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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 2018**

The Board of Directors (the “Board”) of Kinergy Corporation Ltd. (the “Company”) is pleased 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 2018, together with the comparative figures for the year ended 31 December 2017.

**Highlight**

	For the year ended			Percentage Change
	31 December 2018 (S\$'000)	2017 (S\$'000)	Change (S\$'000)	
Revenue	122,809	128,952	(6,143)	−4.8%
Profit for the year	8,728	8,032	696	8.7%
Adjusted profit for the year <i>Note 1</i>	11,630	8,854	2,776	31.4%

*Note 1* Adjusted profit for the year excludes listing expenses.

\* For Identification purpose only.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	<b>2018</b> <i>S\$'000</i>	2017 <i>S\$'000</i>
<b>Revenue</b>	4	<b>122,809</b>	128,952
Cost of sales		<u>(101,395)</u>	<u>(104,142)</u>
<b>Gross profit</b>		<b>21,414</b>	24,810
Other income and gains	5	<b>4,867</b>	1,031
Sales and marketing expenses		<b>(2,673)</b>	(2,813)
General and administrative expenses		<b>(12,230)</b>	(10,915)
Impairment loss on financial assets	6	<b>(30)</b>	—
Other expense	6	<b>—</b>	(2,212)
Finance costs		<u><b>(29)</b></u>	<u>(36)</u>
<b>Profit before tax</b>	7	<b>11,319</b>	9,865
Income tax expense	8	<u><b>(2,591)</b></u>	<u>(1,833)</u>
<b>Profit for the year</b>		<b>8,728</b>	8,032
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u><b>(701)</b></u>	<u>(371)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>8,027</b></u>	<u>7,661</u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (S\$)	9	<u><b>1.19 cents</b></u>	<u>1.41 cents</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2018*

	<i>Notes</i>	<b>2018</b> <i>S\$'000</i>	2017 <i>S\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>16,318</b>	18,083
Prepaid land lease payments		<b>1,260</b>	1,338
Intangible assets		<b>446</b>	314
Investment securities	11	<b>1,384</b>	—
Advance payment for property, plant and equipment		<b>679</b>	679
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>20,087</b>	20,414
		<hr/> <hr/>	<hr/> <hr/>
<b>Current assets</b>			
Inventories	12	<b>30,030</b>	33,974
Trade receivables	13	<b>18,443</b>	21,216
Prepayments, deposits and other receivables		<b>2,053</b>	3,319
Investment securities	11	—	6,758
Cash and cash equivalents	14	<b>43,709</b>	13,657
		<hr/>	<hr/>
<b>Total current assets</b>		<b>94,235</b>	78,924
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade payables	15	<b>14,915</b>	21,472
Other payables and accruals		<b>3,616</b>	5,483
Provision for warranty		<b>178</b>	82
Tax payable		<b>1,036</b>	908
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>19,745</b>	27,945
		<hr/>	<hr/>

	<i>Notes</i>	<b>2018</b> <i>S\$'000</i>	2017 <i>S\$'000</i>
<b>Net current assets</b>		<b>74,490</b>	50,979
<b>Non-current liabilities</b>			
Deferred tax liabilities		<u>546</u>	<u>1,100</u>
<b>Net assets</b>		<u><b>94,031</b></u>	<u>70,293</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	16	<b>84,990</b>	40,879
Reserves		<u>9,041</u>	<u>29,414</u>
<b>Total equity</b>		<u><b>94,031</b></u>	<u>70,293</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Kinergy Corporation Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore. On 18 July 2018, the Company listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited.

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

The principal activities of the Company and its subsidiaries are to provide contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision moulds and dies.

The Company operates in Singapore and the subsidiaries operate in the People’s Republic of China (“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 financial statements have been prepared on the historical cost basis, except for investment securities which has been measured at fair value.

The financial statements are presented in Singapore Dollars (S\$) and all values are rounded to the nearest thousand (\$’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) Electronics Manufacturing Services division (“EMS”) focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.
- (ii) Original Design Manufacturing division (“ODM”), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group’s own “Kinergy” brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders, precision tools such as encapsulation molds and dies and spare parts.

