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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 2019**

The Board of Directors (the “Board”) of Kinergy Corporation Ltd. (the “Company”) is to announce the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

**Highlight**

	<b>For the year ended</b>			
	<b>31 December</b>			<b>Percentage</b>
	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>Change</b>
	<b>(S\$’000)</b>	<b>(S\$’000)</b>	<b>(S\$’000)</b>	
Revenue	<b>67,624</b>	122,809	(55,185)	–44.9%
(Loss)/profit for the year	<b>(1,632)</b>	8,728	(10,360)	–118.7%
EBITDA <i>Note 1</i>	<b>840</b>	13,179	(12,339)	–93.6%

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

\* *For Identification purpose only.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	<i>Notes</i>	<b>2019</b> <i>S\$'000</i>	2018 <i>S\$'000</i>
<b>Revenue</b>	4	<b>67,624</b>	122,809
Cost of sales		<u>(59,141)</u>	<u>(101,395)</u>
<b>Gross profit</b>		<b>8,483</b>	21,414
Other income and gains	5	<b>1,363</b>	4,867
Sales and marketing expenses		<b>(2,127)</b>	(2,673)
General and administrative expenses		<b>(8,482)</b>	(12,230)
Impairment loss on financial assets	6	—	(30)
Other expense	6	<b>(996)</b>	—
Finance costs		<u>(104)</u>	<u>(29)</u>
<b>(Loss)/profit before tax</b>	7	<b>(1,863)</b>	11,319
Income tax credit/(expense)	8	<u>231</u>	<u>(2,591)</u>
<b>(Loss)/profit for the year</b>		<b>(1,632)</b>	8,728
<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>(963)</u>	<u>(701)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u><b>(2,595)</b></u>	<u>8,027</u>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
Basic and diluted (S\$)	9	<u><b>(0.19 cents)</b></u>	<u>1.19 cents</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2019*

	<i>Notes</i>	<b>2019</b> <i>S\$'000</i>	2018 <i>S\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>17,631</b>	16,318
Right-of-use assets		<b>4,229</b>	—
Prepaid land lease payments		—	1,260
Intangible assets		<b>551</b>	446
Investment securities	11	<b>12,367</b>	1,384
Advance payment for property, plant and equipment		<b>12</b>	679
Deferred tax assets		<b>110</b>	—
<b>Total non-current assets</b>		<b>34,900</b>	20,087
<b>Current assets</b>			
Inventories	12	<b>22,028</b>	30,030
Trade receivables	13	<b>12,909</b>	18,443
Prepayments, deposits and other receivables		<b>2,025</b>	2,053
Cash and cash equivalents	14	<b>36,092</b>	43,709
<b>Total current assets</b>		<b>73,054</b>	94,235
<b>Current liabilities</b>			
Trade payables	15	<b>11,998</b>	14,915
Other payables and accruals		<b>3,001</b>	3,616
Provision for warranty		<b>41</b>	178
Tax payable		<b>3</b>	1,036
Lease liabilities		<b>1,030</b>	—
<b>Total current liabilities</b>		<b>16,073</b>	19,745
<b>Net current assets</b>		<b>56,981</b>	74,490
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>251</b>	546
Lease liabilities		<b>1,963</b>	—
<b>Total non-current liabilities</b>		<b>2,214</b>	546
<b>Net assets</b>		<b>89,667</b>	94,031
<b>Equity attributable to owners of the Company</b>			
Share capital	16	<b>84,938</b>	84,990
Reserves		<b>4,729</b>	9,041
<b>Total equity</b>		<b>89,667</b>	94,031

## 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.

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

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

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

### 2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

#### (i) 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.

#### (ii) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new accounting standard, IFRS 16 Leases, effective as at 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments as follows:

- (i) EMS focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.
- (ii) ODM, it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders, precision tools such as encapsulation moulds and dies and spare parts.

