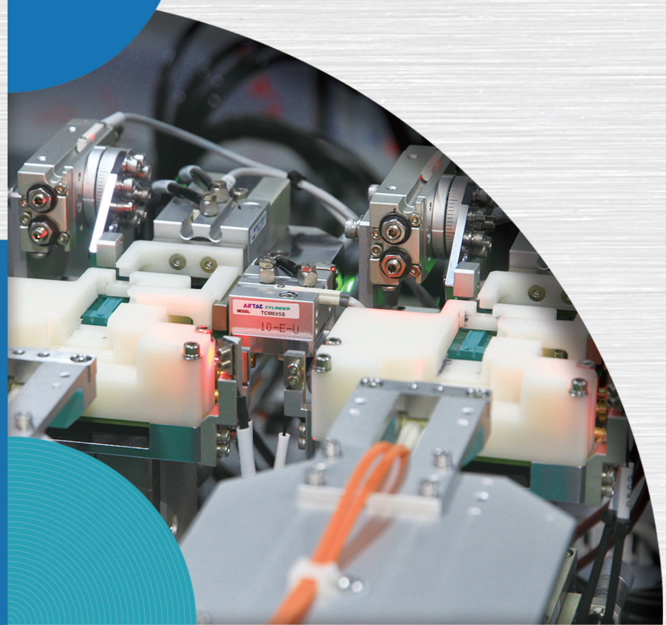
KINERGY

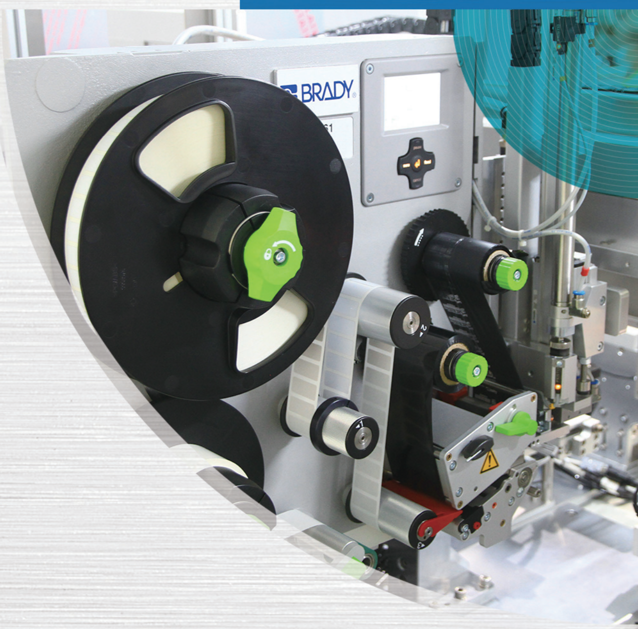
Kinergy Corporation Ltd.

光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302





2021
Annual Report

* For identification purpose only

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CORPORATE PROFILE

COMPANY 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 in the semiconductor equipment industry, with in-house production facilities located in Singapore, the People's Republic of China (the "PRC") and the Philippines.

We provide Electronics Manufacturing Services ("EMS") for high-mix/low volume sub-systems and equipment, and also provide Original Design Manufacturing ("ODM") of our proprietary "Kinergy" brand of equipment.

We serve customers from various electronic industry sectors like surface mount equipment, semiconductor assembly equipment, medical analytical and other industrial equipment.

Our unique blend of multi-disciplinary engineering capabilities and manufacturing services, flexibility and responsiveness, positions us as the partner of choice to our customers.

At Kinergy, we pride ourselves in our ability to provide quality, timely and cost-effective manufacturing services and engineering solutions, tailored to support our customers' needs.

In 2021, we diversified our business activities by acquiring 51.03% equity interest in Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan"). Shanghai CEL Puyan principally engages in providing fund management services and conducting investment activities in equity securities and funds.

Our business activities can be divided into the following three divisions:

1. **Electronics Manufacturing Services Division ("EMS division")**
   Our EMS division manufactures EMS products, comprising (i) sub-systems, (ii) complete machines and (iii) components, on the "high mix, low volume" basis mainly for use in the semiconductor processing equipment (SPE) industry. "High mix, low volume" means the orders we receive from the products we assembled have high variations in applications, lot sizes and processes but low production volume. Our EMS manufacturing process mainly involves the manual assembly of parts and the manufacturing process is labour intensive. We also provide maintenance and commissioning services for our customers at our customers' facilities.

   Our customers which are primarily SPE manufacturers, generally purchase our EMS products for their manufacture of equipment to be used in the production of semiconductors.

   Our Products and Services:
   Our EMS products manufactured by our EMS division are classified into three types as follows:

   Sub-systems
   We assemble components and parts manufactured or procured by us into sub-systems, which form critical modules to equipment and machines which would be used by our customers to produce semiconductor processing equipment. Our major sub-systems products include magazine handlers, work-holders and sliders.

   Complete Machines
   We manufacture complete machines according to our customers' specifications by integrating parts and components. As part of the process, we provide value-added engineering services to improve our customers' existing designs and enhance their existing products.

   We also collaborate with our customers to conceptualise, design and manufacture their new products. We produced complete machines such as dicing machines, lapping machines, lifters and polishing machines which are mainly for customers in data storage and electronics industry.

   Components
   We manufacture mechanical components which are used by our customers in their manufacture of equipment and machines, such as dry pumps and housings, for customers in the SPE industry.

   Our customers are internationally "Best of Class" players in their respective fields.

2. **Original Design Manufacturing Division ("ODM division")**
   Our ODM division designs and manufactures ODM products, comprising (i) automated equipment, (ii) precision tooling components such as trim and form and encapsulation molds and (iii) spare parts, for use mainly in the semiconductor industry. Our ODM division is sub-divided into two departments, namely (i) the Automated Equipment Department which focuses on design and manufacture of automated equipment and (ii) the Precision Tooling Department which focuses on the production of precision tools and spare parts.

Our Products and Services:
Our ODM products manufactured by our ODM division are classified into three types as follows:

Automated Equipment
We design, develop and manufacture automated equipment based on our customers' needs and requirements. The automated equipment manufactured by our ODM division is generally used in semiconductor processing. The Automated Equipment Department of our ODM division is responsible for design, development and manufacture of our automated equipment. Some of the machines designed and manufactured by us are as follows:

Auto Frame Loader — equipment that automatically takes the fragile wire bonded lead-frames from magazines and places them onto a loading frame using robotic arm. The loading frame is then manually placed into the mold for encapsulation.

Auto-buffing equipment — equipment that removes excess mould resin bleed and tape residue from the sensitive surface of leadless package lead-frames using a nylon wheel mounted on a rotating spindle head assembly precisely positioned over the work area.

Strip laser markers — equipment that automates the process of engraving identification marks, which are usually characters and logos by a laser beam on the plastic or ceramic surfaces of the IC packages.

Precision Tooling
We design, develop and manufacture precision tools including encapsulation molds for forming the protective encapsulation of an IC chip and dies for trimming and forming of encapsulated IC chips by cutting and bending the terminals of the lead-frame to different shapes. The precision tools we manufacture are prone to wear and tear as they are subject to continuous production runs. The Precision Tooling Department of our ODM division is responsible for design, development and manufacture of our precision tools.

Spare parts
The Precision Tooling Department of our ODM division is responsible for design, development and manufacture of spare parts for our ODM customers.

3. **Investment Division**
   Our investment division principally engages in providing fund management services and conducting investment activities in equity securities and funds which include equity fund raising activities for non-listed corporations and related consultation services.

   As at end of 2021, the total assets under management ("AUM") was approximately S$252 million with four funds under management. Our fund management business has nurtured valuable enterprises with high growth potential alongside with its investors. The investment objectives of our investment division is primarily to make equity investments in high-end equipment, semiconductor equipment, advanced manufacturing and other related industries.

COMMITMENT TO QUALITY

We are committed to providing our customers with high-quality and cost-efficient products with timely delivery. This is achieved through the process of continual improvement and commitment of resources to meet and maintain the effectiveness of the quality management system and compliance to applicable product performance safety, statutory and customers' requirements. We are certified ISO 9001:2015 for quality management system. Our plant in Nantong is also certified for both ISO 9001:2015 and ISO 14001:2015 for environment management systems.

Our core competencies in a wide range of engineering disciplines, in particular, precision kinetics, electronic control, material technology and precision tooling, coupled with our ability to leverage on the combined knowledge and skill sets from both our EMS and ODM divisions, is a key differentiating competitive factor for us.

We achieved a three-time Enterprise 50-award winner (in 1999, 2000 and 2001).

Our headquarters is located in Singapore. Kinergy currently has manufacturing and service facilities in Singapore, Nantong (the PRC), and the Philippines as well as marketing presence in Japan and Malaysia. Our investment division is located in Shanghai (the PRC).

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lim Kuak Choi Leslie *(Chief Executive Officer)*
Mr. Du Xiaotang
Mr. Lim Khin Mann
Mr. Tay Kim Kah *(Group Financial Controller)*

Non-executive Directors

Mr. Yang Ping *(Chairman)*
Mr. Wang Yizhe *(appointed on 7 December 2021)*
Mr. Loh Kin Wah *(appointed on 25 March 2022)*
Mr. Tsang Sui Cheong Frederick *(resigned on 7 December 2021)*

Independent Non-executive Directors

Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei
Mr. Hoon Chee Wai *(appointed on 28 May 2021)*
Dr. Ang Peng Huat *(appointed on 25 March 2022)*
Mr. Ng Tiak Soon *(retired on 28 May 2021)*

BOARD COMMITTEES

Audit Committee

Mr. Hoon Chee Wai *(Chairman)*
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei
Dr. Ang Peng Huat

Nomination Committee

Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka *(Chairman)*
Mr. Tay Kim Kah
Mr. Hoon Chee Wai

Remuneration Committee

Professor Zhang Wei *(Chairman)*
Mr. Yang Ping
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Dr. Ang Peng Huat

AUTHORISED REPRESENTATIVES

Mr. Lim Kuak Choi Leslie
Mr. Lee Cheuk Wang

JOINT COMPANY SECRETARIES

Mr. Lee Cheuk Wang
Ms. Gn Jong Yuh Gwendolyn

COMPLIANCE ADVISER

China Everbright Capital Limited
12/F Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Loeb & Loeb LLP
2206–19 Jardine House
1 Connaught Place, Central
Hong Kong

LEGAL ADVISERS AS TO SINGAPORE LAWS

Shook Lin & Bok LLP
1 Robinson Road
#18–00 AIA Tower
Singapore 048542

EXTERNAL AUDITORS

Ernst & Young LLP

REGISTERED OFFICE

1 Changi North Street 1
Singapore 498789

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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Singapore 498789

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F
148 Electric Road
North Point
Hong Kong

STOCK CODE

3302

PRINCIPAL SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
Singapore Land Tower
Singapore 048623

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor
148 Electric Road
North Point, Hong Kong

COMPANY'S WEBSITE

www.kinergy.com.sg

PRINCIPAL BANKERS

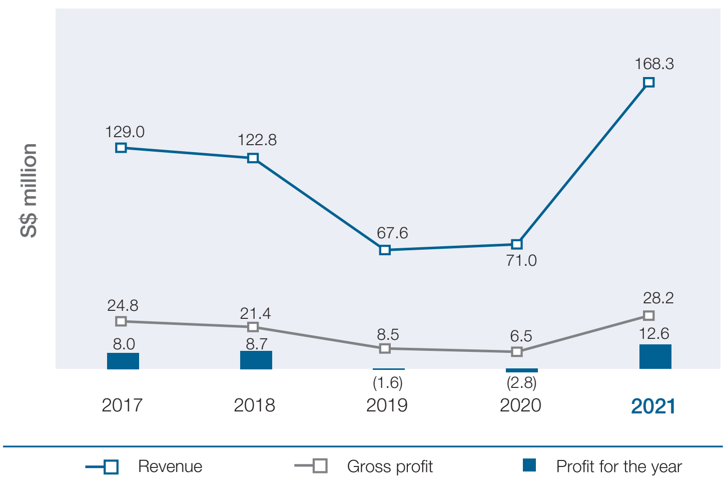
United Overseas Bank Limited
Citibank N.A. Singapore
DBS Bank Limited
Bank of China
The Hongkong and Shanghai Banking Corporation

FINANCIAL HIGHLIGHTS AND SUMMARY

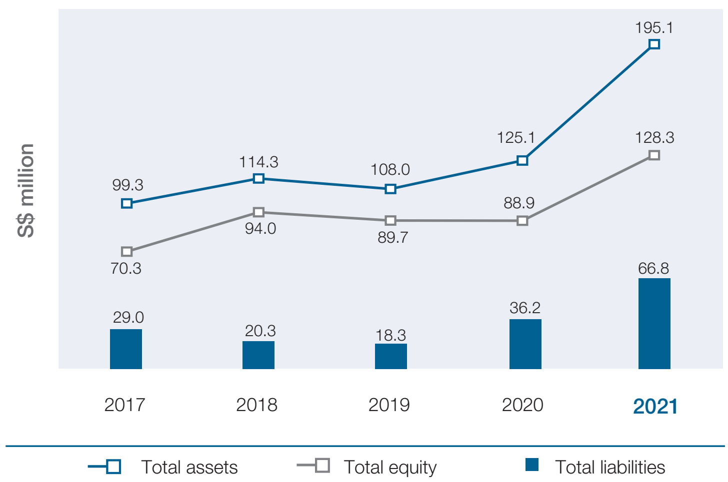
	For the year ended 31 December				
	2017 S$'000	2018 S$'000	2019 S$'000	2020 S$'000	**2021 S$'000**
Revenue	128,952	122,809	67,624	70,979	**168,325**
Gross profit	24,810	21,414	8,483	6,500	**28,220**
Profit/(loss) before tax	9,865	11,319	(1,863)	(3,089)	**13,699**
Income tax (expense)/credit	(1,833)	(2,591)	231	252	**(1,143)**
Profit/(loss) for the year	8,032	8,728	(1,632)	(2,837)	**12,556**

	As at 31 December				
	2017 S$'000	2018 S$'000	2019 S$'000	2020 S$'000	**2021 S$'000**
Total assets	99,338	114,322	107,954	125,143	**195,136**
Total liabilities	(29,045)	(20,291)	(18,287)	(36,197)	**(66,838)**
Net assets	70,293	94,031	89,667	88,946	**128,298**
Equity attributable to equity holders of the parent	70,293	94,031	89,667	87,391	**113,423**
Non-controlling interests	–	–	–	1,555	**14,875**
Total equity	70,293	94,031	89,667	88,946	**128,298**

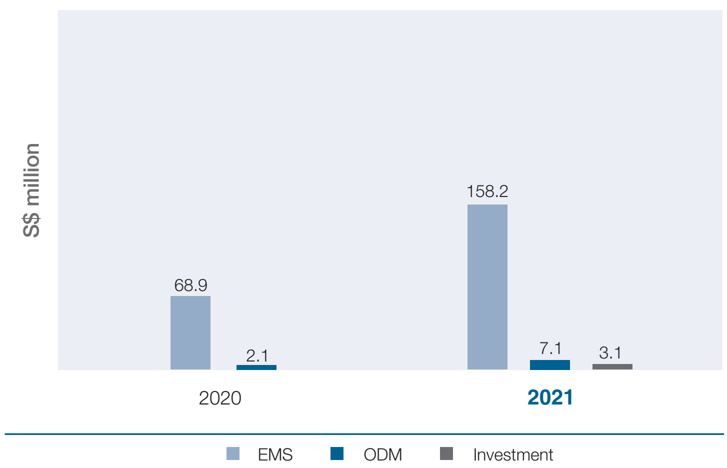
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



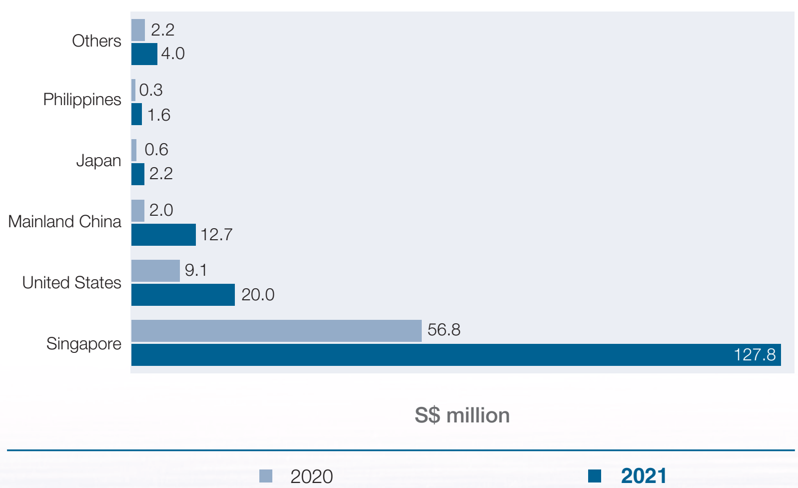
CONSOLIDATED STATEMENT OF FINANCIAL POSITION



SEGMENT REVENUE



GEOGRAPHICAL REVENUE



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Kinergy Corporation Ltd. ("Kinergy" or the "Company") (together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Group for the year ended 31 December 2021.

BUSINESS OVERVIEW AND STRATEGY

The Group had previously gone through two years of difficulty during 2019 and 2020 due to the trade war between the United States and China as well as the Covid-19 pandemic. Since this lured period, we have taken the opportunity to revamp our strategy. The main objective is to expand and enlarge our capabilities to cater for new business opportunities and enhance current business divisions. In this respect, the following actions were implemented:

1. Electronic Manufacturing Services ("EMS") division. A team of high caliber executive with extensive experience in design and manufacture of customer's complex high-tech capital equipment was engaged to enable us to expand into manufacturing of front end equipment. To support this and enhance our competitiveness we embarked on vertical integration program. So far, we have acquired sheet metal and frame structure, sand casting, and wire harness & cable assembly businesses. We are conscientiously seeking to acquire capabilities in precision cleaning and surface treatment, precision machining, printed circuit board assembly ("PCBA"), module assembly and box build and precision engineered plastic. The ultimate goal is to optimise the vertical integration capability to secure and control cost, quality, delivery and capacity.

2. Original Design Manufacturing ("ODM") division. Enhance design and manufacturing of proprietary "Kinergy" brand of complex high-tech capital equipment mainly in the semiconductor industry.

3. Investment division. This new division was created consequent to the acquisition of 51.03% interest in an equity investment and fund management company, Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan"), at the beginning of this year. Shanghai CEL Puyan currently manages four funds with an aggregate commitment of approximately RMB4 billion. As at 31 December 2021, total assets under management was approximately S$252 million of which approximately S$211 million has been invested. Adhering to industrial practice, Shanghai CEL Puyan will invest in targets recommended for investment by the fund. The Company will also invest in targets that will provide business opportunity. Total participation of our free fund amounting to approximately S$41 million as at 31 December 2021.

The Group will continue to focus on this diversification strategy facing the great uncertainty over the Covid-19 pandemic and recovery of economy. Through the years, the Group's reputation has grown due to its numerous advantages, which have strengthened its leadership position in the semiconductor industry. These advantages include our solid track record, widely-recognised expertise, capable management team, knowledgeable and able workforce in civil and engineering projects.

PERFORMANCE REVIEW

The Group achieved a record-breaking revenue of S$168.3 million for the year ended 31 December 2021, 137.1% surge as compared to the revenue of S$71.0 million for the year ended 31 December 2020. The increase in revenue was primarily due to recovery in the semiconductor industry and the Group's diversified high-tech capabilities.

In line with the surge in revenue, the Group recorded S$12.6 million net profit after tax for the year ended 31 December 2021, as compared to a net loss of S$2.8 million for the year ended 31 December 2020. Earnings per share was 1.32 Singapore cents for the year ended 31 December 2021, while loss per share of 0.31 Singapore cents for the year ended 31 December 2020. The Group's financial position is becoming stronger, with total net assets of S$128.3 million as at 31 December 2021, increased by 44.3% as compared to net assets as at 31 December 2020 of S$88.9 million.

FINAL DIVIDEND

In acknowledgement of a good result, the Board will be recommending a final dividend of 0.52 Singapore cents per share for shareholders' approval at the forthcoming annual general meeting of the Company.

LOOKING AHEAD

The directors are of the view that we may face uncertainty in the coming year due to the conflict in Ukraine despite of strong outstanding purchase orders in hand. The Directors will also continue to assess and monitor closely the impact of the trade tension between the United States and China as well as reemergence of COVID-19 from Omicron Variant cases in many countries around the world including Singapore, China and the Philippines where our Group operates. Further to that, the Group will adhere to prudent financial management in project selection and cost control as well as to adopt a cautious approach in exploring opportunities to expand and diversify our operations through 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.

ACKNOWLEDGEMENTS

As we look forward to another year of growth and developments, on behalf of the Board I would like to thank our stakeholders, customers and partners, for their trust and confidence in the Group. I would also like to thank our management and staff for their hard work, dedication and proactive response to the rapid changes around us. The COVID-19 pandemic has emphasised the importance of solid support from both shareholders and stakeholders. Thank you everyone for your continued support.

Yang Ping
Chairman

30 March 2022

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 provision of fund management services and investment activities in equity securities and funds.

During the year ended 31 December 2021, the Group's revenue mainly derived from our EMS division, which accounted for approximately 94.0% of total revenue of the Group whereas our ODM and investment divisions accounted for approximately 4.2% and 1.8% of total revenue of the Group, respectively.

BUSINESS REVIEW AND PROSPECT

The year of 2021 was full of challenges as well as marks another accomplishment for the Group. After almost two years of difficult business condition due to the COVID-19 pandemic and the trade tension between the United States and China, demand for semi-conductor products began to gradually pick up in the fourth quarter of 2020 due the frenzied purchases for semiconductor chips in the second half of 2020. The Group continued to experience supply chain disruptions, lagging process of gaining new customers caused by lockdown and travel restriction due to the COVID-19 pandemic. Despite all these challenges, the Group achieved a record-breaking revenue of approximately S$168.3 million for the year ended 31 December 2021, representing a surge of approximately 137.1% as compared to the revenue of approximately S$71.0 million for the year ended 31 December 2020.

Both our EMS and ODM divisions showed exceptional performances for the year ended 31 December 2021. EMS division accounted for approximately S$158.2 million and ODM division accounted for approximately S$7.1 million of the Group's total revenue of approximately S$168.3 million for the year ended 31 December 2021. It reflects a year-on-year growth of approximately 129.5% and approximately 246.2% in the revenue generated from EMS and ODM divisions, respectively.

As part of our strategy to further invest in semiconductor industries and diversify our Group's earnings, the Group completed an acquisition of 51.03% interest in Shanghai CEL Puyan for a consideration of approximately S$10.7 million in January 2021. Shanghai CEL Puyan is an equity investment company and a private equity fund manager. Shanghai CEL Puyan currently manages four funds with an aggregate capital commitment of approximately RMB4 billion (equivalent to approximately S$850 million). As at 31 December 2021, approximately RMB1.26 billion (equivalent to approximately S$268 million) has been contributed of which approximately RMB1 billion (equivalent to approximately S$211 million) has been invested. The objectives of the funds are to make equity investments in high-tech manufacturing equipment in semiconductor, solar, flat panel displays, medical and test and analysis machines.

During the year ended 31 December 2021, the Group continued to invest in other capabilities in semiconductor industry so as to stay at the forefront of change by acquiring a 60% equity interest of Jiangsu Furui Mechanical Co., Ltd ("Furui") for a consideration of approximately S$2.5 million in August 2021 to expand our casting capability.

Looking ahead, the Directors are still expecting to foresee that the global economy is constrained by supply chain and logistics disruption as well as uncertainty in the coming year due to the conflict in Ukraine despite of strong outstanding purchase orders in hand. With the continued support of our employees, clients, business partners and Shareholders, we are confident to be able to deliver promising results to our Shareholders again.

FINANCIAL REVIEW

Revenue

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

	For the year ended 31 December		
	2021 S$'000	2020 S$'000	Percentage change
EMS	158,177	68,929	129.5%
ODM	7,098	2,050	246.2%
Investment	3,050	—	N/A
	168,325	70,979	137.1%

The Group's revenue increased by approximately S$97.3 million or 137.1% from approximately S$71.0 million for the year ended 31 December 2020 to approximately S$168.3 million for the year ended 31 December 2021.

The increase was primarily attributable to the significant increase in sales volume from EMS and ODM segments. The new investment segment acquired during the year ended 31 December 2021 also contributed to the increase in the Group's revenue.

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 segments for the years indicated:

	For the year ended 31 December		
	2021 S$'000	2020 S$'000	Percentage change
EMS	134,785	62,335	116.2%
ODM	5,320	2,144	148.1%
Investment	—	—	N/A
	140,105	64,479	117.3%

The Group's cost of sales increased by approximately S$75.6 million or 117.3% from approximately S$64.5 million for the year ended 31 December 2020 to approximately S$140.1 million for the year ended 31 December 2021. The increase was in line with the increase in revenue during the year ended 31 December 2021.

Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales as shown in the above, the Group's gross profit increased by approximately S$21.7 million or 334.2% from approximately S$6.5 million for the year ended 31 December 2020 to approximately S$28.2 million for the year ended 31 December 2021.

Gross profit margin increased by approximately 7.6% from 9.2% for the year ended 31 December 2020 to 16.8% for the year ended 31 December 2021. The increase in Group's gross profit margin was due to the higher recovery of fixed overheads as a result of the higher production volume/revenue of the EMS and ODM segments. The contribution of revenue from the investment segment, which has no cost of sales incurred, has also contributed to the growth of the Group's gross profit margin.

Other income and gains

Other income and gains increased by approximately S$2.1 million or 80.8% from approximately S$2.6 million for the year ended 31 December 2020 to approximately S$4.6 million for the year ended 31 December 2021. The increase was primarily contributed from (i) net gain on disposal of investment securities by approximately S$1.2 million, (ii) increase in net fair value gains on investment securities of approximately S$0.5 million, (iii) gain on foreign exchange of approximately S$0.4 million and (iv) gain on bargain purchase of a business of approximately S$0.3 million. This was partially offset by the (i) decrease in government grants of approximately S$0.2 million and (ii) decrease in service and rental income of approximately S$0.2 million.

Sales and marketing expenses

Sales and marketing expenses increased by approximately S$1.3 million or 64.2% from approximately S$2.1 million for the year ended 31 December 2020 to approximately S$3.4 million for the year ended 31 December 2021. This was primarily due to an increase in freight expenses of approximately S$0.7 million in line with the increase in revenue and higher salary expenses of S$0.5 million.

General and administration expenses

General and administration expenses increased by approximately S$5.7 million or 60.0% from approximately S$9.5 million for the year ended 31 December 2020 to approximately S$15.2 million for the year ended 31 December 2021. This was mainly due to an increase in salary expenses by approximately S$3.2 million and higher research and development expenses of approximately S$2.3 million.

Other expenses

Other expenses decreased by approximately S$0.5 million was mainly due to gain on foreign exchange was recorded during the year ended 31 December 2021 in other income and gains, while loss in foreign exchange was recorded in the previous year.

Finance costs

Comparing to the year ended 31 December 2020, finance costs incurred during the year ended 31 December 2021 increased by approximately S$0.3 million which was mainly due to interest expense arising from additional bank loan facilities utilised during the year ended 31 December 2021.

Profit/(loss) before tax

Profit before tax for the year ended 31 December 2021 was approximately S$13.7 million as compared to loss before tax of approximately S$3.1 million was recorded for the year ended 31 December 2020. Such increase was mainly due to significant increase in revenue generated during the year ended 31 December 2021.

Income tax (expense)/credit

Income tax expense for the year ended 31 December 2021 was approximately S$1.1 million as compared to income tax credit of approximately S$0.3 million for the year ended 31 December 2020 as a result of profit before tax generated during the year ended 31 December 2021.

Profit/(loss) for the year

As a result of all the above, the Group recorded a net profit after tax of approximately S$12.6 million for the year ended 31 December 2021 as compared to loss after tax of approximately S$2.8 million for the year ended 31 December 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2021, the Group had cash and cash equivalents of approximately S$41.7 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Cash flow

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

	For the year ended 31 December	
	2021	2020
	S$'000	S$'000
Net cash flow used in operating activities	**(542)**	(5,772)
Net cash flow used in investing activities	**(2,293)**	(9,278)
Net cash flow generated from financing activities	**18,558**	4,636
Net increase/(decrease) in cash and cash equivalents	**15,723**	(10,414)
Cash and cash equivalents at 1 January	**25,259**	36,092
Effect of exchange rate changes on cash and cash equivalents	**724**	(419)
Cash and cash equivalents at 31 December	**41,706**	25,259

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 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 2021, the Group's net cash used in operating activities was approximately S$0.5 million, primarily reflected: (i) an increase in inventories of approximately S$17.6 million and (ii) increase in trade receivables and prepayment, deposits and other receivables of approximately S$12.2 million which were partially offset by: (i) operating cash flow generated before working capital changes of approximately S$15.4 million; (ii) increase in trade and other payables and accruals of approximately S$13.9 million; and (iii) payment of income tax of approximately of 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 2021, the Group's net cash used in investing activities was approximately S$2.3 million, which was primarily used for (i) purchase of investment securities of approximately S$2.4 million; (ii) investment in associates of approximately S$2.5 million; and (iii) purchase of property, plant and equipment of approximately S$4.5 million. This was partially offset by (i) proceeds from disposal of investment securities of approximately S$5.4 million; (ii) net cash inflow from acquisition of subsidiaries of S$1.1 million; and (iii) a decrease in advance payment for property, plant and equipment of approximately S$0.6 million.

