Kinergy Corporation Ltd.

光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302

Annual Report 2018

* For identification purpose only

CONTENTS

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 back-end 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.

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

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 subsystems, 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.

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 leadframe 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.

COMMITMENT TO QUALITY

At Kinergy, 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.

A three-time Enterprise 50-award winner (in 1999, 2000 and 2001) and headquartered in Singapore, Kinergy currently has manufacturing and service facilities in Singapore, the PRC and Philippines. We also have marketing presence in Japan and Malaysia.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lim Kuak Choi Leslie
(Chief Executive Officer)
Mr. Du Xiaotang

Non-executive Directors

Mr. Chen Shuang, *JP (Chairman)*
Ms. Foo Kaw Jee
Mr. Lim Khin Mann
(alternate Director to Ms. Foo Kaw Jee)
Mr. Bradley Fraser Kerr
Mr. Tsang Sui Cheong Frederick

Independent Non-executive Directors

Mr. Ng Tiak Soon
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei

BOARD COMMITTEES

Audit Committee

Mr. Ng Tiak Soon *(Chairman)*
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei

Nomination Committee

Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka *(Chairman)*
Mr. Bradley Fraser Kerr
Mr. Ng Tiak Soon

Remuneration Committee

Professor Zhang Wei *(Chairman)*
Mr. Chen Shuang
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka

AUTHORISED REPRESENTATIVES

Mr. Lim Kuak Choi Leslie
Ms. Wan Kim Ying Kasina

JOINT COMPANY SECRETARIES

Ms. Wan Kim Ying Kasina
Ms. Gn Jong Yuh Gwendolyn

JOINT COMPLIANCE ADVISERS

China Everbright Capital Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Guoyuan Capital (Hong Kong) Limited
22/F, CCB Tower
3 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Loeb & Loeb LLP
21/F, CCB Tower
3 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO SINGAPORE LAWS

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1 Robinson Road
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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 BANKER

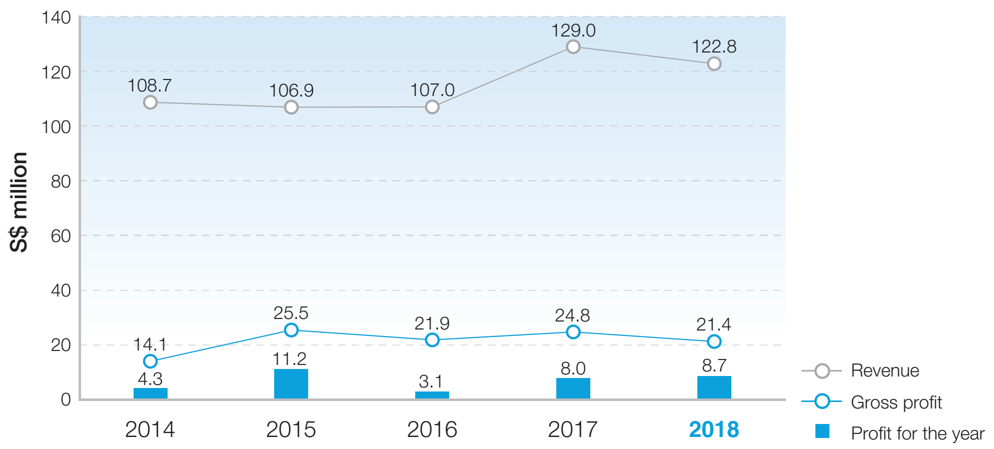
United Overseas Bank Limited

FINANCIAL HIGHLIGHTS AND SUMMARY

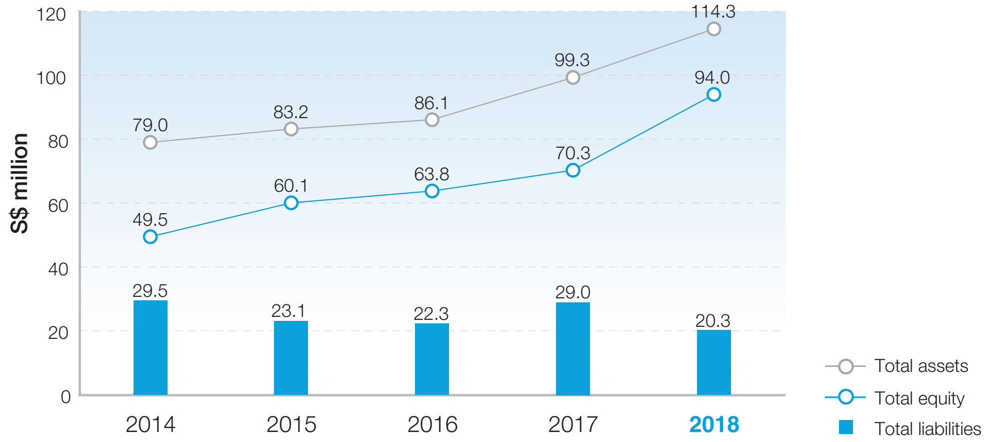
	For the Year Ended 31 December				
	2014 S$'000	2015 S$'000	2016 S$'000	2017 S$'000	**2018 S$'000**
Revenue	108,730	106,896	106,997	128,952	**122,809**
Gross profit	14,120	25,500	21,917	24,810	**21,414**
Profit before tax	5,422	13,963	3,661	9,865	**11,319**
Income tax expense	(1,099)	(2,729)	(565)	(1,833)	**(2,591)**
Profit for the year	4,323	11,234	3,096	8,032	**8,728**

	As at 31 December				
	2014 S$'000	2015 S$'000	2016 S$'000	2017 S$'000	**2018 S$'000**
Total assets	79,016	83,176	86,064	99,338	**114,322**
Total liabilities	(29,487)	(23,108)	(22,257)	(29,045)	**(20,291)**
Total equity	49,529	60,068	63,807	70,293	**94,031**

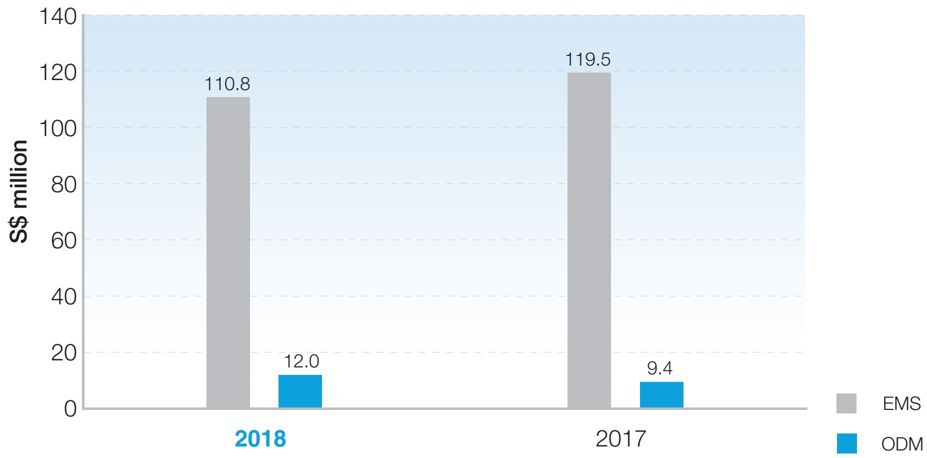
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME



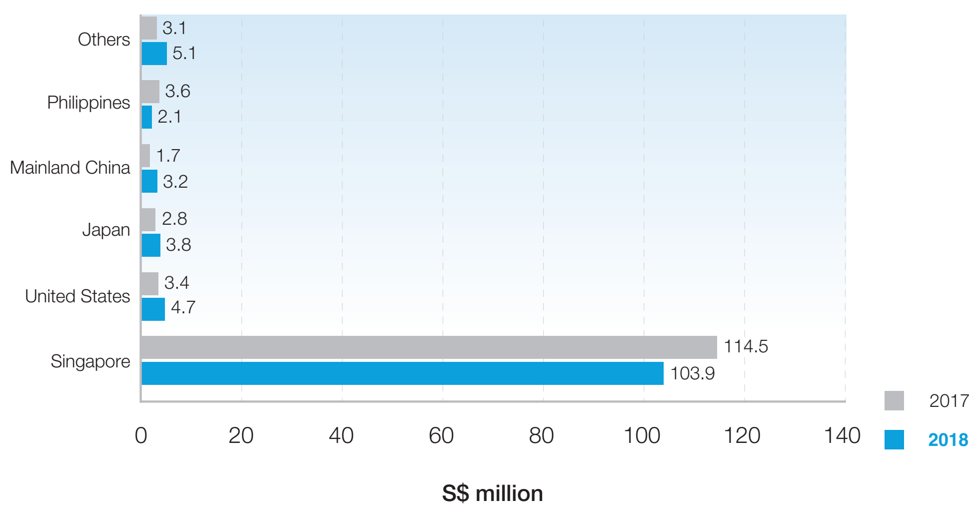
CONSOLIDATED STATEMENT OF FINANCIAL POSITION



SEGMENT REVENUE



GEOGRAPHICAL REVENUE



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I would like to present this annual report of the Group for the year ended 31 December 2018.

We are truly heartened to report that 2018 was a milestone year for Kinergy Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group"). On 18 July 2018, the Company successfully completed the initial public offering, raising gross proceeds of S$46.5 million. Of this, a sizeable number of shares were placed out across a diverse investor base, which includes prominent global fund investors.

The robust financial performance we have achieved in year 2018 together with the successful listing of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") resulted in a substantial boost to the Group's balance sheet. As at 31 December 2018, our cash position more than tripled as compared to the previous year to S$43.7 million. We believe that our current financial standing places us in a good position to pursue continued expansion either in our production capacity or strategic investment opportunities with the objective of continuing to create value for our shareholders.

FINANCIAL AND OPERATING PERFORMANCE

In 2018, the Group continued to maintain the momentum of our financial performance and increased profit for the year by 8.7% to S$8.7 million for the year ended 31 December 2018 despite uncertainty in semiconductor industry due to US-China trade tensions. We are also proud that some customers, including our major customers are making use of our design capabilities to add values (of quality, cost and/or delivery compression) to their businesses, or to leverage on our design skills to put more products in the marketplace. These design work will translate into new businesses for us.

We had, in the course of the year, successfully completed the construction of a new factory building in Nantong, the PRC, namely Nantong Facility II, which will allow us to increase our production capacity upon renovation and setting up of facilities and to capture business opportunities from the growth and development of the semiconductor industry.

LOOKING AHEAD

The prospect and outlook on the operating environment look favourable going forward, which is evidenced by favourable policies such as "Made in China 2025" (中國製造2025) and the "Thirteenth Five-year Development Plan for National Scientific and Technological Innovation" (十三五國家科技創新規劃) which steer the development of the domestic semiconductor sector in the PRC.

ACKNOWLEDGEMENTS

In summary, 2018 was a successful year for the Group. We have maintained our financial performance level and made significant progress in growing our manufacturing operation.

This is not an easy feat and I would like to take this opportunity to express my heartfelt appreciation to the Board of Directors, the executive leadership team and our employees for their steadfast commitment and dedication in driving the business forward. I look forward to working alongside all of you in the year ahead to deliver on our commitments and undertakings.

Last but not least, I would like to thank all our Shareholders for your continued trust and support.

Chen Shuang
Chairman

27 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor back-end equipment industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS division and ODM division. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own "Kinergy" brand for use in the semiconductor back-end equipment industry. The Group's revenue mainly derived from the EMS division, which accounted for approximately 90.2% of total revenue and ODM division accounted for approximately 9.8% of total revenue for the year ended 31 December 2018.

2. BUSINESS REVIEW AND PROSPECT

Year 2018 marks another new milestone for the Group following the completion of the listing (the "Listing") of shares of our Company (the "Shares") on 18 July 2018. Since our Listing, the Group has strived to expand its business. During the year, the Group completed the construction of a new factory building in Nantong, the PRC, namely Nantong Facility II, which will allow us to increase our production capacity upon renovation and setting up of facilities and to capture business opportunities from the growth and development of the semiconductor industry.

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

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

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

The semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, artificial intelligence and internet of things. We expect that these markets of application will continue its growth and will drive the same pace of growth for the semiconductor industry we have seen in the past years. We expect the proceeds from the Listing will allow us to proceed on the implementation of our future plans despite the threat of trade wars and signs of the coming of recession which posed a caveat to the otherwise favourable development of the semiconductor business. The Group is actively exploring business opportunities and will take extra care to prioritise capital expenditure to maximise return for our Shareholders.