The Group's chief operating decision maker is the chief executive officer, who reviews revenue and results of major type of products sold for the purpose of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted gross profit. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

#### Revenue breakdown by business segment

The following table sets out our revenue by business segment for the years ended 31 December 2019 and 2018:

	For the year ended 31 December			
	2019		2018	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
EMS	60,240	89.1	110,783	90.2
ODM	7,384	10.9	12,026	9.8
	<u>67,624</u>	<u>100.0</u>	<u>122,809</u>	<u>100.0</u>

#### Geographical information

The following table sets out our revenue by geographical locations for the years ended 31 December 2019 and 2018. 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			
	2019		2018	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	53,086	78.5	103,935	84.6
The United States	6,261	9.3	4,710	3.8
The Philippines	2,080	3.1	2,083	1.7
Mainland China	1,816	2.7	3,155	2.6
Japan	1,433	2.1	3,788	3.1
Other countries	2,948	4.3	5,138	4.2
	<u>67,624</u>	<u>100.0</u>	<u>122,809</u>	<u>100.0</u>

## 4. REVENUE

#### Disaggregation of revenue

	EMS		ODM		Total revenue	
	For the year ended 31 December					
	2019	2018	2019	2018	2019	2018
	<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	59,775	110,369	7,379	12,026	67,154	122,395
Rendering of services	465	414	5	—	470	414
	<u>60,240</u>	<u>110,783</u>	<u>7,384</u>	<u>12,026</u>	<u>67,624</u>	<u>122,809</u>
<b>Timing of transfer of goods or services</b>						
At a point in time	<u>60,240</u>	<u>110,783</u>	<u>7,384</u>	<u>12,026</u>	<u>67,624</u>	<u>122,809</u>

## 5. OTHER INCOME AND GAINS

	For the year ended	
	31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
<b>Other income</b>		
Bank interest income	782	369
Government grant <sup>(a)</sup>	239	214
Service income	126	45
Rental income	169	35
Write-back of impairment loss of trade receivables	30	—
Others	11	13
	<u>1,357</u>	<u>676</u>
<b>Gains</b>		
Gain on disposal of property, plant and equipment	6	2,165
Foreign exchange differences, net	—	2,026
	<u>6</u>	<u>4,191</u>
	<u><u>1,363</u></u>	<u><u>4,867</u></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	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Impairment loss on financial assets — trade receivables	—	30
Foreign exchange differences, net	996	—
	<u><u>996</u></u>	<u><u>—</u></u>

## 7. (LOSS)/PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2019 <i>S\$'000</i>	2018 <i>S\$'000</i>
Cost of inventories	46,544	83,426
Cost of services rendered	70	62
Depreciation of property, plant and equipment	1,295	1,641
Depreciation of right-of-use assets	1,064	—
Amortisation of prepaid land lease payments	—	34
Amortisation of intangible assets	240	156
Research and development expenses	1,494	2,168
Short-term leases/minimum lease payments under operating leases	85	1,092
Listing expenses	—	2,902
Auditor's remuneration	200	231
Professional fees	260	199
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	13,054	15,129
— Pension scheme contributions	1,897	2,456
Provision for warranty	64	160
(Write-back)/impairment loss on financial asset:		
— Trade receivables	(30)	30
Gain on disposal of property, plant and equipment	(6)	(2,165)
Foreign exchange differences, net	996	(2,026)
Write-back of inventory obsolescence	(553)	(893)
Bank interest income	(782)	(369)
	<u>46,544</u>	<u>83,426</u>

## 8. INCOME TAX CREDIT/(EXPENSE)

### Major components of income tax credit/(expense)

The major components of income tax credit/(expense) for the years ended 31 December 2019 and 2018 are as follows:

	For the year ended 31 December	
	2019 <i>S\$'000</i>	2018 <i>S\$'000</i>
Current income tax:		
— Current income taxation	(134)	(3,153)
— (Under)/over provision in respect of previous years	(40)	8
	<u>(174)</u>	<u>(3,145)</u>
Deferred income tax:		
— Origination and reversal of temporary differences	405	554
Income tax credit/(expense) recognised in profit or loss	<u>231</u>	<u>(2,591)</u>

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to the owners of the Company, and the weighted average number of ordinary shares of 858,667,861 and 733,108,584 shares in issue during the years ended 31 December 2019 and 2018 respectively.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

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

	<b>For the year ended 31 December</b>	
	<b>2019</b>	2018
	<b>S\$'000</b>	S\$'000
<b>(Loss)/earnings</b>		
(Loss)/profit for the year attributable to owners of the Company	<u><u>(1,632)</u></u>	<u><u>8,728</u></u>
	<b>As at 31 December</b>	
	<b>2019</b>	2018
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>858,667,861</u></u>	<u><u>733,108,584</u></u>
<b>(Loss)/earnings per share attributable to owners of the Company</b>		
Basic and diluted (S\$)	<u><u>(0.19 cents)</u></u>	<u><u>1.19 cents</u></u>

