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**Kinergy Corporation Ltd.**

**光控精技有限公司\***

*(Incorporated in Singapore with limited liability)*

**(Stock Code: 3302)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) is to announce the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

### **Highlight**

	<b>For the year ended</b>			<b>Percentage Change</b>
	<b>31 December</b>		<b>Change</b>	
	<b>2020</b>	<b>2019</b>		<b>Change</b>
	<b>(S\$'000)</b>	<b>(S\$'000)</b>	<b>(S\$'000)</b>	
Revenue	<b>70,979</b>	67,624	3,355	5.0%
Loss for the year	<b>(2,837)</b>	(1,632)	(1,205)	-73.8%
EBITDA <i>Note 1</i>	<b>(196)</b>	840	(1,036)	-123.3%

*Note 1* the EBITDA is calculated using (loss)/profit for the year before income tax, depreciation, amortisation and interest expenses for the year.

\* For Identification purpose only.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>2020</b> <i>S\$'000</i>	2019 <i>S\$'000</i>
<b>Revenue</b>	4	<b>70,979</b>	67,624
Cost of sales		<u>(64,479)</u>	<u>(59,141)</u>
<b>Gross profit</b>		<b>6,500</b>	8,483
Other income and gains	5	<b>2,559</b>	1,363
Sales and marketing expenses		<b>(2,083)</b>	(2,127)
General and administrative expenses		<b>(9,477)</b>	(8,482)
Other expenses	6	<b>(462)</b>	(996)
Finance costs		<u>(126)</u>	<u>(104)</u>
<b>Loss before tax</b>	7	<b>(3,089)</b>	(1,863)
Income tax credit	8	<b>252</b>	231
		<u>(2,837)</u>	<u>(1,632)</u>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>1,483</b>	(963)
<i>Items that will not be reclassified to profit or loss</i>			
Loss on equity instruments designated at fair value through other comprehensive income		<u>(119)</u>	<u>–</u>
<b>Total comprehensive income for the year</b>		<b><u>(1,473)</u></b>	<b><u>(2,595)</u></b>
<b>Loss for the year attributable to:</b>			
Equity holders of the parent		<b>(2,660)</b>	(1,632)
Non-controlling interests		<b>(177)</b>	–
		<u>(2,837)</u>	<u>(1,632)</u>
<b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the parent		<b>(1,337)</b>	(2,595)
Non-controlling interests		<b>(136)</b>	–
		<u>(1,473)</u>	<u>(2,595)</u>
<b>Loss per share attributable to equity holders of the parent</b>			
Basic and diluted (S\$)	9	<b><u>(0.31 cents)</u></b>	<b><u>(0.19 cents)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	<i>Notes</i>	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		19,769	17,631
Right-of-use assets		3,188	4,229
Intangible assets		455	551
Investment securities	11	19,196	12,367
Advance payment for property, plant and equipment		607	12
Deferred tax assets		126	110
		<hr/>	<hr/>
Total non-current assets		43,341	34,900
<b>Current assets</b>			
Inventories	12	34,754	22,028
Trade receivables	13	17,744	12,909
Prepayments, deposits and other receivables		4,045	2,025
Cash and cash equivalents	14	25,259	36,092
		<hr/>	<hr/>
Total current assets		81,802	73,054
<b>Current liabilities</b>			
Trade payables	15	25,508	11,998
Other payables and accruals		3,664	3,001
Provision for warranty		12	41
Interest-bearing loans and borrowings		1,459	1,030
Tax payable		9	3
		<hr/>	<hr/>
Total current liabilities		30,652	16,073
		<hr/>	<hr/>
<b>Net current assets</b>		51,150	56,981
<b>Non-current liabilities</b>			
Deferred tax liabilities		–	251
Interest-bearing loans and borrowings		5,545	1,963
		<hr/>	<hr/>
Total non-current liabilities		5,545	2,214
		<hr/>	<hr/>
<b>Net assets</b>		88,946	89,667
<b>Equity</b>			
Share capital	16	84,857	84,938
Reserves		2,534	4,729
		<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>		87,391	89,667
Non-controlling interests		1,555	–
		<hr/>	<hr/>
<b>Total equity</b>		88,946	89,667
		<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. CORPORATE INFORMATION**

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”).