3. FINANCIAL REVIEW

Revenue

We derive revenue mainly from our Electronics Manufacturing Services ("EMS") and Original Design Manufacturing ("ODM") businesses. The following table sets forth the components of our revenue by operating segment for the years indicated:

	For the year ended 31 December		
	2018	2017	% of change
	S$'000	S$'000	
EMS	**110,783**	119,527	−7.3%
ODM	**12,026**	9,425	27.6%
	122,809	128,952	−4.8%

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

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

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

Cost of sales

Cost of sales primarily consists of material costs, labor costs, rental expenses and depreciation expenses. The following table sets forth a breakdown of our cost of sales by operating segment for the years indicated:

	For the year ended 31 December		
	2018	2017	% of change
	S$'000	S$'000	
EMS	**93,020**	96,430	−3.5%
ODM	**8,375**	7,712	8.6%
	101,395	104,142	−2.6%

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

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

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

Gross profit

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

Other income and gains

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

Sales and marketing expenses

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

General and administration expenses

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

Impairment loss on financial assets and other expense

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

Finance cost

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

Profit before tax

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

Income tax expense

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

Profit for the year

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

LIQUIDITY AND CAPITAL RESOURCES

As at 31 December 2018, the Group had cash and cash equivalents of approximately S$43.7 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Cash flow

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

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

Net cash flow generated from operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and amortisation of prepaid land lease payments and intangible assets, gain from disposal of property, plant and equipment and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including changes in inventories, trade and other receivables and trade and other payables which lead to cash generated from operations; and interest income received, interest expense paid and income tax paid, which resulted in net cash flow generated from operating activities.

For the year ended 31 December 2018, the Group's net cash generated from operating activities was approximately S$10.5 million, primarily reflected (i) cash generated before working capital changes of approximately S$12.8 million; (ii) decrease in inventories of approximately S$4.8 million; and (iii) decrease in trade and other receivables of approximately S$4.0 million, which were partially offset by decrease in trade and other payables of approximately S$8.5 million and payment for tax of approximately S$3.0 million.

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

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

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

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

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

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

NET CURRENT ASSETS

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

CAPITAL EXPENDITURE

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

Capital and investment commitments

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

As at 31 December 2018, our 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 2018 S$'000
Contracted, but not provided for:	
Property, plant and equipment	656
Investment securities	22,678
	23,334

INDEBTEDNESS

Bank loan and other borrowings

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

Contingent liabilities

As at 31 December 2018, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents and pledged deposits at the end of the year divided by total equity at the end of the year. Net debt to equity ratio is not applicable to the Group as the Group had no outstanding interest-bearing bank loan and other borrowings as at 31 December 2018 (2017: Nil).

Gearing ratio

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in Note 35 to the Financial Statements of this annual report, the Group did not have other plans for material investments.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in this annual report, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the financial year ended 31 December 2018.

USE OF PROCEEDS FROM LISTING

We estimated the aggregated net proceeds to use from the Listing to be approximately S$35.6 million. After the partial exercise of the Over-allotment Options (as defined in the prospectus of the Company dated 30 June 2018 (the "Prospectus")) and after deducting underwriting commissions and all related expenses, the net proceeds from the Listing amounted to S$40.4 million.

The Directors confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus. However, in light of the uncertainty posed by the trade tension between the U.S. and China, the Directors expect that there will be a delay in the utilisation of proceeds from the Listing. The Board will continue to closely monitor the utilisation of proceeds with reference to the use of proceeds as disclosed in the Prospectus.

The table below sets out the breakdown of the use of proceeds from Listing:

Use of proceeds	Allocation (% of net proceeds)	Allocation (S$' million of net proceeds)	Utilisation as at 31 December 2018 (S$'million)	Unutilised balance as at 31 December 2018 (S$'million)	Expected time of full utilisation of the unutilised balance
Expansion of production capacity	40.4	16.3	0.3	16.0	4th Quarter 2020
Development and acquisition of engineering and technological knowledge	29.3	11.8	1.4	10.4	4th Quarter 2020
Expansion of our marketing activities in Japan, Europe and the United States	17.6	7.1	N/A*	7.1	4th Quarter 2020
Strengthening our research and development	11.7	4.7	0.5	4.2	4th Quarter 2019
General working capital	1.0	0.5	—	0.5	4th Quarter 2019
	100.0	40.4	2.2	38.2	

* The amount is less than S$100,000.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PLEDGE OF ASSETS

As at 31 December 2018, the Group did not pledge any assets.

HUMAN RESOURCES

As at 31 December 2018, the Group had 532 employees. The employees benefit expense incurred during the year ended 31 December 2018 was approximately S$18.2 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local government. The Group's remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. Besides offering competitive remuneration packages, the Company adopted a share option scheme with the objectives to recognise contributions made by the eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labour disputes during the year ended 31 December 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

DIVIDEND

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

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Mr. Lim Kuak Choi Leslie (林國財), aged 73, 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 spouse of Ms. Foo Kaw Jee, a non-executive Director and the father of Mr. Lim Khin Mann, the alternate Director to Ms. Foo Kaw Jee.

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., Kinergy Japan K.K.* and Kinergy Pte. Ltd., as well as the director and legal representative of each of Kinergy EMS (Nantong) Company Limited* ("Kinergy EMS"), Beta Nova Electronics Company Limited* ("Beta Nova") and Kinergy Mechatronics Shanghai Company Limited* ("Kinergy Mechatronics"). Kinergy Pte. Ltd. is currently in the process of voluntary winding up.

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 45, is an executive Director. He joined the Group in October 2016. Mr. Du is also the supervisor of our subsidiaries, namely Kinergy EMS, Beta Nova and Kinergy Mechatronics and the assistant chief executive officer of the Company.

Mr. Du has over 15 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.

Mr. Du is currently a department managing director of China Everbright Limited ("CEL", stock code: 165.HK), one of the controlling shareholders of the Company, and a director of Everbright (Qingdao) Investment Co., Limited (光大控股(青島)投資有限公司), a subsidiary of CEL. Mr. Du is also an independent director of Sichuan Jinlu Group Co., Ltd. (四川金路集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000510) and principally engaged in production and sales of chemical products such as PVC and caustic soda in the PRC, since April 2017 and an independent non-executive director of China Tianrui Group Cement Company Limited, a company listed on the Stock Exchange (stock code: 1252) since 11 June 2014.

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.

NON-EXECUTIVE DIRECTORS

Mr. Chen Shuang, JP (陳爽), aged 51, is the Chairman of the Board and a Non-executive Director of the Company. He joined the Group in December 2017. Mr. Chen is also a member of the Remuneration Committee of the Company.

Mr. Chen is an executive director and deputy general manager of China Everbright Holdings Company Limited, and an executive director and the chief executive officer of CEL and a director of China Everbright Venture Capital Limited and Diamond Wealth Global Limited, all being controlling shareholders of the Company. He is also the chairman and an executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK) and the chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH). He is currently a member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council, the permanent honorary chairman of Chinese Financial Association of Hong Kong, the chairman of Hong Kong Aircraft Leasing and Aviation Finance Association, a visiting professor of East China University of Political Science and Law, the vice-chairman of China Mergers and Acquisitions Association, the vice-chairman of Chinese Securities Association of Hong Kong, a member of the strategic committee of France China Foundation, a council member of Chinese Foundation for Lifeline Express and a counsellor of Our Hong Kong Foundation. Previously, Mr. Chen was a non-official member of Financial Services Development Council of the Hong Kong Special Administrative Region. Mr. Chen holds a master of laws degree from East China University of Political Science and Law and a diploma in legal studies from the HKU School of Professional and Continuing Education. He is a qualified lawyer in the PRC and a senior economist. Prior to joining China Everbright Group, Mr. Chen was the chief of the legal department of Bank of Communications. He has over 26 years of extensive experience in commercial banking and investment banking.

Ms. Foo Kaw Jee (符皓玉), aged 71, is a non-executive Director. Ms. Foo has been our Director since the incorporation of our Company in January 1988. Ms. Foo is the spouse of Mr. Lim and the mother of Mr. Lim Khin Mann.

Ms. Foo has more than 30 years of entrepreneurial experiences in strategic planning and operational management. Ms. Foo commenced her career as a teacher in Singapore Government Schools in October 1964 and served there for approximately 17 years. Prior to the appointment of a Director, Ms. Foo was appointed as the director of Precision Carbide Tooling Pte Ltd, the holding company of our Company which was dealing in the manufacture of semiconductor tooling, in May 1988. In January 1988, Ms. Foo together with Mr. Lim founded our Company and served as a Director. Ms. Foo has been a director of Kinergy Pte. Ltd. since December 2013. Kinergy Pte. Ltd. is currently in the process of voluntary winding up.

Ms. Foo obtained a Certificate in Education from Singapore Teachers' Training College in Singapore in December 1967.

Mr. Lim Khin Mann (林欽銘), aged 47, is the alternate Director to Ms. Foo Kaw Jee and business development manager of the Company. Mr. Lim Khin Mann joined the Group in December 2015 and was appointed as an alternate Director in February 2017. 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 20 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 is also a director of Kinergy EMS, Beta Nova and Kinergy Mechatronics.

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

Mr. Bradley Fraser Kerr, aged 72 is the non-executive Director and a member of the nomination committee of the Company. Mr. Kerr joined our Group since September 2000.

Mr. Kerr has over 18 years of experience in corporate finance industry and over 26 years of experience in manufacturing and trading industry. He worked for Citibank N.A. in New York from August 1973 to April 1976, where he last held the position of assistant vice president, before moving on to Chase Manhattan Bank N.A. in New York and Hong Kong, where he held the position of vice president from April 1976 to December 1991. Whilst assuming senior managerial roles of the foregoing entities, Mr. Kerr was primarily involved in the retail banking and credit card operations sectors. Subsequently from April 1992 to present, Mr. Kerr was a director of Ustra Limited in Hong Kong, which is in the principal business of retail distribution of paper products. He was also appointed as a director of Precision Carbide Tooling Pte Ltd, the then holding company of our Company which was dealing in the manufacture of semiconductor tooling, in December 1992.

Mr. Kerr obtained a Bachelor of Arts degree from Rutgers University in the US in May 1968 and a Master in Business Administration degree from the University of Tennessee in the US in June 1973.

Mr. Tsang Sui Cheong, Frederick (曾瑞昌), aged 59, is a non-executive Director of the Company. He joined the Group in October 2016.

Mr. Tsang is the chief risk officer of CEL and a director of China Everbright Venture Capital Limited and Diamond Wealth Global Limited, all being controlling shareholders of the Company. He is also a supervisor of Everbright Jiabao Co., Ltd. (stock code: 600622.SH). Mr. Tsang is a Chartered Financial Analyst and was the president of The Hong Kong Society of Financial Analysts Limited from 2012 to 2015. Since November 2016, Mr. Tsang has been appointed by Financial Services and the Treasury Bureau as a member of the Process Review Panel for the Securities and Future Commission of Hong Kong (the "SFC"). The appointment has been extended to October 2020. He served as a Member of the Advisory Committee of the SFC from 2011 to 2017. Mr. Tsang was also a member of the Securities and Futures Appeals Tribunal from 2009 to 2015. He holds a bachelor's degree in arts and a master's degree in arts, majoring in economics and finance. Mr. Tsang joined CEL in February 2000, and has over 34 years of experience in the financial industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Tiak Soon (黃哲順), aged 69, 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 was first appointed as an independent non-executive Director on 29 December 2006 and ceased to be a Director when our Company was delisted from the Catalist Board of the SGX-ST in March 2013. He has rejoined the Board as an independent non-executive Director since 19 June 2018.

Mr. Ng has over 30 years of experience in the audit, commercial and industrial sectors. In 1973, he joined Price Waterhouse and was with them until 1982 where the last position he held was as an audit manager. Mr. Ng left Price Waterhouse to be the group internal audit manager of the Harapan Group in May 1982, where he remained until August 1986. Mr. Ng served Ernst & Young LLP in Singapore since 1986 and retired in June 2005 as a partner. During his employment with Ernst & Young LLP, he held various positions which include head of banking, head of an audit group, partner-in-charge of audit quality review and chief financial officer. Mr. Ng served as an independent director of St. James Holdings Limited (now known as Perennial Real Estate Holdings Limited) (stock code: 5NH), a company listed on the Catalist Board of the SGX-ST, between August 2008 and October 2014, an independent director of Cordlife Group Limited (stock code: P8A), a company listed on the Mainboard of the SGX-ST, between November 2011 and October 2014 and an independent non-executive director of mDR Limited (stock code: A27), a company listed on the Mainboard of the SGX-ST, between November 2015 and May 2017.

Mr. Ng is currently an independent non-executive director of Parkson Retail Asia Limited (stock code: O9E), a company listed on the Mainboard of the SGX-ST, and an independent director of 800 Super Holdings Limited (stock code: 5TG) and Eurosports Global Limited (stock code: 5G1), both of which are listed on the Catalist Board of the SGX-ST. He is also a director of JurongHealth Fund which was established on 4 August 2011 as a company limited by guarantee to promote all medical and health-related services that are exclusively charitable and for the benefit of the Singapore community.

Mr. Ng is a member of the Institute of Singapore Chartered Accountant, a member of the Association of Chartered Certified Accountants, the UK as well as a member of the Singapore Institute of Directors.

Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, aged 57, 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 50, 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. 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) and 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) since September 2014 and September 2015, respectively.

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.

SENIOR MANAGEMENT

Mr. Henry Lee Wong, aged 58, is the chief operating officer of our Company and mainly responsible for our Group's strategic direction and operational performance.

