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Kinergy Corporation Ltd.

精技集團有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) announces the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

Highlight

	For the year ended			Percentage Change
	31 December 2022 (S\$'000)	2021 (S\$'000)	Change (S\$'000)	
Revenue	124,202	168,325	(44,123)	-26.2%
Gross Profit	19,001	28,220	(9,219)	-32.7%
Profit for the year	7,277	12,556	(5,279)	-42.0%
EBITDA ^(Note)	7,648	17,403	(9,755)	-56.1%
Basic and diluted earnings per share attributable to equity holders of the parent (Singapore cents)	0.50	1.32	(0.82)	-62.1%

Note: EBITDA is calculated using profit for the year before income tax, taking out the aggregate of depreciation, amortisation, interest expenses and fair value loss on investment securities for the year.

* For identification purpose only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Revenue	4	124,202	168,325
Cost of sales		<u>(105,201)</u>	<u>(140,105)</u>
Gross profit		19,001	28,220
Other income and gains	5	6,917	4,627
Sales and marketing expenses		(3,256)	(3,420)
General and administrative expenses		(13,072)	(15,242)
Other expenses	6	(843)	(2)
Finance costs		(708)	(380)
Share of results of associates		<u>1,322</u>	<u>(104)</u>
Profit before tax	7	9,361	13,699
Income tax expense	8	<u>(2,084)</u>	<u>(1,143)</u>
Profit for the year		7,277	12,556
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(7,471)	3,070
<i>Items that will not be reclassified to profit or loss</i>			
Gain on equity instruments designated at fair value through other comprehensive income		<u>(679)</u>	<u>6,186</u>
Total comprehensive income for the year		<u>(873)</u>	<u>21,812</u>
Profit for the year attributable to:			
Equity holders of the parent		4,631	11,933
Non-controlling interests		<u>2,646</u>	<u>623</u>
		<u>7,277</u>	<u>12,556</u>
Total comprehensive income for the year attributable to:			
Equity holders of the parent		(2,098)	20,738
Non-controlling interests		<u>1,225</u>	<u>1,074</u>
		<u>(873)</u>	<u>21,812</u>
Earnings per share attributable to equity holders of the parent			
Basic and diluted (Singapore cents)	9	<u>0.50</u>	<u>1.32</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Notes</i>	2022 S\$'000	2021 S\$'000
Non-current assets			
Property, plant and equipment	<i>11</i>	24,675	24,179
Right-of-use assets		5,803	2,255
Intangible assets		194	208
Investment securities	<i>12</i>	30,957	24,063
Investment in associates	<i>13</i>	14,362	11,464
Deferred tax assets		664	907
Advance payment for property, plant and equipment		764	3
		<hr/>	<hr/>
Total non-current assets		77,419	63,079
Current assets			
Inventories	<i>14</i>	53,699	52,266
Trade receivables	<i>15</i>	15,151	32,252
Prepayments, deposits and other receivables	<i>16</i>	2,547	5,833
Cash and cash equivalents	<i>17</i>	20,098	41,706
		<hr/>	<hr/>
Total current assets		91,495	132,057
Current liabilities			
Trade payables	<i>18</i>	15,441	34,803
Other payables and accruals	<i>19</i>	7,682	9,606
Provision for warranty		88	41
Interest-bearing loans and borrowings	<i>20</i>	12,763	13,762
Income tax payable		617	1,436
		<hr/>	<hr/>
Total current liabilities		36,591	59,648
Net current assets		54,904	72,409
Non-current liabilities			
Deferred tax liabilities		1,536	160
Interest-bearing loans and borrowings	<i>20</i>	8,485	7,030
		<hr/>	<hr/>
Total non-current liabilities		10,021	7,190
Net assets		122,302	128,298
Equity			
Share capital	<i>21</i>	91,293	91,293
Reserves		15,191	22,130
		<hr/>	<hr/>
Equity attributable to equity holders of the parent		106,484	113,423
Non-controlling interests		15,818	14,875
		<hr/>	<hr/>
Total equity		122,302	128,298

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

The principal activities of the Group are (i) to provide contract manufacturing, design, engineering and assembly for the electronics industry; (ii) to provide design, manufacture and sale of automated machines, apparatus, systems and equipment; and (iii) to provide fund management services and investment activities in equity securities and funds.