The registered office of business of the Company is located at 1 Changi North Street 1, Lobby 2, Singapore 498789.

The principal activities of the Group 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.

The Company operates in Singapore and the subsidiaries operate in the PRC, the Philippines and Japan.

### **2. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and Singapore Financial Reporting Standards (International) (“SFRS(I”).

The consolidated financial statements have been prepared on the historical cost basis, except for investment securities which have been measured at fair value.

The consolidated financial statements are presented in Singapore Dollars (S\$) and all values are rounded to the nearest thousand (S\$’000), except when otherwise indicated.

### **3. 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) 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) 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 moulds 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. 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.

### Revenue breakdown by business segment

The following table sets out our revenue by business segment for the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	S\$'000	%	S\$'000	%
EMS	68,929	97.1	60,240	89.1
ODM	2,050	2.9	7,384	10.9
	<u>70,979</u>	<u>100.0</u>	<u>67,624</u>	<u>100.0</u>

### Geographical information

The following table sets out our revenue by geographical locations for the years ended 31 December 2020 and 2019. 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 our customers are located.

	For the year ended 31 December			
	2020		2019	
	S\$'000	%	S\$'000	%
Singapore	56,752	80.0	53,086	78.5
The United States	9,112	12.8	6,261	9.3
Mainland China	1,979	2.8	1,816	2.7
Japan	588	0.8	1,433	2.1
The Philippines	336	0.5	2,080	3.1
Other countries	2,212	3.1	2,948	4.3
	<u>70,979</u>	<u>100.0</u>	<u>67,624</u>	<u>100.0</u>

#### 4. REVENUE

##### Disaggregation of revenue

Type of goods or services	EMS		ODM		Total revenue	
	For the year ended 31 December					
	2020	2019	2020	2019	2020	2019
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Sale of goods	68,555	59,775	2,048	7,379	70,603	67,154
Rendering of services	374	465	2	5	376	470
	<u>68,929</u>	<u>60,240</u>	<u>2,050</u>	<u>7,384</u>	<u>70,979</u>	<u>67,624</u>
<b>Timing of transfer of goods or services</b>						
At a point in time	<u>68,929</u>	<u>60,240</u>	<u>2,050</u>	<u>7,384</u>	<u>70,979</u>	<u>67,624</u>

## 5. OTHER INCOME AND GAINS

	For the year ended	
	31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Other income</b>		
Bank interest income	201	782
Government grants <sup>(a)</sup>	1,654	239
Service income	119	126
Rental income	121	169
Write-back of impairment loss of trade receivables	—	30
Others	34	11
	<u>2,129</u>	<u>1,357</u>
<b>Gains</b>		
Net fair value gains on investment securities	414	—
Gain on disposal of property, plant and equipment	16	6
	<u>430</u>	<u>6</u>
	<u><u>2,559</u></u>	<u><u>1,363</u></u>

<sup>(a)</sup> The amount represents grant income from several government authorities under the various support schemes, of which approximately S\$1,288,000 was mainly from the Jobs Support Scheme announced by the Singapore government for the year ended 31 December 2020 which is aimed to provide cash flow support and help local companies to retain their local employees during the COVID-19 pandemic period. There are no unfulfilled conditions and other contingencies relating to these grants.

## 6. OTHER EXPENSES

	For the year ended 31 December	
	2020	2019
	S\$'000	S\$'000
Write-off of financial assets — trade receivables	22	—
Foreign exchange differences, net	440	996
	<u>462</u>	<u>996</u>

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting) the following items:

	For the year ended 31 December	
	2020	2019
	S\$'000	S\$'000
Cost of inventories	50,648	46,544
Cost of services rendered	56	70
Depreciation of property, plant and equipment	1,443	1,295
Depreciation of right-of-use assets	1,095	1,064
Amortisation of intangible assets	229	240
Research and development expenses	2,043	1,494
Short-term leases/minimum lease payments under operating leases	65	85
Auditor's remuneration	235	200
Professional fees	275	260
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	14,563	13,054
— Pension scheme contributions	1,345	1,897
Provision for warranty	57	64
Foreign exchange differences, net	440	996
Allowance for/(write-back of) inventory obsolescence	557	(553)
Government grants	(1,654)	(239)
Net fair value gains on investment securities	(414)	—
Bank interest income	(201)	(782)
Gain on disposal of property, plant and equipment	(16)	(6)
	<u>(16)</u>	<u>(6)</u>