Mr. Wong has over 35 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. Tay Kim Kah (鄭金呷), formerly known as Tee Kim Kah, aged 81, is the group financial controller of the Company and 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 joined our Group as a Director of the Company in January 2004. Mr. Tay has assumed key managerial roles in the subsidiaries of the Group, such as the director each of Kinergy Japan since June 2015, Kinergy EMS since June 2013, Beta Nova since September 2011 and Kinergy Mechatronics since July 2013.

Mr. Tay has over 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 UK in 1973.

Mr. Cham Toon How (詹尊豪), aged 63, 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 40 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. Tan Hee Choon (陳喜俊), aged 49, is the director of business development of our Group mainly responsible for business development, maintaining and strengthening customer relationships of our Group. Mr. Tan joined our Company in November 2005 as a senior business development executive, and was promoted to current position, director of business development, in January 2014.

Mr. Tan has over 26 years of experience in sales and handling customer relationships. Mr. Tan commenced his career in Leica Instrument Pte Ltd., the principal business of which is development and manufacturing microscopes and scientific instruments for the analysis of microstructures and nanostructures, as a line leader in 1989, primarily responsible for operating and sales management. After leaving Leica Instrument Pte Ltd., Mr. Tan served as a sales executive in Belgium Furnishing Pte. Ltd., a furnishings retailer, from 1989 to 1993, primarily responsible for customer service and maintaining and strengthening customer relationships. Before joining our Group, Mr. Tan served as a marketing manager in Sin Mah Decorama Home Furnishing Emporium Pte. Ltd. (now known as Sin Mah Decorama Pte. Ltd.), the principal business of which is decoration business, between 1994 and 2005, and he was primarily responsible for maintaining and developing customer relationships.

Mr. Tan obtained a diploma in Business Management from Management Development Institute of Singapore in February 2013

Mr. Lau Tay Hock (劉帝福), aged 60, 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 33 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. Sim Seng Chye (沈盛財), aged 58, is the director of manufacturing of our Group mainly responsible for control and management of EMS division.

Mr. Sim has over 35 years of experience in semiconductors and electronic products manufacturing. In February 1982, Mr. Sim served as a production supervisor in National Semiconductor (Pte) Ltd, the principal business of which is developing analog chips and embedded processors, and he was primarily responsible for the supervision of products. Subsequently Mr. Sim served as a senior production supervisor in Seagate Technology Singapore Pte Ltd and then a senior production manager in Seagate Technology International, from December 1985 to 30 September 1994. The last position held by Mr. Sim in Seagate Technology International was production director, primarily responsible for control and managing of operation. Mr. Sim first joined us in August 1998 as an operations manager (high-tech) sub-assembly), primarily responsible for manufacturing and operating strategic management. Thereafter Mr. Sim joined Avertronics Inc., a wire-harness and cable assembly projects manufacturer in Taiwan, in October 2000, and served us again in May 2004 as a vice president of operations until January 2006. Between April 2006 and January 2008, Mr. Sim served Celestica Electronics Malaysia Sdn Bhd, an electronic products manufacturer, as a general manager of the Johor facility, primarily responsible for assisting management for implementation of operation and strategic management planning. From April 2008 to June 2011, Mr. Sim served MMI Holding Ltd., a high-precision electromechanical components manufacturer, as a general manager, primarily responsible for assisting management for implementation of operation and strategic management planning. In July 2011, Mr. Sim joined Broadway Industrial Group Ltd., a manufacturer of precision-machined components for the electronics, automotive, oil and gas, as a general manager of Chongqing Broadway Foam Applications & Total Packaging Co. Ltd.'s manufacturing facilities in Chongqing and Chengdu, primarily responsible for assisting management for implementation of operation and strategic management planning. Mr. Sim then joined our Group as a director of manufacturing in May 2016.

Mr. Sim obtained a diploma in Supervisory Management Studies from the Institute of Supervisory Management in March 1982, and a certificate in Supervising Studies from Lancastrian School of Management in September 1981 in UK. In addition, Mr. Sim obtained a Bachelor of Science degree from Kennedy Western University in the US in October 1991, and obtained a Master of Arts degree from University of Hull in UK in July 2000.

Mr. Kow Wee Khiang Nicholas (高為強), aged 61, is the quality assurance director of our Company mainly responsible for quality management for EMS division for our Group.

Mr. Kow has over 34 years of experience in electronic, semiconductor, automation and precision tooling industry. From April 1984 to May 1987, Mr. Kow served Philips Singapore Private Limited, an electronics, healthcare and lighting products manufacturer, as a development engineer, primarily responsible for development process. Subsequently Mr. Kow worked for Miniscribe Peripherals (Private) Limited, a disk storage products manufacturer, as a manufacturing engineer for around a year, primarily responsible for manufacturing engineering, before Mr. Kow joined Micropolis Limited in September 1988 as a manufacturing engineer primarily responsible for process engineering. The principal business of Micropolis Limited is manufacturing high capacity drives and controllers. After left Micropolis Limited, Mr. Kow served Chartered Semiconductor Manufacturing Pte Ltd, the principal business of which is provision of comprehensive wafer fabrication services and technologies to semiconductor suppliers and systems companies, from March 1994 to November 1997, as a senior engineer, primarily responsible for total quality management. Thereafter Mr. Kow served SPT Asia Pte Ltd, a die and wire bonding tools manufacturer, as a process and QA engineering manager from December 1997 to December 2005, primarily responsible for control and managing quality of input and output. Before joined us, Mr. Kow also worked for Manufacturing Integration Technology Ltd, the principal business of which is design, development and distribution of automated equipment, as a QA manager (Grade M3) from January 2006 to May 2017, primarily responsible for control and managing quality of input and output. Mr. Kow joined us in June 2017.

Mr. Kow obtained a bachelor's degree of Engineering Mechanical from National University of Singapore in June 1984, and a Degree of Master of Science (Industrial Engineering) from National University of Singapore in June 1992. Mr. Kow also obtained the certificates of Certified Quality Engineer, Certified Reliability Engineer, Certified Quality Manager and Certified Black Belt Six Sigma in June 1992, October 1995, October 1999 and March 2006, respectively, from American Society of Quality.

Mr. Tiong Nang King (張南卿), aged 56, is the senior purchasing manager of our Company mainly responsible for material control and monitoring supplier's performance. Mr. Tiong joined us in July 1999 and was promoted to current position in October 2005.

Mr. Tiong has over 30 years of experience in semiconductor industry. From June 1987 to February 1989, Mr. Tiong served Flextronics (S) Pte Ltd., an electronics products manufacturer, as a procurement engineer, primarily responsible for sourcing electronic and mechanical components. Subsequently, Mr. Tiong worked for Maxtor Singapore Ltd., a disk drives manufacturer, as a Exempt Level 2/Procurement Engineer from February 1988 to April 1994, primarily responsible for purchasing and sourcing for assigned commodity and projects transfer. Mr. Tiong worked for Next Electronic Technology Pte Ltd., an electronics products manufacturer, as a materials manager for around one year, before Mr. Tiong joined Capital Parade Sdn Bhd in June 1995 as a procurement manager primarily responsible for control of inventory and material purchasing. The principal business of Capital Parade Sdn Bhd is power supply. After leaving Capital Parade Sdn Bhd, Mr. Tiong served Vikay Industrial Ltd., a LCD and LCD assembly manufacturer, from May 1996 to November 1997, as a purchasing manager, primarily responsible for control of inventory and material purchasing. Before joined us, Mr. Tiong also worked for TRI-M Technologies(s) Ltd., an electronics products manufacturer, as a purchasing manager from November 1997 to July 1999, primarily responsible for management of purchasing material and new sourcing.

Mr. Tiong obtained a Bachelor of Engineering in Electrical Engineering from University of New South Wales in Australia in April 1987.

Mr. Li Gong (李珙), aged 60, is the regional materials director of EMS division of our Company and is mainly responsible for material management for our Group.

Mr. Li has over 30 years of experiences in mechanical engineering, casting tool design and manufacture and material and supply chain management in manufacturing industry. He commenced his career in Beijing Coal Mining Equipment Factory* (北京煤礦機械廠), the principal business of which is design and manufacturing supporting equipment for comprehensive coal mining faces, as a engineer in October 1982, primarily responsible for planning and management in factory planning. Subsequently, Mr. Li joined HuaYuan Sci&Tech Development Company* (華苑科技拓展公司), a technology company, as a manager in September 1988, and he was primarily responsible for the performance and management of a number of projects in the company. He then joined us in March 1992 as a manager, primarily responsible for control and management of aluminium die casting tool design and manufacturing. Since June 1997, Mr. Li was appointed as a QRA manager of the EMS division and was involved in the application for the ISO 9002 certification, which was awarded to us in 1999. Mr. Li left us in May 1999 and joined Pioneer Die-casting Industrial, a high precision die castings products manufacturer, as a engineering manager. Thereafter, Mr. Li served us again from April 2001 to September 2005 as a materials director. From September 2005 to December 2007, Mr. Li served as a commodity manager in Powerwave Technologies, Inc., a hardware, software and telecommunications service providers in the US, primarily responsible for strategizing and managing commodity function. From January 2008 to August 2013, Mr. Li served as a commodities and supplier quality manager in Solfocus, Inc., the principal business of which is developing, manufacturing and deploying concentrator photovoltaic systems, and he was primarily responsible for controlling supply quality. During the same period, Mr. Li also served as a manager in HCPV Solar Power System Innovation and MGF, a solar related products manufacturer, and he was primarily responsible for commodity and quality control in Asia. From August 2013 to March 2015, Mr. Li served QBotix Inc. and Suzhou Industrial Park Hexin Clean Electric Appliance Co., Ltd. as a representative of Asia manufacturing and chief operating officer respectively, and he was primarily responsible for company's product quality and delivery and strategy management in China. The principal business of QBotix Inc. is development of robotic operated tracking systems for photovoltaic solar farms. The principal business of Suzhou Industrial Park Hexin Clean Electric Appliance Co., Ltd. Is manufacturing and packaging of LED light emitting products. Mr. Li rejoined us in March 2015 as the regional materials director of EMS division.

Mr. Li obtained a bachelor's degree in Mechanical Engineering from China University of Mining and Technology in the PRC in 1982. Mr. Li also obtained a graduation certificate of research course for Chief Economist from Jilin Province Industrial & Communication Management Institute in the PRC in 1986.

Mr. Tan Chun Hee Matthias, aged 49, 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 25 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 47, 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 21 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.

CORPORATE GOVERNANCE REPORT

The board (the "Board") of directors (the "Directors") of Kinergy Corporation Ltd. (the "Company") are pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2018.

As the Company was listed on the Stock Exchange since 18 July 2018 (the "Listing Date"), the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has become applicable to the Company since the Listing Date. The manner in which the principles and code provisions in the CG Code are applied and implemented during the period commencing from the Listing Date and up to 31 December 2018 (the "Period") is explained in this Corporate Governance Report.

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.

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

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

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

C.2.5 Internal audit function

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 have complied with the Model Code during the Period.

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 the date of this report, the Board has nine members as follows:

Name of Directors

Executive Directors
Mr. Lim Kuak Choi Leslie *(Chief Executive Officer)*
Mr. Du Xiaotang

Non-executive Directors
Mr. Chen Shuang *JP (Chairman)*
Ms. Foo Kaw Jee
Mr. Lim Khin Mann (alternate Director to Ms. Foo Kaw Jee)
Mr. Bradley Fraser Kerr
Mr. Tsang Sui Cheong Frederick

Independent Non-executive Directors
Mr. Ng Tiak Soon
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka
Professor Zhang Wei

Except that Mr. Lim Kuak Choi Leslie is the spouse of Ms. Foo Kaw Jee and Mr. Lim Khin Man is the son of Mr. Lim Kuak Choi Leslie and Ms. Foo Kaw Jee, there is no other relationship between 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 three 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 Period, 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 A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Pursuant to the appointment letter, the non-executive Directors including the independent non-executive Directors are appointed for a fixed term of three (3) years commencing from the Listing Date, which may be terminated in accordance with its terms. Each of them is also subject to re-election at the general meetings of the Company at least once every three years in accordance with the constitution of the Company.

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 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 Corporate Governance 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 Period:

- Matters reserved by the Board;

- Corporate Governance 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. Chen Shuang 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 A.6.5 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 financial year. A summary of their records of training during the financial year is as follows:

Name of Directors	Type of training
Executive Directors	
Mr. Lim Kuak Choi Leslie	A, B
Mr. Du Xiaotang	A, B
Non-executive Directors	
Mr. Chen Shuang	A, B
Ms. Foo Kaw Jee	A, B
Mr. Lim Khin Mann (alternate Director to Ms. Foo)	A, B
Mr. Bradley Fraser Kerr	A, B
Mr. Tsang Sui Cheong Frederick	A, B
Independent Non-executive Directors	
Mr. Ng Tiak Soon	A, B
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	A, B
Professor Zhang Wei	A, B

A: Attending briefings, trainings, seminars, conference or giving speech

B: Reading articles, newspapers, journals and materials and watching videos relating to the responsibilities of directors, economy, fiscal, financial, business of the Company

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 Period is set out below:

Name of Directors	Board Meeting	Audit Committee Meeting	Independent Board Committee Meeting
Executive Directors			
Mr. Lim Kuak Choi Leslie	3/3	N/A	N/A
Mr. Du Xiaotang	3/3	N/A	N/A
Non-executive Directors			
Mr. Chen Shuang	1/3	N/A	N/A
Ms. Foo Kaw Jee	1/3*	N/A	N/A
Mr. Bradley Fraser Kerr	2/3	N/A	N/A
Mr. Tsang Sui Cheong Frederick	2/3	N/A	N/A
Independent Non-executive Directors			
Mr. Ng Tiak Soon	3/3	2/2	1/1
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	3/3	2/2	1/1
Professor Zhang Wei	3/3	2/2	1/1

* Mr. Lim Khin Mann, the alternate Director to Ms. Foo, attended two Board meetings on behalf of Ms. Foo.