Net cash flow generated from financing activities

Cash flows generated 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 2021, the Group's net cash flow generated from financing activities was approximately S$18.6 million, mainly generated from net proceeds from bank loans of approximately S$14.8 million and ordinary shares issued of approximately S$6.4 million. This partially offset by (i) payment of lease liabilities of approximately S$1.1 million; (ii) dividend paid of approximately S$1.2 million; and (iii) payments of interests from bank loan and lease liabilities of approximately S$0.4 million.

NET CURRENT ASSETS

The Group's net current assets increased by approximately S$21.2 million from approximately S$51.2 million as at 31 December 2020 to approximately S$72.4 million as at 31 December 2021. The increase was primarily due to (i) an increase in cash and cash equivalents of approximately S$16.4 million; (ii) an increase in trade receivables and prepayments, deposits and other receivables of approximately S$16.3 million; and (iii) an increase in inventories of approximately S$17.5 million. This partially offset by (i) an increase in trade and other payables and accruals of approximately S$15.2 million; (ii) an increase in current portion of interest-bearing loans and borrowings of approximately S$12.3 million; and (iii) an increase in income tax payables of approximately S$1.4 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase cost relating to property, plant and equipment. For the year ended 31 December 2021, the Group's capital expenditure amounted to approximately S$4.5 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 2021, 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 2021 S$'000
Contracted, but not provided for:	
Property, plant and equipment	621
Investment in associates and investment securities	26,654
	27,275

Investment in associates and investment securities

The balance of S$26,654,000 pertains to the remaining investment commitments of the Group in investment in associates and investment securities amounting to approximately S$18,695,000 (equivalent to RMB88,000,000) and S$7,959,000 (equivalent to RMB37,467,000), respectively.

INDEBTEDNESS

Bank loan and other borrowings

As at 31 December 2021, the Group has outstanding balance from interest-bearing loans and borrowings of approximately S$20.8 million (31 December 2020: S$7.0 million).

Contingent liabilities

As at 31 December 2021, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing loans and borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than interest-bearing loans and borrowings as at 31 December 2021.

Gearing ratio

Gearing ratio equals total interest-bearing loans and borrowings divided by total equity as the end of the year. Gearing ratio of the Group as at 31 December 2021 was 0.16 (31 December 2020: 0.08).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group is currently in the process of obtaining 54 acres of land lease located in Nantong, the PRC from Nantong Economic and Technological Development Zone. This area is planned to be utilised by the Group to build and develop a capability in high-precision vacuum chamber for semiconductor equipment in 2022.

Save as disclosed above and in Note 39, "Events occurring after the reporting period" to the Financial Statements on page 156 in this Annual Report, the Group did not have other concrete plans for material investments as at 31 December 2021.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 6 November 2020, the Group's subsidiary company, KIE, entered into a capital injection agreement with the connected persons of the Company, Chongqing CEL and Shanghai CEL Puyan, pursuant to which KIE agreed to subscribe for new capital of the Shanghai CEL Puyan in the aggregate amount of approximately S$10,730,000 (equivalent to approximately RMB52,100,000) in cash. On 8 January 2021, all of the conditions precedent as set out in the capital injection agreement had been fulfilled and the completion took place on the same date. Accordingly, KIE holds approximately 51.03% of the equity interest of Shanghai CEL Puyan which then becomes a non-wholly owned subsidiary of the Group. Shanghai CEL Puyan is an equity investment company and a private equity fund manager.

On 11 August 2021, the Group effectively acquired 60% equity interest in Furui by way of capital injection for a consideration of approximately S$2.5 million. Furui is a company established in the PRC which has casting capability for semiconductor industry.

All the acquisitions made by the Group during the year ended 31 December 2021 is to enhance and expand its capability by vertical integration.

Save as disclosed above and in Notes 16 and 17, "Investment securities" and "Investment in associates" to the Financial Statements on pages 127 to 128 in this Annual Report, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

USE OF PROCEEDS

1. Listing proceeds

Total net proceeds of the Listing amounted to approximately S$40.4 million. As at 31 December 2021, S$28.4 million has been used in accordance with the plan disclosed in the Prospectus. Details of the use of the net proceeds are set out below:

Use of proceeds	Allocation (% of net proceeds)	Allocation (S$'million of net proceeds)	Unutilised balance as at 1 January 2021 (S$'million)	Utilisation during the year ended 31 December 2021 (S$'million)	Unutilised amount as at 31 December 2021 (S$'million)	Expected time of full utilisation *
Expansion of production capacity	40.4%	16.3	10.8	4.7[1]	6.1	4th Quarter 2023
Development and acquisition of engineering and technological knowledge	29.3%	11.8	0.2	0.2[2]	–	N/A
Expansion of our marketing activities in Japan, Europe and the United States	17.6%	7.1	6.1	0.2[3]	5.9	4th Quarter 2023
Strengthening our research and development	11.7%	4.7	2.7	2.7[4]	–	N/A
General working capital	1.0%	0.5	–	–	–	N/A
	100.0%	40.4	19.8	7.8	12.0	

Notes:

(1) Of S$4.7 million were spent on renovation and setting up production space of factory building in Nantong Facility II and purchase of new machines and equipments which comprise mainly computer numerical control machines.

(2) Of S$0.2 million were used to make further capital injection in Towa (Nantong) Co., Ltd., a joint venture company between the Group and Towa Corporation.

(3) Of S$0.2 million were spent on marketing activities in Japan.

(4) Of S$2.7 million were spent on materials and staff expenses to strengthening our research and development.

As at 31 December 2021, the Group has not fully utilised the net proceeds for (i) expansion of production capacity and (ii) expansion of our marketing activities in Japan, Europe and the U.S.

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

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

2. Proceeds from Share Subscription Agreements

In April 2021, the Company issued 62,974,070 ordinary shares at approximately S$0.1022 per share (equivalent to approximately HK$0.60 per share) following the completion of the share subscription agreements as disclosed in the section headed "Connected Transaction" on page 65 of this Annual Report,. The gross proceeds and net proceeds raised from the share subscription agreements were approximately S$6,436,000 and approximately S$6,361,000 respectively.

Use of proceeds	Allocation (% of net proceeds)	Allocation (S$'million of net proceeds)	Utilisation as at 31 December 2021 (S$'million)	Unutilised amount as at 31 December 2021 (S$'million)	Expected time of full utilisation
Developing the business of manufacturing smart-cards issuance systems	43%	2.7	–[1]	2.7	2nd Quarter 2022
Future funding needs on new private equity fund that Shanghai CEL Puyan may established	54%	3.5	3.5[2]	–	N/A
General working capital	3%	0.2	0.2	–	N/A
	100%	6.4	3.7	2.7	

Notes:

(1) The deal to acquire the company that manufactures the smart-cards issuance system did not materialise. The fund will be used for other business acquisition which is expected to be utilised by the second quarter of 2022.

(2) Of S$3.5 million were used to make an investment in Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership).

Save as disclosed above, the Directors are not aware of any other material change or delay in the use of proceeds.

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 2021, the Group did not pledge any assets.

HUMAN RESOURCES

As at 31 December 2021, the Group had 708 employees. The employee benefit expense incurred during the year ended 31 December 2021 was approximately S$27.8 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 2021.

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 has recommended the payment of a final dividend of 0.52 Singapore cents per share, amounting to a total of approximately S$4,786,000 (based on the number of shares of the Company as of 25 March 2022) for the year ended 31 December 2021. 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 25 March 2022 as announced by United Overseas Bank Limited, Singapore, which was S$1 to HK$5.70. Subject to Shareholders' approval at the forthcoming annual general meeting of the Company, the final dividend payable for each share shall be 2.96 Hong Kong cents to shareholders whose names appear on the Register of Members of the Company on 7 June 2022. The proposed final dividend is expected to be distributed to shareholders on 24 June 2022.

In order to determine the entitlement to the final dividend for the year ended 31 December 2021, the register of members of the Company will be closed from 3 June 2022 to 7 June 2022, both days inclusive, during which no transfer of shares can be registered. To qualify for the final dividend (which will be payable on 24 June 2022), 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 2 June 2022.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. Lim Kuak Choi Leslie (林國財), aged 76, is an executive Director and the chief executive officer of our Company and a controlling shareholder. Mr. Lim has been our Director since the incorporation of our Company in January 1988. He is primarily responsible for overall corporate management, strategic planning and business development of the Group. Mr. Lim is the father of Mr. Lim Khin Mann, an executive Director, and the spouse of Ms. Foo Kaw Jee, a controlling shareholder of the Company.

Mr. Lim has more than 40 years of experience in semiconductor, electronics and chemical trading industries. Mr. Lim commenced his career as a teacher in Singapore Government Schools in January 1963 and served there for approximately 10 years. In March 1981, Mr. Lim was appointed as the managing director of Precision Carbide Tooling Pte Ltd, a semiconductor tooling manufacturer, which was the holding company of our Company during 1989 to 2000. In January 1988, Mr. Lim together with Ms. Foo founded our Company and served as director. From 1988 to 2000 and from 1989 to 2000 respectively, Mr. Lim was also the chairman of Kinerbac Pte Ltd and Kinertech Pte Ltd, both dealing in the design and manufacture of aluminium die-casting molds. In addition, Mr. Lim has been the director of Approved Chemicals (S.E.A) Pte Ltd. and Approved Chemicals (M) Sdn. Bhd., which are principally engaged in processing and trading of specialty chemicals, since January 1978, and he is responsible for policy making and planning and monitoring of executive directors.

Furthermore, Mr. Lim has assumed key managerial roles in the subsidiaries of the Company since their incorporation. He has been a director of each of Kinergy Philippines, Inc., and Kinergy Japan K.K.* as well as the director and legal representative of each of Kinergy EMS (Nantong) Company Limited* ("Kinergy EMS") and Kinergy Mechatronics Shanghai Company Limited* ("Kinergy Mechatronics"). He is also a director of Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan") since January 2021.

Mr. Lim attended the Stanford-NUS Executive Program, conducted by Stanford University in conjunction with the National University of Singapore in 1985, and obtained a Certificate in Education from Singapore Teachers Training College in Singapore in March 1966. Mr. Lim was awarded a certificate in appreciation of his distinguished and valued service rendered as a member of the National Productivity Board by the Ministry of Trade and Industry, Republic of Singapore (1989 to 1992). Mr. Lim is also the chairman or committee of various Singapore government agencies or association, including Economic Development Board, National Productivity Board and Singapore Precision Engineering and Technology Association.

Mr. Du Xiaotang (杜曉堂), aged 48, is an executive Director. He joined the Group in October 2016. Mr. Du is also the supervisor of our subsidiaries, namely Kinergy EMS, and Kinergy Mechatronics and the assistant of chief executive officer of the Company.

Mr. Du has over 17 years of experience in corporate finance, capital market, private equity investment (including semiconductor industry-related investment), merger and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du commenced his career in Henan University (河南大學) as a teacher from July 1996. Between June 2003 and July 2013, Mr. Du was an associate and then a partner with Grandall Law Firm (國浩律師事務所), a PRC law firm. Between April 2017 to May 2020, Mr. Du was an independent director of Sichuan Xin Jin Lu Group Co., Ltd. (四川新金路集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000510). Between September 2013 to December 2020, Mr Du was a director of Everbright (Qingdao) Investment Co., Limited (光大控股 (青島) 投資有限公司), a subsidiary of China Everbright Limited ("CEL", stock code: 165.HK). Between January 2021 to August 2021, Mr. Du was an investment advisor of CEL.

Mr. Du is currently an external consultant engaged by CEL Management Services Limited, a subsidiary of CEL. He has been appointed as general manager of Shanghai CEL Puyan Equity Investment Co., Ltd. since January 1, 2021. He has also been appointed as an independent non-executive director of China Tianrui Group Cement Company Limited (stock code: 1252.HK) and China First Capital Group Limited (stock code: 1269.HK), both listed on the Stock Exchange, since June 2014 and July 2019 respectively.

Mr. Du obtained a degree of Bachelor of Education in June 1996, and a degree of Master of Law in June 2002 from Henan University in the PRC. Subsequently Mr. Du obtained a degree of Doctor of Economies from Fudan University in the PRC in June 2005.

Mr. Lim Khin Mann (林欽銘), aged 50, is the executive director and business development manager of the Company. Mr. Lim Khin Mann joined the Group in December 2015 and was appointed as an alternate Director to Ms. Foo Kaw Jee in February 2017. Subsequently, he ceased to be the alternate director and was appointed as an executive director in May 2019. Mr. Lim Khin Mann is the son of Mr. Lim Kuak Choi Leslie and Ms. Foo Kaw Jee.

Mr. Lim Khin Mann has more than 25 years of experience in trading and marketing. Mr. Lim Khin Mann joined Approved Chemicals (S.E.A) Pte Ltd., a company engaging processing and trading of specialty chemicals, in June 1996. He is currently marketing manager in Approved Chemicals (S.E.A) Pte Ltd., mainly responsible for securing new business and maintaining existing business. Mr. Lim Khin Mann is also a director of Allchem Lubricants Sdn. Bhd., the principal activity of which is the manufacturing and trading of lubricants for machines. Mr. Lim Khin Mann also holds directorship in the subsidiaries of the Company, namely Kinergy EMS, Kinergy Mechatronics and Jiangsu KinerFurui Mechanical Co., Ltd..

Mr. Lim Khin Mann obtained a degree of Bachelor of Business Administration from the University of Michigan in the US in May 1996.

Mr. Tay Kim Kah (鄭金呷), also known as Tee Kim Kah, aged 84, is the executive director and a member of the nomination committee. He was appointed as the executive director since November 2019. He is also the financial controller of the Group. He is mainly in-charge of finance, human resources and management information system and assisting chief executive officer in formulating and successfully implementing strategies for the Group. Mr. Tay first joined the Group as a Director of the Company from January 2004 to October 2006. Mr. Tay has assumed key managerial roles in the subsidiaries of the Group, such as the director each of Kinergy Japan K.K. since June 2015, Kinergy EMS (Nantong) Company Limited since June 2013, Kinergy Mechatronics Shanghai Company Limited since July 2013 and Shanghai CEL Puyan Equity Investment Management Limited since January 2021.

Mr. Tay has more than 50 years of experience in accounting and finance. From August 1967 to December 1984, Mr. Tay served in Keppel Corporation Limited which was principally involved in offshore and marine investment, and his last position was managing director who was primarily responsible for the Keppel Corporation Limited's finance, performance and strategy management. Subsequently between middle of 1985 and July 1986, Mr. Tay served as the finance director for Asia-Pacific region in Carrier International Corporation, an air condition manufacturer and a subsidiary of United Technologies Corporation. He then joined Consolidated Hotels Limited (now known as YTC Corporation Limited) which provided hotel and accommodation services in August 1986. His last position in YTC Corporation Limited was vice president, where Mr. Tay was primarily responsible for the financial function of the group and assisting in growth and development of the company.

After leaving YTC Corporation Limited in 2001, Mr. Tay purchased a minority interest in Woleco Hotel Supplies Pte Ltd, a company which designs, formulates, manufactures and sells personal care products, and served as the manager director until 2003. Mr. Tay studied accountancy in Singapore Polytechnic in Singapore in 1961. He took the examination set by The Australian Society of Accountants and qualified as an accountant in 1963. He was admitted to the Australian Society of Accountants as a registered accountant in March 1965 and upgraded to as a fellow of Australian Society of Accountants in November 1978. In May 1965 he was admitted as a registered accountant to the Singapore Society of Accountants which is now renamed as the Institute of Singapore Chartered Accountants. Mr. Tay attended a postgraduate course in London Business School in the United Kingdom in 1973.

NON-EXECUTIVE DIRECTORS

Mr. Yang Ping (楊平), aged 51, is the Chairman and a non-executive director of the Company and also a member of remuneration committee. He joined the Group in November 2019.

He was a chief investment officer of CEL (together with its subsidiaries, the "CEL Group") from December 2007 to March 2021, a substantial shareholder of the Company and in charge of the business of secondary market asset management of the CEL Group. Mr. Yang was responsible for the establishment, investment and management of Macquarie Everbright Greater China Infrastructure Fund, Everbright Ashmore China Real Estate Fund and venture capital funds.

Before joining the CEL Group in December 2007, Mr. Yang served as Head of the Research Institute of China Southern Securities Co. Ltd. and a private equity fund in China, where he was responsible for macro-industry and company research and investment of private equity funds, and achieved excellent performance. The restructuring project Xiang Zhong Yi (now renamed as Hunan Investment) led by Mr. Yang was the first ST listed company "full restructuring" case in China and was selected in Top Ten Influential Restructuring Case of 1999 by Securities Times.

Mr. Yang obtained a Doctoral degree in Economics from the Graduate School of Shanghai Academy of Social Sciences and a Bachelor's degree in Laws from East China University of Political Science and Law. He has over 24 years' experience in securities research and asset management.

Mr. Wang Yizhe (王毅喆), aged 42, is a non-executive Director. He joined the Group in December 2021.

Mr. Wang has more than 15 years of experience in investment and financing and corporate management and operations in private equity industries. Mr. Wang is currently a department managing director of CEL, which is a substantial shareholder of the Company. He is also a director of Diamond Wealth Global Limited, which is a substantial shareholder of the Company and an indirect wholly-owned subsidiary of CEL. Mr. Wang was the managing partner of Walden CEL Global Fund, focusing on private equity investment in the fields such as semiconductor and artificial intelligence. He also served as the general manager of CEL Capital Prestige Asset Management Co., Ltd. Prior to that, Mr. Wang was the partner and managing director of EBA Investments, a real estate fund management enterprise, and was in charge of investment and financing operations.

Mr. Wang obtained a Master of Engineering degree in software engineering from Tsinghua University in July 2006.

Mr. Loh Kin Wah (羅建華), aged 67, is a non-executive Director of the Company. Mr. Loh joined the Group in March 2022.

Mr. Loh has over 40 years of experience in semiconductor industry. He started his career as a quality engineer after graduating from university in 1978 and he then moved on to process engineering, manufacturing, research and development, sales and marketing divisions before taking up global general management roles in leading semiconductors companies.

Mr. Loh has currently served as a representative of Majuta International Pte. Ltd., an external consultant of the Company, which provides advisory services to the Company in relation to its future business development and expansion plans since 1 September 2021. He is currently serving as (i) an independent director at AEM Holdings Ltd (stock code: AWX.SI), a company listed on the Singapore stock exchange; (ii) a director at UTAC Holdings Pte Ltd, a company providing semiconductor assembly and testing services in Singapore; (iii) a member of the supervisory board and chairman of the technology committee at AMS AG (stock code: AMS.SW), a company listed on the Swiss stock exchange; (iv) a chairman of Huba Control AG, a company manufacturing components for the measurement of pressure and flow in Switzerland; (v) a member of investment committee at Silicon Solution Partners Pte. Ltd., a company providing complete infrastructure support services to startups in Singapore; (vi) a chairman of Liteleaf Pte. Ltd., a company providing agricultural technology consultancy services in Singapore; and (vii) a director of Advance Assembly Material International Ltd., a company providing comprehensive lead frame products and material solutions to the semiconductor packaging industry in Hong Kong.

Mr. Loh obtained a bachelor's degree in chemical engineering from the University of Malaya in June 1978 and a postgraduate certified diploma in accounting and finance from the Chartered Association of Certified Accountants in October 1987.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hoon Chee Wai (潘志偉), aged 52, is an independent non-executive Director. He is also the chairman of the audit committee and a member of the nomination committee of the Company. He joined the Group in May 2021.

Mr. Hoon has over 19 years of experience in finance and banking. Mr. Hoon served as the director of the investment banking division of CIMB Bank Bhd from November 2002 to August 2012. He held the position of senior vice president at Genting Singapore Limited (stock code: G13), a company listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST"), from September 2012 to April 2016. Mr. Hoon held the position of senior vice president at Landing International Development Limited (stock code: 582), a company listed on the Main Board of the Stock Exchange, from January 2017 to May 2020. Mr. Hoon has been serving as an independent non-executive director of Yongmao Holdings Limited (stock code: BKX), a company listed on the Mainboard of SGX-ST, since September 2019 and an independent non-executive director of Tee International Limited (stock code: M1Z), a company listed on the Mainboard of SGX-ST, since December 2020 and an independent non-executive director of Intraco Limited (stock code: I06), a company listed on the Mainboard of SGX-ST, since April 2021. On 1 March 2022, Mr. Hoon has relinquished his position as independent non-executive director and appointed as Chief Operating Officer in Intraco Limited.

Mr. Hoon obtained a bachelor of accountancy degree from Nanyang Technological University in Singapore in May 1992. Mr. Hoon has been admitted as a member of the Singapore Institute of Directors in April 2019.

Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, aged 60, is an independent non-executive Director of the Company. He is also a member of the audit committee and remuneration committee and the chairman of the nomination committee of the Company. Dr. Wickramanayaka joined the Group in June 2018.

Dr. Wickramanayaka was a research associate from November 1992 to March 1996 in the Display Device Division of the Research Institute of Electronics in Shizuoka University in Japan. Dr. Wickramanayaka joined Anelva Corporation in Japan in April 1996 and left Anelva Corporation in February 2005 as a manager. During the time with Anelva Corporation, Dr. Wickramanayaka was responsible for the marketing and supervision of the process and hardware development of semiconductor equipment, PVD and dry etching equipment. Dr. Wickramanayaka served ZyCube Company Limited in Japan as assistant general manager from March 2005 to August 2006, where he was responsible for the development and marketing of 3D integration technologies, processing techniques and 3D integrated chip scale packaging techniques. Dr. Wickramanayaka served EV Group Japan K.K. as a director of technology from September 2006 to March 2010, where he was responsible for the business development and customer education. From April 2010 to August 2012, Dr. Wickramanayaka served Ayumi Industry Company Limited as a general manager, where he was responsible for business development. After leaving Ayumi Industry Company Limited in Japan, Dr. Wickramanayaka joined Institute of Microelectronics in Singapore as a director for the technology development in September 2012 and was subsequently appointed as a director for the industry development in April 2017. While he was a director for technology development at the Institute of Microelectronics, Dr. Wickramanayaka was mainly responsible for the development of new technologies and technical presentations and he was responsible for the business relationship networking when he became the director for the industry development. Dr. Wickramanayaka was resigned as a director for the industry development from Institute of Microelectronics in Singapore in October 2018.

Dr. Wickramanayaka obtained a Bachelor of Science degree in November 1983 from Peradeniya University in Sri Lanka, a Master of Philosophy degree in February 1988 from University of Ruhuna in Sri Lanka, a Master of Management degree in September 2006 from University of Southern Queensland in Australia through distance learning and a Doctor of Philosophy degree in October 1992 from Shizuoka University in Japan.

Professor Zhang Wei (張衛), aged 53, is an independent non-executive Director of the Company. Professor Zhang is also a member of the audit committee and the chairman of the remuneration committee of the Company. Mr. Zhang joined the Group in June 2018.

Professor Zhang was an associate professor from May 1997 to April 1999 in Fudan University in Shanghai City, the PRC. He has been a professor in Fudan University since May 1999. He was the department head of department of microelectronics in Fudan University between June 2007 and April 2013. Professor Zhang became the associate dean of School of Microelectronics in April 2013 and was subsequently promoted to the executive dean of School of Microelectronics in Fudan University in September 2017. He was an independent non-executive director of SMIC's New Research and Development (Shanghai) Company limited* (中芯國際集成電路新技術研發（上海）有限公司) between September 2015 and October 2019.

Professor Zhang currently serves as a deputy editor-in-chief for Journal of Semiconductors in the PRC, a deputy director of the Academic Committee of Fudan University, a vice chairman of Shanghai Institute of Electronics and a deputy director of Center of IC Design and Manufacturing in Yangtze River Delta. Professor Zhang is an independent non-executive director of TongFu Microelectronics Co., Ltd.* (通富微電子股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002156) since September 2014.

Professor Zhang obtained a bachelor's degree in Electrical Material and Insulation Technology in July 1988, and a master's degree in Electrical Material and Insulation Technology in June 1991, and a doctoral degree in Electrical Material and Insulation Technology in June 1995 from Xi'an Jiaotong University in the PRC.

Dr. Ang Peng Huat (洪炳發), aged 68, is an independent non-executive Director of the Company. Dr. Ang is also a member of the audit committee and remuneration committee of the Company. He joined the Group in March 2022.

Dr. Ang has over 35 years of experience in engineering and technology investments. Dr. Ang joined LSI Logic Corporation in the United States as a research engineer and was promoted to vice-president and general manager of the consumer products division. He left in 1996 to co-found TeraLogic Inc. in the United States, and was responsible for managing specialists to develop leading-edge semiconductor products. In December 2001, Dr. Ang joined Temasek Capital Management Pte. Ltd. as managing director. Two years later in July 2003, he became a partner at iGlobe Partners LLP. In both of these positions, he was principally engaged in venture investment in technology companies in Silicon Valley. In January 2009, Dr. Ang left the United States and returned to Singapore to join Temasek International Pte. Ltd. as managing director where he was principally engaged in investment projects in telecommunications, media and technology sectors.

Dr. Ang has currently served as the advisory director at Temasek International Advisers Pte. Ltd. since January 2021 and is for holding directorship in several private early-stage startups which are principally engaged in financial, technology and ESG sectors in Singapore. He is also a member of the board of Singapore American School Foundation which is a non-profit charitable organisation based in Singapore.

Dr. Ang graduated from the University of Singapore (now known as the National University of Singapore) with a bachelor's degree in engineering (electrical) in May 1976 and later obtained a master's degree and a doctoral degree in electrical engineering from Stanford University (officially known as Leland Stanford Junior University) in October 1980 and June 1984, respectively.

SENIOR MANAGEMENT

Mr. Henry Lee Wong, aged 61, is the chief operating officer of our Company and mainly responsible for our Group's strategic direction and operational performance.

Mr. Wong has over 37 years of experience in the automotive, defense, electronic, scientific instrument, semiconductor, and flat panel display industry. From 1983 to 1996, Mr. Wong held various engineering and management positions at Saginaw Steering Gear Division and Delco Electronics divisions within General Motors ("GM") Corporation. His last position held at GM was in England as the Site Manager responsible for the operations on a US$1.5 billion major defense project. From 1996 to 2000, Mr. Wong returned to the US to work as a Senior Project Engineer at Lawrence Livermore Laboratory to design and commission one the world's largest precision cleaning equipment lines used on the National Ignition Facility ("NIF") project. Mr. Wong then worked at KLA-Tencor from 2000 to 2009. KLA-Tencor is an S&P 500 company and is among the largest semiconductor equipment companies in the world. During his tenure at KLA-Tencor, he held the various Senior Operation Director positions involved with manufacturing, manufacturing engineering, quality, outsourcing, and supply chain. From 2009 to 2012, Mr. Wong held the position of Senior Director APAC Strategic Sourcing/Site Leader Southeast Asia based out of Singapore. His major accomplishment was establishing an APAC supply chain team to manage the Asia supply chain for MOCVD and other products. In 2013, Mr. Wong worked for ASM International in Singapore as Senior Director DFM/NPI before returning to the United States. From 2014 to 2015, Mr. Wong worked for a startup company as Director of Supply Chain at NovaTorque. From late 2015 to 2016, Mr. Wong served as a US Country Manager for Kinergy Pte Ltd and was responsible for managing the US Customer base. From late 2016 to 2018, Mr. Wong worked at Kateeva as Vice President of Supply Chain and Global Logistics. Kateeva makes inkjet deposition production equipment solutions for manufacturers of OLED displays where he was responsible for the global supply chain and logistics functions. In October 2018, Mr. Wong rejoined Kinergy as Chief Operating Officer.

Mr. Wong obtained a degree of Bachelor of Science in Industrial Engineering from Iowa State University in December 1983.

Mr. Cham Toon How (詹尊豪), aged 66, is the vice president of our Group mainly responsible for determining the strategic direction and carrying out the strategic plan through overseeing operations, developing functional roles and assigning responsibilities to employees, as well as overseeing our operations in the PRC. Mr. Cham has assumed key managerial roles in the subsidiaries of the Group, such as the director of Kinergy Philippines since March 2017 and R&D manager of KPL since July 2000.

Mr. Cham has over 42 years of experience in precision, semiconductor and automation industry. Before joining our Group, Mr. Cham served as an engineering manager in Texas Instruments Singapore Pte Ltd., a semiconductor product manufacturer, between July 1978 and March 1988, and he was primarily responsible for engineering process. Mr. Cham first joined us in May 1988 as an operation manager. In the interim period between February 1992 and May 1999, Mr. Cham was a director of Design Solutions Pte Ltd., a manufacturer of electronics equipment, primarily responsible for formulating and successfully implementing strategies. Mr. Cham rejoined us in July 2000 as R&D manager and was appointed as the vice president of our Company in August 2002.