## 10. DIVIDENDS

	<b>For the year ended 31 December</b>	
	<b>2019</b>	2018
	<b>S\$'000</b>	S\$'000
<b>Declared and paid during the year:</b>		
<i>Dividend on ordinary shares:</i>		
— Special exempt (one-tier) dividend of S\$0.2 cents per share	1,717	—
— Final exempt (one-tier) dividend for 2017: S\$7.3 cents per share	—	11,486
— Interim exempt (one-tier) dividend for 2018: S\$10.8 cents per share	—	16,914
	<u><u>1,717</u></u>	<u><u>28,400</u></u>



<b>For the year ended</b>	
<b>31 December</b>	
<b>2019</b>	2018
<b>S\$'000</b>	<b>S\$'000</b>

**Proposed but not recognised as a liability as at 31 December:**

*Dividend on ordinary shares, subject to shareholders' approval at the AGM:*

— Final exempt (one-tier) dividend for 2019: S\$0.1 cents per share

<b>857</b>	—
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**11. INVESTMENT SECURITIES**

<b>As at 31 December</b>	
<b>2019</b>	2018
<b>S\$'000</b>	<b>S\$'000</b>

**At fair value through other comprehensive income**

— Equity securities (unquoted)

Towa (Nantong) Co., Ltd.

<b>1,520</b>	1,384
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Nantong Intelligent Fund

<b>7,726</b>	—
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SMEE Equipment (Group) Co., Ltd.

<b>3,121</b>	—
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<b>12,367</b>	1,384
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The Group has elected to measure these equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity instruments for long-term appreciation.

**Towa (Nantong) Co., Ltd.**

On 25 September 2018, the Group entered into an agreement with Towa Corporation, a Japan incorporated company, to form a company named Towa (Nantong) Co., Ltd. Towa (Nantong) Co., Ltd was incorporated in the PRC in October 2018. 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 had contributed US\$1,000,000 (equivalent to S\$1,384,000).

During the year ended 31 December 2019, the Group made an additional contribution of US\$100,000 (equivalent to S\$136,000).

### Nantong Intelligent Fund

On 27 December 2018, the Group's subsidiary, KEMS entered into a fund partnership agreement with several related companies and parties in relation to the formation of the Nantong Intelligent Fund, with initial size of RMB500,000,000 (equivalent to S\$99,661,000) which would be made by three installments. The capital commitment of the Group amounts to RMB100,000,000 (equivalent to approximately S\$19,932,000), representing 20% of the total capital contribution amount of the fund.

During the year ended 31 December 2019, KEMS made the first installment of capital contribution amounting to RMB40,000,000 (equivalent to S\$7,726,000).

### SMEE Equipment (Group) Co., Ltd

On 19 November 2019, KEMS entered into a share transfer agreement to purchase 588,095 shares of SMEE from a related company, Nantong Semiconductor Fund, for a consideration of RMB16,000,000 (equivalent to S\$3,121,000). Immediately following the completion of the share transfer on 18 December 2019, the 588,095 shares acquired by KEMS represented approximately 0.4% of the entire issue shares of SMEE.

## 12. INVENTORIES

	As at 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Raw materials	14,300	13,980
Work-in-progress	4,397	10,728
Finished goods	3,331	5,322
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	<b>22,028</b>	30,030
	<hr/> <hr/>	<hr/> <hr/>

## 13. TRADE RECEIVABLES

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

	As at 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	5,725	8,435
— 31 to 60 days	5,719	7,079
— 61 to 90 days	920	2,000
— Over 90 days	545	929
	<hr/>	<hr/>
	<b>12,909</b>	18,443
	<hr/> <hr/>	<hr/> <hr/>

#### 14. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
Cash and bank balances	12,584	18,464
Short-term deposits	23,508	25,245
	<u>36,092</u>	<u>43,709</u>

#### 15. TRADE PAYABLES

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

	As at 31 December	
	2019	2018
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	5,593	6,754
— 31 to 60 days	3,572	2,474
— 61 to 90 days	1,425	2,362
— Over 90 days	1,408	3,325
	<u>11,998</u>	<u>14,915</u>

#### 16. SHARE CAPITAL

##### a. Share capital

	Number of shares	Amount <i>S\$'000</i>
Issued and fully paid ordinary shares <sup>(1)</sup> :		
As at 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, 1 January 2019 and 31 December 2019	<u>858,671,324</u>	<u>84,990</u>

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

<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.