The Group’s chief operating decision maker is the chief executive officer, who reviews revenue and results of major type of products sold for the purpose of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group’s accounting policies. 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 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
EMS	110,783	90.2	119,527	92.7
ODM	12,026	9.8	9,425	7.3
	<u>122,809</u>	<u>100.0</u>	<u>128,952</u>	<u>100.0</u>

### Geographical information

The following table sets out our revenue by geographical locations for the years ended 31 December 2018 and 2017. It should be noted that the following breakdown is based on the location of our customers. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products are used may be different from where the customers locate.

	For the year ended 31 December			
	2018		2017	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	103,935	84.6	114,492	88.8
United States	4,710	3.8	3,358	2.6
Japan	3,788	3.1	2,781	2.2
Mainland China	3,155	2.6	1,662	1.3
Philippines	2,083	1.7	3,550	2.7
Other countries	5,138	4.2	3,109	2.4
	<u>122,809</u>	<u>100.0</u>	<u>128,952</u>	<u>100.0</u>

#### 4. REVENUE

##### Disaggregation of revenue

	EMS		ODM		Total revenue	
	For the year ended 31 December					
	2018	2017	2018	2017	2018	2017
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>Type of goods or services</b>						
Sale of goods	110,369	119,115	12,026	9,425	122,395	128,540
Rendering of services	414	412	—	—	414	412
	<u>110,783</u>	<u>119,527</u>	<u>12,026</u>	<u>9,425</u>	<u>122,809</u>	<u>128,952</u>
<b>Timing of transfer of goods or services</b>						
At a point in time	<u>110,783</u>	<u>119,527</u>	<u>12,026</u>	<u>9,425</u>	<u>122,809</u>	<u>128,952</u>

#### 5. OTHER INCOME AND GAINS

	For the year ended	
	2018	2017
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Other income</b>		
Bank interest income	369	127
Government grant <sup>(a)</sup>	214	355
Service income	45	—
Rental income	35	—
Sale of scrap materials	13	13
	<u>676</u>	<u>495</u>
<b>Gains</b>		
Gain on disposal of property, plant and equipment	2,165	536
Foreign exchange differences, net	2,026	—
	<u>4,191</u>	<u>536</u>
	<u>4,867</u>	<u>1,031</u>

<sup>(a)</sup> The amount represents grants received from local PRC government authorities by the Group's subsidiaries in connection with certain financial support to local business enterprises for the purpose of encouraging business development and grants received from Singapore government authorities under the Wage Credit Scheme to protect local citizen's employment status. There are no unfulfilled conditions and other contingencies relating to these grants.

## 6. IMPAIRMENT LOSS ON FINANCIAL ASSETS AND OTHER EXPENSE

	For the year ended	
	31 December	
	2018	2017
	S\$'000	S\$'000
Impairment loss on financial assets — trade receivables	30	—
Foreign exchange differences, net	—	2,212
	<u>30</u>	<u>2,212</u>

## 7. PROFIT BEFORE TAX

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

	For the year ended	
	31 December	
	2018	2017
	S\$'000	S\$'000
Cost of inventories	83,426	85,980
Cost of services rendered	62	62
Depreciation of property, plant and equipment	1,641	1,681
Amortisation of prepaid land lease payments	34	28
Amortisation of intangible assets	156	129
Research and development expenses	2,168	2,629
Minimum lease payments under operating leases	1,092	1,086
Listing expenses*	2,902	822
Auditor's remuneration	231	146
Professional fees	199	199
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	15,129	16,967
— Pension scheme contributions	2,456	2,338
Provision for warranty	160	49
Impairment loss on financial asset:		
— Trade receivables	30	—
Gain on disposal of property, plant and equipment	(2,165)	(536)
Foreign exchange differences, net	(2,026)	2,212
Write-back of inventory obsolescence	(893)	(24)
Bank interest income	(369)	(127)
	<u>(369)</u>	<u>(127)</u>

\* Professional fee of S\$415,000 paid to the auditor of the Company in relation to the Listing had been included in the listing and share issuance expenses.