Mr. Cham obtained a degree of Bachelor of Engineering (Mechanical) from The University of Singapore (now known as National University of Singapore) in October 1978.

Mr. Ken Ong, aged 62, is the VP Global Supply Chain Management of our Company and mainly responsible for our Group's Supply Chain, Planning, Purchasing, Customer Quotations, Supplier Quality Engineering, Customs and Warehouse Management. Mr. Ong joined our Group as VP, Global Supply Chain Management in August 2019.

Mr. Ong career spans over 36 years of experience across a variety of industries. The earlier years were mainly in appliances, computers and peripherals segments where he worked in American multinational companies such as Hewlett Packard, Apple Computer, Whirlpool Corporation, and 3Com Technologies.

Mr. Ong career in the semiconductor industry started with KLA-Tencor, an S&P 500 company and is among the largest semiconductor equipment companies in the world. He worked at KLA-Tencor from 2006 to 2012 where he held position of Senior Director of Materials and Operations. During his tenure, he managed the end-to-end supply chain (including demand/ supply planning, operational materials, supplier management, warehouse and logistics) and manufacturing operations.

Mr. Ong then worked in ASM Front End Manufacturing from 2013 to 2018, as VP Global Supply Chain Management. He was responsible for all Global Supply Chain activities including strategic sourcing, procurement, supply planning, supplier quality excellence, and asset management.

Mr. Ong obtained a degree of Bachelor of Engineering from National University of Singapore in 1989 and a MBA (Accountancy) from Nanyang Technological University in 1997.

Mr. Lau Tay Hock (劉帝福), aged 63, is the director of engineering of our Company and Kinergy EMS mainly responsible for our Group's engineering and new product development and innovation.

Mr. Lau has over 36 years of experience in electronic and semiconductor engineering industry. From November 1983 to September 1984, Mr. Lau served Hewlett Packard (S) Pte Ltd, the principal business of which is development and provision of a wide variety of hardware components as well as software and related services, as a process engineer, primarily responsible for engineering. From November 1985 to September 1987, Mr. Lau was an Engineer in Singapore Aircraft Industries Pte Ltd for Republic of Singapore Air Force aircraft upgrading program. Mr. Lau first joined Advanced Systems Automation Pte Ltd (now known as Advanced Systems Automation Limited) in November 1988 and rejoined in May 2004 as the vice president, where he was primarily responsible for new product development. The principal business of Advanced Systems Automation Pte Ltd is development, manufacturing of semiconductor assembly equipment. In the interim period between June 2002 and April 2004, Mr. Lau was a program director in Kulicke & Soffa Industries Inc., the principal business of which is manufacturing of semiconductor back-end equipment and expendable tools and Mr. Lau was primarily responsible for program management of new products. From June 2007 to May 2008, Mr. Lau served European Semiconductor Equipment Corporation (S) Pte Ltd as Product Director, where he was primarily responsible for working with Switzerland headquarter research and development for the manufacturing and worldwide sales of wire-bonder products. The principal business of European Semiconductor Equipment Corporation (S) Pte Ltd is development, manufacturing, marketing, sales and service of semiconductor assembly equipment. From July 2008 to June 2011, Mr. Lau served as a project director in Inzign Pte Ltd, the principal business of which is manufacturing of medical disposables and surgical supplies, primarily responsible for qualifying Singapore manufacturing site for disposable medical devices. Subsequent to Inzign Pte Ltd, Mr. Lau joined our Group as a director of engineering in June 2014.

Mr. Lau obtained a degree of Bachelor of Science in Engineering from University of Manchester in UK in July 1983, a degree of Master of Science in Management Science from Imperial College in UK in January 1986 and a degree of Master of Science in Manufacturing Automation from Imperial College in UK in February 1989.

Mr. Chan Kheng Meng (曾慶明), aged 54, is the Senior Director of our Group mainly responsible for our Group's manufacturing operations.

Mr. Chan is a seasoned executive with over 31 years of experience in the semiconductor component and semiconductor equipment industry spanning roles in Operations, Supply Chain Management and Strategy with demonstrated ability to start up factories, turn around operations, re-structure organizations, re-design strategies and manage organizations in diverse cultures. He has a global track record of growing organizations, building strong teams, establishing strong process orientated and quality focus organizations in semiconductor and semiconductor equipment multinationals. He has held the following positions, Senior Director and Strategy Leader in Applied Materials responsible for ASM Global Manufacturing, ASM Global Manufacturing Engineering/NPI, ASM Program Management of new factory construction/manufacturing process redesign in ASM Korea and he was also the Director in KLA-Tencor responsible for site Quality and eBeam Manufacturing.

Mr. Chan obtained a degree in Bachelor of Engineering from University of New South Wales (Australia) in 1990 and Master's Certification in Project Management from The George Washington University (USA) in 1999.

Mr. Ong Beng Thiam (王明添), aged 57 is the Group Human Resource Director. He joined the Group in October 2021 and is responsible for Human Resources strategy and overseeing Human Resources operations of the Group.

Mr. Ong has over 30 years of experience primarily in leading Human Resources and Corporate Functions across various countries in APAC. He has served in MNCs in the electronic manufacturing service industry, semiconductor industry and equipment makers.

Mr Ong worked at JIT Electronic Ltd (later became part of Flextronics International) from 1998 to 2001 as Country HR for Singapore. From 2002 to 2015, Mr Ong worked at Infineon Technologies Asia Pacific Limited, a German semiconductor MNC with APAC headquarters in Singapore. He served in various positions responsible for Human Resources of various functions and business clusters covering multiple countries and was also posted on an international assignment. From 2015 to 2021, Mr Ong worked at ASM Pacific Technology Ltd, an MNC in the business of semiconductor equipment and SMT machines headquartered in Singapore. He was appointed as Global HR Head for the Semiconductor Segment in 2018, responsible for HR operations in 12 countries.

Mr. Ong obtained a Bachelor of Engineering (Electrical) from and Master of Business Administration from the National University of Singapore in 1990 and 1996 respectively.

Mr. Kek Yoke Kiang Terence (揭育強), aged 50, is the Senior Quality Manager for the EMS division of our Company and mainly responsible for our Group's quality management in both Singapore and Nantong factories.

Mr. Kek has over 21 years of experience in semiconductor wafer fabrication, semiconductor equipment and solar manufacturing industries, and held leadership positions in process integration, process engineering, product integration, quality and change management roles. Mr Kek has 4 years of active community involvement in social services organizations and non-profit organizations. From July 1997 to June 2007, Mr. Kek worked at TECH Semiconductor Pte Ltd with the last position as a section manager for process integration. From June 2007 to May 2011, Mr. Kek held dual positions as senior manager for product integration and regional product senior manager in Soitec Singapore Pte. Ltd. From May 2011 to September 2012, Mr Kek was a process engineering director at REC Singapore Pte Ltd (Wafer Business Unit). From March 2014 to January 2016, Mr Kek served as corporate outreach & resource manager in Mercy Relief Singapore. From January 2016 to August 2020, Mr Kek was a global change control manager in ASM International N.V. Mr. Kek joined our company in August 2020 as a senior quality manager.

Mr. Kek obtained a degree of Bachelor of Engineering (Microelectronics) from the National University of Singapore in July 1997.

Mr. Tan Chun Hee Matthias (陳春熹), aged 52, is the MIS Manager of our Group mainly responsible for management of all information technology functions and Information Technology equipment of our Group. Mr. Tan joined us in April 2003 and was promoted to be current position in January 2005.

Mr. Tan has over 27 years of experience in information technology. From July 1992 to June 1994, Mr. Tan served Chartered Electronics Industries Pte Ltd., the principal business of which is electronics manufacturing services, as a junior programmer, primarily responsible for day to day systems administration and development of programs. From July 1994 to July 1995, Mr. Tan served SMT Circuit Assembly Pte Ltd., the principal business of which is electronics manufacturing services, as a systems administrator, primarily responsible for information technology support and network administration. Mr. Tan rejoined Chartered Electronics Industries Pte Ltd in June 1995 as a senior systems administrator, primarily responsible for information technology systems support and administration. Subsequently Mr. Tan worked for Manufacturers Services S'pore Pte Ltd., the principal business of which is electronics manufacturing services, as a senior application specialist from June 1996 to March 2001, primarily responsible for information technology systems or applications support. Before joined us, Mr. Tan served Jardin OneSolution Singapore Pte Ltd., an information technology company, as a senior system analyst from March 2001 to April 2003, primarily responsible for information technology systems or applications support and maintenance.

Mr. Tan obtained a higher diploma in Computer Studies from Staffordshire University in Singapore in August 1997 and a diploma of higher education in Information Systems from Thames Valley University in the UK in December 1998.

Mr. Yan Xiang (嚴翔), aged 50, is the finance manager of Kinergy EMS mainly responsible for accounting and finance of Kinergy EMS, one of our major subsidiaries. Mr. Yan joined us in April 2001 and was promoted to be current position in March 2017.

Mr. Yan has over 24 years of experience in accounting. Mr. Yan worked for Nantong Carlson Plastics Corporation* (南通嘉宏塑膠有限公司) (now known as Nantong Swanson Plastic Co., Ltd*. (順昶塑膠（南通）有限公司)), a plastic products manufacturer, from April 1996 to March 2001. The last position he held in the company was account manager, primarily responsible for accounting related matters such as audit and cost accounting.

Mr. Yan obtained a college diploma in Electromechanical Engineering from Jiangsu Radio and TV University* (江蘇廣播電視大學) (now known as Jiangsu Open University* (江蘇開放大學)) in the PRC in July 1994. Mr. Yan attended the long distance learning courses in Nanjing Institute of Economics* (南京經濟學院) (now known as Nanjing University of Finance & Economics* (南京財經大學)) and obtained a college diploma in Accounting in June 1995 and a bachelor degree in Accounting in June 2001. He also obtained the qualification of assistant accountant and accountant as conferred by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 1997 and May 2002 respectively. Mr. Yan has become a non-practising member (非執業會員) of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since October 2006.

The Board is pleased to present this Corporate Governance Report ("CG Report") in the Company's annual report for the year ended 31 December 2021.

CORPORATE GOVERNANCE PRACTICES

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 Company's shareholders ("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.

During the year ended 31 December 2021, the Company complied with all the code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 of the Listing Rules that are applicable to the Company for the reporting year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out 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 Model Code during the year ended 31 December 2021.

THE BOARD

Composition of the Board

The Company is led by the Board that is effective and of quality. The Board acts honestly and fiducially, which makes decisions objectively for the best interests of the Company, so as to bring maximum value to the Shareholders in the long term and practically fulfill its obligations to the stakeholders of the Company. As at the date of this CG Report, the Board has eleven members as follows:

Name of Directors

Executive Directors
Mr. Lim Kuak Choi Leslie *(Chief Executive Officer)*
Mr. Du Xiaotang
Mr. Lim Khin Mann
Mr. Tay Kim Kah

Non-executive Directors
Mr. Yang Ping *(Chairman)*
Mr. Wang Yizhe
Mr. Loh Kin Wah

Independent Non-executive Directors
Mr. Hoon Chee Wai
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei
Dr. Ang Peng Huat

Except that Mr. Lim Khin Mann is the son of Mr. Lim Kuak Choi Leslie, there is no other relationship among the Board members.

Independent Non-executive Directors

The Board has received from each independent non-executive Director a written annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that the four independent non-executive Directors are independent in character and judgement and they also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

During the year, the Board has one-third of its membership comprising independent non-executive Directors, with at least one of them possessing appropriate professional qualifications, or accounting or related financial management expertise, as required under the Listing Rules.

Non-executive Directors

Under Code Provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the appointment letters signed by the non-executive Directors, including the independent non-executive Directors, are appointed for a fixed term of three years commencing from the date of appointment, which may be terminated in accordance with its terms. Each of them is also subject to retirement by rotation and re-election at the annual general meetings of the Company at least once every three years in accordance with the constitution of the Company (the "Constitution").

Responsibilities, accountability and contributions of the Board and the management

The Board is at the core of the Company's corporate governance framework. The Board's focus is for setting the strategic direction and policies of the Company and supervising management. Some functions are reserved by the Board, including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest with a Director or a substantial shareholder of the Company, the approval of interim and final results, dividend policy, major corporate activities such as material investments and connected transactions. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to management under the supervision of the respective Directors and the leadership of the Chairman.

All Directors have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company. The Company has arranged for appropriate insurance cover to protect the Directors from possible legal action against them.

The Directors shall disclose to the Company details of other offices held by them in public companies or organisations and/or other significant commitments and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

Corporate governance functions of the Board

The Board is responsible for performing the corporate governance duties as set out below:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Company;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

5. to review the Company's compliance with the CG Code and disclosures in the CG Report under Appendix 14 to the Listing Rules.

The Board had performed the above duties, including review of the following documents related to the corporate governance practices during the year:

- CG Report;
- Division of responsibilities between the Chairman and the Chief Executive Officer;
- Procedures for Shareholders to nominate Directors;
- Procedures for Shareholders to convene general meetings;
- Procedures for Shareholders to send enquiries to the Board;
- Shareholders' communication policy;
- Board diversity policy;
- Internal Control Report; and
- Risk Management Report.

Division of Responsibilities between the Chairman and the Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Yang Ping and Mr. Lim Kuak Choi Leslie respectively. The Chairman is responsible for policy making and planning and monitoring of the executive Directors, ensuring effective running of the Board, including that all appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer is responsible for overall corporate management, strategic planning and business development of the Group. The Chief Executive Officer is also directly responsible for the day-to-day operation of the Company, conducts the affairs of the Company in accordance with the practices and procedures adopted by the Board and promotes the highest standards of integrity, probity and corporate governance within the Company and regularly reports to the Board.

Training and Support for Directors

In accordance with Code Provision C.1.4 of the CG Code with regards to continuous professional development, Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Every Director has been given a comprehensive, formal and tailored induction on appointment. All Directors are encouraged to participate on continuous professional development to develop and refresh their knowledge and skills. All Directors have provided to the Company their records of training which they have received during the reporting year. A summary of their records of training during the reporting year is as follows:

Name of Directors	Reading materials relating to rules and/or attending trainings
Executive Directors	
Mr. Lim Kuak Choi Leslie	✓
Mr. Du Xiaotang	✓
Mr. Lim Khin Mann	✓
Mr. Tay Kim Kah	✓
Non-executive Directors	
Mr. Yang Ping	✓
Mr. Wang Yizhe	✓
Mr. Loh Kin Wah (1)	N/A
Independent Non-executive Directors	
Mr. Hoon Chee Wai	✓
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	✓
Professor Zhang Wei	✓
Dr. Ang Peng Huat (2)	N/A

(1) Mr. Loh Kin Wah was appointed as a non-executive Director with effect from 25 March 2022

(2) Dr. Ang Peng Huat was appointed as an independent non-executive Director and a member of each of audit committee and remuneration committee with effect from 25 March 2022

Attendance of the Directors at Board, Board Committee and General Meetings

The attendance of each Director at Board meetings and different Board committee meetings during the year is set out below:

	Number of meetings attended/eligible to attend				
Name of Directors	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Executive Directors					
Mr. Lim Kuak Choi Leslie	4/4	N/A	N/A	N/A	3/3
Mr. Du Xiaotang	4/4	N/A	N/A	N/A	3/3
Mr. Lim Khin Mann	4/4	N/A	N/A	N/A	3/3
Mr. Tay Kim Kah	4/4	N/A	2/2	N/A	3/3
Non-executive Directors					
Mr. Yang Ping	4/4	N/A	N/A	2/2	3/3
Mr. Wang Yizhe [(1)]	N/A	N/A	N/A	N/A	N/A
Mr. Tsang Sui Cheong Frederick [(2)]	3/4	N/A	N/A	N/A	3/3
Mr. Loh Kin Wah [(3)]	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Hoon Chee Wai [(4)]	3/3	1/1	N/A	N/A	1/1
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	4/4	2/2	2/2	2/2	3/3
Professor Zhang Wei	4/4	2/2	N/A	2/2	3/3
Mr. Ng Tiak Soon [(5)]	1/1	1/1	2/2	N/A	2/2
Dr. Ang Peng Huat [(6)]	N/A	N/A	N/A	N/A	N/A

(1) Mr. Wang Yizhe was appointed as a non-executive Director with effect from 7 December 2021

(2) Mr. Tsang Sui Cheong Frederick resigned as a non-executive Director with effect from 7 December 2021

(3) Mr. Loh Kin Wah was appointed as a non-executive Director with effect from 25 March 2022

(4) Mr. Hoon Chee Wai was appointed as an independent non-executive Director and a member of nomination committee with effect from 28 May 2021

(5) Mr. Ng Tiak Soon resigned as an independent non-executive Director with effect from 28 May 2021

(6) Dr. Ang Peng Huat was appointed as an independent non-executive Director and a member of each of audit committee and remuneration committee with effect from 25 March 2022

Formal notices were sent to all Directors at least 14 days before the regular Board meetings. Adequate time was given to all Board or relevant committee members to review and consider the Board agenda and meeting materials. The minutes of the Board/Board committees contain detailed records of all the issues considered and the decisions made by the Directors. The minutes, upon reviewed by all the Board members, are properly kept by the office of the company secretary. Matters arising from the previous Board meeting and the relevant follow-up actions taken are reported at the following meetings.

BOARD COMMITTEES

The Board has established an audit committee (the "Audit Committee"), a nomination committee (the "Nomination Committee") and a remuneration committee (the "Remuneration Committee"), each with defined terms of reference which are no less exacting than those set out in the CG Code.

Audit Committee

The Company has an Audit Committee with written terms of reference in compliance with Rule of the Listing Rules and paragraph D.3 of the CG Code. The Audit Committee is chaired by Mr. Hoon Chee Wai with Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, Professor Zhang Wei and Dr. Ang Peng Huat as members. All of the members are independent non-executive Directors. It has been established to assist the Board in fulfilling its overseeing responsibilities for financial reporting, risk management, corporate governance functions and evaluation of internal control and auditing processes. It also ensures that the Group complies with all applicable laws and regulations.

Mr. Hoon Chee Wai, as the chairman of the Audit Committee, has the appropriate financial management expertise as required under the Listing Rules. The Audit Committee held two meetings during the reporting year. Please refer to the section headed "The Board — Attendance of the Directors at Board, Board Committee and General Meetings" above in this CG Report for details of attendance of Directors at the Audit Committee meeting.

In addition to the Audit Committee members, the meetings were attended by the Chief Executive Officer, the Joint Company Secretaries, the Group Financial Controller and the external and internal auditors. Work performed by the Audit Committee includes, but is not limited to, reviewing the following:

— audited financial statements and annual report for the year ended 31 December 2021;

— unaudited interim financial report for the six months ended 30 June 2021;

— accounting principles and practices adopted by the Group;

— the corporate governance practices of the Group;

— review of risk management and internal control systems of the Group; and

— audit plans of the external auditors.

Nomination Committee

The Company has a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the CG Code. The Nomination Committee is chaired by Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, an independent non-executive Director, with Mr. Tay Kim Kah, an executive Director, and Mr. Hoon Chee Wai, an independent non-executive Director, as members. It is responsible for reviewing the structure, size and diversity of the Board, and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and professional experience. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience. The Nomination Committee held two meetings during the reporting year.

Pursuant to the Constitution, any person appointed as a Director to fill a casual vacancy of the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the relevant general meeting and any Director appointed as an addition to the existing Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at the relevant general meeting. Every Director shall be subject to retirement by rotation at least once every three years and shall be eligible for re-election in accordance with the Constitution. The Constitution also allow for removal of a Director by an ordinary resolution.

Nomination Policy

The Company has adopted a nomination policy for Directors. It is the Company's policy that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any re-appointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidates by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

(a) participating in Board meetings to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

(b) taking the lead where potential conflicts of interests arise;

(c) serving on the Audit Committee, and the Remuneration Committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees, if invited;

(d) bringing a range of business and financial experience to the Board, giving the Board and any committees of the Board on which he or she serves the benefit of his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board/committee meetings;

(e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

(f) ensuring the committees of the Board on which he or she serves to perform their powers and functions conferred on them by the Board; and

(g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules on the Stock Exchange, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

Board Diversity Policy

The Board has adopted a diversity policy in compliance with Rule 13.92 of the Listing Rules. The policy aims to set out the approach to achieve diversity on the Board. The Company sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. In designing the Board's composition, Board diversity will be considered from a range of diversity perspectives, including without limitation, differences in the professional and industry experience, cultural background, educational background, gender, age and other qualities of the members of the Board, with reference to the Company's business model and specific needs. Under Code Provision B.1.3 of the CG Code, the Board has reviewed the implementation and effectiveness of the Company's policy on board diversity on an annual basis. The Board also realised under Rule 13.92 of the Listing Rules, as a transitional arrangement, the Company will have to appoint at least one director of a different gender on the Board not later than 31 December 2024. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit basis against objective criteria based on the Group's business needs and with due regard for the benefits of diversity on the Board. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business needs.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the CG Code. The Remuneration Committee is chaired by Professor Zhang Wei, an independent non-executive Director with Mr. Yang Ping, a non-executive Director, Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka and Dr. Ang Peng Huat, independent non-executive Directors, as members. The Remuneration Committee held two meetings during the reporting year. The Remuneration Committee held a meeting to, among other things:

- review and approve the remuneration package of executive Directors and senior management of the Group; and
- make recommendations to the Board on the remuneration of the non-executive Directors in accordance with Code Provision E.1.2(c).

Emoluments of Directors and Senior Management

The emoluments of executive Directors and senior management are based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions. In addition, the Company has adopted a share option scheme to provide incentives and rewards to eligible participants for their continuous contribution to the Group.

Details of the emoluments of Directors during the year ended 31 December 2021 are set out in Note 8 to the Financial Statements in this Annual Report. The annual remuneration of the members of the senior management of the Group by band for the year ended 31 December 2021 is set out below:

Remuneration Band	Number of Senior Management
Nil to HK$1,000,000	4
HK$1,000,001 to HK$1,500,000	3
HK$1,500,001 to HK$2,000,000	1
HK$2,000,001 to HK$2,500,000	2

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main features of the risk management and internal control systems of the Group are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Board provides directions in identifying, evaluating and managing significant risks. In accordance with the code provision D.2.1 of the CG Code, on an annual basis, the Group identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritises the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant. The Group has engaged an independent professional advisor (PKF-CAP Risk Consulting Pte Ltd or "PKF") as an internal audit function of the Group. During the year, PKF performed a review on the risk management and internal control systems particularly on the human resources department area. The result of the reviews are documented in internal audit reports and submitted to the Audit Committee.

The Board, through the Audit Committee, had performed interim and annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the communications with the Board in relation to result of risk management and internal control review; significant risks, failures or weaknesses identified and their related implications; and status of compliance with the laws and regulations that are applicable to the Group. The Board considers the Group's risk management and internal control systems were effective and adequate during the year.

AUDITOR'S REMUNERATION

The Audit Committee reviews and monitors the external auditor's independence and objectivity as well as remuneration on audit and non-audit services. In 2021, the fees in respect of audit services, tax and advisory services provided by Ernst & Young LLP, the external auditors, are summarised below:

Services provided	2021 S$'000
Audit services	319
Non-audit services	
— *Taxation*	35
— *Advisory*	8
Total audit and non-audit services	377

The Audit Committee reviewed audited Group's Financial Statements and reports for the year ended 31 December 2021 in conjunction with the Company's external auditor and senior management before recommending them to the Board for consideration and approval. The financial results of the Group for the year ended 31 December 2021 have been reviewed with no disagreement by the Audit Committee.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of the financial statements for the year ended 31 December 2021 to give a true and fair view of the financial position of the Group as at that date and of its financial performance for the year then ended. In doing so, the Directors have adopted the appropriate accounting policies, applied them consistently in accordance with the International Financial Reporting Standards and made judgements and estimates that are prudent and reasonable in preparing the financial statements on the going concern basis in accordance with Code Provision D.1.3 of the CG Code.

The Directors are responsible for ensuring the maintenance of proper accounting records, safeguarding of the assets of the Company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statement by the external auditors of the Company regarding their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 74 to 78 of this Annual Report.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities. These include interim and annual reports, announcements and circulars.

The general meetings of the Company are a primary forum for communication between the Shareholders and the Board. The Company encourages its Shareholders to attend and participate in general meetings to ensure a high level of accountability and to keep the Shareholders informed of the Company's strategy and goals. The Chairman of the Board, other Board members and the Chairman of all the Board committees, or in their absence, other members of the respective committees, are available to answer any questions from the Shareholders. In the general meetings, Shareholders are given the opportunity to participate effectively and raise their concerns with the Directors and management on matters pertaining to the Group's business and its operations.

According to Regulation 47 of the Constitution, the Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an extraordinary general meeting, Also, according to Section 176 of the Companies Act 1967 of Singapore (the "Companies Act"), directors of a company, notwithstanding anything in its constitution, on the requisition of shareholders holding at the date of the deposit of the requisition not less than 10% of the total number of paid-up shares as at the date of the deposit carries the right of voting at general meetings, immediately proceed duly to convene an extraordinary general meeting of the Company to be held as soon as practicable but in any case not later than two months after the receipt by the Company of the requisition. The requisition shall state the objects of the meeting and shall be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within 21 days after the date of the deposit of the requisition proceed to convene a meeting, pursuant to Section 176(3) of the Companies Act, the requisitionists, or any of them representing more than 50% of the total voting rights of all of them, may themselves, in the same manner as nearly as possible as that in which meetings are to be convened by directors convene a meeting, but any meeting so convened shall not be held after the expiration of three months from that date. Any reasonable expenses incurred by the requisitionists by reason of the failure of the directors to convene a meeting shall be paid to the requisitionists by the Company, and any sum so paid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to such of the Directors as were in default.

Members may propose any resolution which may properly be moved at an annual general meeting pursuant to Section 183(1) of the Companies Act. On the requisition of members holding not less than 5% of the total voting rights of all the members having at the date of the requisition a right to vote at the meeting to which the requisition relates or of at least 100 members holding shares in the Company on which there has been paid up an average sum (per member) of not less than $500, the Company must circulate (at the members' expense) notice of the proposed resolution and any statement of not more than 1,000 words with respect to the matter referred to in it.

Shareholders may at any time send their enquiries and concerns to the Board in writing through our Investor Relation contact by email to ir@kinergy.com.sg or by phone to +65 6481 0211.

SUSTAINABLE CORPORATE SOCIAL RESPONSIBILITY

The Company attaches great importance to corporate social responsibility. The Board is committed to undertaking corporate social responsibility by strengthening relationship with its stakeholders with a view to contributing to the sustainable development of the economy, society and environment. The Company consistently supports and participates in activities that are beneficial to the community. Please refer to the "Environmental, Social and Governance Report" set out on pages 38 to 59 of this Annual Report.

JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn ("Ms. Gn") and Mr. Lee Cheuk Wang ("Mr. Lee") are the joint company secretaries of our Company during the year.

Ms. Gn Jong Yuh Gwendolyn (鄞鐘毓), aged 51, of Shook Lin & Bok LLP has been appointed as the company secretary of the Company since January 2010. She has been responsible for our Company's compliance with all relevant statutory and regulatory requirements in Singapore since her appointment.

Ms. Gn joined Shook Lin & Bok LLP in October 2006 and has been active in acting for both listed and unlisted corporations in regional mergers and acquisitions, takeovers and reverse takeovers. She also regularly advises clients and financial institutions on corporate governance, regulatory and corporate compliance issues. Ms. Gn was admitted as an Advocate & Solicitor, Singapore in April 1995 and obtained an LLB (Hons) from the National University of Singapore in July 1994.

Mr. Lee Cheuk Wang (李卓宏), aged 48, has been appointed as one of our joint company secretaries since 18 November 2019. Mr. Lee is a solicitor of the High Court of the Hong Kong Special Administrative Region and a partner of Loeb & Loeb LLP, being the legal adviser to the Company as to Hong Kong laws. Mr. Lee graduated from City University of Hong Kong with Bachelor of Laws in 1996 and Master of Laws in Chinese and Comparative Law in 1999. He has more than 22 years of experience in advising on regulatory compliance and corporate governance.

The primary contact person of the joint company secretaries at the Company is Mr. Tay Kim Kah, the executive director and group financial controller of the Company.

During the year ended 31 December 2021, Mr. Lee Cheuk Wang and Ms. Gn Jong Yuh Gwendolyn attended relevant professional seminars to update their skills and knowledge and have complied with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training.

CONSTITUTION

There are no changes in the Company's constitutional documents during the year ended 31 December 2021. The Company's constitution is available on the Company's website (www.kinergy.com.sg) and the Stock Exchange's website (www.hkexnews.hk).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT KINERGY

Kinergy Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group" or "Kinergy"), established in Singapore in 1988, is a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor equipment industry, with in-house production facilities located in Singapore, the People's Republic of China (the "PRC") and the Philippines. The Group provides Electronics Manufacturing Services ("EMS") for high-mix/low volume sub-systems and equipment, and also provides Original Design Manufacturing ("ODM") of its proprietary "Kinergy" brand of equipment. Details of the corporate profile information can be found in the Corporate Profile of this annual report.

ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development.

Reporting Period

Unless otherwise stated, the ESG Report covers the activities, challenges and measures with respect to ESG aspects of the Group for the year ended 31 December 2021 (the "Reporting Period" or "2021").

Reporting Scope

The reporting scope is discussed and confirmed by the senior management of the Group. The Group identifies the reporting scope by considering the materiality principle, its core business and its main revenue source. This ESG Report covers the operations of the Group's EMS business in Singapore and Nantong, which contributed approximately 94.0% of the revenue during the Reporting Period. The Group will continue to assess the major ESG aspects of different businesses or its major subsidiaries and extend the scope of disclosure when and where applicable.

Reporting Framework

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK"). Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

During the preparation of this ESG Report, the Group has applied the reporting principles in the ESG Reporting Guide as the following:

Materiality: This ESG Report is structured based on the materiality of respective issues, resulting from materiality assessment. The result of the materiality assessment was reviewed and confirmed by the Board and senior management. For further details, please refer to the section headed "Materiality Assessment".

Quantitative: This ESG Report is prepared in accordance with the ESG Reporting Guide and discloses key performance indicators ("KPIs") in a quantitative manner. Information regarding the standards, methodologies, assumptions and/or calculation references, and sources of key conversion factors used for KPIs is stated wherever appropriate.

Consistency: Unless otherwise stated, the Group's disclosure and statistical methods are consistent with the previous financial year for meaningful comparison. If there is any change that may affect comparison with previous reports, the Group will make explanatory notes to the corresponding section hereof.

During the Reporting Period, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

BOARD STATEMENT

The Board is pleased to present the ESG Report of the Group, which summarises the ESG initiatives, plans and performances of the Group and demonstrates its commitment to sustainable development. ESG is an integral part of the Group's business strategy in order to achieve business excellence and enhance capabilities for long-term competitiveness. Therefore, the Group has always insisted on incorporating ESG responsibilities into corporate operation and management, has established and continues to optimise effective risk management and internal control systems in relation to ESG as well as has set ESG-related goals and targets. The Group's ESG strategy is based on the compliance with the applicable legal requirements, principle of sustainability and opinions from stakeholders. The Group has also established and implemented various policies to manage and monitor the issues related to the environment, employment, operating practices and community.

ESG Governance Structure

Fostering the right governance framework is crucial for successful delivery of its sustainability strategy. In this regard, the Group established a purposeful and robust corporate governance structure that enables an effective information flow throughout the Group.

The Board holds the overall responsibility for the Group's ESG issues as well as ensuring the effectiveness of the Group's risk management and the internal control systems. In particular, the Board is accountable for setting forth ESG management approach, strategy, policies, and objectives, prioritising ESG issues, reviewing the Group's performance periodically against ESG-related goals and targets, and approving disclosures in the Group's ESG reports with the assistance of core members from various departments.

Meanwhile, core members from various departments are responsible, for facilitating the Board's oversight of ESG matters. The core members from various departments have the responsibility for collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance, keeping track of and reviewing the progress made against the Group's ESG-related targets, ensuring compliance with ESG-related laws and regulations, assisting in conducting materiality assessment and preparing ESG reports. The core members from various departments arrange meetings regularly to evaluate the effectiveness of current policies and procedures, and formulates appropriate solutions to improve the overall performance of ESG policies. In addition, the core members from various departments reports to the Board periodically, assists in assessing and identifying the Group's ESG risks and opportunities, ensuring the implementation and effectiveness of the risk management and internal control systems.

STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback regarding its businesses and ESG performance. To better understand and address their concerns and expectations, the Group has maintained close communication with its key stakeholders on a regular basis through various channels. The Group will continue to strengthen its collection of information, so as to enhance its reporting performance.

In formulating operational strategies and ESG measures, the Group takes into account the stakeholders' expectations and strive to improve its performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified communication channels, shown as below.

Stakeholders	Communication Channel	Expectation and Concerns
The Group's senior management/ Board of Directors	• Written or electronic correspondence • Meetings • Statutory fillings and notices	• Compliant operation • Responding actions on climate-related risks • Technological innovation • Transparency of internal information

Stakeholders	Communication Channel	Expectation and Concerns
Investors and shareholders	• Annual general meeting and other shareholder meetings • Financial reports • Circulars and announcements • Company website	• Financial performance • Compliant operation • Corporate governance • Business strategy
Employees	• Internal emails • Regular performance appraisals • Training, seminars and briefing sessions • Employee activities	• Occupational health and safety • Remuneration and benefits • Employee development and training • Equal opportunity
Customers	• Company website • Customer service hotline • Customer satisfaction surveys • Emails	• High quality products and services • Protection of customers' interests and privacy • Compliant operation
Suppliers and business partners	• Business meetings • Performance assessment • On-site inspections • Telephone communication • Emails • Quotation process	• Fair and open procurement • Stable business relationships • Payment schedule • Commitment
Government and regulatory authorities	• Written or electronic correspondences • Statutory fillings and notice • Mandatory/voluntary disclosures	• Compliant operation • Technological innovation
Communities/Non-governmental organisations	• Company website • Emails • ESG reports	• Environmental protection • Contribution to society

The Group aims to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing this ESG Report and assisted the Group to review its operations, identify key ESG issues and assess the importance of these issues to its businesses and stakeholders. The Group has compiled a questionnaire in reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group.

The following matrix is a summary of the Group's material ESG issues.

Importance to the Stakeholder	Low	Medium	High
High		• Employment Practices • Development and Training • Customer Satisfaction	• Occupational Safety and Health • Supply Chain Management • Quality Assurance
Medium	• Prevention of Child and Forced Labour	• Greenhouse Gas ("GHG") Emissions • Climate Change	• Anti-corruption • Protection of Intellectual Property Rights and Privacy
Low	• Water Management • Community Investment	• Energy Management • Waste Management	

Importance to the Group

Based on the materiality assessment results, occupational health and safety, supply chain management, and quality assurance are the most material ESG issues of the Group. The materiality assessment results were reviewed and confirmed by the Group's management, and then approved by the Board. In this ESG Report, the Group will further disclose the Group's performance in terms of relevant aspects, and consider the results as important reference points for the planning of ESG management approach and strategy, as well as ESG-related goals and targets for the next financial year.

CONTACT US

The Group appreciates your valuable feedback on this ESG Report and our sustainability performance. Please send your comments to us at ir@kinergy.com.sg.

PRODUCT RESPONSIBILITY

The Group is committed to total customer satisfaction in the high technology equipment design and fabrication sector as stipulated in the Quality Policy. During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations concerning health and safety, advertising, labelling and privacy matters relating to products and services and methods of redress that would have a significant impact on the Group, including but not limited to the Consumer Protection (Trade Descriptions and Safety Requirements) Act of Singapore, the Personal Data Protection Act of Singapore, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Product Quality Law of the People's Republic of China.

Quality Assurance

The Group recognises the importance of achieving and maintaining high product quality standard to its sustainable growth. The Group has achieved various quality management accreditations for its subsidiary, Kinergy EMS (Nantong) Co., Ltd., including ISO 9001:2015 Quality Management System and ISO 14001:2015 Environmental Management System, to ensure the finished products meet the required quality requirements. During the Reporting Period, there were no products sold and shipped subject to recalls for safety and health reasons.

To maintain high product quality, the Group has implemented the Quality Policy and the Quality Assurance at incoming, in-Process and outgoing, which it is responsible for ensuring the overall quality standards and products manufactured at each production stage. Strict control measures are implemented to ensure every part of work and the products manufactured are fully compliant to the relevant national standards, laws and regulations, as well as ensure any major defects are identified and rectified before shipment. In addition, First Article ("FA") Inspections are conducted upon first order given by the customers, and FA reports will be provided afterwards based on their requirements.

Moreover, the Group conducts internal quality audits and management reviews of the quality system periodically. The Group has invited independent third parties to conduct quality reviews twice a year. Besides, to ensure the safety and smooth operation of critical tools, equipment is tested and calibrated by certified third party laboratories.

Customer Satisfaction

Customer satisfaction is crucial to the success of the Group's business. The Group puts great attention to ensure the products meet the needs and expectations of the customers through the application of "Copy-Exact" methodology (per drawing specs, qualified suppliers, material source, assembly method and tests etc.) from incoming parts until finished parts. In order to achieve customer satisfaction, the Engineering Production Quality Assurance team will implement corrective actions to resolve issues regarding any failure to meet the quality requirements. A one-year warranty is extended to the customers for any defect in workmanship that was incurred by us.

The Group strives to provide customers with high-quality and appropriate products, and establish good relationship with customers. Feedback from the customers provide valuable insight for the Group to achieve continual improvements in the products and the manufacturing processes. The Group has set up procedures for handling customers' complaints, which provide methods for handling customers' feedback information and procedures for taking corrective and preventive actions to effectively respond to customer complaints. The Group attaches great importance to quality related complaints. Once the Group receives such complaints, the Group will immediately report them to relevant personnel including but not limited to engineers, officer, manager of the quality assurance department to analyse the causes and formulate countermeasures to improve future production. During the Reporting Period, the Group did not record any material products and service related complaints.

Protection of Intellectual Property Rights and Privacy

The Group values intellectual property rights and fully complies with the laws and regulations related to the intellectual property rights. The Group strictly monitors the use of patents, trademarks and technologies and eliminates all acts of infringement of intellectual property rights, as well as rationalises the information and materials related to corporate patents and intellectual property rights to ensure that the intellectual property rights of the Group are protected from infringement.

In order to protect the intellectual property, the Group's Employee's Manual clearly stated the definition, responsibility and the proper procedures of handling sensitive information. Before printing out any technical drawings of the products, employees must complete a document request form and obtain approval from the designated personnel. Moreover, a register is maintained for the record of any apparatus, tooling and equipment for production and testing provided by the Group's customers. The Group has also imposed restriction areas and activity logs in data room with sensitive information within the Group. In addition, a confidentiality policy is in place and all employees are able to uphold the obligation to maintain confidentiality.

Furthermore, the Group strictly follows the relevant laws and regulations of privacy protection. Employees are not allowed to disclose confidential information during and after employment as stipulated in the Employee's Manual. The Group has also implemented firewall, anti-virus, and anti-spam solutions for the IT systems to safeguard confidential information and are routinely upgraded.

Advertising and Labelling

Owing to the Group's business nature, the Group has an insignificant amount of business dealing on advertising and labelling matters.

SUPPLY CHAIN MANAGEMENT

The Group places great emphasis on maintaining quality and safety standards along the supply chain as these factors could directly affect the Group's reputation, service quality and competitiveness. The Group has established and conducted a transparent and fair procedure for selection of suppliers, and actively promote socially responsible and sustainable procurement activities.

The Group has established and implemented various procedures and policies for selection of suppliers. When selecting suppliers, the Group takes factors into accounts such as quality of products, price, reliability and anticipated market acceptance. The Group's supplier quality engineering team is responsible for qualifying and assessing suppliers. An approved suppliers list is maintained and annual audit on the Group's suppliers is conducted to ensure they meet the Group's requirements, including social and environmental performance where necessary. Besides, the Group conducts on-site inspections for new suppliers as stipulated in its procurement policy. When the Group is sourcing a new component/part from an existing supplier, visit to its suppliers' factories will also be made.

During the Reporting Period, the Group has engaged a total of 1,066 major suppliers (2020: 987), all of which have gone through the forementioned procurement practices of the Group.

The number of major suppliers by geographic region is as follows.

Number of major suppliers	2021	2020
Singapore	**431**	382
China	**410**	400
Asia (excluding Singapore and China)	**48**	44
Europe	**60**	47
The United States	**115**	104
Other Countries	**2**	10

Environmentally and Socially Responsible Supply Chain

In order to understand and manage the environmental and social impacts in the Group's supply chain, the Group conducts regular inspections and assessments to ensure that suppliers meet the Group's requirements and standards. The Group reviews the performance of its suppliers regularly and provide feedback to them on their own performance and make further improvements where necessary. The Group also conducts incoming quality check upon receipt of the materials according to the Group's product inspection control procedure. The Group ensures the purchased materials meet the specifications, quality and functionality required and no non-conforming materials being used.

In order to support the Group's customers who pledged support to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Group has implemented the Conflict Minerals Sourcing Policy to assure the use of tin, tantalum and gold in certain products are not being sourced from the Democratic Republic of Congo and the or any adjoining country in which the revenues from mining may be directly or indirectly financing armed groups engaged in civil war. In order to monitor the social risks along the supply chain, the Group will conduct inquiries with its suppliers to ensure such materials are not originated from the concerned countries and comply with the Dodd Frank regulation.

Moreover, the Group is committed that the concentration of hazardous substances, such as heavy metals, used in the material supplied and product sold to the European markets comply with the Directive 2011/65/EU of the European Union. Therefore, the Group has adopted the Policy on the Restriction of the Use of Certain Hazardous Substances ("ROHS") in Electrical and Electronic Equipment and required the supplier to provide appropriate Certificate of Compliance regarding ROHS for the record and validation to ensure its supply chain's environmental performance.

With an objective to minimise the carbon emission and to support the local economy and community, the Group mainly sourced the materials, products, and services locally. Besides, the Group would consider the products with less impact to the environment, such as the products with energy efficiency labels, provided that such products can satisfy its production demand. In addition, the Group targets to expand the coverage of the environmental management system to the Group's supply chain management in the future.

ANTI-CORRUPTION

Maintaining a fair and just society, inflicting punishments against unscrupulous and corruption behaviours are important to the Group's reputation. All of the employees are required to adhere the Employee's Manual to understand the code of conduct during their employment with the Group. During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, including but not limited to the Prevention of Corruption Act of Singapore and the Criminal Law of the People's Republic of China.

Recognising that anti-corruption training is essential for creating a healthy corporate culture, the Group provides regular training to Directors and employees. The training aim to keep the employees and directors abreast of the latest compliance trends and practices in the finance industry, enrich their professional skills and knowledge in their respective roles and responsibilities regarding anti-corruption and business ethics matters. The Group will arrange anti-corruption related training for directors and staff to reinforce the concept of integrity in the next financial year.

The Group has established a Whistleblowing Policy which sets out the reporting and investigative procedures to facilitate the reporting of any fraudulent activities. If the employee reasonably suspects a misconduct, the employee can notify the Risk and Compliance Manager or chairman of the audit committee, and the Risk and Compliance Manager and audit committee will conduct investigate the incident. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employee reporting in good faith under the whistle-blowing mechanism can be assured of the protection against unfair dismissal or victimisation, even if the reports are subsequently proved to be unsubstantiated. During the Reporting Period, the number of concluded legal cases regarding corrupt practices brought against the Group or its employees was zero.

EMPLOYMENT PRACTICES

The Group strongly believes that human capital is an important asset that powers the Group's long-term success. Relevant human resources policies are formally documented in the Employee's Manual covering topics such as recruitment and remuneration, compensations, working hours and rest periods, diversity and equal opportunities, etc.

During the Reporting Period, the Group was not aware of any material non-compliance with the relevant laws and regulations concerning compensation and dismissal, recruitment and promotion, working hours, rest days, equal opportunities, diversity, anti-discrimination, other benefits and welfare, including but not limited to the Employment Act of Singapore, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China.

As at 31 December 2021, the Group had a total of 555 full-time employees (2020: 486) under the Group's Singapore and Nantong operations, of which all are full-time employees. The workforce distributions by gender, age group, geographical location and employee category are as follows:

Number of employees	2021	2020
By Gender		
Male	348 (63%)	305 (63%)
Female	207 (37%)	181 (36%)
By Age Group		
Under 30	107 (19%)	115 (24%)
30–40	219 (39%)	176 (36%)
41–50	109 (20%)	97 (20%)
Over 50	120 (22%)	98 (20%)
By Geographical Location		
Singapore	171 (31%)	154 (32%)
China	384 (69%)	332 (68%)
By Employee Category		
Senior Management	17 (3%)	9 (2%)
Middle Management	44 (8%)	47 (10%)
General Staff	494 (89%)	430 (88%)

During the Reporting Period, the Group's overall turnover rate[1] was approximately 29.01%. The employee turnover rate by gender, age group and geographical region is as follows:

Ratio of Employee Turnover	2021	2020
By Gender		
Male	20.00%	16.60%
Female	9.01%	3.32%
By Age Group		
Under 30	13.15%	8.30%
Between 30–40	10.63%	4.56%
Between 41–50	3.06%	2.90%
Above 50	2.16%	4.15%
By Geographical Location		
Singapore	8.65%	7.47%
China	20.36%	12.45%

Note(s):

1. The employee turnover rate is calculated by dividing the number of employees leaving employment during Reporting Period by the number of employees at the end of the Reporting Period.

Recruitment, Remuneration, Promotion and Dismissal

Talent acquisition is vital to the sustainable development of the Group's business. The employees are recruited via a robust, transparent and non-discriminatory recruitment process based on their merits and their potential to fulfil the Group's current and future needs.

Remuneration and promotion are based on job-related skills, qualifications and performances. The Group will conduct annual performance and salary review to determine any salary adjustments and/or promotion opportunities. The Group strives to provide attractive competitive remuneration packages which include medical insurance coverage, discretionary bonus and allowances, etc.

Detailed resignation or termination process has been standardised and outlined in the Employee's Manual. Unreasonable dismissal under any circumstances is strictly prohibited, dismissal would be based on reasonable and lawful grounds supported by internal policies of the Group.

Equal Opportunities, Diversity and Anti-discrimination

Sustainable growth of the Group relies on the diversity of talents. The Group is committed to creating and maintaining an inclusive and collaborative workplace culture. Furthermore, the Group is dedicated to providing equal opportunities in all aspects of employment and protecting its employees from discrimination, physical or verbal harassment based on their gender, age, religion, disability, ethnicity, political stance, marital status, etc.

Working Hours and Rest Periods

The Group has formulated policies in determining the working hours and rest periods for employees following local employment laws and regulations. For employees who have to work overtime, an advance notice will be issued whenever possible and approval from department manager is needed, with additional overtime pays provided. In addition to the basic paid annual leaves and statutory holidays stipulated by the local governments, which are also clearly stated in the Employee's Manual, employees are also entitled to extra leave benefits, such as marriage leave, maternity leave, compassionate leave, etc.

PREVENTION OF CHILD AND FORCED LABOUR

The use of child or forced labour are strictly prohibited within the Group. During the recruitment process, the Group conducted the employee background check through inspection of identification documents prior to offering of the employment contract. If there is any suspected infringement, the Group will conduct an investigation and terminate the employment of the person where necessary. Such policy and practices will be reviewed regularly by the Group's management to comply with the latest laws and regulations.

During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Act of Singapore and the Provisions on the Prohibition of Using Child Labour of the People's Republic of China.

OCCUPATIONAL SAFETY AND HEALTH

The Group places a high priority on providing employees with a safe and healthy working environment. During Reporting Period, the Group was not aware of any material non-compliance with health and safety-related laws and regulations that would have a significant impact on the Group, including but not limited to the Workplace Safety and Health Act of Singapore, the Labour Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases, and the Fire Protection Law of the People's Republic of China. During the Reporting Period, the Group recorded 3 cases of work-related injuries with a total number of 5 lost days due to the work-related injuries. The Group has evaluated every case and considered the work-related injuries to be minor. No case of work-related fatality was recorded during the past three years including the Reporting Period.

The Group has implemented the Workplace Safety and Health ("WSH") Policy, the Production Safety Inspection System to identify and other relevant policies to control and evaluate occupational health and safety risks to ensure employees are following the safety procedures. A series of work procedures is formulated to provide guidelines for the Group's employees to follow while performing specific tasks involving chemical use and machinery operations. Regular safety inspections are also conducted to monitor and identify any potential safety risks and appropriate corrective actions are taken to address any issues. During the Reporting Period, the Group has continued to attain bizSAFE Level 3 from the Workplace Safety and Health Council of Singapore, in which it has certified the Group's Risk Management Plan in the workplace.

Furthermore, the Group has stipulated the Emergency Response Plan provide clear guidelines to its employees on conducting proper precautionary and mitigation measures during the case of emergency, such as fire, outage of electricity or water and spillage of hazardous waste. Fire drills are also conducted once a year.

The Group complies with related working safety guidelines and constantly educates and reminds employees of the importance of work health and safety. The Group has developed a Safety Training Policy that imposes compulsory annual safety management training for its major operational management staff. Besides, the Group has set up the WSH Committee to handle issues related safety production management. The WSH Committee announces safety motto monthly to enhance staff's awareness towards occupational health and safety issues and precautionary measures.

Response to the Outbreak of the COVID-19 Pandemic

As the outbreak of the COVID-19 pandemic continues, the Group has maintained a series of precautionary measures in accordance with guidelines from the governments at all levels to ensure the health and safety of its employees. In addition to requiring employees to check and record their temperatures and visit a doctor immediately whenever feeling unwell, the Group also reminded its employees of the importance of maintaining good personal hygiene by washing hands frequently with soap. The Group has also provided surgical masks to employees whenever necessary.

DEVELOPMENT AND TRAINING

The Group encourages staff development to foster a sustainable growth of the Group and on-the-job training is provided to all employees. In order to foster employee's growth and development, specific training program are tailored to enhance the different skillsets required for various roles and all of the new employees undergo induction training to ensure the employees are aware of the relevant human resources policies, safety operational requirements and quality management system. In addition, the Group promotes career mobility and development paths by offering internal transfer training programs and specialized technical trainings. The train-the trainer program is established to provide opportunities to experience staff to disseminate their knowledge and knowhow in the areas of environmental management, work and safety and operation enhancement.

During the Reporting Period, the percentage of employees trained by the Group was approximately 64.60%[2], and the average training hours per employee was approximately 16.76 hours[3]. The breakdown of trained employee, the percentage of trained employee and the average number of training hours per employee by gender and employee category is as follows:

	Percentage of trained employees[4] 2021	2020	Breakdown of trained employee 2021	2020
By Gender				
Male	**70.69%**	75.74%	**69.69%**	66.57%
Female	**51.69%**	64.09%	**30.31%**	33.43%
By Employee Category				
Senior Management	**29.41%**	33.33%	**1.42%**	0.86%
Middle Management	**43.18%**	44.68%	**5.38%**	8.93%
General Staff	**66.60%**	72.79%	**93.20%**	90.20%

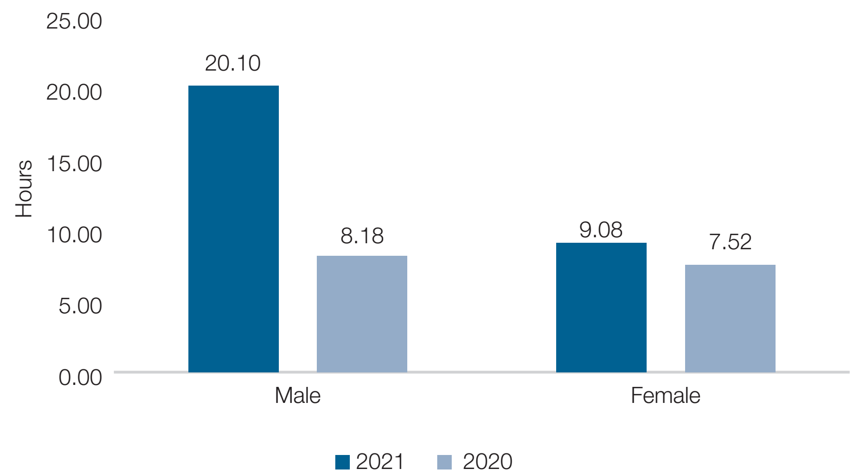
Note(s):

2. The percentage of trained employees is calculated by dividing the total number of employees who took part in training during the Reporting Period by the total number of employees at the end of the Reporting Period.

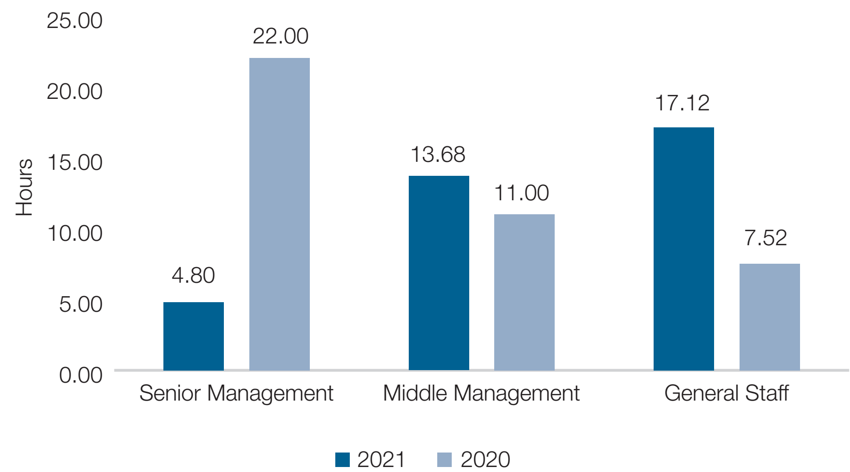
3. The average training hours per employee is calculated by dividing the total training hours during the Reporting Period by the total number of trained employees at the end of the Reporting Period.

4. The percentage of trained employees by category is calculated by dividing the number of trained employees in the specified category during the Reporting Period by the total number of employees in the specified category at the end of the Reporting Period.

The Group's Average Training Hours by Gender[5]



The Group's Average Training Hours by Employee Category[5]



Note(s):

5. The average training hours by category is calculated by dividing the total training hours for employees in the specified category during the Reporting Period by the number of trained employees in the specified category at the end of the Reporting Period.

ENVIRONMENTAL ENDEAVOURS

The Group adheres to the ideas of environmental protection and clean production. The Group strives to enhance the efficiency of environmental protection in the production process and reduce environmental pollution and energy consumption in order to take up the responsibility of environmental protection amidst corporate development.

During the Reporting Period, the Group strictly complied with local environmental laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to, the Environmental Protection and Management Act of Singapore and the Environmental Protection Law of the People's Republic of China.

Air Emissions

Due to the Group's business nature, the Group does not generate a material amount of exhaust gas emissions during the operations.

GHG Emissions

The Group's GHG emissions primarily come from the direct GHG emissions resulting from the consumption of petrol and diesel by company vehicles (Scope 1), the energy indirect GHG emissions from purchased electricity (Scope 2), as well as other indirect emissions from paper waste disposal, water consumption and air travel (Scope 3). During the Reporting Period, the Group has set an annual target of maintaining its total GHG emissions intensity (tCO2e/employee) to be not more than the baseline year 2021. To attain this target, the Group established relevant guidelines and actively adopts various measures to reduce GHG emissions, including:

- encourage employees to take public transport during the business trip;
- encourage employees to reduce unnecessary overseas business trip, thus reducing indirect carbon emissions;
- purchase regular petrol for vehicles, and conduct annual inspections to ensure vehicles are meeting relevant emission standards;
- actively adopt measures for energy conservation which are described in the section headed "Energy Management"; and
- actively adopt measures for waste reduction which are described in the section headed "Waste Management".

The total GHG emission intensity (tCO_2e/employee) has increased approximately 10.89% from approximately 3.95 in 2020 to approximately 4.38 in 2021, which is mainly due to the significant increase in sale volume for EMS division.

The following is the summary of GHG emissions performance:

GHG Emissions[6]	Unit	Singapore		China	
		2021	2020	2021	2020
Direct GHG Emissions (Scope 1)	tCO_2e	**38.30**	47.00	**67.50**	57.00
Energy Indirect GHG Emissions (Scope 2)	tCO_2e	**341.39**	425.90	**1,936.28**	1,351.60
Other Indirect GHG Emissions (Scope 3)[7]	tCO_2e	**21.58**	15.10	**28.52**	23.30
Total GHG Emissions	**tCO_2e**	**401.27**	488.00	**2,032.30**	1,431.90
GHG Emission Intensity[8]	**tCO_2e/m^2**	**0.09**	0.11	**0.10**	0.08
GHG Emission Intensity[9]	**tCO_2e/employee**	**2.35**	3.17	**5.29**	4.31

Note(s):

6. GHG emission data are presented in terms of carbon dioxide equivalent, with reference to, including but not limited to, the reporting requirements of the "GHG Protocol Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the latest Electricity Grid Emission Factors issued by the Energy Market Authority of Singapore and the latest released emission factors of China's regional power grid basis.

7. International Civil Aviation Organization ("ICAO") Carbon Emissions Calculator is used in estimating the GHG emissions generated from air travel.

8. For the year ended 31 December 2021, the Group's gross floor area of Singapore office and Singapore factory is approximately 4,538.88 m^2 (2020: approximately 4,538.88 m^2), while the gross floor area of Nantong office and factory is approximately 19,717 m^3 (2020: approximately 19,717 m^3). These data have also been used for calculating other intensity data.

9. As at 31 December 2021, the Group had 171 employees in Singapore and 384 employees in Nantong. At 31 December 2020, the Group had 154 employees in Singapore and 332 employees in Nantong. These data have also been used for calculating other intensity data.

