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Kinergy Corporation Ltd.
光控精技有限公司 *

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**SUPPLEMENTAL ANNOUNCEMENT TO
2020 ANNUAL REPORT AND CHANGE IN USE OF PROCEEDS**

Reference is made to the section headed “Future Plans and Use of Proceeds” in the prospectus of Kinergy Corporation Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 30 June 2018 (the “**Prospectus**”) and the section headed “Use of Proceed from Listing” in the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Prospectus and the 2020 Annual Report.

In addition to the information disclosed in the section headed “Use of Proceeds from Listing” in the 2020 Annual Report, the board of directors (the “**Board**”) of the Company would like to provide additional information pursuant to paragraph 11(8) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the use of proceeds.

USE OF PROCEEDS

The net proceeds from the Global Offering received by the Company, after the partial exercise of the Over-allotment Options and deducting underwriting commissions and all related expenses, were approximately S\$40.4 million (the “**Actual Net Proceeds**”).

The intended use of Actual Net Proceeds up to 31 December 2020 and the expected timelines are set out in the table below:

Use of proceeds	Allocation (% of net proceeds)	Actual Net Proceeds (S\$'million of net proceeds)	Unutilised of Actual Net Proceeds as at 1 January 2020	Utilisation of Actual Net Proceeds during the year	Unutilised Actual Net Proceeds as at 31 December 2020	Expected time of utilising the remaining Actual Net Proceeds
			(S\$'million)	(S\$'million)	(S\$'million)	
Expansion of production capacity	40.4	16.3	12.8	2.0 ^(Note 1)	10.8	4th Quarter 2023
Development and acquisition of engineering and technological knowledge	29.3	11.8	4.9	4.7 ^(Note 2)	0.2	4th Quarter 2021
Expansion of our marketing activities in Japan, Europe and the United States	17.6	7.1	6.4	0.3 ^(Note 3)	6.1	4th Quarter 2023
Strengthening our research and development	11.7	4.7	2.7	—	2.7	4th Quarter 2021
General working capital	1.0	0.5	—	—	—	N/A
	100.0	40.4	26.8	7.0	19.8	

Notes:

1. Of S\$2.0 million, (i) approximately S\$1.7 million were spent on renovation of factory building in Nantong Facility II and purchase of new machines which comprised mainly computer numerical control machines, and (ii) approximately S\$0.3 million were used for new recruitment and providing training for new employees to operate such new machines.
2. Of S\$4.7 million, (i) approximately S\$2.4 million were used to make further capital injection in Towa (Nantong) Co., Ltd., a joint venture between the Group and Towa Corporation, and (ii) approximately S\$2.3 million were used for capital injection in KinerTec (Nantong) Co. Ltd., a joint venture company formed between the Group and Techcom Technology Pte Ltd which principally engages in the manufacturing of sheet metal products and structural metal products.
3. Approximately S\$0.3 million were applied to our Group's marketing activities in Japan.

As at 31 December 2020, the Group has not fully utilised the planned Actual Net Proceeds for (i) expansion of production capacity, (ii) development and acquisition of engineering and technological knowledge, (iii) expansion of our marketing activities in Japan, Europe and the United States, and (iv) strengthening our research and development.

The delay in the use of Actual Net Proceeds was mainly due to the trade tension between the United States and the PRC and the COVID-19 pandemic. Trade tension between the United States and the PRC had intensified since mid 2018. In 2018 and 2019, the United States government imposed several rounds of tariffs on products imported from the PRC. The US-China trade tension created substantial uncertainties and volatilities to global markets and the intense potential conflicts between the two countries in trade, technology, finance and other areas has led to greater uncertainties in the geopolitical situations in other parts of the world affecting Chinese companies. Demand in the semiconductor industry has been reduced due to the fear that a potential cold war could disrupt the global supply chain. In addition, the COVID-19 pandemic has been rapidly evolving globally and has significantly affected the global economic and financial markets. As a result, our supply chain as well as our operation in Singapore, the PRC and the Philippines were substantially disrupted due to nationwide lockdown imposed to contain the pandemic.

The Board considered that (i) the Group needs to adopt a more effective policy to maintain its existing business operations and cash flow liquidity in response to the economic uncertainties and market conditions, (ii) further investment in the expansion of production capacity and research and development may not be able to make a breakthrough in the Group's business and generate satisfactory financial results and return for the Group provided the uncertainties caused by the trade tension and the outbreak of COVID-19, (iii) the Group has adopted a cautious approach in evaluating suitable acquisition targets and application of the Actual Net Proceeds on merger and acquisitions based on a range of factors in light of the uncertainties and potential adverse impact on the global economy caused by the US-China trade frictions and the outbreak of COVID-19, and (iv) the existing marketing resource of the Group in Japan is sufficient for the Group's operations and the Board needed more time to assess the potential impact of the US-China trade tension and COVID-19 on the expansion of marketing efforts in the United States and in Europe.

Having considered the above, the Group's latest business development and needs and in order to better utilise the unutilised Actual Net Proceeds, the Board consider that it is prudent to defer the intended investments. When geopolitical policies of the various governments are clearer and the COVID-19 situation is alleviated, the Group will adjust the investments to better suit the new trading conditions. Save as disclosed above, the Company intend to apply the unutilised Actual Net Proceeds in a manner consistent with the proposed allocation as set out in the Prospectus.

The Board is of the view that the aforementioned delay in the utilisation of the unutilised Actual Use of Proceeds (i) will represent a more appropriate utilisation of the unutilised Actual Use of Proceeds, and (ii) will not have any material adverse impact on the operations of the Group and is in the best interests of the Company and its shareholders as a whole. The Board will continuously evaluate the plans for use of the unutilised net proceeds and may revise the plans where necessary in responses to the changing market conditions and strive for better business performance of the Group.

The above supplemental information does not affect other information contained in the 2020 Annual Report and save as disclosed above, all other information in the 2020 Annual Report remains unchanged. Should there be any material delay or further change in the use of proceeds, further announcement(s) will be made by the Company as and when appropriate.

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

Hong Kong, 27 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 Mudiyanselage Sunil Wickramanayaka, Professor Zhang Wei and Mr. Hoon Chee Wai.