## 8. INCOME TAX CREDIT

### Major components of income tax credit

The major components of income tax credit for the years ended 31 December 2020 and 2019 are as follows:

	For the year ended 31 December	
	2020	2019
	S\$'000	S\$'000
Current income tax:		
— Current income taxation	13	134
— Under provision in respect of previous years	2	40
	<u>15</u>	<u>174</u>
Deferred income tax:		
— Origination and reversal of temporary differences	(302)	(405)
— Under provision in respect of previous years	35	—
	<u>(267)</u>	<u>(405)</u>
Income tax credit recognised in profit or loss	<u><u>(252)</u></u>	<u><u>(231)</u></u>

### Unrecognised tax losses

As at 31 December 2020, the Group has unabsorbed tax losses of S\$4,733,000 (2019: S\$1,088,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

## 9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the year attributable to the equity holders of the parent, and the weighted average number of ordinary shares of 857,443,045 and 858,667,861 shares in issue during the years ended 31 December 2020 and 2019 respectively.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The following table reflects the income and share data used in the basic and diluted loss per share calculations:

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Loss</b>		
Loss for the year attributable to equity holders of the parent	<u><u>(2,660)</u></u>	<u><u>(1,632)</u></u>
	<b>As at 31 December</b>	
	<b>2020</b>	<b>2019</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>857,443,045</u></u>	<u><u>858,667,861</u></u>
<b>Loss per share attributable to equity holders of the parent</b>		
Basic and diluted (S\$)	<u><u>(0.31 cents)</u></u>	<u><u>(0.19 cents)</u></u>

## 10. DIVIDENDS

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2019</b>
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Declared and paid during the year:</b>		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2019: S\$0.1 cents per share	<b>858</b>	—
— Special exempt (one-tier) dividend of S\$0.2 cents per share	—	1,717
	<u><u>858</u></u>	<u><u>1,717</u></u>

## 11. INVESTMENT SECURITIES

	As at 31 December	
	2020	2019
	S\$'000	S\$'000
<i>At fair value through other comprehensive income</i>		
— Equity securities (unquoted)		
Towa (Nantong) Co., Ltd.	3,773	1,520
<i>At fair value through profit or loss</i>		
— Equity securities (unquoted)		
Nantong Intelligent Fund	8,608	7,726
SMEE Equipment (Group) Co., Ltd.	2,583	3,121
Jinguan Electric Company Limited	4,232	—
	<b>19,196</b>	<b>12,367</b>

In January 2020, the Group through its subsidiary, Kinergy EMS (Nantong) Co., Ltd (“KEMS”), entered into a share transfer agreement with Qingdao CEL Fund, a related company, to acquire 1,249,128 shares of Jinguan Electric from Qingdao CEL Fund for a consideration of S\$3,536,000 (or equivalent to RMB18,000,000). Immediately following the completion of the share transfer on 13 January 2020, the Group owns approximately 1.22% equity interest in Jinguan Electric.

During 2020, the Group made several additional contributions in Towa (Nantong) Co., Ltd, a joint venture between the Group and Towa Corporation totaling S\$2,372,000 (equivalent to US\$1,700,000). Immediately following the aforesaid contribution, the Group remains interested in 10% of the registered share capital of Towa (Nantong) Co., Ltd.