## 8. INCOME TAX EXPENSE

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are as follows:

	For the year ended 31 December	
	2018	2017
	S\$'000	S\$'000
Current income tax:		
— Current income taxation	3,153	1,487
— (Over)/under provision in respect of previous years	(8)	16
	<u>3,145</u>	<u>1,503</u>
Deferred income tax:		
— Origination and reversal of temporary differences	(554)	330
	<u>(554)</u>	<u>330</u>
Income tax expense recognised in profit or loss	<u>2,591</u>	<u>1,833</u>

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares of 733,108,584 and 568,075,472 shares in issue during the year ended 31 December 2018 and 2017 respectively, considering the share subdivision occurred on 20 June 2018, the share subdivision was treated as having been issued for the years ended 31 December 2018 and 2017.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

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

	For the year ended 31 December	
	2018	2017
	S\$'000	S\$'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<u>8,728</u>	<u>8,032</u>
	As at 31 December	
	2018	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u>733,108,584</u>	<u>568,075,472</u>
<b>Earnings per share attributable to owners of the Company</b>		
Basic and diluted (S\$)	<u>1.19 cents</u>	<u>1.41 cents</u>

## 10. DIVIDENDS

	For the year ended 31 December	
	2018	2017
	<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 2017: S\$7.3 cents (2016: S\$7.8 cents) per share	11,486	7,697
— Interim exempt (one-tier) dividend for 2018: S\$10.8 cents (2017: Nil) per share	<u>16,914</u>	<u>—</u>
	<u><u>28,400</u></u>	<u><u>7,697</u></u>
<b>Proposed but not recognised as a liability as at 31 December:</b>		
<i>Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting (AGM):</i>		
— Final exempt (one-tier) dividend for 2018: Nil (2017: S\$7.3 cents) per share	<u>—</u>	<u>11,486</u>

## 11. INVESTMENT SECURITIES

### a. Financial instrument as at 31 December 2018

	As at 31 December 2018 <i>S\$'000</i>
At fair value through other comprehensive income	
— Unquoted equity investment (non-current)	<u><u>1,384</u></u>

#### *Investments in equity instruments designated at fair value through other comprehensive income*

During the year, the Group entered into an agreement with Towa Corporation, Japan incorporated company, to form a company named Towa (Nantong) Co., Ltd. Towa (Nantong) Co., Ltd is incorporated in the PRC. The Group and Towa Corporation shall subscribe for 10% and 90% of the registered share capital of Towa (Nantong) Co., Ltd., respectively. The registered share capital of Towa (Nantong) Co., Ltd is US\$30,000,000 of which the Company shall contribute US\$3,000,000. As at 31 December 2018, the Group has paid US\$1,000,000 (equivalent to S\$1,384,000).

The Group has elected to measure the unquoted equity investment at fair value through other comprehensive income due to the Group's intention to hold these equity instruments for long-term appreciation. The fair value of the unquoted equity investment is determined by reference to the price of recent transactions.

**b. Financial instrument as at 31 December 2017**

	As at 31 December 2017 S\$'000
Available-for-sale investment	
— Investment in bank financial products (current)	<u>6,758</u>

***Investment in bank financial products***

Available-for-sale investment represents investment in bank financial products issued by banks in the PRC. The investment bore an interest rate of 4.2% per annum, which was matured in March 2018. The principals were guaranteed. The fair values of wealth management products had been estimated using a discounted cash flow valuation model.