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 or services and has three reportable operating segments as follows:

- (i) EMS division focuses primarily on manufacturing of complete machines, sub-systems and components for original equipment manufacturers and the provision of post-warranty period maintenance and commissioning services. 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 division, which 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 division include equipment such as auto frame loaders and precision tools such as encapsulation moulds, dies and spare parts.
- (iii) Investment division which primarily engages in providing fund management services and conducting investment activities in equity securities and funds.

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 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	<i>S\$’000</i>	<i>%</i>	<i>S\$’000</i>	<i>%</i>
EMS	109,176	87.9	158,177	94.0
ODM	11,921	9.6	7,098	4.2
Investment	3,105	2.5	3,050	1.8
	<u>124,202</u>	<u>100.0</u>	<u>168,325</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the years ended 31 December 2022 and 2021. It should be noted that the following breakdown is based on the locations 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			
	2022		2021	
	S\$'000	%	S\$'000	%
Singapore	83,548	67.3	127,820	75.9
The United States	9,976	8.0	20,041	11.9
Mainland China	13,384	10.8	12,742	7.6
Japan	3,166	2.5	2,170	1.3
The Philippines	6,160	5.0	1,571	0.9
Other countries	7,968	6.4	3,981	2.4
	<u>124,202</u>	<u>100.0</u>	<u>168,325</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Investment		Total revenue	
	2022	2021	2022	2021	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
For the year ended 31 December								
Type of goods or services								
Sale of goods	108,028	157,429	11,913	7,098	—	—	119,941	164,527
Rendering of services	1,148	748	8	—	3,105	3,050	4,261	3,798
	<u>109,176</u>	<u>158,177</u>	<u>11,921</u>	<u>7,098</u>	<u>3,105</u>	<u>3,050</u>	<u>124,202</u>	<u>168,325</u>
Timing of transfer of goods or services								
At a point in time	109,176	158,177	11,921	7,098	—	—	121,097	165,275
Over period of time	—	—	—	—	3,105	3,050	3,105	3,050
	<u>109,176</u>	<u>158,177</u>	<u>11,921</u>	<u>7,098</u>	<u>3,105</u>	<u>3,050</u>	<u>124,202</u>	<u>168,325</u>

5. OTHER INCOME AND GAINS

	For the year ended	
	31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Other income		
Government grant (<i>Note</i>)	850	1,438
Bank interest income	352	281
Service income	—	12
Rental income	—	13
Others	206	66
	1,408	1,810
Gains		
Net gain on disposal of investment securities	—	1,165
Net fair value gains on investment securities	5,468	868
Foreign exchange differences, net	—	421
Gain on bargain purchases of a business	—	320
Gain on disposal of property, plant and equipment	41	43
	5,509	2,817
	6,917	4,627

Note: The amount represents grants received from government authorities under various support schemes, among others, of which (i) approximately S\$448,000 (31 December 2021: 358,000) was granted by the Singapore government which primarily aims to expand local hiring under the Jobs Growth Incentive programs; and (ii) approximately S\$402,000 (31 December 2021: S\$763,000) was granted by the PRC government to one of the Group's subsidiaries which primarily aims to encourage high technological innovation and promote high technological progress. There are no unfulfilled conditions and other contingencies relating to these grants.

6. OTHER EXPENSES

	For the year ended	
	31 December	
	2022	2021
	S\$'000	S\$'000
Write-off of financial assets — trade receivables	2	2
Foreign exchange differences, net	841	—
	<u>843</u>	<u>2</u>

7. PROFIT BEFORE TAX

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

	For the year ended	
	31 December	
	2022	2021
	S\$'000	S\$'000
Cost of inventories	80,654	117,429
Depreciation of property, plant and equipment	2,493	1,981
Depreciation of right-of-use assets	1,155	1,096
Amortisation of intangible assets	214	247
Research and development expenses	3,047	4,378
Short-term leases/minimum lease payments under operating leases	342	125
Auditor's remuneration	366	319
Professional fees	597	334
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	23,050	22,933
— Pension scheme contributions	3,402	2,577
— Share option expense	—	25
— Profit sharing scheme*	—	354
Provision for warranty	63	52
(Allowance)/write-back for inventory obsolescence	(37)	180
Foreign exchange differences, net	841	(421)
Government grants	(850)	(1,438)
Net gain on disposal of investment securities	—	(1,165)
Net fair value gains on investment securities	(5,468)	(868)
Bank interest income	(352)	(281)
Gain on disposal of property, plant and equipment	(41)	(43)
	<u>(41)</u>	<u>(43)</u>

* Certain senior management of the Company are entitled to profit sharing payment which is determined as a percentage of the profit after tax of the Group that is in excess of budget.

8. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expenses for the years ended 31 December 2022 and 2021 are as follows:

	For the year ended 31 December	
	2022	2021
	S\$'000	S\$'000
Current income tax:		
— Current income taxation	(583)	(1,735)
— Over provision in respect of previous years	<u>118</u>	<u>2</u>
	<u>(465)</u>	<u>(1,733)</u>
Deferred income tax:		
— Origination and reversal of temporary differences	<u>(1,619)</u>	<u>590</u>
Income tax expense recognised in profit or loss	<u><u>(2,084)</u></u>	<u><u>(1,143)</u></u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to the equity holders of the parent, and the weighted average number of ordinary shares of 920,393,394 and 904,055,957 shares in issue during the years ended 31 December 2022 and 2021 respectively.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	For the year ended	
	31 December	
	2022	2021
	S\$'000	S\$'000
Profit for the year attributable to equity holders of the parent	<u>4,631</u>	<u>11,933</u>
	As at 31 December	
	2022	2021
Number of shares		
Weighted average number of ordinary shares	<u>920,393,394</u>	<u>904,055,957</u>
Earnings per share attributable to equity holders of the parent		
Basic and diluted (Singapore cents)	<u>0.50</u>	<u>1.32</u>

10. DIVIDENDS

	For the year ended	
	31 December	
	2022	2021
	S\$'000	S\$'000
Declared and paid during the year:		
— Interim exempt (one-tier) dividend for 2021: 0.13 Singapore cents per share	<u>—</u>	<u>1,197</u>
Proposed but not recognised as a liability as at 31 December		
<i>Dividend on ordinary shares, subject to shareholders' approval at the AGM</i>		
— Final exempt (one-tier) dividend for 2022: 0.15 (2021: 0.52) Singapore cents per share	<u>1,381</u>	<u>4,786</u>

11. PROPERTY, PLANT AND EQUIPMENT

During year ended 31 December 2022, the Group acquired property, plant and equipment at a consideration of approximately S\$5,434,000 (31 December 2021: S\$4,469,000).

Property, plant and equipment with nil book value were disposed during the year ended 31 December 2022, resulting in a gain on disposal of S\$41,000 (31 December 2021: S\$43,000).

12. INVESTMENT SECURITIES

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
At fair value through profit or loss		
— Non-quoted equity investments	17,366	9,400
— Quoted equity investments	4,041	4,434
At fair value through other comprehensive income		
— Non-quoted equity investment	9,550	10,229
	<u>30,957</u>	<u>24,063</u>

13. INVESTMENT IN ASSOCIATES

The Group's investment in associates is summarised below:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Continuum Technologies	1,784	—
Liteleaf	428	—
Nantong Intelligent Fund	8,729	8,937
Nanyang Fund	3,421	2,527
	<u>14,362</u>	<u>11,464</u>

As at 31 December 2022, particulars of the principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of ownership interest attributable to the Group	
			2022	2021
<i>Held through the Company:</i>				
Continuum Technologies	Singapore	Manufacture of wire and cable assemblies and harnesses and electronic related industrial design services	49%	—
Liteleaf	Singapore	Growing of leafy and fruit vegetables (hydroponics) with agrotechnology consultancy services	49%	—
<i>Held through the subsidiaries of the Company:</i>				
Nantong Intelligent Fund	The PRC	Private equity investment	20%	20%
Nanyang Fund	The PRC	Private equity investment	20%	20%

14. INVENTORIES

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Raw materials	37,824	38,337
Work-in-progress	5,811	9,906
Finished goods	10,064	4,023
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	53,699	52,266
	<hr/> <hr/>	<hr/> <hr/>

15. 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	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	7,180	15,174
— 31 to 60 days	5,791	14,204
— 61 to 90 days	1,169	1,648
— Over 90 days	1,011	1,226
	<hr/>	<hr/>
	15,151	32,252
	<hr/> <hr/>	<hr/> <hr/>