Waste Management

In order to reduce the waste and maximise the recovery of valuable materials from the industrial waste generated, the Group has adopted the Environmental Management System to ensure the proper handling procedures of hazardous and non-hazardous are implemented in accordance with relevant laws and regulations as identified in the Environmental Management System.

The Group's main hazardous waste generated from the metalwork processes in factories is spent lubricating coolant. The Group ensures that all hazardous wastes are handled and collected properly by licensed contractors.

The major non-hazardous wastes generated during the Group's operation is paper and metal. For recyclable materials, education and promotion measures are taken to encourage reduction in material and resource consumption and waste, and any recyclables generated are handled by respective waste management companies. In addition to requiring the Group's employees to properly dispose of such wastes and encouraging them to sort wastes before disposal.

During the Reporting Period, the Group has set an annual target of maintaining its total waste disposal intensity (tonnes/million revenue) to be not more than the baseline year 2021. To achieve this target, the Group continues to place great effort in educating its employees on the importance of reducing waste production and has adopted the following waste reduction measures:

- use duplex printing, recycle papers and use electronic means to reduce paper usage;
- print or photocopy only the pages needed;
- reuse office stationeries, such as envelopes and folders;
- encourage employees to recycle equipment such as computers and communication devices; and
- utilise electronic means for office daily communication.

The total wastes intensity (tonnes/million revenue[10]) has increased approximately 4.00% from approximately 0.50 in 2020 to approximately 0.52 in 2021, which is mainly due to the significant increase in sale volume for EMS division.

The following is the summary of the waste disposal performance:

Types of Waste	Unit	Singapore		China	
		2021	2020	2021	2020
Liquid waste hazardous material HW09	tonnes	–	–	24.71	10.50
Total Hazardous Waste	**tonnes**	–	–	24.71	10.50
Office Paper	tonnes	1.68	1.38	3.42	1.96
Paper Carton[11]	tonnes	–	–	29.55	10.25
Metal	tonnes	–	–	23.18	10.22
Total Non-hazardous Waste	**tonnes**	1.68	1.38	56.15	22.43
Total Wastes	**tonnes**	1.68	1.38	80.86	32.93
Total Wastes Intensity[8]	**tonnes/m²**	0.0004	0.0003	0.004	0.002
Total Wastes Intensity[9]	**tonnes/employee**	0.010	0.009	0.21	0.10

Note:

10. For the year ended 31 December 2021, the Group's revenue of EMS division was approximately S$158.2 million (2020: approximately S$68.9 million). These data have also been used for calculating often intensity data.

11. Approximately 100% of the used paper cartons generated in Singapore are sold to recycling company for recycling.

Discharges into Water and Land

Due to the Group's business nature, discharges into water and land are insignificant. Since the sewage discharged by the Group will be disposed through the municipal sewage pipe network to the regional water purification plant, its water consumption amount is considered as the amount of sewage discharged.

Energy Management

The energy consumed by the Group is mainly electricity consumption for daily operations, as well as diesel and petrol consumption for company vehicles. The Group has established relevant policies and procedures to manage the effective use of resources, with reference to achieving higher energy efficiency and reducing the unnecessary materials use. During the Reporting Period, the Group has set an annual target of maintaining its total energy consumption intensity (MWh/employee) to be not more than the baseline year 2021. To enhance energy efficiency, the Group has installed energy-efficient lightings. Besides, in order to avoid unnecessary energy consumption, air conditioners and lights are switched off when the area is not in use.

The total energy consumption intensity (MWh/employee) has increased approximately 10.62% from approximately 10.17 in 2020 to approximately 11.25 in 2021, which is mainly due to the significant increase in sale volume for EMS division.

The following is the summary of energy consumption performance:

Types of Energy	Unit	Singapore		China	
		2021	2020	2021	2020
Diesel	MWh	**79.89**	96.10	**27.97**	—
Petrol	MWh	**74.81**	82.61	**220.26**	230.49
Total Direct Energy Consumption	**MWh**	**154.70**	178.71	**248.23**	230.49
Purchased Electricity	MWh	**835.72**	1,042.70	**5,003.30**	3,492.52
Total Indirect Energy Consumption	**MWh**	**835.72**	1,042.70	**5,003.30**	3,492.52
Total Energy Consumption	**MWh**	**990.42**	1,221.41	**5,251.53**	3,723.01
Total Energy Consumption Intensity[8]	**MWh/m^2**	**0.22**	0.27	**0.27**	0.19
Total Energy Consumption Intensity[9]	**MWh/employee**	**5.79**	7.93	**13.68**	11.21

Water Management

Water for the Group's office and manufacturing use is obtained from municipal water supplies. To enhance water conservation, the Group has set an annual target of maintaining its total water consumption intensity (m^3/employee) to be not more than the baseline year 2021. To ensure the efficient use of water and achieve the relevant target, the Group has reduced unnecessary water consumption in toilets and pantries, while also posting water-saving reminders in the office area to raise employees' awareness.

Due to the Group's business nature, the Group has not identified any issues in sourcing water that is fit for purpose.

The total water consumption intensity (m^3/employee) has decreased by approximately 26.12% from approximately 30.70 in 2020 to approximately 22.68 in 2021, which is mainly due to increasing awareness of the employees in saving water.

The following is the summary of water consumption performance:

	Unit	Singapore		China	
		2021	2020	2021	2020
Total Water consumption	**m^3**	**830.00**	889.00	**11,756.07**	14,032.26
Total Water Consumption Intensity[8]	**m^3/m^2**	**0.18**	0.20	**0.60**	0.71
Total Water Consumption Intensity[9]	**m^3/employee**	**4.85**	5.77	**30.61**	42.27

Packaging Materials

Packaging materials used by the Group were mainly paper cartons, which is used for shipment in Singapore. The Group conducts annual review based on the packaging material consumption rate in order to maximise the usage of packaging material.

During the Reporting Period, the Group consumed approximately 3,466.75 kg (2020: approximately 2,760.00 kg) of paper cartons. The packaging materials consumption intensity[10] was approximately 21.91 kg (2020: approximately 40.06 kg) per million revenues.

Environment and Natural Resources

Due to the core business of the Group has limited impact on the environment and natural resources, yet the Group endeavours to minimise the negative environmental impacts of the Group's business operations as an ongoing commitment to corporate sustainability. The Group has contributed in mitigating the potential environmental impacts through adopting industrial best practices targeted at reducing natural resource consumption and developing effective environmental management. The Group regularly assesses the environmental risks of the Group's businesses, adopt preventive measures to reduce potential risks, and ensure the Group's compliance with relevant laws and regulations. The Group is also devoted to achieving sustainable development for generating long-term values for the community and stakeholders.

Climate Change

The Group recognises climate change as one of the greatest issues confronting humanity today. It is vital for the Group to understand the Group's corporate role in addressing climate change threats, which could impact the Group both in terms of the business profitability and long-term resilience. As such, the Group has implemented relevant management approach on climate-related issues, climate mitigation, adaptation and resilience across its operations and along the value chain.

To cope with the intensified threat of climate change, the Group has assessed the potential risks that may arise from the Group's business operations through a climate change assessment. With reference to the risk categorisation by Task Force on Climate-Related Financial Disclosures ("TCFD"), the identified climate-related risks of the Group and corresponding actions taken to manage them are as follows:

Transition Risks

For transition risks, the Group expects policies and regulations related to climate change are becoming stricter. If the Group's existing compliance procedures and business operations would not fully comply with the new legal and regulatory requirements, it might incur additional compliance costs and adverse impact on reputation of the Group. In addition, the high-carbon emitting industry will suffer from higher cost, lower returns or asset devaluation. Related climate change risks might also impose an impact to the Group's investment and financing activities regarding related industries.

In response to the policy and legal risks as well as the reputation risks, the Group constantly monitors any changes in laws or regulations and global trends on climate change to avoid cost increments, non-compliance fines or reputational risks due to delayed response. In addition, the Group has been taking initiatives to reduce the Group's energy consumption and GHG emissions from time to time.

Physical Risks

For physical risks, extreme weather, such as hail and thunderstorm, may cause interruptions in water and electricity supplies as well as extensive damage to properties, especially in Nantong where the Group operates. This may cause interruption to the normal business operations and thus have an adverse effect on the Group's financial performance.

The Group has taken different actions to manage the abovementioned acute physical risks. For example, the Group maintains comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions. In addition, the Group has developed the practice of communicating the arrangements under bad weather conditions to employees in advance. The potential financial impacts can be minimised with adequate preparations for extreme weather events.

COMMUNITY INVESTMENT

The Group is committed to emboldening and supporting the public by means of social participation and contribution as part of its strategic development, and to nurture the corporate culture and practices of corporate citizens in the daily work life throughout the Group. The Group aims to promote the stability of the society and support the underprivileged in rehabilitation to improve the quality of life. To cater the specific needs of the local community, the Group has formulated relevant guidelines to understand the needs of the community, identify the focus areas and allocate appropriate resources to empower the community.

The Group's Singapore office continued to focus on youth develop and participated in Student Internship Programme (SIP) organised by Polytechnic and Institute of Technical Education in 2021. The programme aims to provide industrial attachment to various companies as part of their diploma course requirements with a duration of 10 to 12 weeks. The students are provided with the opportunity to apply the concepts learnt into practicals under the guidance of the Group's employees. During the Reporting Period, 51 students participated in the programme. The Group will continue to look into engaging in more community events with donations and volunteer activities in the coming years.

Index Table of ESG Reporting Guide of The Stock Exchange of Hong Kong Limited

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	Board Statement — ESG Governance Structure
Reporting Principles	About This Report — Reporting Framework
Reporting Boundary	About This Report — Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
A. ENVIRONMENT		
A1. Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Endeavours
KPI A1.1	The types of emissions and respective emissions data.	Environmental Endeavours — Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours — GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours — Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours — Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Endeavours — GHG Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Endeavours — Waste Management
A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Endeavours
KPI A2.1	Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours — Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours — Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Endeavours — Energy Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Endeavours — Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Endeavours — Packaging Materials
A3. The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Endeavours — Environmental and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Endeavours — Environmental and Natural Resources
A4. Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Endeavours — Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Endeavours — Climate Change
B. SOCIAL		
B1. Employment		
General Disclosure Information on:	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Practices
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employment Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Practices

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B2. Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Safety and Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Safety and Health
KPI B2.2	Lost days due to work injury.	Occupational Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Safety and Health
B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
B4. Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Prevention of Child and Forced Labour
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Prevention of Child and Forced Labour
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Prevention of Child and Forced Labour

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management — Environmentally and Socially Responsible Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management — Environmentally and Socially Responsible Supply Chain
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Quality Assurance
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility — Customer Satisfaction
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility — Protection of Intellectual Property Rights and Privacy
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility — Protection of Intellectual Property Rights and Privacy

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B7. Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption
B8. Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

REPORT OF THE DIRECTORS

The Directors are to present the annual report and the audited financial statements of the Group for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND OUTLOOK

A review of the Group's performance, business activities and development is set out in the "Chairman's Statement" on pages 7 to 8 and the "Management Discussion and Analysis" section on pages 9 to 17 of this Annual Report which constitute part of this "Report of the Directors". As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RESULTS AND DIVIDENDS

The Group's statement of comprehensive income for the year ended 31 December 2021 and the Group's balance sheet as that date are set out in the Financial Statements on pages 79 to 80 of this Annual Report.

The interim dividend tax exempt (one-tier) of 0.13 Singapore cents per share amounting to approximately S$1.2 million were paid to Shareholders on 20 September 2021.

The Board recommends a final dividend tax exempt (one-tier) of 0.52 Singapore cents per share amounting to approximately S$4.8 million (based on the number of shares of the Company as at 25 March 2022).

Dividend Policy

The Group has adopted a dividend policy in compliance with code provision F.1.1 of the CG Code. The dividend policy aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profit, as dividends to the shareholders of the Company. The Board will review the policy from time to time. Major principles under the dividend policy are set out below:

- in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value;
- the Company shall have a dividend payout ratio of not less than 25% of the Group profit for the year;
- the Board has the discretion to declare and distribute dividends to the shareholders of the Company, subject to the provisions of the constitution of the Company and all applicable laws and regulations and factors set out below;
- any final dividend for a financial year will be subject to shareholders' approval;
- the Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate; and
- any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the constitution of the Company.

The dividend policy also sets out factors the Board shall take into account when considering the declaration and payment of dividends, which include:

- financial results;
- cash flow position;
- business conditions and strategies;
- future operations and income;
- capital requirements and budgets;
- interests of its shareholders;
- any restrictions on payment of dividends; and
- any other factor that the Board deems relevant.

EQUITY FUND RAISING ACTIVITIES

Detailed information is set out in the "Use of Proceeds" in the section headed "Management Discussion and Analysis" of this Annual Report.

USE OF NET PROCEEDS FROM LISTING

Detailed information is set out in the "Use of Proceeds" in the section headed "Management Discussion and Analysis" of this Annual Report.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste.

For more details, please refer to the "Environmental, Social and Governance Report" section set out on pages 38 to 59 of this Annual Report.

SUMMARY FINANCIAL INFORMATION

A summary of the financial results and of the assets and liabilities of the Group for the last five financial years is set out in the "Financial Highlights and Summary" section on pages 5 to 6 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in Note 13 to the Financial Statements on page 118 of this Annual Report.

SHARE CAPITAL

Details of the movements in share capital of the Company for the year ended 31 December 2021 are set out in Note 29 to the Financial Statements on page 139 of this Annual Report.

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

In April 2021, the Company issued 62,974,070 ordinary shares at approximately S$0.1022 per share (equivalent to approximately HK$0.60 per share) following the completion of the share subscription agreements entered on 15 December 2020. Further details are set out in the "Connected Transaction" in the section headed "Report of the Director" of this Annual Report.

Save as disclosed above and Note 29, "Share capital" to the Financial Statements on page 139 in this Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's constitution or the laws of the Republic of Singapore, where the Company is incorporated, which could oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2021 are set out in the section headed "Statement of Changes in Equity" on pages 81 to 82 of this Annual Report. As at 31 December 2021, the Company's distributable reserves were S$7.7 million.

CHARITABLE CONTRIBUTIONS

During the financial year, the Group did not make any charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year, the Group's largest customer accounted for 69.9% of the Group's total revenue, and the Group's five largest customers accounted for 88.5% of the Group's total revenue.

During the financial year, the Group's largest supplier accounted for 7.3% of the Group's total purchase, and the Groups' five largest suppliers accounted for 26.2% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

KEY RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Details of management of the Group's employees is set out in the section "Human Resources" section on page 17 of this Annual Report.

The Group is committed to providing customers with high-quality and cost-efficient products with timely delivery. This is achieved through the process of continual improvement and commitment of resources to meet and maintain the effectiveness of the quality management system and compliance to applicable product performance safety, statutory and customers' requirements.

To ensure efficient delivery of quality products and services to the customers, the Group recognises the importance of maintaining close and long-term relationship with suppliers. In order to foster a close working relationship with the Group's suppliers, the Group will continue to review the quality performance of suppliers regularly and provide feedback to them to enable them to assess their own performance and make further improvements where necessary.

DIRECTORS

The directors of the Company during the financial year and up to the date of this Annual Report were:

Executive Directors

Mr. Lim Kuak Choi Leslie *(Chief Executive Officer)*
Mr. Du Xiaotang
Mr. Lim Khin Mann
Mr. Tay Kim Kah

Non-executive Directors

Mr. Yang Ping *(Chairman)*
Mr. Wang Yizhe
Mr. Loh Kin Wah

Independent Non-executive Directors

Mr. Hoon Chee Wai
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei
Dr. Ang Peng Huat

In accordance with Regulation 88 of the Company's constitution, Mr. Wang Yizhe, Mr. Loh Kin Wah, Mr. Hoon Chee Wai and Dr. Ang Peng Huat will retire and, being eligible, offer themselves for re-election.

In accordance with Regulations 89 and 90 of the Company's constitution, Mr. Lim Khin Mann and Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka will retire and, being eligible, offer themselves for re-election.

In accordance with Regulations 89 and 90 of the Company's constitution, Mr. Yang Ping will retire and will not be offering himself for re-election.

The Company has received an annual confirmation of independence from each of Mr. Hoon Chee Wai, Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, Professor Zhang Wei and Dr. Ang Peng Huat pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent under the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group as at the date of this Annual Report are set out on pages 18 to 26 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service agreement with the Company with effect from the Listing Date for an initial term of three years.

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years which may be terminated by either party by serving on the other party a prior written notice of not less than three months.

Each of our independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years which may be terminated by either party by serving on the other party a prior written notice of not less than one month.

None of our Directors has or is proposed to have a service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

Under Regulation 148 of the Company's constitution, a permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the year pursuant to which every Director and other officer of the Company shall be entitled to be indemnified by the Company against all losses or liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company.

The Company has in place an appropriate directors' and officers' liability insurance policy for each member of the Board to cover their liabilities on damages arising out of corporate activities. The coverage and the sum insured under the policy are reviewed on an annual basis by the Company.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2021.

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2021 are set out in Notes 8 to 9 to the Financial Statements of this Annual Report. There has been no arrangement under which any Director has waived or agreed to waive any emoluments, except for Mr. Wang Yizhe who decided to waive his director's fee in his capacity as non-executive director of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interest in a business that compete or is likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

DEED OF NON-COMPETITION

In connection with the Listing, the controlling shareholders of the Company entered into the deed of non-competition in favor of the Company and its subsidiaries, pursuant to which the controlling shareholders have irrevocably, jointly and severally given certain non-competition undertakings to the Company. The Company has received an annual confirmation from each of the controlling shareholders that they had fully complied with the terms of the deed of non-competition for the year ended 31 December 2021.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" in this report, there was no transaction, arrangement or contract of significance to which the Company, its holding company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section below headed "Connected Transaction" in this report, no contract of significance has been entered into among the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries during the year ended 31 December 2021.

EMOLUMENT POLICY

The Remuneration Committee is responsible for (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme.

The emoluments of executive Directors and senior management are based on skills, knowledge and performance, together with reference to the profitability of the Company, and prevailing market conditions.

CONNECTED TRANSACTION

1. Acquisition of Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan")

On 6 November 2020, the Group through its subsidiary, Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd ("KIE") entered into the capital injection agreement with connected persons, Chongqing CEL Equity Investment Management Co., Ltd. ("Chongqing CEL") and CEL Puyan, pursuant to which KIE agreed to subscribe for new capital of the Shanghai CEL Puyan in the aggregate amount of approximately S$10,730,000 (equivalent to approximately RMB52,100,000) in cash.

On 8 January 2021, all the conditions precedent as set out in the capital injection agreement have been fulfilled and the completion took place on the same date. Upon completion, KIE will hold approximately 51.03% of the equity interest of Shanghai CEL Puyan, and the equity interest in the Shanghai CEL Puyan held by Chongqing CEL will be reduced to approximately 48.97%. Accordingly, Shanghai CEL Puyan will become an indirect non-wholly owned subsidiary of the Company, and the financial results and positions of Shanghai CEL Puyan will be consolidated into the accounts of the Group.

The purpose of the capital injection is to bring about the synergy of the principal business of the Target Company and the Group in order to achieve financial benefits. The Capital Injection reflects the Group's strategy of continually seeking expansion opportunities, leveraging the Group's strong business network, solid industry knowledge as well as strength in upstream and downstream resources in the field of semiconductor process equipment industry.

Further details of the acquisition are set out in the Company's announcements dated 6 November 2020 and 11 January 2021 and circular dated 27 November 2020.

2. Share Subscription Agreements

On 15 December 2020, the Company entered into subscription agreements with several third parties and related parties to which all parties conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue an aggregate of 111,416,070 subscription Shares. The third parties which are Rosy Height Ventures Limited, Huaxin Capital Limited and Redlink Group Limited agreed to subscribe for 38,754,000, 9,688,000 and 14,532,000 subscription shares respectively. The related parties which are Future China Investment Co., Ltd (wholly-owned by Mr. Yang Ping), Mr. Lim Kuak Choi Leslie, Sino Expo Holdings Limited (wholly owned by Mr. Du Xiaotang), Mr. Tay Kim Kah and Mr. Lim Khin Mann agreed to subscribe for 19,377,000, 14,532,774, 4,844,296, 4,844,000 and 4,844,000 subscription shares respectively. On 10 March 2021, the Company entered into a deed of termination with Rosy Height Ventures Limited terminate the share subscription agreement. On 12 March 2021, the share subscription agreements were approved by Shareholders at the extraordinary general meeting.

In April 2021, the Company issued 62,974,070 ordinary shares at approximately S$0.1022 per share (equivalent to approximately HK$0.60 per share) following the completion of the share subscription agreements. The gross proceeds and net proceeds raised from the share subscription agreements were approximately S$6,436,000 and approximately S$6,361,000 respectively.

The use of proceeds from share subscription agreements is set out in the "Use of Proceeds" in the section headed "Management Discussion and Analysis" of this Annual Report.

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.

3. Fund Partnership Agreement

On 30 July 2021, the Group through its subsidiaries, Shanghai CEL Puyan and KIE, entered into the fund partnership agreement with Nanyang Chanye Investment Group Limited ("Nanyang Chanye"), Zibo Fuyan Equity Investment Fund Partnership (Limited Partnership) ("Zibo Fuyan") and Nantong Guangguan Zhihe Enterprise Management Partnership (Limited Partnership) ("Guangguan Zhihe") for the establishment and management of Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership) ("Nanyang Fund"). The initial total capital contribution by the parties to the Nanyang Fund shall be approximately S$12,746,000 (equivalent to S$60,000,000).

Nanyang Fund is a limited partnership registered in the PRC and will engage in equity investments in enterprises in the optoelectronics industry, precision technology equipment manufacturing industry, information technology industry, advanced manufacturing and other related industries in the PRC.

China Everbright Limited, a substantial shareholder of the Company, holds approximately 48.97% interest in Shanghai CEL Puyan. Shanghai CEL Puyan is therefore an associate of CEL and a connected person of the Company. Besides, Mr. Du Xiaotang, an executive Director, holds approximately 99.01% interest in Guangguan Zhihe. Guangguan Zhihe is therefore an associate of Mr. Du Xiaotang and a connected person of the Company. Accordingly, the transactions contemplated under the fund partnership agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

On 19 August 2021, the parties entered into the Supplemental Agreement to amend and supplement certain terms and conditions of the fund partnership agreement. The Partners conditionally agreed to contribute further capital in the aggregate amount of approximately S$29,741,000 (equivalent to RMB140,000,000) in the same proportion to the percentage of Initial contribution. Accordingly, the size of the fund will be increased from RMB60,000,000 to RMB200,000,000.

On 30 September 2021, the parties with two other third parties, (i) Henan Jinguan Power Supply Services Limited ("Henan Jinguan"); and (ii) Nantong Jiufa Enterprise Management Partnership (Limited Partnership) ("Nantong Jiufa") entered into a second supplemental agreement to amend and supplement certain terms and conditions of the fund partnership agreement and the supplemental agreement. Pursuant to the second supplemental agreement, it is agreed that 15% of the initial capital contribution subscribed by Zibo Fuyan shall be transferred to Henan Jinguan and 10% of initial capital contribution subscribed by Zibo Fuyan shall be transferred to Nantong Jiufa. The respective capital contribution by all parties are as follows:

Parties	Type	Initial capital contribution (RMB)	%	Aggregate capital contribution after the supplemental agreement (RMB)	%	Aggregate capital contribution after the second supplemental agreement (RMB)	%
Shanghai CEL Puyan	General partner	10,200,000	17	34,000,000	17	34,000,000	17
KIE	Limited partner	12,000,000	20	40,000,000	20	40,000,000	20
Guangguan Zhihe	Limited partner	1,800,000	3	6,000,000	3	6,000,000	3
Nanyang Chanye	Limited partner	18,000,000	30	60,000,000	30	60,000,000	30
Zibo Fuyan	Limited partner	18,000,000	30	60,000,000	30	10,000,000	5
Henan Jinguan	Limited partner	–	–	–	–	30,000,000	15
Nantong Jiufa	Limited partner	–	–	–	–	20,000,000	10
		60,000,000	100	200,000,000	100	200,000,000	100

Further details of the fund partnership agreement are set out in the Company's announcements dated 3 August 2021, 19 August 2021 and 4 October 2021 and circular dated 22 October 2021.

The initial capital contribution has been called up in September 2021. Subsequently on 13 December 2021, Shanghai CEL Puyan entered into agreement with Zibo Fuyan where Shanghai CEL Puyan agreed to transfer 11.67% interest to Zibo Fuyan. Following the transfer, Shanghai CEL Puyan and Zibo Fuyan hold 5.33% and 16.67% interest in Nanyang Fund.

The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules with respect to the connected transactions entered into by the Group during the year ended 31 December 2021

A summary of the related party transactions entered into by the Group and the Company during the year is set out in Note 33 to the Financial Statements on page 143 of this Annual Report. Saved as disclosed above, no other related party transactions constitute any connected transactions or continuing connected transactions as defined under the Listing Rules.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

During the year ended 31 December 2021, there was no pledge of Shares by the controlling shareholders of the Company.

LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2021.

LOAN AND GUARANTEE

During the year ended 31 December 2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective associates (as defined in the Listing Rules).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares:

Name of Directors	Capacity and nature of interest	Number of Shares held (1)	Approximate percentage of shareholding (%)
Mr. Yang Ping (2)	Interest of a controlled corporation	19,377,000 (L)	2.11
Mr. Lim Kuak Choi Leslie (3)	Beneficial owner; interest of spouse	299,153,246 (L)	32.50
Mr. Du Xiaotang (4)	Beneficial owner; Interest of a controlled corporation	13,038,000 (L)	1.42
Mr. Lim Khin Mann	Beneficial owner	23,992,000 (L)	2.61
Mr. Tay Kim Kah	Beneficial owner	6,544,000 (L)	0.71

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares are held by Future China Investment Co., Ltd. ("Future China"). Future China is owned as to 100% by Mr. Yang Ping. Therefore, Mr Yang Ping is deemed or taken to be interested in the shares held by Future China under the SFO.

(3) These Shares comprise 281,005,246 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo is the spouse of Mr. Lim. Therefore, Mr. Lim is deemed or taken to be interested in the Shares held by himself and Ms. Foo, and Ms. Foo is deemed or taken to be interested in the Shares held by herself and Mr. Lim under the SFO.

(4) These Shares comprise 88,000 shares held directly by Mr. Du Xiaotang and 12,950,000 shares held through Sino Expo Holdings Limited ("Sino Expo"). Sino Expo is owned as to 100% by Mr. Du Xiaotang. Mr. Du Xiaotang is also the sole director of Sino Expo. Therefore, Mr. Du Xiaotang is deemed or taken to be interested in the Shares held by Sino Expo under the SFO.

Interest in the underlying shares of the Company:

Name of Directors	Nature of interest	Number of Shares involved in the options granted under the Share Option Scheme	Approximate percentage of shareholding of those options granted under the Share Option Scheme based on the existing issued share capital of the Company (%)
Mr. Lim Kuak Choi Leslie	Beneficial owner	3,000,000	0.33
Mr. Du Xiaotang	Beneficial owner	2,500,000	0.27
Mr. Lim Khin Mann	Beneficial owner	1,500,000	0.16
Mr. Tay Kim Kah	Beneficial owner	3,000,000	0.33

Save as disclosed above and "Purchase, Sale or Redemption of the Company's Listed Securities" section on page 62 of this Annual Report which constitute part of this "Report of the Directors" and to the best knowledge of the Directors, as at 31 December 2021, none of the Directors of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as the Directors are aware, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares:

Name of Shareholders	Nature of interest	Number of Shares held (1)	Approximate percentage of shareholding (%)
Foo Kaw Jee (2)	Beneficial owner, interest of spouse	299,153,246 (L)	32.50
Diamond Wealth Global Limited (3)	Beneficial owner	262,084,380 (L)	28.48
China Everbright Venture Capital Limited (3)	Interest of a controlled corporation	262,084,380 (L)	28.48
China Everbright Limited (3)	Interest of a controlled corporation	262,906,380 (L)	28.56
Honorich Holdings Limited (4)	Interest of a controlled corporation	262,906,380 (L)	28.56
Datten Investments Limited (4)	Interest of a controlled corporation	262,906,380 (L)	28.56
China Everbright Holdings Company Limited (4)	Interest of a controlled corporation	262,906,380 (L)	28.56
China Everbright Group Ltd. (4)	Interest of a controlled corporation	262,906,380 (L)	28.56
Central Huijin Investment Ltd. (5)	Interest of a controlled corporation	262,906,380 (L)	28.56
Unitras (H.K.) Limited (6)	Beneficial owner	56,498,768 (L)	6.14
Ms. Joyce S. Kerr (6)	Interest of a controlled corporation	56,498,768 (L)	6.14
Bradley Fraser Kerr (6)	Interest of spouse	56,498,768 (L)	6.14

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares comprise 18,148,000 held directly by Ms. Foo Kaw Jee and 281,005,246 shares held directly by Mr. Lim Kuak Choi Leslie, an executive director and chief executive officer of the Company. Mr. Lim is the spouse of Ms. Foo. Therefore, Ms. Foo is deemed or taken to be interested in the Shares held by himself and Mr. Lim, and Mr. Lim is deemed or taken to be interested in the Shares held by himself and Ms. Foo under the SFO.