**12. INVENTORIES**

	As at 31 December	
	2018	2017
	S\$'000	S\$'000
Raw materials	13,980	16,647
Work-in-progress	10,728	13,187
Finished goods	<u>5,322</u>	<u>4,140</u>
Total inventories at lower of cost and net realisable value	<u>30,030</u>	<u>33,974</u>

**13. TRADE RECEIVABLES**

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

	As at 31 December	
	2018	2017
	S\$'000	S\$'000
— 0 to 30 days	8,435	8,656
— 31 to 60 days	7,079	8,914
— 61 to 90 days	2,000	2,862
— Over 90 days	<u>929</u>	<u>784</u>
	<u>18,443</u>	<u>21,216</u>

#### 14. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018	2017
	S\$'000	S\$'000
Cash and bank balances	18,464	13,657
Short-term deposits	25,245	—
	<u>43,709</u>	<u>13,657</u>

#### 15. TRADE PAYABLES

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

	As at 31 December	
	2018	2017
	S\$'000	S\$'000
— 0 to 30 days	6,754	14,662
— 31 to 60 days	2,474	4,550
— 61 to 90 days	2,362	2,053
— Over 90 days	3,325	207
	<u>14,915</u>	<u>21,472</u>

#### 16. SHARE CAPITAL

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares:		
As at 1 January 2017	141,587,348	34,357
Ordinary shares issued <sup>(1)</sup>	15,750,483	6,522
As at 31 December 2017 and 1 January 2018	157,337,831	40,879
Share split <sup>(2)</sup>	472,013,493	—
Ordinary shares issued pursuant to the initial public offering <sup>(3)</sup>	210,000,000	42,555
Ordinary shares issued pursuant to over-allotment exercised <sup>(4)</sup>	19,320,000	3,938
Share issuance expense	—	(2,382)
As at 31 December 2018	<u>858,671,324</u>	<u>84,990</u>

<sup>(1)</sup> On 21 December 2017, the Company issued 15,750,483 ordinary shares at S\$0.41 per share to its new investor, Diamond Wealth Global Limited.

<sup>(2)</sup> On 20 June 2018, the Company completed the share split of every one (1) ordinary share in the capital of the company into four (4) ordinary shares.

- (3) On 18 July 2018, the Company issued 210,000,000 ordinary shares at S\$0.20 (or equivalent with HK\$1.17) in connection with the initial public offering.
- (4) On 9 August 2018, additional 19,320,000 over-allotment were exercised and correspondingly the Company issued 19,320,000 new ordinary shares.

## **17. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

On 27 December 2018, The Group through its subsidiary, Kinergy EMS (Nantong) Co., Ltd, entered into a fund partnership agreement with related parties in relation to the formation of the fund with initial proposed size of RMB500,000,000 (equivalent to S\$99,661,000). The proposed capital commitment of the Group will amount to RMB100,000,000 (equivalent to approximately S\$19,932,000), representing 20% of the total committed capital contribution amount of the fund. The fund will be principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment (“SPE”) industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC.

On 15 February 2019, the Fund Partnership Agreement was approved by independent shareholders during the extraordinary general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specializing in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor back-end equipment industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS division and ODM division. Our EMS division focuses primarily on manufacturing of sub-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 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 90.2% of total revenue and ODM division accounted for approximately 9.8% of total revenue for the year ended 31 December 2018.

### 2. BUSINESS REVIEW AND PROSPECT

Year 2018 marks another new milestone for the Group following the completion of the listing (the “Listing”) of shares of our Company (the “Shares”) on 18 July 2018. Since our Listing, the Group has strived to expand its business. During the year, the Group completed the construction of a new factory building in Nantong, the PRC, which will increase production capacity upon renovation and setting up of facilities.

For the year ended 31 December 2018, our revenue slightly decreased by approximately S\$6.1 million whereas our revenue for the year ended 31 December 2017 was approximately S\$129.0 million, mainly due to decrease in orders from customers as intense threat of trade war between the U.S. and China started in March 2018.

Comparing to the year ended 31 December 2017, revenue of our Group to our major customers of the ODM division during the year ended 31 December 2018 perked.

During the year ended 31 December 2018, we are proud that some customers, including our major customers are making use of our design capabilities to add values (of quality, cost and/or delivery compression) to their businesses, or to leverage on our design skills to put more products in the marketplace. These design work will translate into new businesses for us.

The semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, artificial intelligence and internet of things. We expect that these markets of application will continue its growth and will drive the same pace of growth for the semiconductor industry we have seen in the past

years. We expect the proceeds from the Listing will allow us to proceed on the implementation of our future plans despite the threat of trade wars and signs of the coming of recession which posed a caveat to the otherwise favourable development of the semiconductor business. The Group is actively exploring business opportunities and will take extra care to prioritise capital expenditure to maximise return for our Shareholders.

### 3. FINANCIAL REVIEW

#### Revenue

We derive revenue mainly from our Electronics Manufacturing Services (“EMS”) and Original Design Manufacturing (“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		
	2018 <i>S\$'000</i>	2017 <i>S\$'000</i>	% of change
EMS	110,783	119,527	-7.3%
ODM	<u>12,026</u>	<u>9,425</u>	<u>27.6%</u>
	<u><u>122,809</u></u>	<u><u>128,952</u></u>	<u><u>-4.8%</u></u>

The Group’s revenue slightly decreased by approximately 4.8% from approximately S\$129.0 million for the year ended 31 December 2017 to approximately S\$122.8 million for the year ended 31 December 2018.

The decrease was primarily due to the decrease in revenue of EMS division by approximately 7.3% from approximately S\$119.5 million for the year ended 31 December 2017 to approximately S\$110.8 million for the year ended 31 December 2018. This was mainly due to lower demand from one of the major customers.

The decrease in revenue of EMS division was partially offset by the increase in revenue of ODM division. Revenue from ODM division increased by approximately 27.6% from approximately S\$9.4 million for the year ended 31 December 2017 to approximately S\$12.0 million for the year ended 31 December 2018. This was mainly due to higher demand of ODM products from the customers.

## Cost of sales

Cost of sales primarily consists of material costs, labor costs, rental expenses and depreciation 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		
	2018 <i>S\$'000</i>	2017 <i>S\$'000</i>	% of change
EMS	93,020	96,430	-3.5%
ODM	8,375	7,712	8.6%
	<u>101,395</u>	<u>104,142</u>	<u>-2.6%</u>

The Group's cost of sales slightly decreased by approximately 2.6% from approximately S\$104.1 million for the year ended 31 December 2017 to approximately S\$101.4 million for the year ended 31 December 2018.

The decrease was mainly due to decrease in cost of sales of EMS division by approximately 3.5% from approximately S\$96.4 million for the year ended 31 December 2017 to approximately S\$93.0 million for the year ended 31 December 2018, which was due to decrease in revenue for the EMS division.

Cost of sales of ODM division, however increased from approximately S\$7.7 million to approximately S\$8.4 million mainly due to the increase in revenue for the ODM division.

## Gross profit

As a result of the changes in the revenue and cost of sales above, gross profit decreased by approximately S\$3.4 million from approximately S\$24.8 million for the year ended 31 December 2017 to approximately S\$21.4 million for the year ended 31 December 2018.

## Other income and gains

Other income and gains increased from approximately S\$1.0 million for the year ended 31 December 2017 to approximately S\$4.9 million for the year ended 31 December 2018. The increase was primarily due to a foreign exchange gain of approximately S\$2.0 million and higher gain on disposal of property, plant and equipment of approximately S\$1.6 million as compared to the previous year.

### **Sales and marketing expenses**

Sales and marketing expenses decreased by approximately 3.6% from approximately S\$2.8 million for the year ended 31 December 2017 to approximately S\$2.7 million for the year ended 31 December 2018, which was in line with the decrease in revenue for the year ended 31 December 2018.

### **General and administration expenses**

General and administration expenses increased by approximately 11.9% from approximately S\$10.9 million for the year ended 31 December 2017 to approximately S\$12.2 million for the year ended 31 December 2018. The increase was mainly due to the increase in listing expenses incurred for the year ended 31 December 2018.

### **Impairment loss on financial assets and other expense**

Other expense decreased from approximately S\$2.2 million for the year ended 31 December 2017 to S\$30,000 for the year ended 31 December 2018. The decrease was mainly due to the foreign exchange loss recognised for the year ended 31 December 2017 whilst foreign exchange gain of approximately S\$2.0 million was recognised for the year ended 31 December 2018.