** No nomination committee, remuneration committee and general meeting has been held during the Period.

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 established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee is chaired by Mr. Ng Tiak Soon with Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka and Professor Zhang Wei 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. Ng Tiak Soon, 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 Period. Please refer to the section headed "The Board — Attendance of the Directors at Board, Board Committee and General Meetings" above in this corporate governance 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 auditors. Work performed by the Audit Committee in 2018 includes, but is not limited to, reviewing the following:

— unaudited interim financial report for the six months ended 30 June 2018;

— accounting principles and practices adopted by the Group;

— appointment of the external internal control consultant;

— 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 established a Nomination Committee with written terms of reference in compliance with paragraph D.3 of the CG Code. The Nomination Committee is chaired by Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, an independent non-executive Director, with Mr. Bradley Fraser Kerr, a non-executive Director, and Mr. Ng Tiak Soon, 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 calibre in their area of expertise and experience. No Nomination Committee meeting had been held during the Period. In March 2019, the Nomination Committee held a meeting to, among other things:

— review the structure, size, composition and diversity of the Board;

— assess the independence of the independent non-executive Directors;

— make recommendations to the Board on the re-election of the retiring Directors; and

— review the nomination policy for directors of the Company.

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. 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 B.1 of the CG Code. The Remuneration Committee is chaired by Professor Zhang Wei, an independent non-executive Director with Mr. Chen Shuang, a non-executive Director, and Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka, an independent non-executive Director, as members. No Remuneration Committee Meeting had been held during the Period. In March 2019, the Remuneration Committee held a meeting to, among other things:

- determine 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.

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 2018 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 2018 is set out below:

Remuneration Band	Number of Senior Management
Nil to HK$1,000,000	8
HK$1,000,001 to HK$1,500,000	3

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. At least 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 to perform periodic review on the risk management and internal control systems. It is intended to examine key issues in relation to the accounting practices, all material controls and business processes and to report findings and propose recommendations for improvement to the senior management of the Company. Internal audit report to be produced by the independent professional advisor will be submitted to the Audit Committee at least once a year.

The Board, through the Audit Committee, had performed 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 Period.

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 2018, the fees in respect of audit services, tax services and other advisory services provided by Ernst & Young LLP, the external auditors, are summarised below:

Services provided	2018 S$'000
Audit services	231
Non-audit services*	
— *Recurring*	30
— *Non-recurring*	415
Total non-audit services	445
Total audit and non-audit services	676

* Such non-audit services include accountant's reporting fee and internal control review in relation to the Listing and tax compliance services.

The Audit Committee reviewed audited Group's Financial Statements and reports for the year ended 31 December 2018 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 2018 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 2018 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.

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 65 to 68 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 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 Company's 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 (Chapter 50) 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 39 to 51 of this Annual Report.

JOINT COMPANY SECRETARIES

Ms. Gn Jong Yuh Gwendolyn of Shook Lin & Bok LLP has been appointed as the company secretary of the Company since January 2010 and is responsible to the Board for ensuring that the Board procedures are followed and that the Board activities are efficiently and effectively conducted, and ensuring that the Board is fully apprised of the relevant legislative, regulatory and corporate governance developments relating to the Company and facilitating the induction and professional development of Directors.

The Stock Exchange has granted to the Company a waiver from strict compliance with the requirement under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Gn Jong Yuh Gwendolyn as the joint company secretary of the Company. Ms. Wan Kim Ying Kasina of China Everbright Limited has been appointed as a joint company secretary for a three-year period since the Listing Date so as to enable Ms. Gn Jong Yuh Gwendolyn to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge her duties.

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

During the year ended 31 December 2018, Ms. Wan Kim Ying Kasina 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

The Company adopted a new constitution with effect from the Listing Date. An up-to-date version of 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

1. ABOUT THIS REPORT

This is the first Environmental, Social and Governance ("ESG") Report (the "Report") of Kinergy Corporation Ltd. ("Kinergy" or the "Group") which covers the period of 1 January 2018 to 31 December 2018 (the "reporting period"). Kinergy has been listed on the Hong Kong Stock Exchange since 18 July 2018 (stock code: 3302.HK).

This Report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. The reporting boundary includes all the operations of Kinergy in Singapore and Nantong, China[1]. This Report is available in English and Traditional Chinese. Electronic version of the Report can be accessed on our website at http://www.kinergy.com.sg.

We welcome your feedback on our Report and our sustainability performance. Please contact us at ir@kinergy.com.sg.

2. ABOUT KINERGY

Established in Singapore in 1988, Kinergy specialises in manufacturing high-end electronics and electronic equipment.

Our business is mainly divided into two divisions — Electronics Manufacturing Services ("EMS") Division and Original Design Manufacturing ("ODM") Division. The EMS Division undertakes contract manufacturing for other original equipment manufacturers according to their specifications. EMS products include sub-systems, complete machines and components. The ODM Division focuses on customising our proprietary designs and products according to customers' needs. ODM products are classified into three types which include automated equipment, precision tools and spare parts.

3. PRODUCT RESPONSIBILITY

Kinergy is committed to total customer satisfaction in the high-technology equipment design and fabrication sector.

Quality Assurance

An In-Process Quality Control, which integrates quality assurance procedures with the manufacturing processes, is adopted across our production. Each part of work is self-inspected and tested by technicians at each check point throughout the production process to ensure quality. Our products manufactured in Nantong facility has strictly followed the Law of the People's Republic of China (PRC) on Product Quality to ensure our product safety, and conformed to national standards and authentic labelling requirements, which are significant to the Group's business.

Our production facilities in Singapore and Nantong have obtained ISO 9001:2015 certification. As part of our ongoing compliance with our ISO 9001:2015 certification requirements, we conduct internal quality audits and management reviews of our quality system periodically. In addition, quality reviews are conducted by independent third parties twice a year. To ensure customer satisfaction, we conduct full inspection (i.e. 100% inspection) of our products. If the finished products do not pass our quality inspection, our engineering team will be mobilised to investigate the cause promptly.

[1] Excluding suppliers and sub-contractors.

Supplier Management

We have a supplier quality engineering team who is responsible for qualifying and assessing suppliers. We maintained an approved suppliers list. We conduct annual audit on our suppliers to ensure they meet our requirements. For new suppliers, it is our policy to conduct on-site inspections at the factories of the selected suppliers before they become our approved suppliers. In order to foster a close working relationship with our suppliers, we review the quality performance of our suppliers regularly and provide feedback to them to enable them to assess their own performance and make further improvements where necessary.

With our Conflict Minerals Sourcing Policy, we support our customers who pledged support to the Dodd-Frank Wall Street Reform and Consumer Protection Act 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.

Customers' Intellectual Property

The protection of patent right is vital to our business, and is primarily governed by the Patent Law of the PRC and the Singapore Patents Act. Our employee handbook specifies how our staff should handle sensitive information in order to protect our customers' intellectual property. Within the Group, we have designated restriction areas with all activities logged to protect sensitive information. We also have a confidentiality policy that outlines the employees' obligation to maintain confidentiality with respect to information pertaining to our operations.

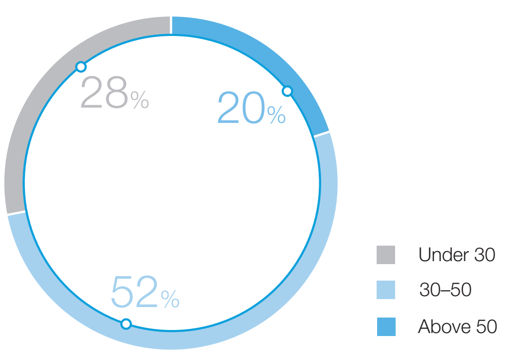
4. OUR EMPLOYEES

We are committed to provide a fair and inclusive workplace for our employees. As at 31 December 2018, we had 487 staff under our Singapore and Nantong operation, with all of them being full-time and permanent staff.

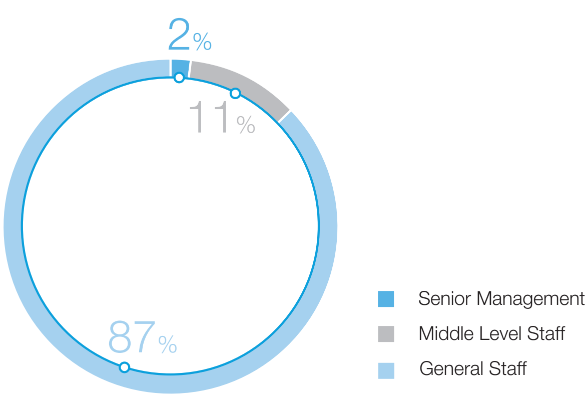
Our Workforce

Employees by Age Group		Employees by Employment Category	
Under 30	28%	Senior Management	2%
30–50	52%	Middle Level Staff	11%
Above 50	20%	General Staff	87%

EMPLOYEES BY AGE GROUP

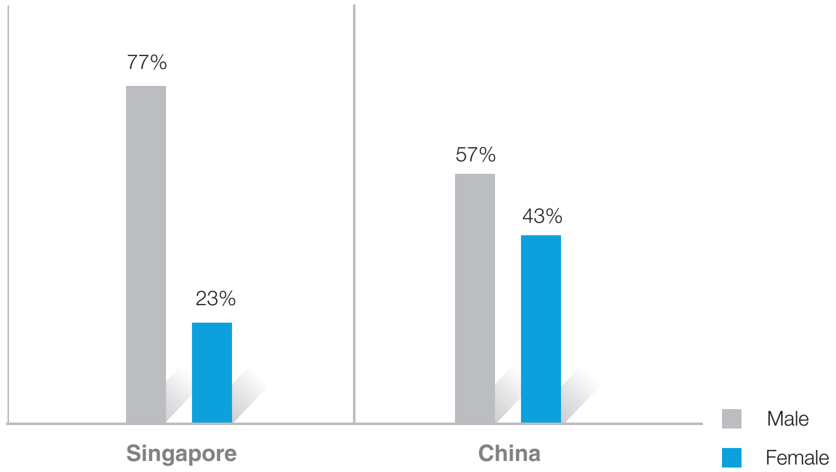


EMPLOYEES BY EMPLOYMENT CATEGORY



By Gender & Location	Female	Male	Total
Singapore	23%	77%	32%
China	43%	57%	68%
Total	37%	63%	100%

EMPLOYEES BY GENDER AND LOCATION

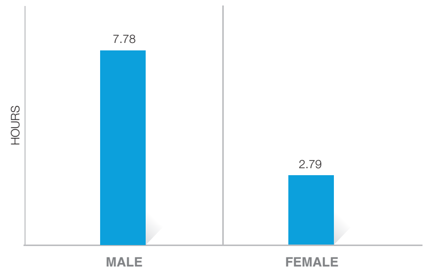


On top of competitive remuneration packages, the Group offers medical insurance coverage, discretionary bonus and allowances to our employees. We make contributions to pension insurance fund for employees in China. In Singapore, we provide a defined contribution to the central provident fund as required under the laws of Singapore for eligible employees.

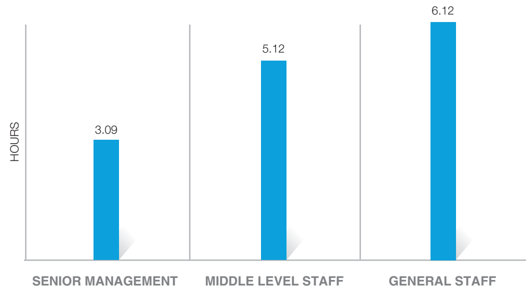
In China, the employment of our staff is regulated by the Labour Law of the PRC, which stipulates equality in wages, anti-discrimination, prohibition of forced and child labour, provision of safety and health systems and other labour contract standards. In Singapore, the Group is abided by the Employment Act, which sets out the restrictions on child labour, the basic terms and conditions of employment, and the rights and responsibilities of employers and employees. These prevailing laws and regulations are highly important to the Group's operations. Our employee handbook and relevant policies have laid out key information on employee management, remuneration and dismissal, welfare, attendance appointment and grading, training, promotion, working hours, leaves, equal opportunities, diversity, anti-discrimination, code of conduct, child and forced labour prevention, and were prepared based on the aforementioned regulations. We act in accordance with our recruitment policy in our employee handbook, where we are committed to provide equal opportunities regardless of the applicant's race, gender, religion or age. During the reporting period, there were no cases in violation of these laws in our operation.