<sup>(3)</sup> On 18 July 2018, the Company issued 210,000,000 ordinary shares at S\$0.20 (equivalent to HK\$1.17) in connection with the initial public offering.

<sup>(4)</sup> On 9 August 2018, additional 19,320,000 over-allotment were exercised and correspondingly the Company issued 19,320,000 new ordinary shares.

**b. Treasury shares**

	<b>Number of shares</b>	<b>Amount S\$'000</b>
As at 1 January 2019	—	—
Shares repurchased	492,000	52
	<u>492,000</u>	<u>52</u>
As at 31 December 2019	<u>492,000</u>	<u>52</u>

In December 2019, the Company repurchased its own ordinary shares on the Stock Exchange of Hong Kong Limited. This was presented as a component within shareholders' equity.

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

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

The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment and has impacted the Group's operations in China and South East Asia and its financial performance subsequent to the financial year end. The Group is cognizant of the challenges posed by these developing events and the potential impact they have on the business. As the situation is still evolving, the full effect of the outbreak is subject to uncertainty and could not be ascertained yet.

On 13 January 2020, the Group (through KEMS) entered into a share transfer agreement with Qingdao CEL Fund, a related company, to acquire 1,249,128 shares of Jinguan Electric from Qingdao CEL Fund for a consideration of RMB18,000,000 (equivalent to S\$3,477,000). Immediately following the completion of the Share transfer on 13 January 2020, the 1,249,128 shares represent approximately 1.22% of the entire issue shares of Jinguan Electric.

On 13 March 2020, the Company entered into a joint venture agreement with Techcom Technology Pte Ltd ("Techcom"), an independent third party, pursuant to which the parties agreed to establish a joint venture company in the PRC to principally engage in the manufacturing sheet metal products and structural metal products. The investment capital of the joint venture company will be S\$12,000,000 and the registered capital will be S\$5,000,000 contributed as to 60% and 40% by the Company and Techcom, respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **1. OVERVIEW**

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS Division and ODM Division. Our EMS Division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing 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 89.1% of total revenue and ODM Division accounted for approximately 10.9% of total revenue for the year ended 31 December 2019.

### **2. BUSINESS REVIEW AND PROSPECT**

Amid trade tension between the U.S. and China, our revenue year on year for the first half 2019 dropped significantly by approximately S\$52.5 million. Using flexible sales strategies and our advantages of certain differentiated technologies, we have minimised the impact of the trade tension where year-on-year revenue for the second half 2019 which was only lower by S\$2.7 million. Overall, our revenue for 2019 was S\$67.6 million. This drop in the revenue is in line with other companies in the SPE sector.

Our current business condition is inevitable because of the downturn of global semiconductor market. The global semiconductor market was headed for a double-digit decline for the year 2019 after a decline of 15.6% in first quarter revenue of 2019 from fourth quarter revenue of 2018. Accordingly, this was the largest quarter-to-quarter decline since a 16.3% decline in first quarter revenue of 2009, ten years ago. When semiconductor chip sales see no growth or negative growth then the SPE industry will have minimal business. This is due to the fact that new SPE will be ordered only when there is healthy growth in the marketplace.

To enhance our strength, we developed our in-house capability and capacity in the semiconductor front-end process (wafer fabrication) in addition to our existing high capability in the semiconductor back-end equipment industry. Construction of the 10,000 and 100,000 classes of clean rooms in Nantong, the PRC had commenced in July 2019 and were completed in October 2019. This improvement in capacity will allow the Group to better serve domestic and overseas customers and hopefully lead us to secure new contracts from new customers. We have also implemented cost efficiency and reduction measures to minimise the impact of the current situation to the Group’s performance.