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Advance to suppliers	742	2,642
Deposits	500	376
Prepaid Goods and Services Tax (“GST”)/Value-added tax (“VAT”)	593	1,838
Prepayments	292	326
Bills of exchange	183	294
Other receivables	237	357
	2,547	5,833
	2,547	5,833

17. CASH AND CASH EQUIVALENTS

The following table sets forth the breakdown of our cash and cash equivalents as at the respective dates indicated:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Cash and bank balances	11,290	28,801
Short-term deposits	8,808	12,905
	20,098	41,706
	20,098	41,706
Denominated in RMB	14,281	24,755
Denominated in USD	4,333	15,781
Denominated in SGD	1,013	1,087
Denominated in other currencies	471	83
	20,098	41,706
	20,098	41,706

18. TRADE PAYABLES

The following tables set forth the ageing analysis of our trade payables based on the invoice date as at the respective dates indicated:

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	6,135	13,412
— 31 to 60 days	3,748	9,466
— 61 to 90 days	2,511	6,087
— Over 90 days	3,047	5,838
	<u>15,441</u>	<u>34,803</u>

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2022	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Accruals	4,248	5,598
Advances from customers	1,895	1,828
Other payables	1,539	1,375
Profit sharing scheme	—	805
	<u>7,682</u>	<u>9,606</u>

20. INTEREST-BEARING LOANS AND BORROWINGS

	As at 31 December	
	2022 S\$'000	2021 S\$'000
Lease liabilities	4,748	1,038
2.0% unsecured bank loan of S\$5,000,000	3,377	4,599
2.5% unsecured bank loan of S\$5,000,000	3,565	4,528
Unsecured bank trade financing	8,526	9,914
Bank overdrafts	1,032	713
	<u>21,248</u>	<u>20,792</u>
Repayable details as follows:		
— Not later than 1 year	12,763	13,762
— Later than 1 year but not later than 2 years	3,497	2,236
— Later than 2 years but not later than 5 years	4,988	4,723
— More than 5 years	—	71
	<u>21,248</u>	<u>20,792</u>

21. SHARE CAPITAL

Share capital

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
As at 1 January 2021	857,419,324	84,857
Ordinary shares issued ⁽²⁾	62,974,070	6,436
	<u>920,393,394</u>	<u>91,293</u>
As at 31 December 2021, 1 January 2022 and 31 December 2022		

(1): All issued shares are fully paid ordinary shares with no par value.

(2): In April 2021, the Company issued 62,974,070 ordinary shares of S\$0.1022 per share (equivalent to HK\$0.60 per share) following the completion of the share subscription agreements entered into between the Company and relevant parties on 15 December 2020. Further details of the subscriptions are set out in the Company's announcements dated 15 December 2020, 10 March 2021, 1 April 2021, 7 April 2021 and 13 April 2021 and circular dated 23 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

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 three divisions, namely EMS, ODM and investment divisions. 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. Our investment division focuses primarily on providing fund management services and conducting investment activities in equity securities and funds.

During the year ended 31 December 2022, the Group’s revenue mainly derived from our EMS division, which accounted for approximately 87.9% of total revenue of the Group whereas our ODM and investment divisions accounted for approximately 9.6% and 2.5% of total revenue of the Group, respectively.

BUSINESS REVIEW AND PROSPECT

The global economy has been experiencing a gradual recovery. However, the momentum for growth, especially in most of the major economies has slowed considerably since early 2022 and the outlook remains uncertain in midst of, among other factors, new waves of the Covid-19 variants, ongoing geopolitical conflicts especially between Russia and Ukraine, prolonged supply-chain disruptions, rising global inflation and labour market challenges, while industry competition remains intense.

EMS Division

Our EMS division was negatively affected by the global decline in demand for semiconductor chips in the industry due to:

- a. the severe drop in the global consumer purchasing power index brought about by the worldwide steep inflation and impending recession;
- b. the ongoing trade and technology wars between the United States and China, as well as the Ukraine war, that stunt the normal operations of production of goods and services as the worldwide supply chain was adversely affected; and

- c. the mutation persistence of the Covid-19 pandemic that brought drastic drop in efficiency and productivity across all spectrum of social, economic and bureaucratic activities.

Total revenue of the Group for the year ended 31 December 2022 decreased by approximately 26.2% year-on-year (“YOY”).

Extending the Group’s strategy to acquire manufacturing competence, an investment of 49% equity interest in Continuumm Technologies, a wire harness and cable assembly manufacturer, was made during the Reporting Period. This will enhance our Group’s capability and competitiveness.