## 12. INVENTORIES

	As at 31 December	
	2020	2019
	S\$'000	S\$'000
Raw materials	26,472	14,300
Work-in-progress	5,756	4,397
Finished goods	2,526	3,331
	<b>34,754</b>	<b>22,028</b>
Total inventories at lower of cost and net realisable value	<b>34,754</b>	<b>22,028</b>

### 13. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting year, based on the invoice date and net of allowance, is as follows:

	As at 31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	17,429	5,725
— 31 to 60 days	164	5,719
— 61 to 90 days	76	920
— Over 90 days	75	545
	<u>17,744</u>	<u>12,909</u>

### 14. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
Cash and bank balances	25,259	12,584
Short-term deposits	—	23,508
	<u>25,259</u>	<u>36,092</u>

### 15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting year, based on the invoice date, is as follows:

	As at 31 December	
	2020	2019
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	11,218	5,593
— 31 to 60 days	8,495	3,572
— 61 to 90 days	4,087	1,425
— Over 90 days	1,708	1,408
	<u>25,508</u>	<u>11,998</u>

## 16. SHARE CAPITAL AND TREASURY SHARES

### a. Share capital

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares <sup>(1)</sup> :		
As at 1 January 2019, 31 December 2019 and 1 January 2020	858,671,324	84,990
Shares repurchased and cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020	<u><u>857,419,324</u></u>	<u><u>84,857</u></u>

<sup>(1)</sup> All issued shares are fully paid ordinary shares with no par value.

### b. Treasury shares

	Number of shares	Amount S\$'000
As at 1 January 2019	—	—
Shares repurchased	<u>492,000</u>	<u>52</u>
As at 31 December 2019 and 1 January 2020	492,000	52
Shares repurchased	760,000	81
Shares cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020	<u><u>—</u></u>	<u><u>—</u></u>

During the year ended 31 December 2020, the Company repurchased 760,000 of its own ordinary shares on the Stock Exchange for S\$81,000. This was presented as a component within shareholders' equity.

In accordance with the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited, the repurchased shares shall be cancelled as soon as reasonably practicable following settlement of any such purchase. Accordingly, the repurchased shares were cancelled during the year ended 31 December 2020.

## 17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

### (a) Acquisition of a subsidiary

On 6 November 2020, the Group through its subsidiary, Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd (“**KIE**”) entered into a capital injection agreement with related parties, Chongqing CEL Equity Investment Management Co., Ltd. (“**Chongqing CEL**”) and Shanghai CEL Puyan Equity Investment Management Limited (“**CEL Puyan**”), pursuant to which KIE agreed to subscribe for new capital of the CEL Puyan in the aggregate amount of approximately S\$10,420,000 (equivalent to approximately RMB52,100,000) in cash.

On 8 January 2021, all the conditions precedent as set out in the capital injection agreement have been fulfilled and the completion took place on the same date. Accordingly, KIE and Chongqing CEL hold approximately 51.03% and 48.97% of the equity interest of CEL Puyan and CEL Puyan become a subsidiary of the Group.

### (b) Share subscription agreements

On 15 December 2020, the Company entered into subscription agreements with independent third parties and connected parties to which all parties conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 111,416,070 subscription Shares. The independent third parties which are Rosy Height Ventures Limited, Huaxin Capital Limited and Redlink Group Limited agreed to subscribe for 38,754,000, 9,688,000 and 14,532,000 subscription shares respectively. The related parties which are Future China Investment Co., Ltd (wholly-owned by Mr. Yang Ping), Mr. Lim Kuak Choi Leslie, Sino Expo Holdings Limited (wholly owned by Mr. Du Xiaotang), Mr. Tay Kim Kah and Mr. Lim Khin Mann agreed to subscribe for 19,377,000, 14,532,774, 4,844,296, 4,844,000 and 4,844,000 subscription shares respectively.

On 10 March 2021, the Company entered into a deed of termination with Rosy Height Ventures Limited to terminate the shares subscription agreement.

On 12 March 2021, the remaining share subscription agreements were tabled and approved by Shareholders at the extraordinary general meeting.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. 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 mainly in the SPE 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-system, 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 of automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. The Group’s revenue mainly derived from the EMS Division, which accounted for approximately 97.1% of total revenue and the ODM Division accounted for approximately 2.9% of total revenue for the year ended 31 December 2020.

## 2. BUSINESS REVIEW AND PROSPECT

Following the outbreak of COVID-19 since January 2020, the Group’s operation in Singapore, China and the Philippines had been negatively impacted. Despite receiving supports from governments with grants of approximately S\$1.7 million, the Group recorded a net loss for the year of approximately S\$2.8 million.

