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Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) is pleased to announce the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

Highlight

	For the year ended			Percentage Change
	31 December 2021	2020	Change	
	(S\$’000)	(S\$’000)	(S\$’000)	
Revenue	168,325	70,979	97,346	137.1%
Gross profit	28,220	6,500	21,720	334.2%
Profit/(loss) for the year	12,556	(2,837)	15,393	542.6%
EBITDA <i>(Note 1)</i>	17,403	(196)	17,599	8,979.1%
Basic and diluted earnings/(loss) per share attributable to equity holders of the parent (Singapore cents)	1.32	(0.31)	1.63	525.8%

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

* For identification purpose only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
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		(380)	(126)
Share of results of associates		(104)	—
Profit/(loss) before tax	7	13,699	(3,089)
Income tax (expense)/credit	8	(1,143)	252
Profit/(loss) for the year		12,556	(2,837)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		3,070	1,483
<i>Items that will not be reclassified to profit or loss</i>			
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)	9	1.32	(0.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Non-current assets			
Property, plant and equipment		24,179	19,769
Right-of-use assets		2,255	3,188
Intangible assets		208	455
Investment securities	<i>11</i>	24,063	19,196
Investment in associates	<i>12</i>	11,464	—
Deferred tax assets		907	126
Advance payment for property, plant and equipment		3	607
Total non-current assets		63,079	43,341
Current assets			
Inventories	<i>13</i>	52,266	34,754
Trade receivables	<i>14</i>	32,252	17,744
Prepayments, deposits and other receivables		5,833	4,045
Cash and cash equivalents	<i>15</i>	41,706	25,259
Total current assets		132,057	81,802
Current liabilities			
Trade payables	<i>16</i>	34,803	25,508
Other payables and accruals		9,606	3,664
Provision for warranty		41	12
Interest-bearing loans and borrowings	<i>17</i>	13,762	1,459
Income tax payable		1,436	9
Total current liabilities		59,648	30,652
Net current assets		72,409	51,150
Non-current liabilities			
Deferred tax liabilities		160	—
Interest-bearing loans and borrowings	<i>17</i>	7,030	5,545
Total non-current liabilities		7,190	5,545
Net assets		128,298	88,946
Equity			
Share capital	<i>18</i>	91,293	84,857
Reserves		22,130	2,534
Equity attributable to equity holders of the parent		113,423	87,391
Non-controlling interests		14,875	1,555
Total equity		128,298	88,946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

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

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

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

3. SEGMENT INFORMATION

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

- (i) EMS focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.

- (ii) ODM, which is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group’s own “Kinergy” brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders; and precision tools such as encapsulation moulds, 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 51.03% interest in 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.

Revenue breakdown by business segments

The following table sets out our revenue by business segments for the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	2021		2020	
	<i>S\$’000</i>	<i>%</i>	<i>S\$’000</i>	<i>%</i>
EMS	158,177	94.0	68,929	97.1
ODM	7,098	4.2	2,050	2.9
Investment	3,050	1.8	—	—
	<u>168,325</u>	<u>100.0</u>	<u>70,979</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the years ended 31 December 2021 and 2020. It should be noted that the following breakdown is based on the locations of our customers. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products are used may be different from where our customers are located.

	For the year ended 31 December			
	2021		2020	
	S\$'000	%	S\$'000	%
Singapore	127,820	75.9	56,752	80.0
The United States	20,041	11.9	9,112	12.8
Mainland China	12,742	7.6	1,979	2.8
Japan	2,170	1.3	588	0.8
The Philippines	1,571	0.9	336	0.5
Other countries	3,981	2.4	2,212	3.1
	<u>168,325</u>	<u>100.0</u>	<u>70,979</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

Type of goods or services	EMS		ODM		Investment		Total revenue	
	For the year ended 31 December							
	2021	2020	2021	2020	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
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
	<u>158,177</u>	<u>68,929</u>	<u>7,098</u>	<u>2,050</u>	<u>3,050</u>	<u>—</u>	<u>168,325</u>	<u>70,979</u>
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	—
	<u>158,177</u>	<u>68,929</u>	<u>7,098</u>	<u>2,050</u>	<u>3,050</u>	<u>—</u>	<u>168,325</u>	<u>70,979</u>

5. OTHER INCOME AND GAINS

	For the year ended 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Other income		
Government grants*	1,438	1,654
Bank interest income	281	201
Service income	12	119
Rental income	13	121
Others	66	34
	<u>1,810</u>	<u>2,129</u>
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
	<u>2,817</u>	<u>430</u>
	<u><u>4,627</u></u>	<u><u>2,559</u></u>

* 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 granted under Jobs Support Scheme and Job Growth Incentive programs announced by the Singapore government which are aimed 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) was the incentive granted by the PRC government 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