The pursuit into semiconductor front-end business has progressed smoothly during the Reporting Period with further engagement of new customers.

ODM Division

Our ODM division revenue has shown exceptional growth for the year ended 31 December 2022 by approximately 67.9% YOY. Demand for SPE has been strong since early 2022 and is expected to continue for a while. During this year, ODM embarked on developing a new deflashing machine for China market and targeted to launch by 2023. This will increase supply of our own Kinergy brand SPE products. The division also secured a new customer for supply of test socket parts and has invested approximately S\$1.7 million in production equipment to increase the division’s capacity.

Investment Division

Due to Covid-19 lockdown in China, our fund management company’s operation in Shanghai, the PRC has been disrupted. Estimated increase in fund formation and target investments of managed funds were interrupted. Revenue from fund management fee for the year ended 31 December 2022 showed a slight increase of 1.8% growth YOY and net profit after tax generated from the investment division increased by approximately 104.9% YOY.

On a consolidated basis, the Group recorded a revenue of \$124.2 million for the year ended 31 December 2022. There was a decline of 26.2% when compared with \$168.3 million for the year ended 31 December 2021. Net profit after tax for the year ended 31 December 2022 amounted to approximately \$7.3 million as compared to \$12.6 million for the year ended 31 December 2021. Earnings per share was 0.50 Singapore cents for the year ended 31 December 2022 when compared to 1.32 Singapore cents per share for year ended 31 December 2021.

Looking ahead, our Directors are of the view that we may face uncertainty in the coming year due to the adverse business conditions created by the geopolitical economic conflicts and the Ukrainian War despite strong outstanding purchase orders in hand. Our Directors will also continue to especially assess and monitor closely the impact of the trade tension between the United States and China.

In order to mitigate the current geopolitical risk, we plan to expand our operation into Malaysia with an aim to provide an alternative manufacturing site from China to cater for new and existing customers who may have concern over products manufactured in China.

We are also upgrading our Precision Tool facility in the Philippines with more machines to support our non-China operation and to extend the production into commercial parts. Further, our new associated company, Liteleaf, will embark on enhancing the farm equipment with AI technology to improve crop yield.

Our strategy to expand into manufacturing of front-end equipment has yielded initial success. Revenue from this sector should increase progressively in the coming years. Further to that, our 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 our investment business, joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business and access to new markets and customers.

FINANCIAL REVIEW

Revenue

The following table sets forth the components of our revenue by operating segment for the years indicated:

	For the year ended 31 December		
	2022	2021	% of change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	109,176	158,177	-31.0%
ODM	11,921	7,098	67.9%
Investment	3,105	3,050	1.8%
	<u>124,202</u>	<u>168,325</u>	<u>-26.2%</u>

The Group's revenue decreased by approximately S\$44.1 million or 26.2% from approximately S\$168.3 million for the year ended 31 December 2021 to approximately S\$124.2 million for the year ended 31 December 2022.

The decrease was primarily attributable to the decrease in sales volume from EMS division, which was partially offset by the increase in sales from ODM division and slightly higher management fee from investment division.

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		
	2022	2021	% of change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	94,439	134,785	-29.9%
ODM	10,762	5,320	102.3%
Investment	—	—	N/A
	<u>105,201</u>	<u>140,105</u>	<u>-24.9%</u>

The Group's cost of sales decreased by approximately S\$34.9 million or 24.9% from approximately S\$140.1 million for the year ended 31 December 2021 to approximately S\$105.2 million for the year ended 31 December 2022. The decrease was mainly attributable to the decrease in revenue from EMS division off set by the increase in revenue from ODM division.

Gross profit and gross profit margin

As a result of the decrease in both revenue and cost of sales as shown above, the gross profit decreased by approximately S\$9.2 million or 32.7% from approximately S\$28.2 million for the year ended 31 December 2021 to approximately S\$19.0 million for the year ended 31 December 2022.

Gross profit margin decreased by approximately 1.5% from approximately 16.8% for the year ended 31 December 2021 to approximately 15.3% for the year ended 31 December 2022. The decrease was primarily attributable to the decrease in the revenue for the year ended 31 December 2022.