ODM segment revenue has significantly suffered from a weak customer demand due to Covid-19. Disruption in supply chain and working practices also contributed to the longer project timeline. ODM segment’s total revenue dropped by 72.2% from S\$7.4 million for the year ended 31 December 2019 to S\$2.1 million for the year ended 31 December 2020.

EMS segment revenue rose by 14.4% from S\$60.2 million for the year ended 31 December 2019 to S\$68.9 million for the year ended 31 December 2020 driven by increase in orders from existing customers mainly arising from inventory restocking and contribution from new customers which were secured in the prior year.

On a consolidated basis, revenue rose by 5.0% from S\$67.6 million for the year ended 31 December 2019 to S\$71.0 million for the year ended 31 December 2020. However, loss for the year increased from S\$1.6 million to S\$2.8 million largely due to lower gross profit from our ODM segment by approximately S\$2.0 million and increase in research and development expenses of approximately S\$0.5 million which was partially offset with a net fair value gains on investment securities of approximately S\$0.4 million and lower foreign exchange loss of approximately S\$0.6 million.

During the course of the year, the Group has made a number of strategic investments in line with the Group's strategy. One of the investments is to expand the Group's capability to include fabrication of precision machine frames and sheet-metal forming. A joint venture agreement was entered into with Techcom Technology Pte Ltd ("**Techcom Technology**") in March 2020 to set up a new company named KinerTec (Nantong) Co. Ltd. We own 60% of KinerTec (Nantong) Co. Ltd, which operates out of our Nantong factory premises. This capability will strengthen and enrich our skill in the SPE sector in order to better serve our customers as precision machine frames and sheet metal are used in every piece of semiconductor equipment.

Another investment is through a wholly-owned subsidiary of the Company, Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd ("**KIE**") where an agreement was entered with Chongqing CEL Equity Investment Management Co., Ltd. ("**Chongqing CEL**") and Shanghai CEL Puyan Equity Investment Management Limited ("**CEL Puyan**"), pursuant to which KIE agreed to subscribe for new capital of the CEL Puyan in the aggregate amount of approximately S\$10,420,000 (equivalent to approximately RMB52,100,000) in cash. Upon completion, CEL Puyan is owned as to approximately 51.03% by KIE and approximately 48.97% by Chongqing CEL. Accordingly, CEL Puyan will become an indirect non-wholly owned subsidiary of the Company. CEL Puyan is a private equity fund manager and currently manages three funds. The investment objective of the CEL Puyan as a private equity fund manager is to make equity investments in high-technology equipment, semiconductor equipment, advanced manufacturing and other related industries which aligns with current business model of the Group. This acquisition will bring the synergy of the principal business of the CEL Puyan and the Group in order to achieve financial benefits.

With the successful development of the Covid-19 vaccines, it is hoped that Covid-19 pandemic would be over soon. Indeed the Group has experienced positive momentum since the fourth quarter 2020 and we expect strong demand in 2021. Our new investments in strengthening capabilities and capacities of our Group last year should enhance our ability to secure new customer base. The Directors will continue to assess and monitor closely the impact of the COVID-19 pandemic and trade tension between the U.S. and China on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection with the pandemic. Further to that, the Group will adhere to prudent financial management in project selection and cost control as well as to adopt a cautious approach in exploring opportunities to expand and diversify our operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, and access to new markets and customers.

### 3. FINANCIAL REVIEW

#### Revenue

We derive revenue mainly from our EMS and ODM business. The following table sets forth the components of our revenue by operating segment for the years indicated:

	For the year ended 31 December		
	2020	2019	% of change
	S\$'000	S\$'000	
EMS	68,929	60,240	14.4
ODM	2,050	7,384	-72.2
	<u>70,979</u>	<u>67,624</u>	<u>5.0</u>

The Group's revenue increased by approximately 5.0% from approximately S\$67.6 million for the year ended 31 December 2019 to approximately S\$71.0 million for the year ended 31 December 2020.

The increase was primarily due to the increase in sales from EMS segment which was caused by the increase in orders from existing customers and contribution from new customers. The increase was offset with the decrease in sales from ODM segment due to decrease in orders from existing customers.