We provide on-the-job training to all employees. Depending on the skillsets required for various roles, we arrange the most suitable training programme for our employees. Induction training is provided to all new employees. We have an established train-the-trainer programme to provide opportunities to experienced staff to disseminate their knowledge and know-hows in the areas of environmental management, work and safety and operation enhancement. During the reporting period, we conducted a total of 2,894 hours of training.

AVERAGE TRAINING HOURS BY GENDER



AVERAGE TRAINING HOURS BY EMPLOYMENT CATEGORY



5. HEALTH AND SAFETY

The Group provides a safe working environment for all employees and strictly follows the prevailing national laws in health and safety, namely Law of the PRC on Work Safety, Regulations on Safety Supervision over Special Equipment, Regulations of Jiangsu Province on Work Safety, and the Workplace Safety and Health Act in Singapore, which are paramount in governing our operation safety. It is Kinergy's duties to take necessary and practicable measures to ensure the safety and health of our employees at our workplaces. During the reporting period, there was no violation against the abovementioned laws in our operation.

We have an Emergency Response Plan for our production facilities to safeguard our employees with the best knowledge in the case of emergency. Fire drills are conducted twice a year.

Committed to protecting the health and safety for our employees and visitors, we have a Workplace Safety & Health (WSH) Policy and various polices related to safe production in place. Safety inspections are conducted regularly to identify potential safety issues with suggested corrective actions. Our WSH Committee announces safety motto monthly to raise awareness in the workplace. In 2018, we have been awarded bizSAFE Level 3 from the Workplace Safety and Health Council of Singapore.

6. ENVIRONMENTAL ENDEAVOURS

We procure ready-made items and fabrication items from our suppliers. Since our operation revolves around assembling fabrication items, no major water discharge and air emission is involved.

We have our Policy on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment ("ROHS Policy") in place, where we are committed that our material supplied and products sold to the European markets will contain no more than the maximum concentration of designated hazardous substances, such as heavy metals, allowed in the Directive 2011/65/EU of the European Union[2]. Our Nantong facility is certified to ISO 14001:2015 and the Group targets to expand the coverage of the environmental management system to its other operations in the future.

	Singapore (tonne CO_2e)	China (tonne CO_2e)
Greenhouse Gas (GHG) Emissions[3]		
Direct GHG Emissions (Scope 1)	79.7	98.3
Energy Indirect GHG Emissions (Scope 2)[4]	433.0	2,755.1
Other Indirect GHG Emissions (Scope 3)	46.1	42.5
Total	558.8	2,895.9
GHG Emission Intensity[5]	0.12 tonne CO_2e/m^2	0.19 tonne CO_2e/m^2

Electricity and fuel are the major resources consumed in our operation and efficient energy use is managed by our Environmental Management System. Kinergy has installed energy-efficient lightings to reduce energy usage of its operations. In order to avoid unnecessary energy consumption, air conditioners and lights are switched off when the area is not in use. During the reporting period, we have consumed 4,949,371 kWh of electricity.

	Singapore	China
Direct Electricity Consumption	1,033,035 kWh	3,916,336 kWh
Electricity Consumption Intensity[5]	227.6 kWh/m^2	251.6 kWh/m^2
Direct Fuel Consumption[6]	29,629.4 L	36,362.2 L
Fuel Consumption Intensity	189.9 L/Employee	109.9 L/Employee

2 Directive 2011/65/EU (Restriction of the Use of Certain Hazardous Substances in Electronic and Electrical Equipment) aims to restrict the amount of hazardous substances that can be used in the manufacture of electrical and electronic equipment. It is essential to the Group that its products shall comply with the Directive to be eligible for sale in the European market.

3 In calculation of the greenhouse gas emissions, we adopt the methodology of the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) published by Hong Kong's Environmental Protection Department and the Electrical and Mechanical Services Department.
Scope 1 GHG emissions includes direct vehicle fuel consumption. Scope 2 GHG emissions includes purchased electricity consumption. Scope 3 GHG emissions includes paper waste disposal and water consumption and air travel. International Civil Aviation Organisation Carbon Emissions Calculator is used in estimating the GHG emissions generated from air travel.

4 Indirect GHG emissions from electricity consumption are estimated based on 2011–2012 Regional Power Grid Average CO_2 Emission Factors in China published by the National Development and Reform Commission of the PRC and the latest grid emission factor according to the Singapore Energy Statistics 2018.

5 Intensities are calculated based on the total floor area of our offices and facilities.

6 Fuel includes petrol and diesel.

We strictly adhere to the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes, which prescribes for the prevention and control of disposal of both hazardous and non-hazardous waste in China and has a significant impact on how we handle our waste. Under our Environmental Management System, we strive to reduce waste and maximise recovery of materials as industrial waste generated through our operation often contains useful and valuable materials. The Environmental Management System also lists clear procedures to ensure proper handling of all hazardous and non-hazardous wastes in compliance with prevailing laws and regulations. Therefore, waste management companies are engaged to handle our recyclable materials, including all non-contaminated paper and scrap metal generated in our operation. Our main hazardous waste generated in our factories is waste cutting fluid, which is used as a lubricating coolant for metalwork processes. Disposal of all hazardous waste was handled properly by licensed contractors and complied with local laws. Kinergy also implements green office measures to reduce wastage, for example, posters are shown in the offices to encourage staff to reduce paper and water use.

Description		2018 Total
Non-hazardous Waste[7]	Paper	22,173 kg
	Aluminium	327 kg
	Steel	9,806 kg
Hazardous Waste	Waste Cutting Fluid	26,200 kg

Water is a scarce and valuable resource. Our operation does not involve significant use of water in the production. Water is directly sourced from local water supplies which supports our employees' daily needs.

	Singapore	China
Water Consumption	1,485 m^3	18,806 m^3
Water Consumption Intensity[8]	0.3 m^3/m^2	1.2 m^3/m^2

7. COMMUNITY INVESTMENT

Our Singapore office participates in the Student Internship Programme (SIP) organised by Singapore Polytechnic and the Institute of Technical Education. The programme aims to provide industrial attachment to various companies as part of their diploma course requirements. Students spend around 10 to 12 weeks with us to reinforce the knowledge they learnt in school and apply the concepts and principles to practical situations.

7 Waste data is applicable to Nantong operation only. Other non-hazardous waste is not reported as the quantity is not significant.

8 Intensities were calculated based on the total floor area of our offices and facilities.

8. SEHK ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

Kinergy's 2018 ESG Report is prepared with reference to the "Environmental, Social and Governance Reporting Guide" under Appendix 27 to the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited. The following table provides an overview on the Subject Areas, Aspects and their General Disclosures, as well as the Key Performance Indicators (KPI), which are either referred to the relevant chapters of the Report or supplemented with additional information.

KPIs	Description	Cross-reference/Remarks
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws of 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 Since the Group's operation revolves around assembling fabrication items, no significant emissions and discharges into water and land are involved. Therefore, no policies in these aspects are considered necessary. There are no laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, and discharges into water and land.
KPI A1.1	The types of emissions and respective emissions data.	We do not generate significant emissions in our office and manufacturing operations.
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours
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
KPI A1.5	Description of measures to mitigate emissions and results achieved.	We do not generate significant emissions in our office and manufacturing operations. Therefore, no specific emissions mitigation measure is in place.

KPIs	Description	Cross-reference/Remarks
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Endeavours The generation of non-hazardous and hazardous wastes is highly dependent on the type of equipment ordered for manufacturing. We strive to increase the efficiency by reducing the use of materials to generate less waste. For recyclable materials, we endeavour to keep them free from contamination such that these could be recycled.
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Endeavours We do not involve significant use of water and raw materials in our office and manufacturing operations. Therefore, we have no policies in the respective aspects.
KPI A2.1	Direct and/or indirect energy 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
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Endeavours
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Endeavours We will set energy efficiency targets and encourage our manufacturing facilities to use energy more wisely in the future.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water for our office and manufacturing use is obtained from municipal water supplies. There are no associated issues regarding water sourcing. We do not involve significant use of water in our office and manufacturing operations. Therefore, we do not have any water efficiency initiative.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The amount of packaging materials used is considered insignificant to the Group's operation.

KPIs	Description	Cross-reference/Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Group's operation revolves around assembling fabrication items and has no significant on the environment and natural resources. Therefore, no policies and actions in these aspects are considered necessary.
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Refer to "General Disclosure"
Social		
Employment and Labour Practice		
Aspect 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.	Our Employees
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Our Employees
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	**By gender:** Male: 63.2% Female: 34.1% **By age group:** Under 30: 79.9% Between 30 and 50: 46.0% Above 50: 27.8% **By location:** Singapore: 14.4% China: 69.3%

KPIs	Description	Cross-reference/Remarks
Aspect 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.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	There are no cases of work-related fatalities during the reporting period.
KPI B2.2	Lost days due to work injury.	There are no cases of work injury during the reporting period.
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	**By gender:** Male: 98.9% Female: 71.5% **By employee category:** Senior Management: 40.0% Middle Level Staff: 51.9% General Staff: 94.4%
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees

KPIs	Description	Cross-reference/Remarks
Aspect 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.	Our Employees
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	We regularly review our employment practice to ensure that we are in compliance with the Labour Law of the PRC, the Employment Act of Singapore, and other laws and regulations related to the avoidance of child and forced labour.
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	The Group has zero tolerance towards such practice. Violations are subject to internal disciplinary actions or handled by relevant authorities.
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Product Responsibility
KPI B5.1	Number of suppliers by geographical region.	Singapore: 185 China: 375 Asia (excluding Singapore and China): 35 Europe:12 USA: 95 Other countries: 3
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.	Product Responsibility

KPIs	Description	Cross-reference/Remarks
Aspect 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, Environmental Endeavours
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	None of our products sold had been recalled.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	The Group had not been involved in any litigation from customers regarding product quality.
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Not applicable
Aspect 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.	The Anti-corruption Law of the PRC and Singapore's Prevention of Corruption Act aim at maintaining a fair and just society and inflicting punishments against unscrupulous and corruption behaviours. Ethical behaviour and compliance with applicable laws and regulations is of utmost importance to the Group as it affects the Group's reputation. Thus, in the employee handbook, we articulate the standard of behaviour that we expect our employees to live up to. Beyond the employee handbook, we provide training to help employees understand the meaning of the code of conduct and what they are expected to do.

KPIs	Description	Cross-reference/Remarks
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.	There are no legal cases regarding corrupt practices during the reporting period.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	We have formulated a Whistleblowing Policy to facilitate an effective internal monitoring system.
Community		
Aspect 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.	Kinergy is committed to create a positive impact to the communities in which it operates. Due to the nature of its business, Kinergy does not have any specific policies relating to community investment. In the coming year, the Group shall explore the feasibility in setting up a relevant policy in 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.	Not applicable

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited financial statements of Kinergy Corporation Ltd. ("the Company") and its subsidiaries (collectively "the Group") for the financial year ended 31 December 2018.

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 8 to 9 and the "Management Discussion and Analysis" section on pages 10 to 17 of this Annual Report which constitute part of this "Report of the Directors".

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the Group's financial position as that date are set out in the Financial Statements on pages 69 to 70 of this Annual Report.

The final tax exempt (one-tier) dividend for 2017 of S$11.5 million and the interim dividend for 2018 of S$16.9 million (the "Pre-IPO Dividends") were paid to certain Shareholders in July 2018 pursuant to the pre-ipo investment agreements.

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

Pursuant to the pre-ipo investment agreements, Diamond Wealth Global Limited and Sino Expo Holdings Limited had agreed to waive their rights to receive certain proportion of the Pre-IPO Dividends declared for the financial year ended prior to 31 December 2017.

Dividend Policy

The Group has adopted a dividend policy in compliance with code provision E.1.5 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 does not have any pre-determined payout ratio;
- 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

Pursuant to the global offering (as defined in the prospectus of the Company dated 30 June 2018 (the "Prospectus")) and the exercise of over-allotment options in connection with global offering in July 2018, the Company issued 229,320,000 ordinary Shares at HK$1.17 per Share for the future plans and use as stated in the Prospectus. Other than such issue of Shares, the Group had no other equity fund raising activity and had not entered into any equity-linked agreements during the year. For details of such issue of shares, please refer to the Prospectus, the announcements of the Company dated 17 July 2018 and 10 August 2018 in relation to the allotment results of the global offering and partial exercise of over-allotment options and Note 26 to the Financial Statements on pages 111 to 112 of this Annual Report.

USE OF NET PROCEEDS FROM LISTING

Detailed information is set out in the "Use of Proceeds from Listing" 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 39 to 51 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 6 and 7 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 2018 are set out in Note 13 to the Financial Statements on pages 98 to 100 of this Annual Report.

SHARE CAPITAL

Details of the movements in share capital of the Company for the year ended 31 December 2018 are set out in Note 26 to the Financial Statements on pages 111 to 112 of this Annual Report.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this Annual Report.