(3) China Everbright Limited holds 100% of the total issued share capital of China Everbright Venture Capital Limited and China Everbright Venture Capital Limited holds 100% of the total issued share capital of Diamond Wealth Global Limited. China Everbright Limited also holds 100% of the total issued share capital of China Everbright Financial Investments Limited and China Everbright Financial Investments Limited holds 822,000 shares of the Company. Therefore, China Everbright Venture Capital Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited and China Everbright Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited and China Everbright Financial Investments Limited under the SFO.

(4) China Everbright Group Ltd. holds 100% of the total issued share capital of China Everbright Holdings Company Limited; China Everbright Holdings Company Limited holds 100% of the total issued share capital of each of Datten Investments Limited and Everbright Investment & Management Limited; Datten Investments Limited holds 100% of the total issued share capital of Honorich Holdings Limited, which in turn holds approximately 49.39% of the total issued share capital of China Everbright Limited; and Everbright Investment & Management Limited holds approximately 0.35% of the total issued share capital of China Everbright Limited. Accordingly, each of China Everbright Group Ltd., China Everbright Holdings Company Limited, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in China Everbright Limited's interest in the Shares under the SFO.

(5) Central Huijin Investment Ltd. is indirectly wholly-owned by the State Council of the PRC and holds approximately 63.16% equity interest of China Everbright Group Ltd.. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in China Everbright Group Ltd.'s interest in the Shares under the SFO.

(6) Unitras (H.K.) Limited is wholly-owned by Ms. Joyce S. Kerr. Therefore, Ms. Joyce S. Kerr is deemed or taken to be interested in the Shares held by Unitras (H.K.) Limited under the SFO. Ms. Joyce S. Kerr is the spouse of Mr. Bradley Fraser Kerr and therefore Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares held by herself.

Save as disclosed above, as at the date of this Annual Report, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 27 June 2018. Detailed summary of the principal terms of the share option scheme of the Company is set out in Note 30 to the Financial Statements on pages 139 to 141 of this Annual Report

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 37 of this Annual Report.

EVENT AFTER REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 39 to the Financial Statements on page 156 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the public float throughout the year and up to the date of this Annual Report as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

AUDITORS

A resolution for the re-appointment of Ernst & Young LLP as auditors of the Company will be proposed at the forthcoming annual general meeting. There has been no change of the Company's auditors in the preceding three years.

On behalf of the Board

Lim Kuak Choi Leslie
Executive Director and Chief Executive Officer

30 March 2022

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Kinergy Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Mr. Yang Ping	*(Non-executive Director and Chairman)*
Mr. Lim Kuak Choi Leslie	*(Executive Director and Chief Executive Officer)*
Mr. Du Xiaotang	*(Executive Director)*
Mr. Lim Khin Mann	*(Executive Director)*
Mr. Tay Kim Kah	*(Executive Director)*
Mr. Wang Yizhe	*(Non-executive Director, appointed on 7 December 2021)*
Mr. Loh Kin Wah	*(Non-executive Director, appointed on 25 March 2022)*
Mr. Hoon Chee Wai	*(Independent Non-executive Director, appointed on 28 May 2021)*
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	*(Independent Non-executive Director)*
Professor Zhang Wei	*(Independent Non-executive Director)*
Dr. Ang Peng Huat	*(Independent Non-executive Director, appointed on 25 March 2022)*

In accordance with Regulation 88 of the Company's constitution, Mr. Wang Yizhe, Mr. Loh Kin Wah, Mr. Hoon Chee Wai and Dr. Ang Peng Huat will retire and, being eligible, offer themselves for re-election.

In accordance with Regulations 89 and 90 of the Company's constitution, Mr. Lim Khin Mann and Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka will retire and, being eligible, offer themselves for re-election.

In accordance with Regulations 89 and 90 of the Company's constitution, Mr. Yang Ping will retire and will not be offering himself for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in paragraphs below, neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of directors	At beginning of the year or date of appointment	At end of the year	At beginning of the year or date of appointment	At end of the year
The Company (Ordinary shares)				
Mr. Yang Ping	–	–	–	19,377,000
Mr. Lim Kuak Choi Leslie	250,472,472	281,005,246	18,148,000	18,148,000
Mr. Du Xiaotang	88,000	88,000	8,105,704	12,950,000
Mr. Lim Khin Mann	19,148,000	23,992,000	–	–
Mr. Tay Kim Kah	1,700,000	6,544,000	–	–
(Share options)				
Mr. Lim Kuak Choi Leslie	–	3,000,000	–	–
Mr. Du Xiaotang	–	2,500,000	–	–
Mr. Lim Khin Mann	–	1,500,000	–	–
Mr. Tay Kim Kah	–	3,000,000	–	–
Kinergy Philippines Inc (Ordinary shares of Peso 1,000)				
Mr. Lim Kuak Choi Leslie[(1)]	1	1	–	–

(1) This share is held in trust by the director on behalf of Kinergy Corporation Ltd.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

OPTIONS

The Company has adopted the share option scheme on 27 June 2018 ("Adoption Date") for the purpose of giving the eligible participants as incentives or rewards to recognise and acknowledge their contributions or potential contributions to the Company and/or any of its subsidiaries. The share option scheme will provide eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimise their performance efficiency for the benefits of the Company and/or of its subsidiaries; and attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Company and/or of its Subsidiaries.

During the financial year, the Company has granted 10,000,000 share options to certain directors and 8,500,000 share options to senior management. These options expire on 31 May 2026 and are exercisable if and when certain performance targets relating to the Group's financial are met. Further details regarding the share option scheme of the Company is set out in Note 30 to the financial statements.

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal audit evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the interim and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management;
- Met with the external and internal auditors to discuss any matters that should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed connected party transactions.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

The AC convened two meetings during the year. The AC has also met external and internal auditors, without the presence of the Company's management.

Further details regarding the AC are disclosed in the Corporate Governance Report.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Kuak Choi Leslie *Director*	**Du Xiaotang** *Director*

30 March 2022

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

Independent auditor's report to the members of Kinergy Corporation Ltd.

Report on the audit of the financial statements

OPINION

We have audited the financial statements of Kinergy Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act"), International Financial Reporting Standards ("IFRS") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") and Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Allowance for doubtful trade receivables

The Group's trade receivable balances amounted to S$32,252,000 (2020: S$17,744,000) as at 31 December 2021 and they represented about 24% (2020: 22%) of the Group's total current assets.

The recoverability of trade receivables is a key element of the Group's working capital management, which is being monitored on an ongoing basis by the respective local management. The determination as to whether trade receivable is recoverable involves management's judgments and estimates on the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

Management considered the age of the outstanding balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of customers. In addition, management has also considered forward-looking adjustments to the historical default rate to take into consideration the COVID-19 pandemic. Management incorporated this information together with the current and information specific to customers and economic environment to determine the provision of expected credit losses on trade receivables.

Our audit procedures included, but not limited to the following procedures. We understand the Group's processes and controls relating to the monitoring of trade receivables and review collection risks of trade debtors, given the impact of COVID-19 pandemic on customers' ability to repay their debts. On a sample basis, we requested trade receivable confirmations, reviewed management's reconciliation of confirmation replies, where applicable, and obtained evidence of receipts from selected customers subsequent to financial year end. We evaluated management's assumptions used in assessing adequacy of allowance for doubtful trade receivables amount through review of specific debtors' payment history and management's assessment of credit risk of these debtors including the potential impact of the COVID-19 pandemic. We also reviewed management's computation of expected credit loss, the provision recognised and assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 36 (a) and 36 (b) respectively to the financial statements.

Allowance for obsolete and slow moving inventories

The Group is in the business of contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment, precision moulds and dies. As at 31 December 2021, the Group's total inventories amounted to S$52,266,000 (2020: S$34,754,000), representing 40% (2020: 42%) of the total current assets of the Group. As at 31 December 2021, the Group has recorded allowance for obsolete inventories of S$791,000. The allowance for obsolete inventories relates mainly to raw materials.

Due to the nature of the Group's business and the impact of COVID-19 pandemic, there may be situations where there are excess raw material inventories that may not have future usage as at 31 December 2021. Management determines excess raw material inventories based on future raw materials required to fulfil forecasted customers' orders. Subsequently, the management estimates the necessary amount of allowance to write down the value of those inventories that have no expected future usage at that date.

We focused on this area because the gross inventory and allowance for obsolete inventories are material to the financial statements, and, there is uncertainty in the future consumption of those excess inventories. As such, we determined this to be a key audit matter because of the magnitude of the inventories and significant management estimation required.

Our audit procedures included, but not limited to the following procedures. We attended and observed management's inventory counts at selected inventory locations and observed management's process to identify obsolete inventories. We tested the accuracy of the inventory ageing report. We checked, on a sampling basis, that raw materials have been either used in production or supported by committed/forecasted customer order. We evaluated management's analyses and assessments on the net realisable value of related inventories. This includes comparing the cost of these inventories against the selling price of the inventories in the recent sales transaction or upcoming customer order. We also assessed the adequacy of the disclosures related to inventories in Note 18 to the financial statements.

Valuation of investment securities

The aggregate carrying value of the Group's investment portfolio was S$24,063,000, which represented 12% of the Group's total assets as at 31 December 2021.

The investment portfolio comprise (i) equity interests of unlisted companies and funds with a total value of S$9,400,000 which is carried at fair value through profit or loss, (ii) equity interests of listed company with a total value of S$4,434,000 which is carried at fair value through profit or loss, and (iii) equity interest of an unlisted company with a total value of S$10,229,000 which is carried at fair value through other comprehensive income. These investments are categorised under Level 3 in the fair value hierarchy and valued based on valuation models using significant unobservable inputs.

We identified valuation of investment securities as a key audit matter because of the magnitude of these items to the financial statements, the impact of changes in valuation on the profit and loss and other comprehensive income and the management judgments and assumptions used in assessing fair value of the financial instruments. In addition, there was an increase in the level of estimation uncertainty in determining the fair value of the unquoted investments as at 31 December 2021 arising from the changes in market and economic conditions brought on by the COVID-19 pandemic.

Our audit procedures included, but not limited to the following procedures. We evaluated the independent professional valuer's and management's competence and objectivity. We engaged internal valuation specialist to assist the review of management's assumptions, and valuation methodology used by the independent professional valuer and management to estimate the fair value of the investments. We assessed the reasonableness of management's assumptions used in the valuation, such as comparable companies, valuation multiple and discount for lack of marketability. We tested the mathematical accuracy of the fair value computation and reviewed the adequacy of the Group's disclosures in Note 35 to the financial statements relating to investment securities, fair value of assets, level 3 fair value measurements and key sources of estimation uncertainty, respectively, which are fundamental to users' understanding of this matter. They comprise key assumptions, estimation uncertainty and sensitivity of the fair values, including information that the fair values of the unquoted equity investments recorded in the Group's balance sheet as at 31 December 2021 was estimated based on conditions prevailing on that date.

Acquisition of Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan") and Jiangsu Furui Mechanical Co., Ltd ("Furui")

During the year, the Group completed the acquisition of 51.03% interest in Shanghai CEL Puyan and 60% interest in Furui for a consideration of RMB52,100,000 and RMB12,000,000, respectively.

The acquisition of the Shanghai CEL Puyan and Furui was accounted for using the acquisition method where the Group performed a purchase price allocation ("PPA") exercise as disclosed in Note 15 of the financial statements. Significant judgement and estimates were made in the PPA exercise and adjustments made to align the accounting policies of Shanghai CEL Puyan and Furui Companies with those of the Group on the identification of intangible assets, valuation of the acquired assets and liabilities. Given the quantitative materiality of this acquisition, the significant management judgement required in the PPA exercise, we considered the accounting for the acquisition of Shanghai CEL Puyan and Furui to be a key audit matter. In auditing the accounting of the acquisition, we read the sale and purchase agreement to obtain an understanding of the transaction and the key terms. An important element of our audit relates to the identification of the acquired assets and ascertaining their fair values based on valuation models. We corroborated this identification based on our discussion with management and our understanding of the business of Shanghai CEL Puyan and Furui. Given the complexity, we have engaged our internal valuation specialists to assist us in reviewing the nature and basis of the valuation adjustments to the acquired assets. We reviewed the appropriateness of the valuation methodologies used by management in the fair valuation of acquired assets and liabilities. We have also assessed the adequacy and appropriateness of the disclosures in the financial statements in Note 15 of the financial statements.

OTHER INFORMATION

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, IFRSs and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to be bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Chuen Beng.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

30 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Notes	2021 S$'000	2020 S$'000
Revenue	4	168,325	70,979
Cost of sales		(140,105)	(64,479)
Gross profit		28,220	6,500
Other income and gains	5	4,627	2,559
Sales and marketing expenses		(3,420)	(2,083)
General and administrative expenses		(15,242)	(9,477)
Other expenses	6	(2)	(462)
Finance costs	7	(380)	(126)
Share of results of associates	17	(104)	—
Profit/(loss) before tax	10	13,699	(3,089)
Income tax (expense)/credit	11	(1,143)	252
Profit/(loss) for the year		12,556	(2,837)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		3,070	1,483
Items that will not be reclassified to profit or loss			
Gain on equity instruments designated at fair value through other comprehensive income		6,186	(119)
Total comprehensive income for the year		21,812	(1,473)
Profit/(loss) for the year attributable to:			
Equity holders of the parent		11,933	(2,660)
Non-controlling interests		623	(177)
		12,556	(2,837)
Total comprehensive income for the year attributable to:			
Equity holders of the parent		20,738	(1,337)
Non-controlling interests		1,074	(136)
		21,812	(1,473)
Earnings/(loss) per share attributable to equity holders of the parent			
Basic and diluted (Singapore cents)	12	1.32	(0.31)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Group 2021 S$'000	Group 2020 S$'000	Company 2021 S$'000	Company 2020 S$'000
Non-current assets					
Property, plant and equipment	13	24,179	19,769	1,086	870
Right-of-use assets	28	2,255	3,188	897	1,875
Intangible assets	14	208	455	208	455
Investment in subsidiaries	15	—	—	55,551	40,041
Investment securities	16	24,063	19,196	10,229	3,773
Investment in associates	17	11,464	—	—	—
Deferred tax assets	26	907	126	—	10
Advance payment for property, plant and equipment		3	607	—	—
Total non-current assets		63,079	43,341	67,971	47,024
Current assets					
Inventories	18	52,266	34,754	28,314	20,495
Trade receivables	19	32,252	17,744	28,143	17,007
Prepayments, deposits and other receivables	20	5,833	4,045	3,352	2,106
Amounts due from subsidiaries	21	—	—	4,109	5,930
Cash and cash equivalents	22	41,706	25,259	8,144	14,303
Total current assets		132,057	81,802	72,062	59,841
Current liabilities					
Trade payables	23	34,803	25,508	4,984	5,328
Other payables and accruals	24	9,606	3,664	6,481	2,833
Provision for warranty	25	41	12	38	10
Amounts due to subsidiaries	21	—	—	6,640	3,788
Interest-bearing loans and borrowings	27	13,762	1,459	8,797	1,373
Income tax payable		1,436	9	1,019	—
Total current liabilities		59,648	30,652	27,959	13,332
Net current assets		72,409	51,150	44,103	46,509
Non-current liabilities					
Deferred tax liabilities	26	160	—	26	—
Interest-bearing loans and borrowings	27	7,030	5,545	6,943	5,515
Total non-current liabilities		7,190	5,545	6,969	5,515
Net assets		128,298	88,946	105,105	88,018
Equity					
Share capital	29	91,293	84,857	91,293	84,857
Reserves		22,130	2,534	13,812	3,161
Equity attributable to equity holders of the parent		113,423	87,391	105,105	88,018
Non-controlling interests		14,875	1,555	—	—
Total equity		128,298	88,946	105,105	88,018

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

Group	Share capital (Note 29) S$'000	Treasury shares (Note 29) S$'000	Total share capital S$'000	Statutory reserve [1] S$'000	Translation reserve [2] S$'000	Fair value adjustment reserves S$'000	share option reserves S$'000	Retained profits S$'000	Total reserves S$'000	Total equity attributable to equity holders of the parent S$'000	Non-controlling interests S$'000	Total equity S$'000
	Attributable to equity holders of the parent											
31 December 2021												
At 1 January 2021	84,857	–	84,857	1,365	569	(119)	–	719	2,534	87,391	1,555	88,946
Profit for the year	–	–	–	–	–	–	–	11,933	11,933	11,933	623	12,556
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	–	–	–	–	2,619	–	–	–	2,619	2,619	451	3,070
Gain on equity instruments designated at fair value through other comprehensive income	–	–	–	–	–	6,186	–	–	6,186	6,186	–	6,186
	–	–	–	–	2,619	6,186	–	–	8,805	8,805	451	9,256
Total comprehensive income for the year	–	–	–	–	2,619	6,186	–	11,933	20,738	20,738	1,074	21,812
Acquisition of subsidiaries (Note 15b)	–	–	–	–	–	–	–	–	–	–	12,246	12,246
Ordinary shares issued	6,436	–	6,436	–	–	–	–	–	–	6,436	–	6,436
Share option expense (Note 30)	–	–	–	–	–	–	55	–	55	55	–	55
Dividend paid on ordinary shares (Note 31)	–	–	–	–	–	–	–	(1,197)	(1,197)	(1,197)	–	(1,197)
At 31 December 2021	91,293	–	91,293	1,365	3,188	6,067	55	11,455	22,130	113,423	14,875	128,298

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

	Attributable to equity holders of the parent										
Group	Share capital (Note 29) S$'000	Treasury shares (Note 29) S$'000	Total share capital S$'000	Statutory reserve [1] S$'000	Translation reserve [2] S$'000	Fair value adjustment reserves S$'000	Retained profits S$'000	Total reserves S$'000	Total equity attributable to equity holders of the parent S$'000	Non-controlling interests S$'000	Total equity S$'000
31 December 2020											
At 1 January 2020	84,990	(52)	84,938	3,347	(873)	–	2,255	4,729	89,667	–	89,667
Loss for the year	–	–	–	–	–	–	(2,660)	(2,660)	(2,660)	(177)	(2,837)
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations	–	–	–	–	1,442	–	–	1,442	1,442	41	1,483
Loss on equity instrument designated at fair value through other comprehensive income	–	–	–	–	–	(119)	–	(119)	(119)	–	(119)
	–	–	–	–	1,442	(119)	–	1,323	1,323	41	1,364
Total comprehensive income for the year	–	–	–	–	1,442	(119)	(2,660)	(1,337)	(1,337)	(136)	(1,473)
Purchase of treasury shares	–	(81)	(81)	–	–	–	–	–	(81)	–	(81)
Cancellation of treasury shares	(133)	133	–	–	–	–	–	–	–	–	–
Transfer to statutory reserve	–	–	–	111	–	–	(111)	–	–	–	–
Transfer from statutory reserve to retained profits	–	–	–	(2,093)	–	–	2,093	–	–	–	–
Dividend paid on ordinary shares (Note 31)	–	–	–	–	–	–	(858)	(858)	(858)	–	(858)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	–	–	1,691	1,691
At 31 December 2020	84,857	–	84,857	1,365	569	(119)	719	2,534	87,391	1,555	88,946

1. In accordance with the Foreign Enterprise Law applicable to the subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations that is approved for dividend payment must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

2. The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital (Note 29) S$'000	Treasury shares (Note 29) S$'000	Fair value adjustment reserves S$'000	Share option reserves S$'000	Retained profits S$'000	Total reserves S$'000	Total equity S$'000
Company							
31 December 2021							
At 1 January 2021	84,857	–	(119)	–	3,280	3,161	88,018
Profit for the year	–	–	–	–	5,607	5,607	5,607
Other comprehensive income for the year:							
Gain on equity instruments designated at fair value through other comprehensive income	–	–	6,186	–	–	6,186	6,186
Total comprehensive income for the year	–	–	6,186	–	5,607	11,793	11,793
Ordinary shares issued	6,436	–	–	–	–	–	6,436
Share option expense (Note 30)	–	–	–	55	–	55	55
Dividends paid on ordinary shares (Note 31)	–	–	–	–	(1,197)	(1,197)	(1,197)
At 31 December 2021	91,293	–	6,067	55	7,690	13,812	105,105
31 December 2020							
At 1 January 2020	84,990	(52)	–	–	3,080	3,080	88,018
Profit for the year	–	–	–	–	1,058	1,058	1,058
Other comprehensive income for the year:							
Loss on equity instruments designated at fair value through other comprehensive income	–	–	(119)	–	–	(119)	(119)
Total comprehensive income for the year	–	–	(119)	–	1,058	939	939
Purchase of treasury shares	–	(81)	–	–	–	–	(81)
Cancellation of treasury shares	(133)	133	–	–	–	–	–
Dividends on ordinary shares (Note 31)	–	–	–	–	(858)	(858)	(858)
At 31 December 2020	84,857	–	(119)	–	3,280	3,161	88,018

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2021

	Note	2021 S$'000	2020 S$'000
Cash flow from operating activities			
Profit/(loss) before tax		13,699	(3,089)
Adjustments for:			
Depreciation of property, plant and equipment	13	1,981	1,443
Depreciation of right-of-use assets	28	1,096	1,095
Amortisation of intangible assets	14	247	229
Provision for warranty	25	52	57
Impairment loss on trade receivables	19	2	22
Finance costs	7	380	126
Gain on disposal of property, plant and equipment	5	(43)	(16)
Allowance for inventory obsolescence	18	180	557
Share option expense	30	55	—
Share of results of associates	17	104	—
Gain on bargain purchase of businesses	5	(320)	—
Gain on disposal of investment securities	5	(1,165)	—
Net fair value gains on investment securities	5	(868)	(414)
Interest income	5	(281)	(201)
Unrealised foreign exchange loss		277	304
Operating cash flow before changes in working capital		15,396	113
Increase in inventories		(17,556)	(13,286)
Increase in trade receivables		(13,946)	(4,858)
Decrease/(increase) in prepayments, deposits and other receivables		1,796	(2,019)
Increase in trade payables		9,217	13,509
Increase in other payables and accruals and provision for warranty		4,645	577
Cash flow used in operations		(448)	(5,964)
Interest income received		281	201
Income tax paid		(375)	(9)
Net cash flow used in operating activities		(542)	(5,772)
Cash flow from investing activities			
Purchase of property, plant and equipment	13	(4,469)	(2,658)
Proceeds from disposal of property, plant and equipment		51	16
Decrease/(increase) in advance payment for property, plant and equipment		604	(595)
Additions to intangible assets	14	—	(133)
Purchase of Investment securities		(2,438)	(5,908)
Proceeds from disposal of investment securities		5,359	—
Purchase of a shareholding in associates		(2,549)	—
Acquisition of subsidiaries, net of cash acquired	15b	1,149	—
Net cash flow used in investing activities		(2,293)	(9,278)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Note	2021 S$'000	2020 S$'000
Cash flow from financing activities			
Payment of principal portion of lease liabilities	34(b)	(1,054)	(990)
Payment of Interest portion of lease liabilities	34(b)	(47)	(83)
Proceeds from borrowings	34(b)	15,155	5,000
Repayment of borrowings	34(b)	(401)	—
Payment of interest of borrowings	34(b)	(334)	(43)
Proceeds from ordinary shares issued	29	6,436	—
Purchase of treasury shares	29	—	(81)
Dividends paid on ordinary shares	31	(1,197)	(858)
Capital contribution from non-controlling interests		—	1,691
Net cash flow generated from financing activities		18,558	4,636
Net increase/(decrease) in cash and cash equivalents		15,723	(10,414)
Effects of exchange rate changes on cash and cash equivalents		724	(419)
Cash and cash equivalents at 1 January		25,259	36,092
Cash and cash equivalents at 31 December	22	41,706	25,259

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

1. CORPORATE INFORMATION

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

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

The principal activities of the Company and its subsidiaries 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) provision of fund management services and conducting investment activities in equity securities and funds.

The Company operates in Singapore and the subsidiaries operate in the People's Republic of China ("PRC"), the Philippines and Japan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or S$) and all values in the tables are rounded to the nearest thousand (S$'000), except when otherwise indicated.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Description	Effective for annual periods beginning on or after
Amendments to IFRS 3/SFRS(I) 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16/SFRS(I) 1–16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37/SFRS(I) 1–37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018–2020	1 January 2022
Amendments to IAS 1/SFRS(I) 1–1 Presentation of Financial Statements: Classification of Liabilities as Current or Non–current	1 January 2023
Amendments to IAS 1/SFRS(I) 1–1 Presentation of Financial Statements and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8/SFRS(I) 1–8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12/SFRS(I) 1–12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10/SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1–28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

Further information about those IFRSs/SFRS(I)s that are expected to be applicable to the Group is described below.

Reference to the Conceptual Framework – Amendments to IFRS/SFRS(I) 3

In May 2020, the IASB issued Amendments to IFRS/SFRS(I) 3 Business Combinations — Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS/SFRS(I) 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37/SFRS(I) 1–37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS/SFRS(I) 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective International Financial Reporting Standards *(continued)*

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16/SFRS(I) 1–16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37/SFRS(I) 1–37

In May 2020, the IASB issued amendments to IAS 37/SFRS(I) 1–37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9/SFRS(I) 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS/SFRS standards process the IASB/SFRS issued amendment to IFRS/SFRS(I) 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective International Financial Reporting Standards *(continued)*

Amendments to IAS 1/SFRS(I) 1–1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB/SFRS issued amendments to paragraphs 69 to 76 of IAS 1/SFRS(I) 1–1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Disclosure of Accounting Policies - Amendments to IAS 1/SFRS(I) 1–1 and IFRS/SFRS Practice Statement 2

In February 2021, the IASB/SFRS issued amendments to IAS 1/SFRS(I) 1–1 and IFRS/SFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1/SFRS(I) 1–1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group’s accounting policy disclosures.

Definition of Accounting Estimates - Amendments to IAS 8/SFRS(I) 1–8

In February 2021, the IASB/SFRS issued amendments to IAS 8/SFRS(I) 1–8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation and business combinations *(continued)*

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9/SFRS(I) 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9/SFRS(I) 9.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Basis of consolidation and business combinations *(continued)*

(c) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

When an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund and similar entities, such investment is measured at fair value through profit or loss in the Group's consolidated statement of financial position.

2.5 Subsidiaries

A subsidiary is an entity, including a structured entity, directly or indirectly, controlled by the Company and/or its other subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5/SFRS(I) 5 are stated at cost less any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Leasehold building	—	10 to 40 years
Plant and machinery	—	8 to 10 years
Computers and software	—	3 to 5 years
Furniture, fittings, air-conditioners and electrical installation	—	5 to 8 years
Motor vehicles	—	5 years
Workshop tools	—	3 to 7 years
Renovations	—	5 to 10 years
Office equipment	—	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets upon the adoption of IFRS 16/SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Right-of-use assets are measured at cost less any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold building	—	3–5 years
Prepaid land lease payments	—	50 years

The right-of-use assets are also subject to impairment. Refer to accounting policies in section 2.9 Impairment of non-financial assets.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets (other than goodwill)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

2.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial Instruments

(a) Financial assets

Initial recognition and measurement

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial Instruments *(continued)*

(a) Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32/SFRS(I) 1-32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets designated at fair value through profit or loss (equity instruments)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial Instruments *(continued)*

(a) Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and accruals.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculation ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks and short-term deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, and form an integral part of the Group's cash management.

Cash and cash equivalents comprise cash on hand and at banks, including short-term deposits, which are not restricted as to use.

2.13 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provision for warranty

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed and adjusted if appropriate at least annually.

2.17 Employee benefits

(a) Pension scheme (defined contribution plans)

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Company makes contributions to the Central Provident Fund (the “CPF”) scheme in Singapore, a defined contribution pension scheme for its employees in Singapore.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiary operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Certain employees (including directors) of the Group is granted share options to buy the Company’s share at determined price if and when certain performance targets relating to the Group’s financial are met (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a binomial model, further details of which are given in Note 30 to the financial statements. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefit expense.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2.19 Revenue

Revenue is measure based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Group provides 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.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are sold to certain customers with retrospective rebates for early settlement of trade receivables.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected early settlement rebates payable to customer where consideration have been received from customers within the stipulated settlement period.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) Rendering of services

The Group provides maintenance services for circumstances which not covered by product warranty (e.g. malfunctions due to misuse or improper maintenance by customers, request for stationing of engineers for maintenance).

The amount of revenue is recognised based on the contractual price and on a time proportion basis over the contract terms.

(c) Fund management services

Revenue from fund management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Revenue *(continued)*

(d) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(e) Rental income

Rental income is accounted for on a straight-line basis over the lease terms.

2.20 Foreign currencies

The financial statements are presented in Singapore dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively.