#### Cost of sales

Cost of sales primarily consists of material costs, labour costs and overhead expenses. The following table sets forth a breakdown of our cost of sales by operating segment for the years indicated:

	For the year ended 31 December		
	2020	2019	% of change
	S\$'000	S\$'000	
EMS	62,335	53,623	16.2
ODM	2,144	5,518	-61.1
	<u>64,479</u>	<u>59,141</u>	<u>9.0</u>

The Group's cost of sales increased by approximately 9.0% from approximately S\$59.1 million for the year ended 31 December 2019 to approximately S\$64.5 million for the year ended 31 December 2020. The increase was mainly due to the increase in revenue during the year and addition of allowance for inventory obsolescence of approximately S\$0.6 million for the year ended 31 December 2020.

### **Gross profit and gross profit margin**

As a result of the changes in the revenue and cost of sales above, the gross profit decreased by approximately S\$2.0 million from approximately S\$8.5 million for the year ended 31 December 2019 to approximately S\$6.5 million for the year ended 31 December 2020.

Gross profit margin decreased by approximately 3.3% from 12.5% for the year ended 31 December 2019 to 9.2% for the year ended 31 December 2020. The decrease in gross profit margin was mainly due to significant decline in the revenue of ODM division during the year as compared to prior year and addition of allowance for inventory obsolescence of approximately S\$0.6 million for the year ended 31 December 2020, which lowered the overall gross margin of the Group.

### **Other income and gains**

Other income and gains increased from approximately S\$1.4 million for the year ended 31 December 2019 to approximately S\$2.6 million for the year ended 31 December 2020. The increase was primarily contributed from (a) higher government grants by approximately S\$1.4 million mainly due to Jobs Support Scheme announced by the Singapore government which is aimed to provide cash flow support and help company to retain their local employees during the COVID-19 pandemic period and (b) a net fair value gains on investment securities of approximately S\$0.4 million. The increase was partially offset by the lower bank interest income of approximately S\$0.6 million.

### **Sales and marketing expenses**

Sales and marketing expenses decreased by approximately S\$44,000 was mainly due to a decrease in travel and accommodation during the year.

## **General and administration expenses**

General and administration expenses increased by approximately S\$1.0 million from approximately S\$8.5 million for the year ended 31 December 2019 to approximately S\$9.5 million for the year ended 31 December 2020. The increase was mainly due to: (i) higher research and development expenses of approximately S\$0.5 million, (ii) an increase in professional fees and printing and stationery of approximately S\$0.1 million related to investment activities during the year and (iii) an increase in utilities expenses of S\$0.1 million.

## **Other expenses**

Other expenses decreased by approximately S\$0.5 million was mainly due to lower foreign exchange loss which largely impacted by the exchange rate fluctuation from US Dollar to Singapore Dollar.

## **Finance cost**

Comparing to the year ended 31 December 2019, finance costs incurred during the year ended 31 December 2020 increased by approximately S\$22,000 mainly due to interest expense arising from bank loan of S\$5.0 million which was drawdown during the year.

## **Loss before tax**

Loss before tax for the year ended 31 December 2020 was approximately S\$3.1 million, while loss before tax of approximately S\$1.9 million was recorded for the year ended 31 December 2019. Such increase was mainly due to a decrease in gross profit margin and increase in general and administrative expenses during the year which partially offset with the increase in other income and gains.

## **Income tax credit**

The Group recorded income tax credit for the year ended 31 December 2020 and 2019 of approximately S\$0.3 million and S\$0.2 million respectively mainly due to the reversal of deferred tax liabilities based on the assessment at the respective years.

## **Loss for the year**

As a result of the above, the Group recorded a net loss after tax of approximately S\$2.8 million and S\$1.6 million for the year ended 31 December 2020 and 2019.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2020, the Group had cash and cash equivalents of approximately S\$25.3 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

### Cash flow

The following table sets forth a summary of our cash flows for the years indicated:

	For the year ended	
	31 December	
	2020	2019
	S\$'000	S\$'000
Net cash flow (used in)/generated from operating activities	(5,772)	9,699
Net cash flow used in investing activities	(9,278)	(13,875)
Net cash flow generated from/(used in) financing activities	4,636	(2,877)
Net decrease in cash and cash equivalents	(10,414)	(7,053)
Cash and cash equivalents at 1 January	36,092	43,709
Effect of exchange rate changes on cash and cash equivalents	(419)	(564)
Cash and cash equivalents at 31 December	<u>25,259</u>	<u>36,092</u>