Other income and gains

Other income and gains increased by approximately S\$2.3 million or 49.5% from approximately S\$4.6 million for year ended 31 December 2021 to approximately S\$6.9 million for the year ended 31 December 2022. The increase was primarily attributable to the increase of net fair value gains on investment securities and other incomes of approximately S\$4.6 million. The increase was partially offset by (i) the absence of gain on disposal of investment securities of approximately S\$1.2 million; (ii) decrease in government grants of approximately S\$0.6 million; (iii) the absence of gain on bargain purchase of a business of approximately S\$0.3 million for the year ended 31 December 2022 and (iv) the absence of net foreign exchange differences of S\$0.4 million.

Sales and marketing expenses

Sales and marketing expenses decreased by approximately S\$0.2 million or 4.8% from approximately S\$3.4 million for the year ended 31 December 2021 to approximately S\$3.3 million for the year ended 31 December 2022, which was in line with the decrease in revenue of the year ended 31 December 2022.

General and administration expenses

General and administration expenses decreased by approximately S\$2.1 million or 13.8% from approximately S\$15.2 million for the year ended 31 December 2021 to approximately S\$13.1 million for the year ended 31 December 2022. The decrease was mainly due to the lower indirect staff costs in the form of lower incentive pay out.

Other expenses

Other expenses increased by approximately S\$0.8 million, which was mainly due to a loss in foreign exchange recorded during the year ended 31 December 2022.

Finance cost

Comparing to the year ended 31 December 2021, finance costs incurred during the year ended 31 December 2022 increased by approximately S\$0.3 million primarily due to the higher bank loan utilised during the year ended 31 December 2022 coupled with higher interest rate.

Profit before tax

Profit before tax for the year ended 31 December 2022 decreased by approximately S\$4.3 million or 31.7% to approximately S\$9.4 million as compared to profit before tax of approximately S\$13.7 million for the year ended 31 December 2021. The main cause is due to substantial decline in revenue from semi-conductor industry. A higher net fair value gains on investment securities and lower human resource expense help to lessen the negative impact.

Income tax expense

The Group's income tax expense increased by approximately S\$1.0 million from approximately S\$1.1 million for the year ended 31 December 2021 to approximately S\$2.1 million for the year ended 31 December 2022. This is mainly due to higher net profit generated from the investment division which has a high tax rate of 25%.

Profit for the year

As a result of the above, the Group recorded a net profit after tax of approximately S\$7.3 million for the year ended 31 December 2022 as compared to profit after tax of approximately S\$12.6 million for the corresponding period in 2021, indicating a decrease of approximately S\$5.3 million or 42.0%.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2022, the Group had cash and cash equivalents of approximately S\$20.1 million. The Board is of the opinion that the financial position of the Group is 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	
	2022	2021
	S\$'000	S\$'000
Net cash flow (used in)/generated from operating activities	818	(542)
Net cash flow used in investing activities	(12,349)	(2,293)
Net cash flow (used in)/generated from financing activities	(8,800)	18,558
Net (decrease)/increase in cash and cash equivalents	(20,331)	15,723
Effect of exchange rate changes on cash and cash Equivalents	(1,277)	724
Cash and cash equivalents at 31 December	<u>20,098</u>	<u>41,706</u>

Net cash flow used in operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit/(loss) before taxation for the year adjusted for (i) non-cash items such as depreciation of property, plant and equipment, depreciation of prepaid land lease payments, amortisation 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 (iii) 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 2022, the Group's net cash generated from operating activities was approximately S\$0.8 million, primarily reflected: (i) increase in inventories of approximately S\$1.4 million; (ii) decrease in trade and other payables and accruals of approximately S\$22.0 million; and (iii) tax paid of approximately S\$1.3 million, which were partially offset by: (i) cash generated before changes in working capital of approximately S\$4.7 million; (ii) increase in trade and other receivables of approximately S\$20.4 million; and (iii) interest income received of approximately S\$0.4 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 2022, the Group's net cash flow used in investing activities was approximately S\$12.3 million, which was primarily used for: (i) purchase of property, plant and equipment of approximately S\$5.4 million; (ii) increase in advance payment for property, plant and equipment of approximately S\$0.8 million, (iii) purchase of investment securities of approximately S\$3.9 million; and (iv) purchase of a shareholding in associates of approximately S\$2.6 million; which were partially set off by the proceeds from disposal of assets of approximately S\$0.3 million.