The functional currencies of the certain overseas subsidiaries are currencies other than the Singapore dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of the reporting period and their statement of profit or loss are translated into Singapore dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity until the disposal of the respective foreign operation entity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flow, the cash flows of overseas subsidiaries are translated into Singapore dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Singapore dollars at the weighted average exchange rates for the year.

2.21 Taxes

(a) Current income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates and generates taxable income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Taxes *(continued)*

(b) Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

— when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

— in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting date.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Taxes *(continued)*

(c) Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

— When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;

— When receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.22 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group and the Company's income tax payables, deferred tax assets and deferred tax liabilities as at 31 December 2021 are S$1,436,000, S$907,000 and S$160,000 (2020: S$9,000, S$126,000 and Nil) and S$1,019,000, nil and S$26,000 (2020: nil, S$10,000 and nil), respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statement was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

3.2 Key sources of estimation uncertainty *(continued)*

(a) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 36(a).

The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 19.

(b) Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 18.

(c) Fair value measurement of investment securities

The fair values of financial assets at fair value through profit or loss and other comprehensive income are significantly affected by the combination of valuation methodologies employed, the parameters used and, if required, the related comparable companies chosen. The valuation methodologies and the source of parameters adopted by the Group are discussed in Note 35.

(d) Acquisition of Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan") and Jiangsu Furui Mechanical Co., Ltd ("Furui")

The acquisition of Shanghai CEL Puyan and Furui were accounted for using the acquisition method involving a purchase price allocation ("PPA") exercise.

Significant judgements and estimates are made in the PPA exercise on the identification of intangible assets, ascertaining the fair values of the acquired assets and liabilities as disclosed in Note 15.

4. REVENUE

(a) Disaggregation of revenue

Segments	Electronics Manufacturing Services		Original Design Manufacturing		Investment		Total revenue	
	2021	2020	2021	2020	2021	2020	2021	2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Type of goods and services								
Sale of goods	157,429	68,555	7,098	2,048	–	–	164,527	70,603
Rendering of services	748	374	–	2	3,050	–	3,798	376
	158,177	68,929	7,098	2,050	3,050	–	168,325	70,979
Primary geographical markets								
Singapore	125,481	56,420	2,340	332	–	–	127,821	56,752
The United States	20,039	9,102	2	10	–	–	20,041	9,112
Mainland China	9,030	1,335	662	644	3,050	–	12,742	1,979
Japan	198	–	1,972	588	–	–	2,170	588
The Philippines	934	–	637	336	–	–	1,571	336
Other countries	2,495	2,072	1,485	140	–	–	3,980	2,212
	158,177	68,929	7,098	2,050	3,050	–	168,325	70,979
Timing of transfer of goods or services								
At a point in time	158,177	68,929	7,098	2,050	–	–	165,275	70,979
Over period of time	–	–	–	–	3,050	–	3,050	–
	158,177	68,929	7,098	2,050	3,050	–	168,325	70,979

(b) Judgement and methods used in estimating revenue

Estimating variable consideration for sale of goods

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For early settlement rebates, management has determined that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a reversal in the cumulative amount of revenue recognised will occur, and therefore will be recognised as a deduction to revenue.

(c) Contract liabilities

Information about contract liabilities from contracts with customers is disclosed as follows:

	Group			Company		
	2021	2020	1 January 2020	2021	2020	1 January 2020
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Advances from customers (Note 24)	1,828	671	498	1,106	653	480

4. REVENUE *(continued)*

(c) Contract liabilities *(continued)*

Contract liabilities primarily relate to the Group and the Company's obligation to transfer goods or services to customers for which the Group and the Company have received advances from customers for sale of automated machines and apparatus.

Contract liabilities are recognised as revenue as the Group and the Company perform under the contract. Significant changes in contract liabilities are explained as follows:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**671**	498	**653**	480

5. OTHER INCOME AND GAINS

	Group	
	2021	2020
	S$'000	S$'000
Other income		
Government grants (a)	**1,438**	1,654
Bank interest income	**281**	201
Service income	**12**	119
Rental income	**13**	121
Others	**66**	34
	1,810	2,129
Gains		
Net gain on disposal of investment securities	**1,165**	—
Net fair value gains on investment securities	**868**	414
Foreign exchange differences, net	**421**	—
Gain on bargain purchase of a business	**320**	—
Gain on disposal of property, plant and equipment	**43**	16
	2,817	430
	4,627	2,559

(a) The amount represents grants received from government authorities under various support schemes, among others, of which approximately (i) S$358,000 (31 December 2020: S$1,288,000) was primarily from the Jobs Support Scheme and Job Growth Incentive programs announced by the Singapore government which objectives were to provide cash flow support and help local companies to retain their local employees during the COVID-19 pandemic period and (ii) S$763,000 (31 December 2020: S$200,000) incentive from the PRC for the purpose of encouraging business development and investments activities. There are no unfulfilled conditions and other contingencies relating to these grants.

6. OTHER EXPENSES

	Group	
	2021	2020
	S$'000	S$'000
Impairment of financial assets — trade receivables (Note 19)	2	22
Foreign exchange differences, net	—	440
	2	462

7. FINANCE COSTS

	Group	
	2021	2020
	S$'000	S$'000
Interest expense on:		
— Lease liabilities	47	83
— Bank borrowings	333	43
	380	126

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remunerations for the year are as follows:

	2021	2020
	S$'000	S$'000
Fees	352	278
Other emoluments:		
Salaries, allowances and benefits in kind	732	684
Performance related bonuses	739	11
Pension scheme contributions	33	21
Share option expense	30	—
	1,886	994

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 S$'000	2020 S$'000
Mr. Hoon Chee Wai	27	—
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	39	30
Professor Zhang Wei	39	30
Mr. Ng Tiak Soon	16	38
	121	98

(b) Executive directors, the chief executive and non-executive directors (excluding independent non-executive directors)

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Performance related bonus * S$'000	Share option expense S$'000	Pension scheme contributions S$'000	Total remuneration S$'000
2021						
Executive directors:						
Mr. Lim Kuak Choi Leslie	39	393	405	9	9	855
Mr. Du Xiaotang	39	110	–	7	–	156
Mr. Lim Khin Mann	39	62	118	5	16	240
Mr. Tay Kim Kah	39	167	216	9	8	439
	156	732	739	30	33	1,690
Non-executive directors:						
Mr. Yang Ping	39	–	–	–	–	39
Mr. Wang Yizhe	–	–	–	–	–	–
Mr. Tsang Sui Cheong Frederick	36	–	–	–	–	36
	75	–	–	–	–	75
Total	231	732	739	30	33	1,765

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors, the chief executive and non-executive directors (excluding independent non-executive directors) *(continued)*

	Fees S$'000	Salaries, allowances and benefits in kind S$'000	Performance related bonus * S$'000	Share option expense S$'000	Pension scheme contributions S$'000	Total remuneration S$'000
2020						
Executive directors:						
Mr. Lim Kuak Choi Leslie	30	372	–	–	5	407
Mr. Du Xiaotang	30	110	3	–	–	143
Mr. Lim Khin Mann	30	58	2	–	10	100
Mr. Tay Kim Kah	30	144	6	–	6	186
	120	684	11	–	21	836
Non-executive directors:						
Mr. Yang Ping	30	–	–	–	–	30
Mr. Tsang Sui Cheong Frederick	30	–	–	–	–	30
	60	–	–	–	–	60
Total	180	684	11	–	21	896

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2020: Nil), except for Mr. Wang Yizhe who decided to waive his director's fee in his capacity as non-executive director of the Company.

During the year, no remuneration was paid or payable by the Group to the executive directors and the chief executive as an inducement to join or upon joining the Group or as compensation for the loss of office (2020: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included 2 directors (2020: 1 director), details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 3 (2020: 4) highest paid employees who are neither a director nor chief executive of the Group during the year are as follows:

	2021 S$'000	2020 S$'000
Salaries, allowances and benefits-in-kind	757	864
Performance related bonuses	511	43
Pension scheme contributions	24	26
	1,292	933

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2021	2020
HK$1,000,001 to HK$1,500,000	—	4
HK$1,500,001 to HK$2,000,000	1	—
HK$2,000,001 to HK$2,500,000	2	—
	3	4

10. PROFIT/(LOSS) BEFORE TAX

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

	2021 S$'000	2020 S$'000
Cost of inventories	117,429	50,648
Depreciation of property, plant and equipment	1,981	1,443
Depreciation of right-of-use assets	1,096	1,095
Amortisation of intangible assets	247	229
Research and development expenses	4,378	2,043
Short-term leases/minimum lease payments under operating leases	125	65
Auditor's remuneration	319	235
Professional fees	334	275
Employee benefit expense		
(excluding directors' and chief executive's remuneration):		
— Wages and salaries	22,933	14,563
— Pension scheme contributions	2,577	1,345
— Share option expense	25	—
— Profit sharing scheme*	354	—
Provision for warranty	52	57
Allowance for inventory obsolescence	180	557
Foreign exchange differences, net	(421)	440
Government grants	(1,438)	(1,654)
Net gain on disposal of investment securities	(1,165)	—
Net fair value gains on investment securities	(868)	(414)
Bank interest income	(281)	(201)
Gain on disposal of property, plant and equipment	(43)	(16)

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

11. INCOME TAX (EXPENSE)/CREDIT

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group operates.

The Singapore statutory income tax for the Company has been provided at the rate of 17% on the estimated assessable profits arising in Singapore during the year.

The PRC statutory income tax rate is at 25% on the assessable profits in accordance with the PRC Corporate Income Tax Law for 2021 (2020: Kinergy EMS (Nantong) Co., Ltd is qualified as High and New Technology Enterprises and is subject to a preferential income tax rate of 15%).

11. INCOME TAX (EXPENSE)/CREDIT *(continued)*

Major components of income tax (expense)/credit

The major components of income tax (expense)/credit for the years ended 31 December 2021 and 2020 are as follows:

	2021 S$'000	2020 S$'000
Current income tax:		
— Current income taxation	(1,735)	(13)
— Over/(under) provision in respect of previous years	2	(2)
	(1,733)	(15)
Deferred income tax (Note 26):		
— Origination and reversal of temporary differences	590	302
— Under provision in respect of previous years	—	(35)
	590	267
Income tax (expense)/credit recognised in profit or loss	(1,143)	252

Relationship between tax (expense)/credit and accounting profit/(loss)

A reconciliation between tax (expense)/credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 is as follows:

	Group	
	2021 S$'000	2020 S$'000
Profit/(loss) before tax	13,699	(3,089)
Tax at the domestic statutory rates applicable to profits in the countries which the Group operates	(2,989)	684
Lower tax rate for specific provinces or enacted by local authority	120	(201)
Expenses not deductible for tax	(211)	(76)
Over/(under) provision in respect of previous years	2	(37)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	—	66
Income not subject to tax	787	351
Benefits from previously unrecognised tax losses	1,157	—
Share of results of associates	(26)	—
Deferred tax assets not recognised	—	(536)
Effect of partial tax exemption	17	—
Others	—	1
Income tax (expense)/credit recognised in profit or loss	(1,143)	252

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. INCOME TAX (CREDIT)/EXPENSE *(continued)*

Unrecognised tax losses

As at 31 December 2021, the Group has no unabsorbed tax losses (2020: S$4,733,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2020: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to S$6,034,000 (2020: nil). The deferred tax liability is estimated to be S$302,000 (2020: nil).

Tax consequences of proposed dividends

There are no income tax consequences (2020: Nil) attached to the payment of dividends by the Company to its shareholders but not recognised as a liability in the financial statements.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to the equity holders of the parent, and the weighted average number of ordinary shares of 904,055,957 and 857,443,045 shares in issue during the years ended 31 December 2021 and 2020 respectively.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

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

	2021 S$'000	2020 S$'000
Profit/(loss)		
Profit/(loss) for the year attributable to equity holders of the parent	**11,933**	(2,660)

	Number of shares 2021	2020
Number of shares		
Weighted average number of ordinary shares	**904,055,957**	857,443,045
Earnings/(loss) per share attributable to equity holders of the parent		
Basic and diluted (Singapore cents)	**1.32**	(0.31)

13. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold building S$'000	Plant and machinery S$'000	Computer and software S$'000	Furniture, fittings, air-conditioners and electrical installation S$'000	Motor vehicles S$'000	Workshop tools S$'000	Renovations S$'000	Office equipment S$'000	Construction in progress S$'000	Total S$'000
Cost:										
At 1 January 2020	13,358	15,372	3,696	3,575	1,301	1,503	2,737	517	695	42,754
Additions	16	700	165	103	–	403	116	59	1,096	2,658
Disposals	–	(18)	(40)	(48)	(7)	(9)	(775)	(14)	–	(911)
Exchange differences	696	323	14	130	37	71	50	5	51	1,377
At 31 December 2020 and 1 January 2021	14,070	16,377	3,835	3,760	1,331	1,968	2,128	567	1,842	45,878
Additions	–	2,917	128	77	518	357	–	48	424	4,469
Acquisition of subsidiaries (Note 15b)	509	124	4	11	101	113	59	2	–	923
Disposals	–	(396)	(18)	(9)	(306)	(14)	–	(98)	–	(841)
Reclassifications	20	–	–	–	–	–	2,167	–	(2,187)	–
Exchange differences	690	391	17	102	27	93	168	6	(24)	1,470
At 31 December 2021	15,289	19,413	3,966	3,941	1,671	2,517	4,522	525	55	51,899
Accumulated depreciation:										
At 1 January 2020	1,890	13,162	2,879	2,519	1,234	1,050	1,907	482	–	25,123
Depreciation charge for the year	346	311	208	191	20	206	141	20	–	1,443
Disposals	–	(18)	(40)	(48)	(7)	(9)	(775)	(14)	–	(911)
Exchange differences	78	181	28	54	23	42	44	4	–	454
At 31 December 2020 and 1 January 2021	2,314	13,636	3,075	2,716	1,270	1,289	1,317	492	–	26,109
Depreciation charge for the year	368	500	224	172	74	334	289	20	–	1,981
Disposals	–	(395)	(16)	(8)	(306)	(10)	–	(98)	–	(833)
Exchange differences	121	116	29	66	38	61	28	4	–	463
At 31 December 2021	2,803	13,857	3,312	2,946	1,076	1,674	1,634	418	–	27,720
Net carrying amount:										
At 31 December 2020	11,756	2,741	760	1,044	61	679	811	75	1,842	19,769
At 31 December 2021	12,486	5,556	654	995	595	843	2,888	107	55	24,179

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company	Plant and machinery S$'000	Computers and software S$'000	Furniture, fittings, air-conditioners and electrical installation S$'000	Motor vehicles S$'000	Workshop tools S$'000	Renovations S$'000	Office equipment S$'000	Total S$'000
Cost:								
At 1 January 2020	559	1,295	303	22	17	140	17	2,353
Additions	40	70	20	–	3	3	–	136
Disposals	–	(9)	–	–	–	–	(1)	(10)
At 31 December 2020 and 1 January 2021	599	1,356	323	22	20	143	16	2,479
Additions	21	31	–	489	–	–	–	541
At 31 December 2021	620	1,387	323	511	20	143	16	3,020
Accumulated depreciation:								
At 1 January 2020	261	652	235	22	10	108	9	1,297
Depreciation charge for the year	82	165	48	–	4	20	3	322
Disposals	–	(9)	–	–	–	–	(1)	(10)
At 31 December 2020 and 1 January 2021	343	808	283	22	14	128	11	1,609
Depreciation charge for the year	74	163	24	49	3	10	2	325
At 31 December 2021	417	971	307	71	17	138	13	1,934
Net carrying amount:								
At 31 December 2020	256	548	40	–	6	15	5	870
At 31 December 2021	203	416	16	440	3	5	3	1,086

14. INTANGIBLE ASSETS

	Group			Company		
	Development cost S$'000	Others S$'000	Total S$'000	Development cost S$'000	Others S$'000	Total S$'000
Cost:						
At 1 January 2020	2,309	32	2,341	1,065	32	1,097
Additions	133	—	133	133	—	133
At 31 December 2020, 1 January 2021 and 31 December 2021	2,442	32	2,474	1,198	32	1,230
Accumulated amortisation:						
At 1 January 2020	1,769	21	1,790	525	21	546
Amortisation for the year	229	—	229	229	—	229
At 31 December 2020 and 1 January 2021	1,998	21	2,019	754	21	775
Amortisation for the year	247	—	247	247	—	247
At 31 December 2021	2,245	21	2,266	1,001	21	1,022
Net carrying amount:						
At 31 December 2020	444	11	455	444	11	455
At 31 December 2021	197	11	208	197	11	208

Amortisation expense

The amortisation of development cost is included in the "General and administrative expenses" line item in the consolidated statement of comprehensive income. The remaining useful lives of the development cost are within 1 year (2020: within 1 to 2 years).

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2021 S$'000	2020 S$'000
Unquoted shares, at cost	56,068	40,558
Impairment losses	(517)	(517)
	55,551	40,041

During the financial year 2021, the Company has made several additional investments totaled S$12,418,000 in Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd.

15. INVESTMENT IN SUBSIDIARIES *(continued)*

In July 2021, the Company incorporated Kinergy Equipment Manufacturing (Tai Zhou) Co.,Ltd, ("Kinergy Taizhou") in the PRC., Kinergy Taizhou will be focusing on investment activities in semiconductor business in the PRC. Total cost of investment of the Company in Kinergy Taizhou was S$269,000 as at 31 December 2021.

In March 2021, the Company and its wholly owned subsidiary, Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd ("KIE"), incorporated KMR Precision Equipment (Nantong) Co., Ltd, ("KMR") in the PRC. KMR will be focusing on vacuum chamber machining for semiconductor business. Total cost of investments of the Company and in KMR was S$2,823,000 which represents 40% equity interest in KMR. The remaining 60% equity interest in KMR is held by KIE.

a. Composition of the Group

As at 31 December, the Group has the following investments in subsidiaries:

Name of company (Country of incorporation)	Principal activities (Place of business)	Issued ordinary/ registered share capital	Percentage of equity held 2021 %	2020 %
Subsidiaries of Kinergy Corporation Ltd.				
Kinergy EMS (Nantong) Co., Ltd (People's Republic of China) [(1)]	Manufacture and assembling of sub-systems (People's Republic of China)	Renminbi 129,596,000	100	100
Kinergy Philippines Inc. (Philippines) [(2)]	Manufacture and sale of mechanical components (Philippines)	Philippine peso 40,000,000	100	100
Kinergy Japan KK (Japan) [(3)]	Business development office (Japan)	Japanese yen 10,000,000	100	100
Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd (People's Republic of China) [(4)]	Investments (People's Republic of China)	United States Dollar 50,000,000	100	100

15. INVESTMENT IN SUBSIDIARIES *(continued)*

a. Composition of the Group *(continued)*

Name of company (Country of incorporation)	Principal activities (Place of business)	Issued ordinary/ registered share capital	Percentage of equity held 2021 %	2020 %
Held through Kinergy EMS (Nantong) Co., Ltd				
Kinergy Mechatronics Shanghai Co., Ltd (People's Republic of China) [3]	Marketing and logistics, strategic procurement of materials (the PRC)	Renminbi 8,773,000	100	100
Held through Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd				
KinerTec (Nantong) Co. Ltd. (People's Republic of China) [3]	Fabrication of precision machine frames and sheet-metal (the PRC)	United States Dollar 7,500,000	60	60
Shanghai CEL Puyan Equity Investment Management Limited (People's Republic of China) [1]	Fund management business and investment activities (the PRC)	Renminbi 61,260,000	51.03	–
Jiangsu Furui Mechanical Co., Ltd (People's Republic of China) [3]	Manufacture of textile equipment, general machinery parts, castings, pipe accessories (the PRC)	Renminbi 20,000,000	60	–
Kinergy Equipment Manufacturing (Tai Zhou) Co., Ltd (People's Republic of China) [3]	Manufacture of spare parts, components and special equipment for semiconductor devices (the PRC)*	United States Dollar 6,000,000	100	–
Held through the Company and Kinergy Intelligent Equipment Manufacturing (Nantong) Co., Ltd				
KMR Precision Equipment (Nantong) Co., Ltd [3]	Manufacture of vacuum chamber machining and high precision engineering (the PRC)*	United States Dollar 35,000,000	100	–

(1) Audited by member firms of EY Global in the respective countries.

(2) Audited by Dela Cruz Tatunay & Co. CPA, Philippines.

(3) Not required to be audited.

(4) Audited by Nantong Great Wall Associated CPAs, People's Republic of China.

* Has not commenced operation.

15. INVESTMENT IN SUBSIDIARIES *(continued)*

b. Acquisition of subsidiaries

(i) Acquisition of Shanghai CEL Puyan Equity Investment Management Limited ("Shanghai CEL Puyan")

On 8 January 2021, the Group's wholly owned subsidiary, KIE, acquired 51.03% of equity interest of Shanghai CEL Puyan by way of capital injection of approximately S$10,730,000 (equivalent to RMB52,100,000). This acquisition provides vertical integration business to the Group. Shanghai CEL Puyan is a private equity fund manager and currently manages several funds. The objectives of the funds are to make equity investments in high-tech manufacturing equipment in semiconductor, solar, flat panel displays, medical and test & analysis machines which in line with the Group main operation in semiconductor industries. Upon the acquisition, Shanghai CEL Puyan became a subsidiary of the Group.

The Group elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Shanghai CEL Puyan net identifiable assets.

The fair values of the identifiable assets and liabilities of Shanghai CEL Puyan as at the date of acquisition were:

Fair value recognised on acquisition date	Amount S$'000
Assets	
Investment securities at fair value	7,597
Other receivables	3,205
Deferred tax asset	84
Cash	11,753
Liabilities	
Trade and other payables	(1,005)
Tax payable	(119)
Total identifiable net assets at fair value	21,515
Non-controlling interest measured at proportionate share (48.97%) of net identifiable assets after capital injection	(10,536)
Capital injection made by the Group	(10,730)
Gain on bargain purchase of a business	249

Analysis of cash flows on acquisition:	Amount S$'000
Cash on acquisition date	11,753
Capital injection made by the Group	(10,730)
Net cash acquired from the acquisition of the subsidiary (included in cash flows from investing activities)	1,023

15. INVESTMENT IN SUBSIDIARIES *(continued)*

b. Acquisition of subsidiaries *(continued)*

(i) Acquisition of Shanghai CEL Puyan (continued)

As the date of the acquisition, the carrying amount of other receivables was S$3,205,000 which approximates its fair value and it is expected that the full contractual amounts can be collected.

From the date of acquisition, Shanghai CEL Puyan has contributed S$3,050,000 of revenue and S$1,632,000 to the net profit after tax of the Group. If the acquisition has taken place at the beginning of the year, there is no material differences for revenue and profit before tax.

The gain on bargain purchase of a business of S$249,000 was recognised in the consolidated statement of comprehensive income under other income and gains. On the date of acquisition, Shanghai CEL Puyan's identifiable net assets at fair value are higher as compared to fair market valuation which was determined at the time during negotiation. Hence, the business combination results in a gain on bargain purchase.

(ii) Acquisition of Jiangsu Furui Mechanical Co., Ltd ("Furui")

On 11 August 2021, the Group's wholly owned subsidiary, KIE, acquired 60% of equity interest of Furui by way of capital injection of approximately S$2,495,000 (equivalent to RMB12,000,000). Furui has the capability in casting for semiconductor. The acquisition is a strategic investment to expand the Group capabilities in casting business. Upon the acquisition, Furui became a subsidiary of the Group.

The Group elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Furui net identifiable assets.

The fair values of the identifiable assets and liabilities of Furui as at the date of acquisition were:

Fair value recognised on acquisition date	Amount S$'000
Assets	
Property, plant and equipment	923
Right-of-use assets	92
Trade and other receivables	943
Amount due from KIE	2,495
Inventories	135
Cash	126
Liabilities	
Trade and other payables	(346)
Lease liabilities	(89)
Tax payable	(4)
Total identifiable net assets at fair value	4,275
Non-controlling interest measured at proportionate share (40%) of net identifiable assets after capital injection	(1,710)
Capital injection made by the Group	(2,495)
Gain on bargain purchase of a business	70

15. INVESTMENT IN SUBSIDIARIES *(continued)*

b. Acquisition of subsidiaries *(continued)*

(ii) Acquisition of Jiangsu Furui Mechanical Co., Ltd (“Furui”) *(continued)*

Analysis of cash flows on acquisition:	Amount S$’000
Net cash acquired from the acquisition of the subsidiary (included in cash flows from investing activities)	126

As the date of the acquisition, the carrying amount of trade and other receivables was S$943,000 which approximates its fair value and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

From the date of acquisition, Furui has contributed S$1,315,000 of revenue and S$342,000 to the net profit after tax of the Group. If the business combination had taken place at the beginning of the year, the Group’s revenue and net profit from continuing operations would have been increased by S$1,723,000 and S$445,000.

The gain on bargain purchase of a business of S$70,000 was recognised in the consolidated statement of comprehensive income under other income and gains.

c. Interest in subsidiaries with material non-controlling interest (“NCI”)

The Group has the following subsidiary that has NCI that is material to the Group:

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocating to NCI during the year S$’000	Accumulated NCI at the end of the year S$’000
Shanghai CEL Puyan	the PRC	48.97%	799	11,681

The summarised financial information of Shanghai CEL Puyan is provided below. This information is based on amounts before inter-company eliminations.

15. INVESTMENT IN SUBSIDIARIES *(continued)*

c. Interest in subsidiaries with material non-controlling interest ("NCI") *(continued)*

Summarised balance sheets	2021 S$'000
Current	
Assets	15,960
Liabilities	(1,383)
Net current assets	14,577
Non-current	
Assets	9,412
Liabilities	(135)
Net non-current assets	9,277
Net assets	23,854

Summarised statement of comprehensive income	2021 S$'000
Revenue	3,050
Profit before income tax	2,191
Income tax expense	(559)
Profit after tax representing total comprehensive income	1,632

Summarised cash flow information	2021 S$'000
Operating	(2,246)
Investing	(15)
Financing	10,730
Net increase in cash and cash equivalents	8,469

16. INVESTMENT SECURITIES

	Group 2021 S$'000	Group 2020 S$'000	Company 2021 S$'000	Company 2020 S$'000
Equity instruments at fair value through profit or loss				
— Non-quoted equity investments	9,400	15,423	—	—
— Quoted equity investment	4,434	—	—	—
Equity instruments at fair value through other comprehensive income				
— Non-quoted equity investment	10,229	3,773	10,229	3,773
	24,063	19,196	10,229	3,773

As at 1 January 2021, the Group's investment in Jinguan Electric amounted to S$4,232,000. During the year ended 31 December 2021, the investment in Jinguan Electric has been reclassified from non-quoted to quoted equity investment following the completion of its initial public offering in June 2021.

As at 1 January 2021, the Group's investment in Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership) ("Nantong Intelligent Fund") amounted to S$8,608,000, representing 20% interest in Nantong Intelligent Fund. Following the completion of the acquisition of 51.03% interest in Shanghai CEL Puyan which also had interest in Nantong Intelligent Fund during the year, the Group now has right to participate in the decision making process in NTIF and therefore is deemed to have significant influence over Nantong Intelligent Fund. Accordingly, the investment in Nantong Intelligent Fund has been reclassified from investment securities to investment in associates.

17. INVESTMENT IN ASSOCIATES

The Group's investment in associates are summarised below:

	As at 31 December 2021 S$'000	As at 31 December 2020 S$'000
Nantong Intelligent Fund	8,937	—
Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership) ("Nanyang Fund")	2,527	—
	11,464	—

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 2021	Percentage of ownership interest attributable to the Group 2020
Held through subsidiaries:				
Nantong Intelligent Fund	The PRC	Private equity investment	20%	20%*
Nanyang Fund	The PRC	Private equity investment	20%	—

* As at 31 December 2020, the Group deemed it did not have significant influence over Nantong Intelligent Fund. Further details are disclosed in Note 16.

17. INVESTMENT IN ASSOCIATES *(continued)*

During the year, the Group through its subsidiary, KIE, contributed S$2,549,000 (equivalent to RMB12,000,000) in cash into Nanyang Fund. The contribution represents 20% interest in Nanyang Fund.

The following table illustrates the aggregate financial information of the Group's investment in associates:

Summarised balance sheets

	2021	
	Nantong Intelligent Fund S$'000	Nanyang Fund S$'000
Current assets	44,683	12,637
Current liabilities	(3)	(2)
Equity	44,680	12,635
Proportion of the Group's ownership	20%	20%
Group's carrying amount of the investment	8,937	2,527

Summarised statement of comprehensive income

	2021	
	Nantong Intelligent Fund S$'000	Nanyang Fund S$'000
Operating expenses	(837)	(141)
Interest income	352	26
Fair value gain on investments	76	6
Loss for the year	(409)	(109)
Proportion of the Group's ownership	20%	20%
Group's share of loss for the year	(82)	(22)

The associate requires the Group's consent to distribute its profits. The Group does not foresee giving such consent at the reporting date.

The associate had no contingent liabilities or capital commitments as at 31 December 2021.