### *Net cash flow (used in)/generated from operating activities*

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects (loss)/profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, depreciation of prepaid land lease payments, amortization of intangible assets and other items, which lead to the operating cash generated before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables which lead to cash flow generated from operations; and 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 2020, the Group's net cash used in operating activities was approximately S\$5.8 million, primarily reflected; (i) increase in inventories of approximately S\$13.3 million and (ii) increase in trade and other receivables of approximately S\$6.9

million which were partially offset by; (i) operating cash flow generated before working capital changes of approximately S\$0.1 million; (ii) increase in trade and other payables of approximately S\$14.1 million; and (iii) interest income received of approximately S\$0.2 million.

#### ***Net cash flow used in investing activities***

Cash flow used in investing activities mainly relates to purchase and disposal of property, plant and equipment and purchase of investment securities.

For the year ended 31 December 2020, the Group's net cash used in investing activities was approximately S\$9.3 million, which was primarily used for (i) purchase of investment securities of approximately S\$5.9 million; (ii) purchase of property, plant and equipment of approximately S\$2.7 million, (iii) addition of intangible assets of approximately S\$0.1 million and (iv) addition of advance payment for property, plant and equipment of approximately S\$0.6 million.

#### ***Net cash flow generated from/(used in) financing activities***

Cash flows generated from/(used in) financing activities includes proceeds from bank loan, capital contribution from non-controlling interest, payment of principal portion of lease liabilities, dividend paid on ordinary shares and purchase of treasury shares.

For the year ended 31 December 2020, the Group's net cash flow generated from financing activities was approximately S\$4.6 million, mainly generated from borrowings of S\$5.0 million and capital contribution from non-controlling interest of approximately S\$1.7 million, partially offset with (i) payment of principal and interest of lease liabilities of approximately S\$1.1 million; (ii) dividend paid on ordinary shares of approximately S\$0.9 million; and (iii) purchase of treasury shares of approximately S\$0.1 million.

### **NET CURRENT ASSETS**

The Group's net current asset decreased by approximately S\$5.8 million from approximately S\$57.0 million as at 31 December 2019 to S\$51.2 million as 31 December 2020. The decrease was primarily due to (i) a decrease in cash and cash equivalents of approximately S\$10.8 million; (ii) an increase in trade and other payables of approximately S\$14.2 million; and (iii) an increase in the current portion of interest-bearing loans and borrowings of approximately S\$0.4 million, partially offset with; (i) an increase in inventories of approximately of S\$12.7 million; and (ii) an increase in trade and other receivables of approximately S\$6.9 million.

## CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase cost relating to property, plant and equipment. For the year ended 31 December 2020, the Group's capital expenditure amounted to approximately S\$2.7 million for the purchase of property, plant and equipment. The Group funded such capital expenditure from the Listing proceeds.

### Capital and investment commitments

The Group's capital and investment commitments primarily relate to commitment for the equity investment and purchase of property, plant and equipment.

As at 31 December 2020, the Group's capital and investment expenditure contracted for as at the end of the reporting year but not recognised in the financial statements are as follows:

	<b>As at 31 December 2020 S\$'000</b>
Contracted, but not provided for:	
Property, plant and equipment	3,597
Investment securities	12,429
	<hr/>
	<b>16,026</b>
	<hr/> <hr/>

### *Investment securities*

The balance of S\$12,429,000 pertains to the remaining investment commitments of the Group in Towa (Nantong) Co., Ltd and Nantong Intelligent Fund amounting to S\$264,000 (equivalent to US\$200,000) and S\$12,165,000 (equivalent to RMB60,000,000), respectively.

## **INDEBTEDNESS**

### **Bank loan and other borrowings**

As at 31 December 2020, the Group has outstanding balance from interest-bearing loans and borrowings of approximately S\$7.0 million (31 December 2019: S\$3.0 million).

### **Contingent liabilities**

As at 31 December 2020, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

### **Net debt to equity ratio**

Net debt to equity ratio equals total interest-bearing loans and borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than Interest-bearing loans and borrowings as at 31 December 2020.