As we entered into 2020, the COVID-19 virus outbreak suddenly emerged in the PRC, forcing the Chinese government to extend the national Chinese New Year Holiday and impose mandatory quarantines to contain the virus's contagious spread. Thus, our supply chain in the PRC was impacted. Our operations in the PRC have resumed following signs that the outbreak in the PRC was subsiding. However, with worldwide countries being affected, there is an imminent threat from the COVID-19 pandemic. To safeguard the wellbeing of our employees and minimise potential further our short-term business disruptions, we have put in place business continuity plans and precautionary measures. We are committed to do our part in the business community in the fight against COVID-19.

Ultimately, the semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, artificial intelligence and internet of things. We expect the semiconductor market to recover when the trade tension between U.S. and China and COVID-19 pandemic are mitigated and the market recovers from the current excessive integrated circuit chips inventory in the market. Accordingly, it will allow the Group to capture opportunities in accordance to our future plans.

### 3. FINANCIAL REVIEW

#### Revenue

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

	<b>For the year ended</b>		
	<b>31 December</b>		
	<b>2019</b>	2018	<b>% of</b>
	<b>S\$'000</b>	<i>S\$'000</i>	<b>change</b>
EMS	<b>60,240</b>	110,783	-45.6%
ODM	<b>7,384</b>	12,026	-38.6%
	<b><u>67,624</u></b>	<u>122,809</u>	<u>-44.9%</u>

The Group's revenue decreased by approximately 44.9% from approximately S\$122.8 million for the year ended 31 December 2018 to approximately S\$67.6 million for the year ended 31 December 2019.

The decrease was primarily due to decrease in sales from both EMS and ODM segments, which is a reflection of the decline in worldwide semiconductor business caused by the trade tension between the U.S and China.

## Cost of sales

Cost of sales primarily consists of material costs, labor 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		% of change
	2019	2018	
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	<b>53,623</b>	93,020	-42.4%
ODM	<b>5,518</b>	8,375	-34.1%
	<b>59,141</b>	101,395	-41.7%

The Group's cost of sales decreased by approximately 41.7% from approximately S\$101.4 million for the year ended 31 December 2018 to approximately S\$59.1 million for the year ended 31 December 2019. The decrease was mainly due to the decrease in revenue during the year.

## Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales above, the gross profit decreased by approximately S\$12.9 million from approximately S\$21.4 million for the year ended 31 December 2018 to approximately S\$8.5 million for the year ended 31 December 2019.

Gross profit margin decreased by approximately 4.9% from 17.4% for the year ended 31 December 2018 to 12.5% for the year ended 31 December 2019. The main reason is due to the lower recovery of fixed overheads as a result of lower production volume/revenue.

## Other income and gains

Other income and gains decreased from approximately S\$4.9 million for the year ended 31 December 2018 to approximately S\$1.4 million for the year ended 31 December 2019. The decrease was primarily due to the Group's foreign exchange gain of approximately S\$2.0 million recorded for the year ended 31 December 2018 while recording a foreign exchange loss of approximately S\$1.0 million for the year ended 31 December 2019. In addition, the gain on disposal of property, plant and equipment for the year ended 31 December 2019 decreased by approximately S\$2.2 million as compared to the prior year. The decrease was partially offset by higher income from bank interest, service and rental of approximately S\$0.6 million.

### **Sales and marketing expenses**

Sales and marketing expenses decreased by approximately S\$0.6 million from approximately S\$2.7 million for the year ended 31 December 2018 to approximately S\$2.1 million for the year ended 31 December 2019, which was in line with the decrease in revenue for the year ended 31 December 2019.

### **General and administration expenses**

General and administration expenses decreased by approximately S\$3.7 million from approximately S\$12.2 million for the year ended 31 December 2018 to approximately S\$8.5 million for the year ended 31 December 2019. The decrease was mainly due to the absent of the Listing expenses during the year and decrease in salaries expenses as a result of the decrease in number of employees for the year ended 31 December 2019.

### **Other expense**

The increase in other expense was due to the Group had foreign exchange loss during the year, as against a foreign exchange gain in the prior year.

### **Finance cost**

Comparing to the year ended 31 December 2018, finance costs incurred during the year ended 31 December 2019 increased by approximately S\$75,000. The increase was mainly due to the interest expense of lease liabilities as a result of the implementation of IFRS 16 Leases commencing in 2019.

