise) are of the view that the terms of the Supplemental Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Du who is interested in the transactions contemplated under the Supplemental Agreement by virtue of his shareholding interest in Guangguan Zhihe has abstained from voting on the relevant board resolutions. Save as above, none of the Directors (including the independent non-executive Directors) has a material interest in the Supplemental Agreement, and none of the Directors has abstained from voting on the relevant board resolutions.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of the Supplemental Agreement and the transactions contemplated thereunder, individually or as aggregated with the Fund Partnership Agreement pursuant to Rule 14.22 of the Listing Rules, exceed 5% but all applicable percentage ratios are less than 25%, the Supplemental Agreement and the transactions contemplated thereunder constitute a discloseable transaction for the Company, and shall be subject to notice and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CEL, a substantial shareholder of the Company, holds approximately 48.97% interest in Shanghai CEL Puyan. Shanghai CEL Puyan is therefore an associate of CEL and a connected person of the Company. Besides, Mr. Du, an executive Director, holds approximately 99.01% interest in Guangguan Zhihe. Guangguan Zhihe is therefore an associate of Mr. Du and a connected person of the Company. Accordingly, the Supplemental Agreement and the transactions contemplated thereunder constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM AND DESPATCH OF CIRCULAR

The EGM will be convened to obtain the Independent Shareholders' approval for the Supplemental Agreements and the transactions contemplated thereunder.

The Directors confirm that, to the best of their knowledge, information and belief having made all reasonable enquiries, save for Mr. Du and his associates and CEL and its associates, no Shareholder has a material interest in the Supplemental Agreement and the transactions contemplated thereunder. Mr. Du and his associates and CEL and its associates shall abstain from voting on the resolution(s) for approving the Supplemental Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details of the Supplemental Agreement and the transactions contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched by the Company to the Shareholders in compliance with the requirements of the Listing Rules on or before 9 September 2021.

Since the Supplemental Agreement, including the Additional Capital Contribution, is subject to the fulfilment of the conditions precedent as set out in the Supplemental Agreement, the Additional Capital Contribution may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Additional Capital Contribution”	the additional capital contribution to be made by the Partners to the Fund pursuant to the Supplemental Agreement
“AMAC”	Asset Management Association of China (中國證券投資基金業協會)
“AUM”	asset under management
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Capital Injection”	subscription for new capital of Shanghai CEL Puyan in the aggregate amount of RMB52.1 million by Kinergy IME, details of which are set forth in the announcement and the circular of the Company dated 6 November 2020 and 27 November 2020, respectively
“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 a substantial shareholders of the Company holding approximately 28.56% issued shares 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
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	directors of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving by the Independent Shareholders the Supplemental Agreement and the transactions contemplated thereunder
“Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 30 July 2021 pursuant to the Fund Partnership Agreement
“Fund Partnership Agreement”	the partnership agreement, dated 30 July 2021, entered into among Shanghai CEL Puyan, Kinergy IME, Guangguan Zhihe, Nanyang Chanye and Zibo Fuyan
“General Partner”	general partner of the Fund, namely Shanghai CEL Puyan
“Guangguan Zhihe”	Nantong Guangguan Zhihe Enterprise Management Partnership (Limited Partnership)* (南通光冠智合企業管理合夥企業(有限合夥)), which is more particularly described in the section headed “Information of the Parties to the Supplemental Agreement — Guangguan Zhihe” of this announcement”
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Hoon Chee Wai, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei
“Independent Shareholders”	the Shareholders other than those who are required to abstain under the Listing Rules from voting at the EGM for the resolution(s) approving the Supplemental Agreement and the transactions contemplated thereunder

“Independent Third Party”	a third party which is independent of and not connected with the Company and its connected person and otherwise not a connected person of the Company
“Initial Capital Contributions”	initial capital contributions of the Partners to the Fund pursuant to the Fund Partnership Agreement
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“Kinergy IME”	Kinergy Intelligent Manufacturing Equipment (Nantong) Co. Ltd.* (精技智能裝備(南通)有限公司), which is more particularly described in the section headed “Information of the Parties to the Supplemental Agreement — Kinergy IME” of this announcement
“Limited Partner(s)”	limited partner(s) of the Fund, namely Kinergy IME, Guangguan Zhihe, Nanyang Chanye and Zibo Fuyan, and a limited partner shall refer to any one of them
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Du”	Mr. Du Xiaotang, an executive Director
“Nantong Health Fund”	Nantong CEL Health Industry Investment Partnership (Limited Partnership)* (南通光控健康產業投資合夥企業(有限合夥)), which is more particularly described in the section headed “Information of the parties to the Supplemental Agreement — Shanghai CEL Puyan — Nantong Health Fund” of this announcement
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), which is more particularly described in the section headed “Information of the parties to the Supplemental Agreement — Shanghai CEL Puyan — Nantong Intelligent Fund” of this announcement

“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 Supplemental Agreement — Shanghai CEL Puyan — Nantong Semiconductor Fund” of this announcement
“Nanyang Chanye”	Nanyang Chanye Investment Group Limited* (南陽產業投資集團有限公司), which is more particularly described in the section headed “Information of the Parties to the Supplemental Agreement — Nanyang Chanye” of this announcement”
“Nanyang City”	Nanyang City of Henan Province, the PRC
“Partner(s)”	the partner(s) of the Fund from time to time
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 Supplemental Agreement — Shanghai CEL Puyan” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 19 August 2021 entered into among Shanghai CEL Puyan, Kinergy IME, Nanyang Chanye, Zibo Fuyan and Guangguan Zhihe
“Zibo Fuyan”	Zibo Fuyan Equity Investment Fund Partnership (Limited Partnership)* (淄博弗燕股權投資基金合夥企業(有限合夥)), which is more particularly described in the section headed “Information of the Parties to the Supplemental Agreement — Zibo Fuyan” of this announcement”
“%”	percent.

In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.20 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 August 2021

* *For identification purpose only*

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 Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka, Professor Zhang Wei and Mr. Hoon Chee Wai.