18. INVENTORIES

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Statement of financial position:				
Raw materials	**38,337**	26,472	**24,803**	16,966
Work-in-progress	**9,906**	5,570	**2,377**	2,429
Finished goods	**4,023**	2,712	**1,134**	1,100
Total inventories at lower of cost and net realisable value	**52,266**	34,754	**28,314**	20,495
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	**117,429**	50,648	**126,943**	53,595
Inclusive of the following charge:				
— Allowance for inventory obsolescence	**180**	557	**90**	414

19. TRADE RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Trade receivables	**32,252**	17,744	**28,143**	17,007

Trade debtors are non-interest bearing and are generally on 30-90 days' term. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
United States Dollar	**28,654**	17,378	**27,560**	17,007

19. TRADE RECEIVABLES *(continued)*

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

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
— 0 to 30 days	**15,174**	17,429	**13,323**	16,952
— 31 to 60 days	**14,204**	164	**12,983**	21
— 61 to 90 days	**1,648**	76	**976**	34
— Over 90 days	**1,226**	75	**861**	—
	32,252	17,744	**28,143**	17,007

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	Company
	2021	2020
	S$'000	S$'000
Neither past due nor impaired	**29,202**	17,144
Past due but not impaired:		
— 0 to 30 days	**1,208**	454
— 31 to 60 days	**1,286**	65
— 61 to 90 days	**247**	43
— Over 90 days	**309**	38
	32,252	17,744

Expected credit losses ("ECL")

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Movement in allowance account:				
At 1 January	**—**	—	**—**	—
Charge for the year	**2**	22	**—**	22
Reversal during the year	**—**	—	**—**	—
Write-off	**—**	(22)	**—**	(22)
At 31 December	**2**	—	**—**	—

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Advances to suppliers	**2,642**	1,814	**2,852**	1,488
Deposits	**376**	409	**242**	242
Prepaid Goods and Services Tax ("GST")/Value-added tax ("VAT")	**1,838**	1,208	**65**	69
Prepayments	**326**	206	**128**	140
Other receivables	**357**	370	**65**	167
Bills of exchange	**294**	38	**—**	—
Prepayments, deposits and other receivables	**5,833**	4,045	**3,352**	2,106
Add:				
Amounts due from subsidiaries (Note 21)	**—**	—	**4,109**	5,930
Trade receivables (Note 19)	**32,252**	17,744	**28,143**	17,007
Cash and cash equivalents (Note 22)	**41,706**	25,259	**8,144**	14,303
Less:				
Advances to suppliers	**(2,642)**	(1,814)	**(2,852)**	(1,488)
Prepaid GST/VAT	**(1,838)**	(1,208)	**(65)**	(69)
Prepayments	**(326)**	(206)	**(128)**	(140)
Total financial assets carried at amortised cost	**74,985**	43,820	**40,703**	37,649

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2021	2020
	S$'000	S$'000
Due from subsidiaries:		
Trade	**796**	134
Non-trade (net of allowance for impairment)	**3,313**	5,796
	4,109	5,930
Due to subsidiaries:		
Trade	**6,640**	3,788
Allowance for impairment		
At 1 January:	**379**	379
Addition/reversal during the year	**—**	—
At 31 December	**379**	379

21. AMOUNTS DUE FROM/(TO) SUBSIDIARIES *(continued)*

The non-trade amounts due from/(to) subsidiaries are unsecured, non-interest bearing and repayable on demand. The trade amounts due from/(to) subsidiaries are under normal trade credit terms. All receivables are to be settled in cash.

Amounts due from/(to) subsidiaries denominated in foreign currencies at 31 December are as follows:

	2021 S$'000	2020 S$'000
Amounts due from subsidiaries		
United States Dollar	3,623	2,571
Amounts due to subsidiaries		
United States Dollar	6,196	3,885

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Cash and bank balances	28,801	25,259	8,144	14,303
Short-term deposits	12,905	—	—	—
	41,706	25,259	8,144	14,303

Cash at banks earn interest at floating rates based on daily bank deposit rates. Non-pledged short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective non-pledged short-term deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
United States Dollar	15,781	23,051	7,112	12,415

23. TRADE PAYABLES

The trade payables are non-interest bearing and are normally settled on 30-90 days' term.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
United States Dollar	**6,877**	9,573	**2,247**	3,610

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

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
— 0 to 30 days	**13,412**	11,218	**2,830**	1,865
— 31 to 60 days	**9,466**	8,495	**1,634**	2,160
— 61 to 90 days	**6,087**	4,087	**505**	1,205
— Over 90 days	**5,838**	1,708	**15**	98
	34,803	25,508	**4,984**	5,328

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
Accruals (a)	**5,598**	1,966	**3,256**	1,187
Advances from customers	**1,828**	671	**1,106**	653
Other payables	**1,375**	817	**1,314**	783
Profit sharing scheme (b)	**805**	—	**805**	—
Deferred grant income	**—**	210	**—**	210
Other payables and accruals	**9,606**	3,664	**6,481**	2,833
Add:				
Amount due to subsidiaries (Note 21)	**—**	—	**6,640**	3,788
Trade payables (Note 23)	**34,803**	25,508	**4,984**	5,328
Interest-bearing loans and borrowings (Note 27)	**20,842**	7,004	**15,790**	6,888
Less:				
Advances from customers	**(1,828)**	(671)	**(1,106)**	(653)
Deferred grant income	**—**	(210)	**—**	(210)
Total financial liabilities carried at amortised cost	**63,423**	35,295	**32,789**	17,974

(a) Accruals amount mainly consist of salary and bonus.

(b) Certain executive directors and senior management of the Company are entitled to profit sharing payments which are determined as a percentage of the profit after tax of the Group that is in excess of budget.

Other payables are non-interest bearing and are repayable on demand.

25. PROVISION FOR WARRANTY

Analysis of provision for warranty:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
At 1 January	**12**	41	**10**	39
Addition	**52**	57	**32**	57
Amounts utilised during the year	**(24)**	(87)	**(4)**	(86)
Exchange differences	**1**	1	**—**	—
At 31 December	**41**	12	**38**	10

The Group provides one-year warranties to its customers on certain of its products, under which faulty products are repaired. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the financial years were as follows:

	Group				Company	
	Statement of financial position		Consolidated statement of comprehensive income		Statement of financial position	
	2021	2020	**2021**	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000	**S$'000**	S$'000
Deferred tax assets:						
Differences in depreciation for tax purposes	**21**	14	**7**	(32)	**—**	(42)
Unutilised tax losses	**663**	—	**633**	—	**—**	—
Unrealised profit	**219**	41	**173**	—	**—**	—
Provisions	**4**	71	**(67)**	48	**—**	52
	907	126	**—**	—	**—**	10
Deferred tax liabilities:						
Withholding tax	**—**	—	**—**	66	**—**	—
Differences in depreciation for tax purposes	**94**	—	**(94)**	201	**94**	—
Fair value adjustment of investment securities	**134**	—	**(130)**	—	**—**	—
Provisions	**(68)**	—	**68**	(16)	**(68)**	—
Deferred income tax credit	**160**	—	**590**	267	**26**	—

27. INTEREST-BEARING LOANS AND BORROWINGS

	Interest rate/annum	Maturity	Group As at 31 December 2021 S$'000	Group As at 31 December 2020 S$'000	Company As at 31 December 2021 S$'000	Company As at 31 December 2020 S$'000
Current:						
Lease liabilities	2.5%–7.5% (Company: 3.0%)	2022–2040	1,038	2,004	915	1,888
S$5,000,000 bank loan	2%	August 2025	4,599	5,000	4,599	5,000
S$5,000,000 bank loan	2.5%	June 2026	4,528	—	4,528	—
Bank trade financing	1.7%–2.0% (Company: 1.7%)	2022	9,914	—	4,985	—
Bank overdrafts	5%	On demand	713	—	713	—
			20,792	7,004	15,740	6,888
Repayable:						
— Not later than 1 year			13,762	1,459	8,797	1,373
— Later than 1 year but not later than 2 years			2,236	2,168	2,233	2,137
— Later than 2 years but not later than 5 years			4,723	3,377	4,710	3,378
— More than 5 years			71	—	—	—
			20,792	7,004	15,740	6,888

All the above borrowings are unsecured.

S$5,000,000 bank loan at interest rate of 2.5% per annum

In June 2021, the Company entered into a facility agreement with a bank in respect to 5–year Temporary Bridging Loan Program ("TBLP") of up to an aggregate principal amount of S$5,000,000, with the interest rate capped at 2.5% p.a. TBLP is a Singapore government assisted financing scheme with the purpose to provides access to working capital for business needs during the COVID–19 pandemic. The loan was fully drawdown in July 2021.

28. LEASE LIABILITIES

Group as a lessee

The Group has lease contracts for various items of leasehold building and prepaid land lease payments used in its operations. Leases of leasehold building generally have lease terms between 3 to 5 years, while land use right have a lease term of 20 to 50 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options which are further discussed below.

The Group also has certain leases of housing for employees with lease terms of 12 months or less. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Group	Prepaid land lease payments/ leasehold land S$'000	Leasehold building S$'000	Total S$'000
At 1 January 2020	1,187	3,042	4,229
Depreciation expense	(32)	(1,063)	(1,095)
Exchange differences	74	(20)	54
At 31 December 2020 and 1 January 2021	1,229	1,959	3,188
Addition from acquisition of subsidiaries (Note 15b)	92	–	92
Depreciation expense	(35)	(1,061)	(1,096)
Exchange differences	71	–	71
At 31 December 2021	1,357	898	2,255

Company	Leasehold building S$'000
At 1 January 2020	2,854
Depreciation expense	(979)
At 31 December 2020 and 1 January 2021	1,875
Depreciation expense	(978)
At 31 December 2021	897

28. LEASE LIABILITIES *(continued)*

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Company	
	2021	2020	**2021**	2020
	S$'000	S$'000	**S$'000**	S$'000
At 1 January	**2,004**	2,993	**1,888**	2,830
Addition from acquisition of subsidiaries (Note 15b)	**92**	—	**—**	—
Accretion of interest	**47**	83	**43**	71
Payment	**(1,101)**	(1,073)	**(1,016)**	(1,013)
Exchange differences	**(4)**	1	**—**	—
At 31 December	**1,038**	2,004	**915**	1,888
Current	**951**	1,058	**915**	972
Non-current	**87**	946	**—**	916
	1,038	2,004	**915**	1,888

The following are the amounts recognised in profit or loss:

	Group	
	2021	2020
	S$'000	S$'000
Depreciation expense of right-of-use assets	**1,096**	1,095
Interest expense on lease liabilities	**47**	83
Expense relating to short-term leases (included in general and administrative expenses)	**125**	65
Total amount recognised in profit or loss	**1,268**	1,243

The Group had total cash outflows for leases of S$1,226,000 (2020: S$1,138,000). The future cash outflows relating to leases are disclosed in Note 36.

29. SHARE CAPITAL

(a) Share capital

	Number of shares	Amount S$'000
Issued and fully paid ordinary shares [1]:		
As at 1 January 2020	858,671,324	84,990
Shares repurchased and cancelled	(1,252,000)	(133)
As at 31 December 2020 and 1 January 2021	857,419,324	84,857
Ordinary shares issued [2]	62,974,070	6,436
As at 31 December 2021	**920,393,394**	**91,293**

(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 at S$0.1022 per share (equivalent to HK$0.60 per share) following the completion of the share subscription agreements entered on 15 December 2020.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company	
	Number of shares	Amount S$'000
As at 1 January 2020	492,000	52
Shares repurchased	760,000	81
Shares cancelled	(1,252,000)	(133)
At 31 December 2020 and 2021	—	—

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include (1) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries (2) any directors (including executive, non-executive and independent non-executive directors) of our Company or any of its subsidiaries; and (3) any advisers (professional or otherwise), consultants, suppliers, customers, agents and such other persons who in the sole opinion of the Board will contribute or have contributed to the Group. The Scheme became effective on 27 June 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

30. SHARE OPTION SCHEME *(continued)*

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue immediately following completion of the listing of the global offering of the Company dated 18 July 2018, being 83,935,132 shares, excluding for this purpose shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Scheme (or any other share option schemes of the Company). The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Hong Kong Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Hong Kong Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 1 June 2021, the Company granted share options to directors and senior management to subscribe for a total of 18,500,000 ordinary shares with the exercise price of HK$1.00 per share. The closing price of the Shares immediately before the date of grant (being 31 May 2021) was HK$0.74 per share. The following share options were outstanding under the Scheme during the year:

					Movement during the year		
	Date of grant	Vesting schedule	Exercise price (HK$)	Number of options at 1-Jan-21	Granted	Cancelled/ exercised/ lapsed	Number of options at 31-Dec-21
Directors and Chief Executive							
Mr. Lim Kuak Choi Leslie	1-Jun-21	Tranche 1	1.00	–	2,000,000	–	2,000,000
		Tranche 2	1.00	–	1,000,000	–	1,000,000
Mr. Tay Kim Kah	1-Jun-21	Tranche 1	1.00	–	2,000,000	–	2,000,000
		Tranche 2	1.00	–	1,000,000	–	1,000,000
Mr. Du Xiaotang	1-Jun-21	Tranche 1	1.00	–	1,666,000	–	1,666,000
		Tranche 2	1.00	–	834,000	–	834,000
Mr. Lim Khin Mann	1-Jun-21	Tranche 1	1.00	–	1,000,000	–	1,000,000
		Tranche 2	1.00	–	500,000	–	500,000
Total Directors and Chief Executive				**–**	**10,000,000**	**–**	**10,000,000**
Senior management	1-Jun-21	Tranche 1	1.00	–	5,666,000	–	5,666,000
		Tranche 2	1.00	–	2,834,000	–	2,834,000
Total				**–**	**18,500,000**	**–**	**18,500,000**

30. SHARE OPTION SCHEME *(continued)*

The vesting schedule of the share options shall vest in two tranches in accordance with the following dates:

— Tranche 1: shall be vested on the date which the Board announces the Group's consolidated audited financial results of FY2022.

— Tranche 2: shall be vested on the date which the Board announces the Group's consolidated audited financial results of FY2023.

The exercise of the share options shall commence from the vesting schedule up to 31 May 2026 conditional upon the fulfilment of certain performance targets relating to the Group. The performance targets have been determined by the Board and specified in the respective grant letters of each Grantee. If the performance targets are not met, the share options granted will lapse.

The fair value of the share options granted during the year was S$226,000 of which the Group recognised a share option expense of S$55,000 during the year ended 31 December 2021.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 4.42 years.

The weighted average fair value of options granted during the year was 1.22 Singapore cents.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Group and Company 2021
Dividend yield (%)	6%
Expected volatility (%)	44%
Risk-free interest rate (%)	0.4%
Expected life of options (years)	4

The expected life of the share options is based current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 18,500,000 share options outstanding under the Scheme, which represented approximately 2.0% of the Company's shares in issue as at that date.

31. DIVIDENDS

	Company	
	2021	2020
	S$'000	S$'000
Declared and paid during the year:		
Dividend on ordinary shares:		
— Interim exempt (one-tier) dividend for 2021: 0.13 Singapore cents per share	**1,197**	—
— Final exempt (one-tier) dividend for 2020: 0.10 Singapore cents per share	**—**	858
	1,197	858
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 2021: 0.52 Singapore cents per share	**4,786**	—

32. COMMITMENTS

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2021	2020
	S$'000	S$'000
Contracted but not provided for:		
Property, plant and equipment	**621**	3,597
Investment securities	**26,654**	12,429
	27,275	16,026

Investment securities

The balance of S$26,654,000 pertains to the remaining investment commitments of the Group in investment in associates and investment securities amounting to S$18,695,000 (equivalent to RMB88,000,000) and S$7,959,000 (equivalent to RMB37,467,000), respectively.

33. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the Company have the following significant related party transactions which took place at terms agreed between the parties during the financial year:

	2021 S$'000	2020 S$'000
Group		
Disposal of investment securities	4,249	—
Management fee	728	—
Service income	12	119
Rental income	13	121
Purchase of materials	(46)	—
Company		
Sales	1,057	393
Purchases	114,031	39,787
Interest income	44	149
Commission	(248)	(201)

(b) Compensation of key management personnel

	Group 2021 S$'000	Group 2020 S$'000
Short-term employee benefits	4,088	2,138
Defined contribution benefits	125	72
Other short-term benefits	14	12
Share option expense	55	—
	4,282	2,222
Comprise amounts paid to:		
Directors of the Company	1,886	994
Other key management personnel	2,396	1,228
	4,282	2,222

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

(a) Major non-cash transactions

During the years ended 31 December 2021 and 2020, the Group has no significant non-cash arrangement.

(b) Changes in liabilities arising from financing activities

	Lease liabilities S$'000	Bank loans S$'000	Total S$'000
At 1 January 2020	2,993	—	2,993
Changes from financing cash flows			
—Repayment	(990)	—	(990)
—Interest	(83)	(43)	(126)
Additions	—	5,000	5,000
Accretion of interests	83	43	126
Exchange differences	1	—	1
At 31 December 2020 and 1 January 2021	2,004	5,000	7,004
Changes from financing cash flows			
— Repayment	(1,101)	(401)	(1,502)
— Interest	(47)	(334)	(381)
Additions	131	15,155	15,286
Accretion of interests	47	334	381
Exchange differences	4	—	4
At 31 December 2021	1,038	19,754	20,792

35. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

— Level 1 — Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

— Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

— Level 3 — Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

35. FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1) S$'000	Significant observable inputs other than quoted prices (Level 2) S$'000	Significant unobservable inputs (Level 3) S$'000	Total S$'000
Group and Company				
31 December 2021				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income (Note 16)				
— Non-quoted equity investment	–	–	10,229	10,229
Financial assets at fair value through profit or loss (Note 16)				
— Non–quoted equity investments	–	–	9,400	9,400
— Quoted equity investments	–	–	4,434	4,434

	Quoted prices in active markets for identical instruments (Level 1) S$'000	Significant observable inputs other than quoted prices (Level 2) S$'000	Significant unobservable inputs (Level 3) S$'000	Total S$'000
Group and Company				
31 December 2020				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income (Note 16)				
— Non–quoted equity investment	–	–	3,773	3,773
Financial assets at fair value through profit or loss (Note 16)				
— Non–quoted equity investments	–	–	15,423	15,423

The Group has certain shares listed on the Shanghai Stock Exchange which are subject to restriction on sales for defined periods. The fair value measurement reflected the effect of such restriction with an adjustment to the quoted price which is unobservable inputs.

35. FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(b) Assets and liabilities measured at fair value *(continued)*

The movements in fair value measurements within Level 3 during the year are as follows:

	Group	
	2021	2020
	S$'000	S$'000
Carrying amount as at 1 January	**19,196**	12,367
Gain or losses for the period:		
— Included in profit or loss	**868**	868
— Included in other comprehensive income	**6,186**	(119)
Purchases, issues, sales:		
— Purchases	**2,438**	5,908
— Sales	**(4,194)**	—
Exchange differences	**580**	172
Reclassification to investment in associates (Note 16)	**(8,608)**	—
Arising from acquisition of subsidiary (Note 15b)	**7,597**	—
	24,063	19,196

(i) ***Financial instruments whose carrying amounts approximate to their fair values***

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from/to subsidiaries, trade payables, financial liabilities included in other payables and accruals, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short-term in nature.

(ii) ***Level 3 fair value measurements***

The fair values of the unquoted equity investments have been estimated using market approach based on market multiples derived from a set of comparable companies. The valuation requires management to make certain assumptions about the model inputs, including listed comparable companies, volatility in the share price and discount for lack of marketability ("DLOM"). The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2021 are shown below:

35. FAIR VALUE OF ASSETS AND LIABILITIES *(continued)*

(b) Assets and liabilities measured at fair value *(continued)*

As at 31 December 2021

Valuation technique	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) impact on other comprehensive income S$'000
Market Comparable Companies	Market Multiple	9.3x to 55.9x	5% (5%)	(505)
	DLOM	30%	5% (5%)	731 (731)

Valuation technique	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) impact to profit or loss S$'000
Net asset value	N/A	N/A	N/A	N/A
Market comparable companies	Market Multiple	7.4x to 26.9x	5% (5%)	170 (170)

As at 31 December 2020

Valuation technique	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) impact on other comprehensive income S$'000
Market Comparable Companies	Market Multiple	12.0x to 80.9x	5% (5%)	128 (128)
	DLOM	23%	5% (5%)	(56) 56

Valuation technique	Significant unobservable inputs	Range	Increase/(decrease) in unobservable inputs	Favourable/ (unfavourable) impact on profit or loss S$'000
Market Comparable Companies	Market Multiple	0.6x to 41.9x	5% (5%)	554 (554)
	DLOM	21% to 30%	5% (5%)	(171) 171

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group and the Company's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

The Group and Company trades only with recognised and creditworthy third parties. It is the Group and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group and the Company's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group and the Company does not offer credit terms without the specific approval of the chief financial officer.

The credit risk of the Group and the Company's other financial assets, which comprise cash and cash equivalents, investment securities and other financial assets include in Note 20, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group and the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group and the Company as the customer bases of the Group and the Company's trade receivables are widely dispersed in different sectors and industries.

The Group and the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group and the Company have determined the default event on a financial asset to be when the counterparty fails to make contractual payments, which are derived based on the Group and the Company's historical information.

The Group and the Company consider available reasonable and supportive forwarding-looking information which includes the following indicators:

— Credit rating.

— Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.

— Significant increases in credit risk on other financial instruments of the same debtor.

— Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk *(continued)*

The Group determined that its financial assets are credit-impaired when:

— There is significant difficulty of the issuer or the debtor

— A breach of contract, such as a default or past due event

— It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 31 December 2021 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the country and market credit rating will deteriorate over the next year, leading to an increased number of defaults.

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

Excessive risk concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other countries. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the end of the reporting period, the Group and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Credit risk *(continued)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2021		2020	
	S$'000	% of total	S$'000	% of total
By country:				
Singapore	25,127	77.9	16,262	91.6
The United States	2,232	6.9	753	4.2
Mainland China	3,057	9.5	567	3.2
The Philippines	488	1.5	90	0.5
Japan	452	1.4	—	—
Others	896	2.8	72	0.5
	32,252	100.0	17,744	100.0

For the year ended 31 December 2021, approximately 69.9% (2020: 64.6%) of the Group's total revenue was derived from a major customer. At the end of the reporting period, approximately 70.0% (2020: 78.8%) of the trade receivables balance of the Group is due from a major customer.

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. Bank borrowing is a preferred source of financing to ensure continuity of funding. The Group also ensures availability of bank credit facilities to address any short-term funding requirement.

The Group's surplus funds are also managed centrally by placing them with reputable financial institutions on varying maturities.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

Analysis of financial instruments by remaining contractual maturities

The maturity profile of the Group's financial liabilities at the end of reporting period based on contractual undiscounted repayment, is as follows:

Group	2021 One year or less S$'000	One to five years S$'000	More than five years S$'000	Total S$'000
Financial liabilities:				
Trade payables	(34,803)	–	–	(34,803)
Financial liabilities included in other payables and accruals	(7,778)	–	–	(7,778)
Interest–bearing loans and borrowings	(13,958)	(7,229)	(85)	(21,272)
Total undiscounted financial liabilities	(56,539)	(7,229)	(85)	(63,853)

Group	2020 One year or less S$'000	One to five years S$'000	Total S$'000
Financial liabilities:			
Trade payables	(25,508)	–	(25,508)
Financial liabilities included in other payables and accruals	(2,783)	–	(2,783)
Interest–bearing loans and borrowings	(1,608)	(5,734)	(7,342)
Total undiscounted financial liabilities	(29,899)	(5,734)	(35,633)

Company	2021 One year or less S$'000	One to five years S$'000	Total S$'000
Financial liabilities:			
Trade payables	(4,984)	–	(4,984)
Financial liabilities included in other payables and accruals	(5,375)	–	(5,375)
Amount due to subsidiaries	(6,640)	–	(6,640)
Interest-bearing loans and borrowings	(8,993)	(7,198)	(16,191)
Total undiscounted financial liabilities	(25,992)	(7,198)	(33,190)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Liquidity risk *(continued)*

***Analysis of financial instruments by remaining contractual maturities** (continued)*

Company	One year or less S$'000	2020 One to five years S$'000	Total S$'000
Financial liabilities:			
Trade payables	(5,328)	—	(5,328)
Financial liabilities included in other payables and accruals	(1,970)	—	(1,970)
Amount due to subsidiaries	(3,788)	—	(3,788)
Interest–bearing loans and borrowings	(1,525)	(5,703)	(7,228)
Total undiscounted financial liabilities	(12,611)	(5,703)	(18,314)

(c) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 92.7% (2020: 98.4%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 58.8% (2020: 49.4%) of purchases were denominated in the units' functional currencies. The Group's trade receivables and trade payables balance at the end of the reporting period have similar exposures. As at 31 December 2021, the Group has no outstanding foreign currency forward exchange contract.

At present, the Group does not intend to seek to hedge its exposure to foreign exchange fluctuations. However, management constantly monitors the economic situation and the Group's foreign exchange risk profile and will consider appropriate hedging measures in the future should the need arise.

The Group also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in United States Dollar ("USD").

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant.

	Group	
	2021 S$'000 Profit before tax	2020 S$'000 Loss before tax
USD/SGD — strengthened 3% (2020: 3%)	**826**	(917)
— weakened 3% (2020: 3%)	**(826)**	917

37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

As disclosed in the statement of changes in equity, the subsidiaries of the Group in Mainland China are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2021 and 2020.

38. SEGMENT INFORMATION

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

(i) Electronics Manufacturing Services division ("EMS") focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.

(ii) Original Design Manufacturing division ("ODM"), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders, precision tools such as encapsulation moulds and dies and spare parts.

(iii) Investment, which primarily engages in providing fund management services and conducting investment activities in equity securities and funds.

During the year ended 31 December 2021, the Group completed the acquisition of a new subsidiary, Shanghai CEL Puyan, which is an equity investment company and a registered private equity fund manager. Its principal activities are provision of fund management services and investment activities in equity securities and funds. The Directors have assessed such segment and considered that it should be presented as a separate operating and reportable segment under the "Investment" segment.

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.

38. SEGMENT INFORMATION *(continued)*

	2021			
	EMS S$'000	ODM S$'000	Investment S$'000	Total S$'000
Segment revenue				
Sales to external customers	158,177	7,098	3,050	168,325
Intersegment sales	134,785	5,320	—	140,105
Reconciliation:	292,962	12,418	3,050	308,430
Elimination of intersegment sales				(140,105)
				168,325
Segment results	23,392	1,778	3,050	28,220
Other income and gains				4,627
Sales and marketing expenses				(3,420)
General and administrative expenses				(15,551)
Impairment loss on financial assets and other expenses				(2)
Finance costs				(380)
Share of results of associates				(22)
Profit before tax				13,472
Other segment information:				
Allowance for/(reversal of) inventory obsolescence	193	(13)	—	180
Depreciation and amortisation	2,780	542	2	3,324
Net fair value gains on investment securities	—	—	868	868
Capital expenditure*	4,386	69	14	4,469

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

38. SEGMENT INFORMATION *(continued)*

	2020		
	EMS S$'000	ODM S$'000	Total S$'000
Segment revenue			
Sales to external customers	68,929	2,050	70,979
Intersegment sales	40,809	498	41,307
	109,738	2,548	112,286
Reconciliation:			
Elimination of intersegment sales			(41,307)
			70,979
Segment results	6,594	(94)	6,500
Other income and gains			2,559
Sales and marketing expenses			(2,083)
General and administrative expenses			(9,477)
Impairment loss on financial assets and other expenses			(462)
Finance costs			(126)
Loss before tax			(3,089)
Other segment information:			
Allowance for inventory obsolescence	472	85	557
Depreciation and amortization	2,219	548	2,767
Capital expenditure*	2,608	183	2,791

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

Geographical information

(a) Revenue from external customers

	Revenue	
	2021 S$'000	2020 S$'000
Singapore	**127,821**	56,752
The United States	**20,041**	9,112
Mainland China	**12,742**	1,979
Japan	**2,170**	588
The Philippines	**1,571**	336
Other countries	**3,980**	2,212
	168,325	70,979

The revenue information above is based on the location of the customers.

38. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

(b) Non-current assets

	Non-current assets	
	2021	2020
	S$'000	S$'000
Mainland China	**23,464**	18,921
Singapore	**2,191**	3,200
Philippines	**987**	1,291
	26,642	23,412

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets and intangible assets.

Information about a major customer

Revenue from individual customers which amounted to more than 10% of the Group's revenue is set out below:

	2021	2020
	S$'000	S$'000
Customer A	**117,668**	45,883
Customer B	*	7,972
	117,668	53,855

* Less than 10% of the Group's revenue.

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company, Continuumm Technologies Pte. Ltd. ("Continuumm") and Synesys Technologies Pte. Ltd. ("Synesys") signed a shares subscription and shareholder agreement on 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, representing 49% equity interest for a consideration of S$2,113,725 in cash. Synesys is the parent company of Continuumm and both Synesys and Continuumm are independent third parties. Continuumm has 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.

40. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 30 March 2022.