### **(Loss)/profit before tax**

Loss before tax for the year ended 31 December 2019 was approximately S\$1.9 million, while profit before tax of approximately S\$11.3 million was recorded for the year ended 31 December 2018. Such decrease was mainly due to significant decrease in revenue during the year.

### **Income tax credit/(expense)**

The Group's recorded income tax credit for the year ended 31 December 2019 of approximately S\$0.2 million as compared to income tax expense of S\$2.6 million for the year ended 31 December 2018. The decrease was mainly due to the Group is in the loss position during the year.

### **(Loss)/profit for the year**

As a result of the above, the Group recorded a net loss after tax of approximately S\$1.6 million for the year ended 31 December 2019, comparing to a net profit after tax of approximately S\$8.7 million for the year ended 31 December 2018.



## LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2019, the Group had cash and cash equivalents of approximately S\$36.1 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:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2019</b>	2018
	<b>S\$'000</b>	S\$'000
Net cash flow generated from operating activities	<b>9,699</b>	10,453
Net cash flow (used in)/generated from investing activities	<b>(13,875)</b>	6,907
Net cash flow (used in)/generated from financing activities	<b>(2,877)</b>	12,809
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	<b>(7,053)</b>	30,169
Cash and cash equivalents at 1 January	<b>43,709</b>	13,657
Effect of exchange rate changes on cash and cash equivalents	<b>(564)</b>	(117)
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	<b><u>36,092</u></b>	<b><u>43,709</u></b>

### ***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 (loss)/profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, depreciation of prepaid land lease payments, amortization of intangible assets and other items, which lead to the operating cash generated before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables which lead to cash flow generated from operations; and interest income received, interest expense paid and income tax paid, which result in net cash generated from operating activities.

For the year ended 31 December 2019, the Group's net cash generated from operating activities was approximately S\$9.7 million, primarily reflected (i) decrease in inventories of approximately S\$8.6 million; (ii) decrease in trade and other receivables of approximately S\$5.6 million; and (iii) interest income received of approximately S\$0.8

million, which were partially offset by; (i) operating cash flow used before working capital changes of approximately S\$0.3 million; (ii) decrease in trade and other payables of approximately S\$3.7 million; and (iii) payment for tax of approximately S\$1.2 million.

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

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

For the year ended 31 December 2019, the Group's net cash used in investing activities was approximately S\$13.9 million, which was primarily used for (i) purchase of investment securities of approximately S\$11.0 million; (ii) purchase of property, plant and equipment of approximately S\$3.2 million and (iii) addition of intangible assets of approximately S\$0.3 million, which were partially offset by the decrease in advance for purchase of property, plant and equipment of approximately S\$0.7 million.

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

Cash flows (used in)/generated from financing activities includes payment of principal portion of lease liabilities, dividend paid on ordinary shares and purchase of treasury shares.

For the year ended 31 December 2019, the Group's net cash flow used in financing activities was approximately S\$2.9 million, mainly used for payment of principal and interest of lease liabilities of approximately S\$1.1 million, special dividend paid on ordinary shares of approximately S\$1.7 million and purchase of treasury shares of approximately S\$52,000.

**NET CURRENT ASSETS**

The Group's net current asset decreased by approximately S\$17.5 million from approximately S\$74.5 million as at 31 December 2018 to S\$57.0 million as 31 December 2019. The decrease was primarily due to (i) a decrease in inventories of approximately S\$8.0 million (ii) a decrease in cash and cash equivalents of approximately S\$7.6 million; (iii) a decrease in trade and other receivables of approximately S\$5.6 million; and (iv) an increase in lease liabilities (current) of approximately S\$1.0 million, partially offset by (i) a decrease in trade and other payables of approximately S\$3.5 million; (ii) a decrease in tax payable of approximately S\$1.0 million; and (iii) a decrease in provision for warranty of S\$0.1 million.

**CAPITAL EXPENDITURE**

The Group's capital expenditure consisted of purchases cost relating to property, plant and equipment. For the year ended 31 December 2019, the Group's capital expenditure amounted to approximately S\$3.2 million for the purchase of property, plant and equipment. The Group funded such capital expenditure from the Listing proceeds.