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 2018 are set out in the section headed "Statement of Changes in Equity" on pages 71 to 72 of this Annual Report. As at 31 December 2018, the Company's distributable reserves were S$1.3 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 65.1% of the Group's total revenue, and the Group's five largest customers accounted for 86.5% of the Group's total revenue.

During the financial year, the Group's largest supplier accounted for 4.9% of the Group's total purchase, and the Groups' five largest suppliers accounted for 20.8% 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

Non-executive Directors

Mr. Chen Shuang *JP (Chairman)*
Ms. Foo Kaw Jee
Mr. Bradley Fraser Kerr
Mr. Tsang Sui Cheong Frederick
Mr. Lim Khin Mann (Alternate Director to Ms. Foo Kaw Jee)

Independent Non-executive Directors

Mr. Ng Tiak Soon (appointed on 19 June 2018)
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka (appointed on 19 June 2018)
Professor Zhang Wei (appointed on 19 June 2018)

In accordance with Regulation 88 of the Company's constitution, Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka and Professor Zhang Wei shall retire and, being eligible, offer themselves for re-election in the upcoming annual general meeting.

In accordance with Regulations 89 and 90 of the Company's constitution, Ms. Foo Kaw Jee will retire and will not offer herself for re-election. In accordance with Regulation 89 of the Company's constitution, Mr. Du Xiaotang will retire and, being eligible, offer himself for re-election.

The Company has received an annual confirmation of independence from each of Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka and Professor Zhang Wei 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 27 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.

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 2018.

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 2018 are set out in Notes 8 and 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.

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 in 2018.

DIRECTORS' 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.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section 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 2018.

CONNECTED TRANSACTION

On 27 December 2018, the Group through its direct wholly-owned subsidiary, Kinergy EMS (Nantong) Co., Ltd.*, entered into a fund partnership agreement (the "Fund Partnership Agreement") in relation to the formation of the fund with initial proposed size of RMB500 million (equivalent to S$99.7 million) (the "Fund") with (i) Beijing Jinguanhuadian Technology Limited* (now known as Henan Jinguan Technology Limited*); (ii) Jiangsu Liyang CEL Equity Investment Partnership (Limited Partnership)* ("Jiangsu Liyang CEL"); (iii) Nantong Hengbang Investment Management Limited*; (iv) Nantong Jianghai Industry Development Investment Fund (Limited Partnership)*; (v) Shanghai CEL Puyan Equity Investment Management Limited* ("Shanghai CEL Puyan"); (vi) Mr. Du Xiaotang; and (vii) Mr. Zhao Zehui.

As at the date of 27 December 2018, being the date of the announcement of the Company in relation to the Fund Partnership Agreement, China Everbright Limited, being one of the controlling shareholders of the Company, indirectly held 100% interest of Shanghai CEL Puyan and 50% interest of Jiangsu Liyang CEL. Furthermore, Mr. Du Xiaotang is an executive Director and one of the controlling shareholders of the Company. Accordingly, Jiangsu Liyang CEL, Shanghai CEL Puyan and Mr. Du Xiaotang are connected persons of the Group; and therefore the Fund Partnership Agreement and the transactions contemplated thereunder (including the formation of the Fund) constitute a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules.

The Fund will be principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the semiconductor production equipment industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC.

Pursuant to the Fund Partnership Agreement, the proposed capital commitment of the Group will amount to RMB100 million (equivalent to approximately S$19.9 million), representing 20% of the total committed capital contribution amount of the Fund. Proposed capital commitment of the connected persons, namely, Shanghai CEL Puyan, Jiangsu Liyang CEL and Mr. Du Xiaotang will amount to RMB37.5 million, RMB100 million and RMB80 million, respectively.

On 15 February 2019, the Fund Partnership Agreement was approved by independent shareholders during the extraordinary general meeting. For further details of the Fund Partnership Agreement, please refer to the announcement of the Company dated 27 December 2018 and the circular of the Company dated 17 January 2019.

A summary of the related party transactions entered into by the Group and the Company during the year is set out in Note 29 to the Financial Statements on pages 113 to 114 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.

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.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDERS

During the year ended 31 December 2018, 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 2018.

LOAN AND GUARANTEE

During the year ended 31 December 2018, 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 2018, 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 (%)
Lim Kuak Choi Leslie(2)	Beneficial owner, interest of spouse	264,514,472(L)	30.81
Foo Kaw Jee(2)	Beneficial owner, interest of spouse	264,514,472(L)	30.81
Bradley Fraser Kerr(3)	Interest of spouse	76,498,768(L)	8.91
Du Xiaotang(4)	Interest of a controlled corporation	8,105,704(L)	0.94
Lim Khin Mann(5)	Beneficial owner	18,148,000(L)	2.11

Notes:

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

(2) These Shares comprise 246,366,472 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.

(3) These Shares are held by Unitras (H.K.) Limited ("Unitras"). Mr. Bradley Fraser Kerr is the spouse of Ms. Joyce S. Kerr, and Ms. Joyce S. Kerr owns 100% of the issued share capital of Unitras. Therefore, Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares held by Unitras under the SFO.

(4) These Shares are held by 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.

(5) Mr. Lim Khin Mann is the alternate Director to Ms. Foo Kaw Jee.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2018, 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 2018, 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 (%)
Diamond Wealth Global Limited[2]	Beneficial owner	262,084,380[L]	30.52
China Everbright Venture Capital Limited[2]	Interest of a controlled corporation	262,084,380[L]	30.52
China Everbright Limited[2]	Interest of a controlled corporation	262,084,380[L]	30.52
Honorich Holdings Limited[3]	Interest of a controlled corporation	262,084,380[L]	30.52
Datten Investments Limited[3]	Interest of a controlled corporation	262,084,380[L]	30.52
China Everbright Holdings Company Limited[3]	Interest of a controlled corporation	262,084,380[L]	30.52
China Everbright Group Ltd.[3]	Interest of a controlled corporation	262,084,380[L]	30.52
Central Huijin Investment Ltd.[4]	Interest of a controlled corporation	262,084,380[L]	30.52
Unitras[5]	Beneficial owner	76,498,768[L]	8.91
Ms. Joyce S. Kerr[5]	Interest of a controlled corporation	76,498,768[L]	8.91

Notes:

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

(2) 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. Therefore, each of China Everbright Limited and China Everbright Venture Capital Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited under the SFO.

(3) 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.

(4) Central Huijin Investment Ltd. is indirectly wholly-owned by the State Council of the PRC and holds approximately 55.67% 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.

(5) Unitras 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 under the SFO.

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 ("Adoption Date") for the purpose of giving the eligible participants as incentives or rewards to recognize 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 optimize 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.

As at the date of this Annual Report, no share options under the share option scheme have been granted, exercised, lapsed or cancelled.

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 28 to 38 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 35 to the Financial Statements 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 period since the Listing Date 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

27 March 2019

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 2018.

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 2018 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. Chen Shuang	*(Non-executive Director/Chairman)*
Mr. Lim Kuak Choi Leslie	*(Executive Director/Chief Executive Officer)*
Mr. Du Xiaotang	*(Executive Director)*
Ms. Foo Kaw Jee	*(Non-executive Director)*
Mr. Bradley Fraser Kerr	*(Non-executive Director)*
Mr. Tsang Sui Cheong Frederick	*(Non-executive Director)*
Mr. Ng Tiak Soon	*(Independent Non-executive Director, appointed on 19 June 2018)*
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	*(Independent Non-executive Director, appointed on 19 June 2018)*
Professor Zhang Wei	*(Independent Non-executive Director, appointed on 19 June 2018)*
Mr. Lim Khin Mann	*(Alternate Director to Ms. Foo Kaw Jee)*

In accordance with Regulation 88 of the Company's constitution, Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka and Professor Zhang Wei shall retire and, being eligible, offer themselves for re-election.

In accordance with Regulations 89 and 90 of the Company's constitution, Ms. Foo Kaw Jee will retire and will not seek for re-election. In accordance with Regulation 89 of the Company's Constitution, Mr. Du Xiaotang will retire and, being eligible, offer 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, Chapter 50, 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[1]	At end of the year	At beginning of the year[1]	At end of the year
The Company				
Kinergy Corporation Ltd.				
(Ordinary shares)				
Mr. Lim Kuak Choi Leslie	246,366,472	246,366,472	18,148,000	18,148,000
Mr. Bradley Fraser Kerr	—	—	76,498,768	76,498,768
Ms. Foo Kaw Jee	18,148,000	18,148,000	246,366,472	246,366,472
Mr. Du Xiaotang	—	—	8,105,704	8,105,704
Mr. Lim Khin Mann	18,148,000	18,148,000	—	—
Kinergy Philippines Inc				
(Ordinary shares of Peso 1,000)				
Mr. Lim Kuak Choi Leslie[2]	1	1	—	—

(1) The number of shares was adjusted for the effect of the share split.

(2) 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.

As at date of this statement, no share options have been granted, exercised, lapsed or cancelled.

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal audit 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 auditor 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 with full attendance from all members. The AC has also met external auditors, without the presence of the Company's management, at least once a year.

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	**Du Xiaotang**
Director	*Director*

27 March 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2018

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 2018, 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, Chapter 50 (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 2018 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"). 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

As at 31 December 2018, the Group's trade receivable balances amounted to $18.4 million and represent about 16% of the Group's total assets.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by the respective local management. The determination as to whether trade receivable is collectable 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. Management incorporated this information together with the information specific to customers and adjusted with forward looking information to determine the provision of expected credit losses of trade receivables.

Our audit procedures included, but not limited to the following procedures. We assessed the Group's processes and controls relating to the monitoring of trade receivables and reviewed collection risks of trade debtors. We requested trade receivable confirmations for selected trade debtors, reviewed management's reconciliation of confirmation replies, where applicable, and obtained evidence of receipts 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. We also reviewed and assessed management's expected credit loss model assessment and the provision recognized. We assessed the adequacy of the Group's disclosures of trade receivables and the related risks such as credit risk and liquidity risk in Notes 18 and 32 to the financial statements.

Allowance for obsolete 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 2018, the Group's total inventories amounted to $30.0 million, representing 26% of the total assets of the Group. As at 31 December 2018, the Group has recorded allowance for obsolete inventories of $0.9 million. The allowance for obsolete inventories relates mainly to raw materials.

Due to the nature of the Group's business, there may be situations where there are excess inventories that may not have future usage as at 31 December 2018. Management determines excess inventories based on estimation of raw materials that will be required in the future to fulfil customers' orders. Management then estimates the necessary amount of allowance to write down the value of those inventories that have no 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 estimation of future consumption of those excess inventories.

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 customers' orders. We evaluated management's analyses and assessments on the net realisable values of obsolete inventories and their expected usage. This includes comparing the cost of these inventories against the selling price of the inventories in the recent sales transaction or upcoming customers' orders. We also assessed the adequacy of the disclosures related to inventories in Note 17 to 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 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, 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 Alvin Phua.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

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

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

		Group		Company	
		2018	2017	**2018**	2017
	Note	**$'000**	$'000	**$'000**	$'000
Non-current assets					
Property, plant and equipment	13	**16,318**	18,083	**862**	1,319
Prepaid land lease payments	13	**1,260**	1,338	**—**	—
Intangible assets	14	**446**	314	**446**	314
Investment in subsidiaries	15	**—**	—	**25,428**	25,407
Investment securities	16	**1,384**	—	**1,384**	—
Advance payment for property, plant and equipment		**679**	679	**472**	—
Total non-current assets		**20,087**	20,414	**28,592**	27,040
Current assets					
Inventories	17	**30,030**	33,974	**17,392**	19,771
Trade receivables	18	**18,443**	21,216	**14,759**	18,483
Prepayments, deposits and other receivables	19	**2,053**	3,319	**1,262**	1,947
Amounts due from subsidiaries	20	**—**	—	**1,271**	590
Investment securities	16	**—**	6,758	**—**	—
Cash and cash equivalents	21	**43,709**	13,657	**38,104**	11,779
Total current assets		**94,235**	78,924	**72,788**	52,570
Current liabilities					
Trade payables	22	**14,915**	21,472	**2,991**	3,130
Other payables and accruals	23	**3,616**	5,483	**2,791**	3,052
Provision for warranty	24	**178**	82	**120**	47
Amounts due to subsidiaries	20	**—**	—	**8,360**	20,553
Tax payable		**1,036**	908	**882**	399
Total current liabilities		**19,745**	27,945	**15,144**	27,181
Net current assets		**74,490**	50,979	**57,644**	25,389
Non-current liabilities					
Deferred tax liabilities, representing total non-current liabilities	25	**546**	1,100	**120**	—
Net assets		**94,031**	70,293	**86,116**	52,429
Equity attributable to owners of the Company					
Share capital	26	**84,990**	40,879	**84,990**	40,879
Reserves		**9,041**	29,414	**1,126**	11,550
Total equity		**94,031**	70,293	**86,116**	52,429

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 2018

	Attributable to owners of the Company					
	Share capital (Note 26) $'000	Statutory reserve(1) $'000	Translation reserve(2) $'000	Retained profits $'000	Total reserves $'000	Total equity $'000
Group						
2018						
At 1 January 2018	40,879	2,246	791	26,377	29,414	70,293
Profit for the year	–	–	–	8,728	8,728	8,728
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	(701)	–	(701)	(701)
Total comprehensive income for the year	–	–	(701)	8,728	8,027	8,027
Transfer to statutory reserve	–	1,976	–	(1,976)	–	–
Ordinary shares issued	46,493	–	–	–	–	46,493
Share issuance expenses	(2,382)	–	–	–	–	(2,382)
Dividends on ordinary shares (Note 27)	–	–	–	(28,400)	(28,400)	(28,400)
At 31 December 2018	84,990	4,222	90	4,729	9,041	94,031
2017						
At 1 January 2017	34,357	2,478	1,162	25,810	29,450	63,807
Profit for the year	–	–	–	8,032	8,032	8,032
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	(371)	–	(371)	(371)
Total comprehensive income for the year	–	–	(371)	8,032	7,661	7,661
Transfer from statutory reserve	–	(232)	–	232	–	–
Ordinary shares issued	6,522	–	–	–	–	6,522
Dividends on ordinary shares (Note 27)	–	–	–	(7,697)	(7,697)	(7,697)
At 31 December 2017	40,879	2,246	791	26,377	29,414	70,293

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.