### **Finance cost**

Comparing to the year ended 31 December 2017, finance cost incurred during the year ended 31 December 2018 decreased by approximately S\$7,000. The decrease was mainly due to the decrease in interest incurred on trade financing for the year ended 31 December 2018.

### **Profit before tax**

Profit before tax for the year ended 31 December 2018 was approximately S\$11.3 million which was approximately 14.1% higher than the profit before tax of approximately S\$9.9 million for the year ended 31 December 2017. Such increase was mainly due to increase in the gain on disposal of property, plant and equipment and the foreign exchange gain arising from the fluctuations of foreign exchange for the year ended 31 December 2018.

### **Income tax expense**

The Group's income tax expense increased from approximately S\$1.8 million for the year ended 31 December 2017 to approximately S\$2.6 million for the year ended 31 December 2018. The income tax expense for the year ended 31 December 2017 was lower because of the ability to utilise tax losses carried forward from previous years.

## Profit for the year

As a result of the above, the Group recorded a net profit after tax of approximately S\$8.7 million for the year ended 31 December 2018, representing an increase of approximately 8.8% from the profit for the year ended 31 December 2017 which approximately S\$8.0 million.

## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the Group had cash and cash equivalents of approximately S\$43.7 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:

	Year ended 31 December	
	2018	2017
	S\$'000	S\$'000
Net cash flow generated from operating activities	10,453	3,839
Net cash flow generated from/(used in) investing activities	6,907	(9,772)
Net cash flow generated from/(used in) financing activities	12,809	(2,083)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	30,169	(8,016)
Cash and cash equivalents at 1 January	13,657	21,820
Effect of exchange rate changes on cash and cash equivalents	(117)	(147)
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<u>43,709</u>	<u>13,657</u>

### *Net cash flow generated from operating activities*

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and amortisation of prepaid land lease payments and intangible assets, gain from disposal of property, plant and equipment and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables which lead to cash 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 2018, the Group's net cash generated from operating activities was approximately S\$10.5 million, primarily reflected (i) cash generated before working capital changes of approximately S\$12.8 million; (ii) decrease in inventories of approximately S\$4.8 million; and (iii) decrease in trade and other receivables of approximately S\$4.0 million, which were partially offset by decrease in trade and other payables of approximately S\$8.5 million and payment for tax of approximately S\$3.0 million.

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

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

For the year ended 31 December 2018, the Group's net cash generated from investing activities was approximately S\$6.9 million, which was primarily attributable to proceeds from disposal of property, plant and equipment and investment securities of approximately S\$4.9 million and S\$6.8 million respectively, which were partially offset by purchase of property, plant and equipment and investment securities of approximately S\$3.0 million and S\$1.4 million respectively.

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

Cash flows generated from/(used in) financing activities includes proceeds from issuance of new shares and dividend paid on ordinary shares.

For the year ended 31 December 2018, the Group's net cash flow generated from financing activities was approximately S\$12.8 million, mainly attributable to proceeds from issuance of new shares of approximately S\$46.5 million and were partially offset by share issuance and listing expenses of approximately S\$5.3 million and dividend paid on ordinary shares of approximately S\$28.4 million.

**NET CURRENT ASSETS**

The Group's net current asset increased by approximately S\$23.5 million from approximately S\$51.0 million as at 31 December 2017 to S\$74.5 million as 31 December 2018. The increase was primarily due to (i) an increase in cash and cash equivalents of approximately S\$30.1 million; (ii) a decrease in trade payables of approximately S\$6.6 million; and (iii) a decrease in other payables and accruals of approximately S\$1.9 million, partially offset by (i) a decrease in inventories of approximately S\$3.9 million; (ii) a decrease in trade receivables of approximately S\$2.8 million; (iii) a decrease in prepayments, deposits and other receivables of approximately S\$1.3 million; and (iv) a decrease in investment securities (current) of approximately S\$6.8 million.

## CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchases cost relating to property, plant and equipment. For the year ended 31 December 2018, the Group's capital expenditure amounted to approximately S\$3.0 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure primarily with cash generated from operations.

### Capital and investment commitments

The Group's capital and investment commitments primarily relate to commitment for the equity investment and acquisition of machineries.

As at 31 December 2018, 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 2018 S\$'000</b>
Contracted, but not provided for:	
Property, plant and equipment	656
Investment securities	<u>22,678</u>
	<u><u>23,334</u></u>

## INDEBTEDNESS

### Bank loan and other borrowings

The Group's bank loan and other borrowings primarily consisted of short-term trade financing from bank. The loan was mainly for financing the operation. As at 31 December 2018 and 2017 the Group has no outstanding balance from bank loan and other borrowings.

### Contingent liabilities

As at 31 December 2018, 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 bank loans and other borrowings net of cash and cash equivalents and pledged deposits 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 has no outstanding interest-bearing bank loan and other borrowings as at 31 December 2018 (2017: Nil).

### **Gearing ratio**

Gearing ratio equals total debt divided by total equity at the end of the year. Total debt includes all interest-bearing bank loan and other borrowings. Gearing ratio is not applicable to the Group as the Group has no outstanding interest-bearing bank loan and other borrowings as at 31 December 2018.

### **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.

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

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

### **FOREIGN EXCHANGE RISK MANAGEMENT**

The functional currency of the Group is Singapore dollar (“SGD”). The Group mainly operates in Singapore and China, hence the operating expenses are denominated in SGD and Renminbi (“RMB”). The majority of the Group’s revenue are denominated and settled in United States dollar (“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 2018, the Group did not pledge any assets.

## **HUMAN RESOURCES**

As at 31 December 2018, the Group had 532 employees. The employees benefit expense incurred during the year ended 31 December 2018 was approximately S\$18.2 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 labour disputes during the year ended 31 December 2018.

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

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

## **DIVIDEND**

The Board does not recommend a payment of final dividend for the year ended 31 December 2018.

## **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.

Since the Listing Date, the Company has complied with all the code provisions of the Corporate Governance Code except for the historical deviations from the code provisions A.1.8 and C.2.5 of the Corporate Governance Code as disclosed in the 2018 interim report of the Company. Subsequently, the Company has undertaken the following actions during the year in order to comply with these code provisions.

#### **A.1.8 Insurance cover in respect of legal action against its directors**

Code Provision A.1.8 of the Corporate Governance Code stipulates that the Group should arrange appropriate insurance cover in respect of legal action against its directors. The Group had not arranged for such insurance cover from the Listing Date. In August 2018, the Group has complied with this code provision by arranging a directors' and officers' insurance policy for the directors.

#### **C.2.5 Internal audit function**

Code Provision C.2.5 of the Corporate Governance Code stipulates that the Group should have an internal audit function. In conjunction with the Listing, the Group outsourced an external internal control consultant to review the internal control of the Group and follow-up commentary was reported in June 2018. In December 2018, the Group has appointed an external internal control consultant to perform periodic review of the internal control system to comply with the Corporate Governance Code for the upcoming financial year.

### **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 have complied with the Model Code since the Listing Date and up to the end of 2018.

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

The consolidated financial statements of the Group for the year ended 31 December 2018 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 2018 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.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of 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 2018 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 of the Company
"China" or "PRC"	the People's Republic of China, excluding, Hong Kong, Macau 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 directors of the Company
“EMS”	Electronics Manufacturing Services division (“EMS”) focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers
“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 Date”	18 July 2018
“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 division (“ODM”), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group’s own “Kinergy” brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end industry
“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
“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, 27 March 2019

*As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie and Mr. Du Xiaotang; the non-executive Directors are Mr. Chen Shuang (Chairman), Ms. Foo Kaw Jee, Mr. Lim Khin Mann (alternate Director to Ms. Foo Kaw Jee), Mr. Bradley Fraser Kerr and Mr. Tsang Sui Cheong Frederick; and the independent non-executive Directors are Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka and Professor Zhang Wei.*