Net cash flow used in financing activities

Cash flows from financing activities includes net proceeds from bank loans, proceeds from ordinary shares issued, payment of principal portion of lease liabilities and dividend paid on ordinary shares.

For the year ended 31 December 2022, the Group's net cash flow used in financing activities was approximately S\$8.8 million, mainly used in (i) the repayment of bank loan of approximately S\$8.8 million; (ii) the dividend paid on ordinary shares of approximately S\$4.8 million; and (iii) the payment of lease liabilities of approximately S\$1.2 million, which were partially set off by the proceeds from bank loan of approximately S\$6.0 million.

NET CURRENT ASSETS

The Group's net current asset decreased by approximately S\$17.5 million from approximately S\$72.4 million as at 31 December 2021 to approximately S\$54.9 million as at 31 December 2022. The decrease was primarily due to: (i) decrease in cash and cash equivalents of approximately S\$21.6 million and (ii) decrease in trade receivables and prepayments, deposits and other receivables of approximately S\$20.4 million. This was partially offset by (i) decrease in current portion of interest-bearing loans and borrowings of approximately S\$1.0 million; (ii) decrease in trade and other payables and accruals of approximately S\$21.3 million; (iii) increase in inventories of approximately S\$1.4 million and (iv) decrease in income tax payable of approximately S\$0.8 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchases cost relating to property, plant and equipment.

For the year ended 31 December 2022, the Group's capital expenditure amounted to approximately S\$5.4 million for the acquisition 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 2022, 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:

	As at 31 December 2022 S\$'000
Contracted, but not provided for:	
Property, plant and equipment	1,815
Investment securities	11,576
	<hr/>
	13,391
	<hr/> <hr/>

Investment securities

The balance of S\$11.6 million pertains to the remaining investment commitments of the Group.

INDEBTEDNESS

Bank loan and other borrowings

As at 31 December 2022, the Group has outstanding balances from interest-bearing loans and borrowings of approximately S\$21.2 million (31 December 2021: approximately S\$20.8 million).

Contingent liabilities

As at 31 December 2022, 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 period divided by total equity at the end of the period. Net debt to equity ratio as at 31 December 2022 was 1.1% (31 December 2021: not applicable as the Group's cash and cash equivalents is higher than interest-bearing loans and borrowings).

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes bank loans and lease liabilities. Gearing ratio of the Group as at 31 December 2022 was 20.0% (31 December 2021: 18.3%).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group has planned to expand our operation to Malaysia in order to mitigate the current geopolitical risk. Projected capital investment is approximately RM10.0 million (S\$3.3 million) with an aim to provide an alternative manufacturing site from China to cater for new and existing customers who may have concern over products manufactured in China.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Company, Continuumm Technologies and Synesys Technologies Pte. Ltd. (“**Synesys**”) signed a subscription and shareholders agreement and a supplementary agreement (the “**Agreements**”) on 7 January 2022 and 27 February 2022, respectively, pursuant to which the Company agreed to subscribe for 2,113,725 ordinary shares in Continuumm Technologies, representing approximately 49.0% equity interest for a cash consideration of S\$2,113,725. Synesys is the parent company of Continuumm Technologies and both Synesys and Continuumm Technologies are independent third parties. Continuumm Technologies has its capabilities in wire harness and cable assembly for semiconductor industry. On 21 March 2022, the completion took place following the satisfaction of all conditions under the Agreements.

On 29 June 2022, the Group through its subsidiary, CEL Puyan, entered into a subscription and shareholders agreement with Shenzhen Jiecheng Nickel Cobalt New Energy Technology Co., Ltd. (“**Shenzhen Jiecheng**”), pursuant to which CEL Puyan agreed to subscribe for new capital in Shenzhen Jiecheng for a cash consideration of approximately S\$4,155,000 (equivalent to RMB20,000,000), representing approximately 2.0% equity interest of Shenzhen Jiecheng. Shenzhen Jiecheng’s primary activities are recycling rare metals and batteries.