For the financial year ended 31 December 2018

	Share capital (Note 26) $'000	Retained profits $'000	Total equity $'000
Company			
2018			
At 1 January 2018	40,879	11,550	52,429
Profit for the year, representing total comprehensive income for the year	—	17,976	17,976
Ordinary shares issued	46,493	—	46,493
Share issuance expenses	(2,382)	—	(2,382)
Dividends on ordinary shares (Note 27)	—	(28,400)	(28,400)
At 31 December 2018	84,990	1,126	86,116
2017			
At 1 January 2017	34,357	17,130	51,487
Profit for the year, representing total comprehensive income for the year	—	2,117	2,117
Ordinary shares issued	6,522	—	6,522
Dividends on ordinary shares (Note 27)	—	(7,697)	(7,697)
At 31 December 2017	40,879	11,550	52,429

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flow from operating activities			
Profit before tax		11,319	9,865
Adjustments for:			
Depreciation of property, plant and equipment	13	1,641	1,681
Amortisation of prepaid land lease payments	13	34	28
Amortisation of intangible assets	14	156	129
Provision for warranty	24	160	49
Impairment loss on trade receivables	6	30	—
Finance costs	7	29	36
Gain on disposal of property, plant and equipment	5	(2,165)	(536)
Write-back of allowance for inventory obsolescence	17	(893)	(24)
Interest income	5	(369)	(127)
Listing expenses		2,902	822
Unrealised foreign exchange (gain)/loss		(83)	55
Operating cash flow before changes in working capital		12,761	11,978
Decrease/(increase) in inventories		4,842	(8,662)
Decrease/(increase) in trade receivables		2,637	(3,478)
Decrease/(increase) in prepayments, deposits and other receivables		1,342	(1,340)
(Decrease)/increase in trade payables		(6,556)	4,427
(Decrease)/increase in other payables, accruals and provision for warranty		(1,929)	1,475
Cash flow from operations		13,097	4,400
Interest expense paid		(29)	(36)
Interest income received		369	127
Income tax paid		(2,984)	(652)
Net cash flow from operating activities		10,453	3,839
Cash flow from investing activities			
Purchase of property, plant and equipment	13	(3,046)	(3,253)
Proceeds from disposal of property, plant and equipment		4,867	563
Additions to intangible assets	14	(288)	(324)
Purchase of investment securities	16	(1,384)	(13,516)
Proceeds from disposal of investment securities		6,758	6,758
Net cash flow generated from/(used in) investing activities		6,907	(9,772)

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flow from financing activities			
Repayments on finance lease payable		–	(86)
Proceeds from issuance of new shares	26	46,493	6,522
Share issuance and listing expenses		(5,284)	(822)
Dividends paid on ordinary shares	27	(28,400)	(7,697)
Net cash flow generated from/(used in) from financing activities		12,809	(2,083)
Net increase/(decrease) in cash and cash equivalents		30,169	(8,016)
Effects of exchange rate changes on cash and cash equivalents		(117)	(147)
Cash and cash equivalents at 1 January		13,657	21,820
Cash and cash equivalents at 31 December	21	43,709	13,657

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

1. CORPORATE INFORMATION

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

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

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

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

2. 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 $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
IFRS/SFRS(I) 16 *Leases*	1 January 2019
IFRIC/SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to IFRS/SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to IAS 28/SFRS(I) 1–28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to IFRS/SFRS(I)s 2015–2017 Cycle	1 January 2019
Amendments to IAS 19/SFRS(I) 1–19 *Plan Amendment, Curtailment or Settlement*	1 January 2019
IFRS/SFRS(I) 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS/SFRS(I) 10 and IAS 28/SFRS(I) 1–28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for IFRS/SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of IFRS/SFRS(I) 16 are described below.

IFRS/SFRS(I) 16 Leases

IFRS/SFRS(I) 16 requires lessees to recognise most leases on statement of financial position. The standard includes two recognition exemptions for lessees — leases of 'low value' assets and short-term leases. IFRS/SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt IFRS/SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of IFRS/SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if IFRS/SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

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

2.3 Standards issued but not yet effective *(continued)*

IFRS/SFRS(I) 16 Leases *(continued)*

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply IFRS/SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is currently in the process of analysing the transitional approaches and assessing the possible impact of adoption.

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 the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

b) Business combinations and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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.

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

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

b) Business combinations and goodwill (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date through fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. 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— generated units, or groups of cash-generated units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

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.

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

2.5 Subsidiaries *(continued)*

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/SFRS(I) 5 are stated at cost less any impairment losses.

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	—	3 years
Furniture, fittings, air-conditioners and electrical installation	—	5 to 8 years
Motor vehicles	—	5 years
Workshop tools	—	3 to 7 years
Office renovation	—	5 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.

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

2.6 Property, plant and equipment and depreciation *(continued)*

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.

2.7 Prepaid land lease payments

Prepaid land lease payments are initially measured at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation. The prepaid land lease payments are amortised on a straight-line basis over the useful life of 50 years.

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

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.9 Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.10 Financial Instruments

a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs or financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of 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 party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investment in debts instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investment in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividend from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognized in profit or loss.

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

2.10 Financial Instruments *(continued)*

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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.

2.18 Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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.

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

2.19 Revenue *(continued)*

a) *Sale of goods* *(continued)*

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 a 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). These services are provided at our customers' sites.

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

c) *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.

d) *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.

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

2.20 Foreign currencies *(continued)*

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

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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.

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:

a) 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

b) 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.

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

2.21 Taxes *(continued)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward 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 carryforward of unused tax credits and unused tax losses can be utilised, except:

a) 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

b) 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 income 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

- Where 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; and

- Receivables and payables that are stated with the amount of sales tax included.

2.22 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.

2.23 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)*

2.24 Related parties

A party is considered to be related to the Group if:

a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

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's tax payables and deferred tax liabilities as at 31 December 2018 are $1,036,000 and $546,000 (2017: $908,000 and $1,100,000), respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed 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.

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 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 32(a).

The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 18.

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 17.

4. REVENUE

a) Disaggregation of revenue

Segments	Electronics Manufacturing Services 2018 $'000	2017 $'000	Original Design Manufacturing 2018 $'000	2017 $'000	Total revenue 2018 $'000	2017 $'000
Type of goods and services						
Sale of goods	110,369	119,115	12,026	9,425	122,395	128,540
Rendering of services	414	412	–	–	414	412
	110,783	119,527	12,026	9,425	122,809	128,952
Primary geographical markets						
Singapore	103,537	114,255	398	237	103,935	114,492
United States	3,085	3,014	1,625	344	4,710	3,358
Japan	–	–	3,788	2,781	3,788	2,781
Mainland China	1,034	373	2,121	1,289	3,155	1,662
Philippines	–	–	2,083	3,550	2,083	3,550
Other countries	3,127	1,885	2,011	1,224	5,138	3,109
	110,783	119,527	12,026	9,425	122,809	128,952
Timing of transfer of goods or services						
At a point in time	110,783	119,527	12,026	9,425	122,809	128,952

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 not be recognised as a deduction to revenue.

c) Contract liabilities

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

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Advances from customers (Note 23)	453	430	453	327

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**430**	178	**327**	–

5. OTHER INCOME AND GAINS

	Group	
	2018	2017
	$'000	$'000
Other income		
Bank interest income	**369**	127
Government grant[(a)]	**214**	355
Service income	**45**	–
Rental income	**35**	–
Sale of scrap materials	**13**	13
	676	495
Gains		
Gain on disposal of property, plant and equipment	**2,165**	536
Foreign exchange differences, net	**2,026**	–
	4,191	536
	4,867	1,031

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

6. IMPAIRMENT LOSS ON FINANCIAL ASSETS AND OTHER EXPENSE

	Group	
	2018	2017
	$'000	$'000
Impairment loss on financial assets — trade receivables (Note 18)	**30**	—
Foreign exchange differences, net	**—**	2,212
	30	2,212

7. FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest expense on		
— Hire purchase carried at amortised cost	**—**	2
— Bank borrowings carried at amortised cost	**29**	34
	29	36

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remunerations for the year are as follows:

	2018	2017
	$'000	$'000
Fees	**159**	45
Other emoluments:		
Salaries, allowances and benefits in kind	**416**	353
Performance related bonuses	**6**	120
Pension scheme contributions	**16**	8
	597	526

a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2018	2017
	$'000	$'000
Mr. Ng Tiak Soon	**20**	—
Dr. Senerath Wickramanayaka Mudiyanselage Sunil Wickramanayaka	**14**	—
Professor Zhang Wei	**14**	—
	48	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

b) Executive directors, the chief executive and non-executive directors (excluding independent non-executive directors)

	Fees $'000	Salaries, allowances and benefits in kind $'000	Performance related bonus $'000	Pension scheme contributions $'000	Total remuneration $'000
2018					
Executive directors:					
Mr. Lim Kuak Choi Leslie	14	250	–	5	269
Mr. Du Xiaotang	14	110	–	–	124
	28	360	–	5	393
Non-executive directors:					
Ms. Foo Kaw Jee	24	–	–	–	24
Mr. Bradley Fraser Kerr	31	–	–	–	31
Mr. Tsang Sui Cheong Frederick	14	–	–	–	14
Mr. Lim Khin Mann	–	56	6	11	73
Mr. Chen Shuang	14	–	–	–	14
	83	56	6	11	156
Total	111	416	6	16	549
2017					
Executive directors:					
Mr. Lim Kuak Choi Leslie	–	249	120	8	377
Mr. Du Xiaotang	–	104	–	–	104
	–	353	120	8	481
Non-executive directors:					
Ms. Foo Kaw Jee	20	–	–	–	20
Mr. Bradley Fraser Kerr	25	–	–	–	25
Mr. Tsang Sui Cheong Frederick	–	–	–	–	–
Mr. Lim Khin Mann	–	–	–	–	–
Mr. Chen Shuang	–	–	–	–	–
	45	–	–	–	45
Total	45	353	120	8	526

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2017: Nil).

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 (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included 1 director (2017: 1 director), details of whose remuneration are set out in Note 8 above. Details of the remuneration of the remaining 4 highest paid employees who are neither a director nor chief executive of the Group during the year are as follows:

	2018 $'000	2017 $'000
Salaries, allowances and benefits-in-kind	541	656
Performance related bonuses	135	42
Pension scheme contributions	44	45
	720	743

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	
	2018	2017
Nil to HK$1,000,000	1	4
HK$1,000,001 to HK$1,500,000	3	—
	4	4

10. PROFIT BEFORE TAX

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

	Group	
	2018	2017
	$'000	$'000
Cost of inventories (Note 17)	**83,426**	85,980
Cost of services rendered	**62**	62
Depreciation of property, plant and equipment (Note 13)	**1,641**	1,681
Amortisation of prepaid land lease payments (Note 13)	**34**	28
Amortisation of intangible assets (Note 14)	**156**	129
Research and development expenses	**2,168**	2,629
Minimum lease payments under operating leases	**1,092**	1,086
Listing expenses*	**2,902**	822
Auditor's remuneration	**231**	146
Professional fees	**199**	199
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	**15,129**	16,967
— Pension scheme contributions	**2,456**	2,338
Provision for warranty (Note 24)	**160**	49
Impairment loss on financial assets:		
— Trade receivables (Note 18)	**30**	—
Gain on disposal of property, plant and equipment	**(2,165)**	(536)
Foreign exchange differences, net	**(2,026)**	2,212
Write-back of inventory obsolescence (Note 17)	**(893)**	(24)
Bank interest income	**(369)**	(127)

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

11. INCOME TAX EXPENSE

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 provision for Mainland China income tax has been provided at the applicable income tax rate of 25% on the assessable profits of certain PRC subsidiaries of the Group in accordance with the PRC Corporate Income Tax Law. Kinergy EMS (Nantong) Co., Ltd and Beta Nova Electronics (Nantong) Co., Ltd are qualified as High and New Technology Enterprises and are subject to a preferential income tax rate of 15% for the years of 2017 and 2018.