### **Gearing ratio**

Gearing ratio equals total interest-bearing loans and borrowings divided by equity attributable to equity holders of the parent at the end of the year. Gearing ratio of the Group as at 31 December 2020 was 0.08 (31 December 2019: 0.03).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in Note 17, "Events occurring after the reporting period" to this announcement, the Group did not have other plans for material investments as at 31 December 2020.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

In March 2020, the Group entered into a joint venture agreement with Techcom Technology, an independent third party, pursuant to which the parties agreed to set up a new company named KinerTec (Nantong) Co. Ltd in the PRC to principally engage in the manufacturing of sheet metal products and structural metal products. The Group and Techcom Technology own 60% and 40% equity interest in the KinerTec (Nantong) Co. Ltd respectively. KinerTec (Nantong) Co. Ltd is a subsidiary and is consolidated in the Group's financial statements.

Save as disclosed above and in Note 11, “Investment securities” to this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The presentation currency of the Group is SGD. The Group mainly operates in Singapore and China, hence the operating expenses are denominated in SGD and RMB. The majority of the Group’s revenue are denominated and settled in USD. Therefore, fluctuations in exchange rates of SGD, RMB and USD could materially impact the Group’s profit margin and overall results of operations, and there will be gains and losses resulting from fluctuations in the exchange rate. The Group did not enter into any financial instrument for hedging purpose as the Group’s results of operations has generally been partially mitigated by the natural offset of our foreign currency receivables with our foreign currency payables. Going forward, the Group expects that exchange rates of SGD, RMB and USD will continue to fluctuate. The management of the Group will continue to monitor the Group’s foreign currency exchange exposure and will take prudent measures to minimise that currency exchange risk.

## **PLEDGE OF ASSETS**

As at 31 December 2020, the Group did not pledge any assets.

## **HUMAN RESOURCES**

As at 31 December 2020, the Group had 535 employees. The employee benefit expense incurred during the year ended 31 December 2020 was approximately S\$16.9 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group’s remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group’s performance. Besides offering competitive remuneration packages, the Company adopted the Share Option Scheme with the objectives to recognise contributions made by the eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labor disputes during the year ended 31 December 2020.

## **OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS**

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

## **FINAL DIVIDEND**

The Board does not recommend a payment of final dividend for the year ended 31 December 2020.

## **CORPORATE GOVERNANCE CODE**

The Group is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for Shareholders.

The Company has complied with all the code provisions of the Corporate Governance Code.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors and relevant employees.

Upon specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year under review.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES**

During the year ended 31 December 2020, the Company repurchased a total of 760,000 ordinary shares (“**Shares Repurchased**”) of the Company on the Stock Exchange at an aggregate consideration (including transaction costs) of approximately S\$81,000 (equivalent to approximately HK\$460,000). Particulars of the Shares Repurchased are as follows:

<b>Month of repurchase</b>	<b>No. of shares repurchased</b>	<b>Price paid per share</b>		<b>Aggregate consideration (HK\$'000)</b>
		<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>	
<b>January 2020</b>	<b><u>760,000</u></b>	<b>0.66</b>	<b>0.55</b>	<b><u>460</u></b>

Save as disclosed above and in Note 17, “Events occurring after the reporting period”, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities up to the date of this announcement.

## **REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE**

The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the audit committee, comprising solely the independent non-executive Directors of the Company.

## **SCOPE OF WORK OF THE AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT**

The figures in respect of the annual announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Group’s auditors, Ernst & Young LLP (the “**Auditors**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditors on this announcement.

## **PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT**

This annual result announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.kinergy.com.sg>). An annual report for the year ended 31 December 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

## DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (光控精技有限公司)*, a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we” or “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“ODM”	Original Design Manufacturing
“Qingdao CEL Fund”	Qingdao CEL Intelligent Manufacturing Equity Investment Limited
“RMB”	Renminbi, the lawful currency of the PRC

“S\$” or “SGD”	Singapore Dollar, the lawful currency of the Republic of Singapore
“Shareholder(s)”	the Shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“U.S.”	the United States of America
“USD” of “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 29 March 2021

*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.*