## Capital and investment commitments

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

As at 31 December 2019, 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 2019 S\$'000</b>
Contracted, but not provided for:	
Property, plant and equipment	112
Investment securities	14,154
	<hr/>
	<b>14,266</b>
	<hr/> <hr/>

Investment securities

The balance of S\$14,154,000 pertains to the remaining investment commitments of the Group in Towa (Nantong) Co., Ltd and Nantong Intelligent Fund amounting to S\$2,564,000 (equivalent to US\$1,900,000) and S\$11,590,000 (equivalent to RMB60,000,000), respectively.

## INDEBTEDNESS

### Bank loan and other borrowings

As at 31 December 2019, the Group has outstanding balance from lease liabilities of approximately S\$3.0 million (31 December 2018: Nil).

### Contingent liabilities

As at 31 December 2019, 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's cash and cash equivalents is higher than lease liabilities as at 31 December 2019.

## **Gearing ratio**

Gearing ratio equals total debt divided by total equity at the end of the year. Total debt includes lease liabilities. Gearing ratio of the Group as at 31 December 2019 was 0.03 (31 December 2018: not applicable).

## **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**

Save as disclosed in Note 11, “Investment securities” to this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **PLEDGE OF ASSETS**

As at 31 December 2019, the Group did not pledge any assets.

## **HUMAN RESOURCES**

As at 31 December 2019, the Group had 504 employees. The employees benefit expense incurred during the year ended 31 December 2019 was approximately S\$15.9 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group’s remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To

ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. Besides offering competitive remuneration packages, the Company adopted the Share Option Scheme with the objectives to recognise contributions made by the eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labor disputes during the year ended 31 December 2019.

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

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

## **FINAL DIVIDEND**

The Board recommends a final dividend of S\$0.1 cents per share, amounting to a total of approximately S\$857,000 (based on the number of shares of the Company as of 27 March 2020).

## **CORPORATE GOVERNANCE CODE**

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

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

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

The Company has adopted the Model Code contained in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors and relevant employees.

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

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

During the year ended 31 December 2019, the Company repurchased a total of 492,000 ordinary shares (“Shares Repurchased”) of the Company on the Stock Exchange at an aggregate consideration (including transaction cost) of approximately S\$52,000 (equivalent to HK\$297,000). Particulars of the Shares Repurchased are as follows:

<b>Month of Repurchase</b>	<b>No. of Shares Repurchased</b>	<b>Price paid per share</b>		<b>Aggregate Consideration (HK\$'000)</b>
		<b>Highest (HK\$'000)</b>	<b>Lowest (HK\$'000)</b>	
December 2019	<u>492,000</u>	0.62	0.58	<u>297</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

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

The consolidated financial statements of the Group for the year ended 31 December 2019 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 2019 have been agreed by the Group's auditors, Ernst & Young LLP (the “Auditors”), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditors on this announcement.

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

This annual result announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.kinergy.com.sg>). An annual report for the year ended 31 December 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

## DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (光控精技有限公司)*, a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we” or “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinguan Electric”	Jinguan Electric Company Limited* (金冠電氣股份有限公司), a joint stock company established in the PRC on 28 March 2005
“KEMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“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

“Nantong Semiconductor Fund”	Nantong CEL Semiconductor Industry Investment Fund Partnership (Limited Partnership)* (南通光控半導體產業投資基金合夥企業(有限合夥)), is a limited partnership established in the PRC on 19 December 2018 and a connect person of the Group
“ODM”	Original Design Manufacturing
“Qingdao CEL Fund”	Qingdao CEL Intelligent Manufacturing Equity Investment Limited* (青島光控智造股權投資有限公司), a limited partnership established in the PRC on 1 March 2017 and a connect person of the Group
“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
“SMEE”	SMEE Equipment (Group) Co., Ltd.* (上海微電子裝備(集團)股份有限公司), a joint stock company established in the PRC on 7 March 2002
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“U.S.”	the United States of America
“USD” of “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

By order of the Board  
**Kinergy Corporation Ltd.**  
**Lim Kuak Choi Leslie**

*Executive Director and Chief Executive officer*

Hong Kong, 27 March 2020

*As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann and Mr. Tay Kim Kah; the non-executive Directors are Mr. Yang Ping (Chairman) and Mr. Tsang Sui Cheong Frederick; and the independent non-executive Directors are Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei.*