On 6 September 2022, the Company, Ms. Cheng Tsing Liu (“**CTL**”) and Mr. Shih Ching Yen (“**SCY**”) entered into a subscription agreement with Liteleaf, pursuant to which the Company, CTL and SCY conditionally agreed to subscribe for, and Liteleaf conditionally agreed to allot and issue, a total of 4,119,259, 3,486,756 and 300,637 new ordinary shares of Liteleaf at the subscription price of S\$1.00 per share, respectively. Completion of the subscription of new shares of Liteleaf would take place by four tranches. As at 31 December 2022, parties under the subscription agreement had completed Tranche 1 subscription where the share capital of the Target Company had increased from S\$500,000 to S\$980,392, which was held as to approximately 49.0%, 40.8% and 10.2% by the Company, CTL and SCY, respectively. Liteleaf is principally engaged in the growing of leafy and fruit vegetables (hydroponic) and the provision of virtual platform using intelligent farm-management system. It also provides agrotechnology consultancy services and enhances the mechanisation of farming equipment and agriculture growing system.

Save as disclosed above and Notes 12 and 13, “Investment securities” and “Investment in associates” to this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2022.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional 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 practices certain amount of natural hedge of this risk through purchase raw material in USD and borrow USD short term loan for working capital need. In addition, a certain amount of USD forward sales contract has been done with our bankers. 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 2022, the Group did not pledge any assets.

HUMAN RESOURCES

As at 31 December 2022, the Group had 758 employees. The employees benefit expense incurred during the year ended 31 December 2022 was approximately S\$28.1 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 governments. 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 trainings. 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 objective to recognise contributions made by eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any labour disputes during the year ended 31 December 2022.

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 AND CLOSURE OF REGISTER OF MEMBERS

The Board has recommended the payment of a final dividend of 0.15 Singapore cents per share, amounting to a total of approximately S\$1,381,000 (based on the number of shares of the Company as of 24 March 2023) for the year ended 31 December 2022. The final dividend is declared in Singapore dollars and will be paid in Hong Kong dollars. The exchange rate applicable for the calculation of the final dividend in Hong Kong dollars shall be the closing selling rate of Singapore dollars to Hong Kong dollars on 24 March 2023 as announced by United Overseas Bank, Singapore which was S\$1 to HK\$5.83. Subject to Shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend payable for each share shall be 0.87 Hong Kong cents to shareholders whose names appear on the register of members of the Company on 2 June 2023. The proposed final dividend is expected to be distributed to shareholders on 23 June 2023.

In order to determine the entitlement to the final dividend for the year ended 31 December 2022, the register of members of the Company will be closed from 1 June 2023 to 2 June 2023, both days inclusive, during which no transfer of shares can be registered. To qualify for the final dividend (which will be payable on 23 June 2023), Shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4.30 p.m. on 31 May 2023.

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 organisation 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 its Shareholders.

The Company has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and relevant employees.

Having made specific enquiries with the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2022.

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 during the year ended 31 December 2022.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2022 have been reviewed by the audit committee of the Company, 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 2022 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.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

There was no event that had a significant impact on the Group's operation, financial and trading prospects since the end of the Reporting Period, and up to the date of this annual results announcement which the Board is aware of.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This annual result announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.kinergy.com.sg>). An annual report for the year ended 31 December 2022 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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and a substantial shareholders of the Company holding approximately 28.56% issued shares of the Company
“CEL Puyan”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), a limited liability company established in the PRC on 6 July 2015 and owned as to approximately 51.03% by the Company and ultimately and beneficially owned as to approximately 48.97% by CEL
“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. (精技集團有限公司*), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“Continuumm Technologies”	Continuumm Technologies Pte. Ltd, a limited liability company incorporated in Singapore on 17 January 2017
“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
“HK\$” or “Hong Kong cents”	Hong Kong dollar(s) or cents, the lawful currency of Hong Kong

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Liteleaf”	Liteleaf Pte. Ltd., a limited liability company incorporated in Singapore on 17 April 2015
“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
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 12 September 2019
“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 30 July 2021 pursuant to the Fund Partnership Agreement
“ODM”	Original Design Manufacturing
“Reporting Period”	the year ended 31 December 2022
“RM”	Ringgit Malaysia, the lawful currency of Malaysia
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD” or “Singapore cents”	Singapore dollar(s) or Singapore cents, 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)
“the United States”	the United States of America
“USD”	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, 24 March 2023

As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann (Mr. Henry Lee Wong as his alternate) and Mr. Tay Kim Kah; the non-executive Directors are Mr. Loh Kin Wah (Chairman) and Mr. Wang Yizhe; and the independent non-executive Directors are Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka, Mr. Hoon Chee Wai and Dr. Ang Peng Huat.