	For the year ended 31 December	
	2021 S\$'000	2020 S\$'000
Write-off of financial assets — trade receivables	2	22
Foreign exchange differences, net	—	440
	<u>2</u>	<u>462</u>

7. PROFIT/(LOSS) BEFORE TAX

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

	For the year ended 31 December	
	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	<u>(43)</u>	<u>(16)</u>

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

8. INCOME TAX (EXPENSE)/CREDIT

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:

	For the year ended	
	31 December	
	2021	2020
	S\$'000	S\$'000
Current income tax:		
— Current income taxation	(1,735)	(13)
— Over/(under) provision in respect of previous years	2	(2)
	<u>(1,733)</u>	<u>(15)</u>
Deferred income tax:		
— Origination and reversal of temporary differences	590	302
— Under provision in respect of previous years	—	(35)
	<u>590</u>	<u>267</u>
Income tax (expense)/credit recognised in profit or loss	<u><u>(1,143)</u></u>	<u><u>252</u></u>

Unrecognised tax losses

As at 31 December 2021, the Group has no unabsorbed tax losses (2020: S\$4,733,000) that are available to offset against future taxable profits of the companies in which losses arose, for which no deferred tax assets is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

9. 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 loss per share calculations:

	For the year ended	
	31 December	
	2021	2020
	S\$'000	S\$'000
Profit/(loss)		
Profit/(loss) for the year attributable to equity holders of the parent	<u>11,933</u>	<u>(2,660)</u>
	As at 31 December	
	2021	2020
Number of shares		
Weighted average number of ordinary shares	<u>904,055,957</u>	<u>857,443,045</u>
Earnings/(loss) per share attributable to equity holders of the parent		
Basic and diluted (Singapore cents)	<u>1.32</u>	<u>(0.31)</u>

10. DIVIDENDS

	For the year ended	
	31 December	
	2021	2020
	S\$'000	S\$'000
Declared and paid during the year:		
<i>Dividend on ordinary shares:</i>		
— 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
	<u>1,197</u>	<u>858</u>
Proposed but not recognised as a liability as at 31 December		
<i>Dividend on ordinary shares, subject to shareholders' approval at the AGM</i>		
— Final exempt (one-tier) dividend for 2021: 0.52 Singapore cents per share	4,786	—
	<u>4,786</u>	<u>—</u>

11. INVESTMENT SECURITIES

	As at 31 December	
	2021	2020
	S\$'000	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
	<u>24,063</u>	<u>19,196</u>

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.

As at 1 January 2021, the Group's investment in 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 during the year, the Group 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.

12. INVESTMENT IN ASSOCIATES

The Group's investment in associates are summarised below:

	As at 31 December	
	2021	2020
	S\$'000	S\$'000
Nantong Intelligent Fund	8,937	—
Nanyang Fund	2,527	—
	<u>11,464</u>	<u>—</u>

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	2020
<i>Held through subsidiaries:</i>				
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 was not deemed to have significant influence over Nantong Intelligent Fund. For further details, please refer to the above Note 11, "Investment securities".

During the year ended 31 December 2021, the Group through its subsidiary, KIE, contributed S\$2,549,000 (equivalent to RMB12,000,000) in cash into Nanyang Fund. Such contribution represents 20% interest in Nanyang Fund.

13. INVENTORIES

	As at 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Raw materials	38,337	26,472
Work-in-progress	9,906	5,570
Finished goods	4,023	2,712
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	52,266	34,754

14. TRADE RECEIVABLES

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

	As at 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	15,174	17,429
— 31 to 60 days	14,204	164
— 61 to 90 days	1,648	76
— Over 90 days	1,226	75
	<hr/>	<hr/>
	32,252	17,744

15. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Cash and bank balances	28,801	25,259
Short-term deposits	12,905	—
	<hr/>	<hr/>
	41,706	25,259

16. TRADE PAYABLES

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

	As at 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
— 0 to 30 days	13,412	11,218
— 31 to 60 days	9,466	8,495
— 61 to 90 days	6,087	4,087
— Over 90 days	5,838	1,708
	<u>34,803</u>	<u>25,508</u>

17. INTEREST-BEARING LOANS AND BORROWINGS

	As at 31 December	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Lease liabilities	1,038	2,004
2.0% unsecured bank loan of S\$5,000,000	4,599	5,000
2.5% unsecured bank loan of S\$5,000,000	4,528	—
Unsecured bank trade financing	9,914	—
Bank overdrafts	713	—
	<u>20,792</u>	<u>7,004</u>
Repayable:		
— Not later than 1 year	13,762	1,459
— Later than 1 year but not later than 2 years	2,236	2,168
— Later than 2 years but not later than 5 years	4,723	3,377
— More than 5 years	71	—
	<u>20,792</u>	<u>7,004</u>

18. SHARE CAPITAL AND TREASURY SHARES

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	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020 and 1 January 2021	857,419,324	84,857
Ordinary shares issued ⁽²⁾	<u>62,974,070</u>	<u>6,436</u>
As at 31 December 2021	<u><u>920,393,394</u></u>	<u><u>91,293</u></u>

⁽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.

b. Treasury shares

	Number of shares	Amount S\$'000
As at 1 January 2020	492,000	52
Shares repurchased	760,000	81
Shares cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020 and 31 December 2021	<u><u>—</u></u>	<u><u>—</u></u>

19. 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 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 49.0% of its 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.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have three divisions, namely EMS, ODM and investment divisions. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. Our investment division focuses primarily on providing fund management services and conducting investment activities in equity securities and funds.

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

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		Percentage change
	2021 S\$'000	2020 S\$'000	
EMS	134,785	62,335	116.2%
ODM	5,320	2,144	148.1%
Investment	—	—	N/A
	<u>140,105</u>	<u>64,479</u>	<u>117.3%</u>

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. The increase 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\$5.8 million or 60.8% 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	<u>18,558</u>	<u>4,636</u>
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	<u>724</u>	<u>(419)</u>
Cash and cash equivalents at 31 December	<u><u>41,706</u></u>	<u><u>25,259</u></u>

Net cash flow used in operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit/(loss) before taxation for the year adjusted for (i) non-cash 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\$21.3 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
	<hr/>
	27,275
	<hr/> <hr/>

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 19, "Events occurring after the reporting period" to this announcement, 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 11 and 12, "Investment securities" and "Investment in associates" to this announcement, there were no other significant investments held, material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2021.

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 AND CLOSURE OF REGISTER OF MEMBERS

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.

CORPORATE GOVERNANCE CODE

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

The Company has complied with all the code provisions of the Corporate Governance Code during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Upon specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY 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. The gross proceeds and net proceeds raised under the Share Subscription Agreements were approximately S\$6,436,000 and approximately S\$6,361,000 respectively.

Save as disclosed above and Note 18, “Share capital and treasury shares” to this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2021.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The consolidated financial statements of the Group for the year ended 31 December 2021 have been reviewed by the audit committee, comprising solely the independent non-executive Directors of the Company.

SCOPE OF WORK OF THE AUDITORS ON THE ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the annual announcement of the Group’s results for the year ended 31 December 2021 have been agreed by the Group’s auditors, Ernst & Young LLP (the “**Auditors**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by the Auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Auditors on this announcement.

PUBLICATION OF RESULT ANNOUNCEMENT AND ANNUAL REPORT

This annual result announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.kinergy.com.sg>). An annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Chongqing CEL”	Chongqing CEL Equity Investment Management Co., Ltd.* (重慶光控股權投資管理有限公司), an investment holding company established in the PRC with limited liability on 7 June 2011 and a connected person of the Company

“Company”	Kinergy Corporation Ltd. (光控精技有限公司)*, a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	code on corporate governance practices as set out in Appendix 14 to the Listing Rules that are applicable to the Company for the reporting year
“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we” or “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinguan Electric”	Jinguan Electric Company Limited* (金冠電氣股份有限公司), a joint stock company established in the PRC on 28 March 2005
“KIE”	Kinergy Intelligent Manufacturing Equipment (Nantong) Co. Ltd* (精技智能裝備(南通)有限公司), a limited liability company established in the PRC on 2 April 2020, which is a wholly-owned subsidiary of the Company
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業 (有限合夥)), a limited partnership established in the PRC on 12 September 2019

“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 30 July 2021 pursuant to the Fund Partnership Agreement
“ODM”	Original Design Manufacturing
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of the Republic of Singapore
“Shanghai CEL Puyan”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), a limited liability company established in the PRC on 6 July 2015 and has become an indirect non-wholly owned subsidiary of the Company since 8 January 2021
“Shareholder(s)”	the shareholder(s) of the Company
“Share Subscription Agreements”	the agreements entered into between the Company and the relevant parties on 15 December 2020 of which the relevant parties agreed to subscribe ordinary shares of the Company as announced by the Company in (i) the announcement dated 15 December 2020; (ii) the circular dated 23 February 2021 in relation to subscription agreement; (iii) the announcement dated 10 March 2021 in relation to the termination of first subscription agreement; (iv) the announcement dated 1 April 2021 in relation to the completed subscriptions; (v) the supplemental announcement dated 7 April 2021 in relation to the fifth connected subscription agreement; and (vi) the announcement dated 13 April 2021 in relation to the completion of the fifth connected subscription agreement
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“United States”	the United States of America
“USD”	United States Dollar, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 25 March 2022

* *For identification purpose only*

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