11. INCOME TAX EXPENSE *(continued)*

Major components of income tax expense

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

	2018 $'000	2017 $'000
Current income tax:		
— Current income taxation	3,153	1,487
— (Over)/under provision in respect of previous years	(8)	16
	3,145	1,503
Deferred income tax (Note 25):		
— Origination and reversal of temporary differences	(554)	330
Income tax expense recognised in profit or loss	2,591	1,833

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018 $'000	2017 $'000
Profit before tax	11,319	9,865
Tax at the domestic statutory rates applicable to profits in the countries which the Group operates	2,459	2,056
Lower tax rate for specific provinces or enacted by local authority	(519)	(436)
Expenses not deductible for tax	587	640
(Over)/under provision in respect of previous years	(8)	16
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	674	330
Effect of partial tax exemption and enhanced deduction	(303)	(389)
Income not subject to tax	(281)	(142)
Tax losses utilised from previous years	—	(223)
Others	(18)	(19)
Income tax expense recognised in profit or loss	2,591	1,833

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. INCOME TAX EXPENSE *(continued)*

Unrecognised tax losses

As at 31 December 2018, the Group has no unabsorbed tax losses (2017: Nil).

Tax consequences of proposed dividends

There are no income tax consequences (2017: 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 PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

	2018 **$'000**	2017 $'000
Earnings		
Profit for the year attributable to owners of the Company	**8,728**	8,032

	Number of shares **2018**	2017
Number of shares		
Weighted average number of ordinary shares	**733,108,584**	568,075,472
Earnings per share attributable to owners of the Company		
Basic and diluted ($)	**1.19 cents**	1.41 cents

13. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS

a) Property, plant and equipment

	Leasehold building $'000	Plant and machinery $'000	Computers $'000	Furniture, fittings, air-conditioners and electrical installation $'000	Motor vehicles $'000	Workshop tools $'000	Office renovation $'000	Office equipment $'000	Construction in progress $'000	Total $'000
Group										
Cost:										
At 1 January 2017	5,121	21,636	2,698	2,638	1,429	1,485	2,433	450	9,935	47,825
Additions	–	1,832	550	26	–	248	463	128	6	3,253
Disposals	(59)	(5)	(32)	(36)	(62)	(45)	–	(60)	–	(299)
Exchange differences	(83)	(187)	(17)	(23)	(17)	(21)	(38)	(3)	(160)	(549)
At 31 December 2017 and 1 January 2018	4,979	23,276	3,199	2,605	1,350	1,667	2,858	515	9,781	50,230
Additions	–	2,158	26	14	74	151	21	16	586	3,046
Disposals	–	(10,695)	(97)	(15)	(124)	(669)	(30)	(3)	–	(11,633)
Write off	–	–	(21)	(24)	(29)	(25)	(67)	(7)	–	(173)
Reclassification	9,206	–	–	1,098	–	–	–	–	(10,304)	–
Exchange differences	(319)	(193)	(23)	(51)	(16)	(28)	(43)	(3)	(63)	(739)
At 31 December 2018	13,866	14,546	3,084	3,627	1,255	1,096	2,739	518	–	40,731
Accumulated depreciation:										
At 1 January 2017	1,438	20,375	2,202	2,191	1,326	1,413	1,653	420	–	31,018
Depreciation charge for the year	122	684	313	164	88	70	170	70	–	1,681
Disposals	(44)	(9)	(31)	(36)	(52)	(41)	–	(59)	–	(272)
Exchange differences	(15)	(121)	(12)	(19)	(15)	(19)	(77)	(2)	–	(280)
At 31 December 2017 and 1 January 2018	1,501	20,929	2,472	2,300	1,347	1,423	1,746	429	–	32,147
Depreciation charge for the year	122	665	296	132	46	109	216	55	–	1,641
Disposals	–	(8,192)	(45)	(15)	(124)	(522)	(30)	(3)	–	(8,931)
Write-off	–	–	(21)	(24)	(29)	(25)	(67)	(7)	–	(173)
Exchange differences	(30)	(129)	(17)	(28)	(14)	(21)	(30)	(2)	–	(271)
At 31 December 2018	1,593	13,273	2,685	2,365	1,226	964	1,835	472	–	24,413
Net carrying amount:										
At 31 December 2017	3,478	2,347	727	305	3	244	1,112	86	9,781	18,083
At 31 December 2018	12,273	1,273	399	1,262	29	132	904	46	–	16,318

13. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS *(continued)*

a) Property, plant and equipment *(continued)*

	Plant and machinery $'000	Computers $'000	Furniture, fittings, air-conditioners and electrical installation $'000	Motor vehicles $'000	Workshop tools $'000	Office renovation $'000	Office equipment $'000	Total $'000
Company								
Cost:								
Transfer from a related company	359	186	283	63	7	113	6	1,017
Additions	248	480	16	–	2	127	7	880
Disposals	(62)	–	–	–	–	–	–	(62)
At 31 December 2017 and 1 January 2018	545	666	299	63	9	240	13	1,835
Additions	8	7	3	–	2	–	2	22
Disposals	–	(12)	–	(41)	–	–	–	(53)
At 31 December 2018	553	661	302	22	11	240	15	1,804
Accumulated depreciation:								
Depreciation charge for the year	107	240	101	32	5	52	4	541
Disposals	(25)	–	–	–	–	–	–	(25)
At 31 December 2017 and 1 January 2018	82	240	101	32	5	52	4	516
Depreciation charge for the year	93	233	78	16	3	54	2	479
Disposals	–	(12)	–	(41)	–	–	–	(53)
At 31 December 2018	175	461	179	7	8	106	6	942
Net carrying amount:								
At 31 December 2017	463	426	198	31	4	188	9	1,319
At 31 December 2018	378	200	123	15	3	134	9	862

13. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LAND LEASE PAYMENTS *(continued)*

b) Prepaid land lease payments

	Group	
	2018	2017
	$'000	$'000
Cost:		
At 1 January	**1,558**	1,591
Exchange differences	**(53)**	(33)
At 31 December	**1,505**	1,558
Accumulated amortisation:		
At 1 January	**220**	197
Amortisation for the year	**34**	28
Exchange differences	**(9)**	(5)
At 31 December	**245**	220
Net carrying amount	**1,260**	1,338
Amount to be amortised:		
— Not later than one year	**34**	28
— Later than one year but not later than five years	**136**	112
— Later than five years	**1,090**	1,198

The Group has three land use rights of stated-owned land in People's Republic of China ("PRC") which are not transferable and have a remaining life ranging from 35 to 39 years (36 to 40 years).

14. INTANGIBLE ASSETS

	Group			Company		
	Development cost $'000	Others $'000	Total $'000	Development cost $'000	Others $'000	Total $'000
Cost:						
At 1 January 2017	1,352	32	1,384	–	32	32
Transfer from a related company	–	–	–	108	–	108
Additions	324	–	324	324	–	324
At 31 December 2017 and 1 January 2018	1,676	32	1,708	432	32	464
Additions	288	–	288	288	–	288
At 31 December 2018	1,964	32	1,996	720	32	752
Accumulated amortisation:						
At 1 January 2017	1,244	21	1,265	–	21	21
Amortisation for the year	129	–	129	129	–	129
At 31 December 2017 and 1 January 2018	1,373	21	1,394	129	21	150
Amortisation for the year	156	–	156	156	–	156
At 31 December 2018	1,529	21	1,550	285	21	306
Net carrying amount:						
At 31 December 2017	303	11	314	303	11	314
At 31 December 2018	435	11	446	435	11	446

Amortisation expense

The amortisation of development cost is included in the "General and administrative expenses" line item in the consolidated statement of comprehensive income.

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 $'000	2017 $'000
Unquoted shares, at cost	25,808	25,808
Impairment losses	(380)	(401)
	25,428	25,407

15. INVESTMENT IN SUBSIDIARIES *(continued)*

The Group has the following significant investments in subsidiaries:

Name of company (Country of incorporation)	Principal activities (Place of business)	Issued ordinary/ registered share capital	Percentage of equity held 2018 %	2017 %
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 124,596,000	**100**	100
Kinergy Philippines Inc. (Philippines)[2]	Manufacture and sale of mechanical components (Philippines)	Philippine peso 20,000,000	**100**	100
Kinergy Japan KK (Japan)[4]	Business development office (Japan)	Japanese yen 10,000,000	**100**	100
Held through Kinergy EMS (Nantong) Co., Ltd				
Kinergy Pte Ltd (Singapore)[5]	Manufacture, Design, engineering and assembling for the electronic industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision moulds and dies (Singapore)	$200,000	**100**	100
Beta Nova Electronics (Nantong) Co., Ltd[1][6] (People's Republic of China)	Manufacture and assembling of sub-systems (People's Republic of China)	USD 10,000,000	**–***	100
Kinergy Mechatronics Shanghai Co., Ltd[3] (People's Republic of China)	Marketing and logistics, strategic procurement of materials (People's Republic of China)	Renminbi 8,773,000	**100**	100

(1) It is a limited liability company and audited by member firms of EY Global in the respective countries.

(2) Audited by Dela Cruz Tatunay & Co. CPA, Philippines.

(3) It is a limited liability company and audited by Nantong Zheng Hua United CPA, People's Republic of China.

(4) Not required to be audited.

15. INVESTMENT IN SUBSIDIARIES *(continued)*

(5) In the process of voluntary winding-up.

(6) It is a limited liability company and in process of merger with Kinergy EMS (Nantong) Co., Ltd.

* As at 31 December 2018, Kinergy EMS (Nantong) Co., Ltd and Beta Nova Electronics (Nantong) Co., Ltd have amalgamated, with Kinergy EMS (Nantong) Co., Ltd continues to be a surviving entity.

16. INVESTMENT SECURITIES

a) Financial instrument as at 31 December 2018

	Group and Company 2018 $'000
At fair value through other comprehensive income	
— Unquoted equity instrument (non-current)	1,384

Investment in equity instrument designated at fair value through other comprehensive income

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

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

b) Financial instrument as at 31 December 2017

	Group 2017 $'000
Available-for-sale investment	
— Investment in bank financial products (current)	6,758

Investment in bank financial products

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

17. INVENTORIES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Statement of financial position:				
Raw materials	**13,980**	16,647	**6,045**	7,573
Work-in-progress	**10,728**	13,187	**7,984**	10,120
Finished goods	**5,322**	4,140	**3,363**	2,078
Total inventories at lower of cost and net realisable value	**30,030**	33,974	**17,392**	19,771
Statement of comprehensive income:				
Inventories recognised as an expense in cost of sales	**83,426**	85,980	**92,550**	78,368
Inclusive of the following (credit)/ charge:				
— (Write-back of)/allowance for inventory obsolescence	**(893)**	(24)	**(853)**	136

The reversal of allowance for inventory obsolescence was made when the related inventories were utilised and sold in 2018.

18. TRADE RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Trade receivables	**18,473**	21,216	**14,759**	18,483
Allowance for impairment	**(30)**	—	**—**	—
	18,443	21,216	**14,759**	18,483

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
United States Dollar	**15,673**	19,728	**14,759**	18,483

18. 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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
— 0 to 30 days	**8,435**	8,656	**7,617**	7,887
— 31 to 60 days	**7,079**	8,914	**5,655**	7,822
— 61 to 90 days	**2,000**	2,862	**1,402**	2,714
— Over 90 days	**929**	784	**85**	60
	18,443	21,216	**14,759**	18,483

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	Company
	2017	2017
	$'000	$'000
Neither past due nor impaired	18,886	16,301
Past due but not impaired:		
— 0 to 30 days	2,133	2,111
— 31 to 60 days	85	71
— 61 to 90 days	12	—
— Over 90 days	100	—
	21,216	18,483

No allowance for impairment of trade receivables has been recorded during the year ended 31 December 2017.

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
	$'000	$'000
2018		
Movement in allowance account:		
Charge for the year	**(30)**	**—**
At 31 December	**(30)**	**—**

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Advance to supplier	**1,024**	1,639	**901**	1,271
Deposits	**436**	445	**243**	248
Prepaid Goods and Services Tax ("GST")/Value-added tax ("VAT")	**297**	690	**—**	58
Prepayments	**216**	139	**107**	370
Deferred listing expenses	**—**	274	**—**	—
Other receivables	**80**	132	**11**	—
Prepayments, deposits and other receivables	**2,053**	3,319	**1,262**	1,947
Add:				
Amounts due from subsidiaries (Note 20)	**—**	—	**1,271**	590
Trade receivables (Note 18)	**18,443**	21,216	**14,759**	18,483
Cash and cash equivalents (Note 21)	**43,709**	13,657	**38,104**	11,779
Less:				
Advance to supplier	**(1,024)**	(1,639)	**(901)**	(1,271)
Prepaid GST/VAT	**(297)**	(690)	**—**	(58)
Prepayments	**(216)**	(139)	**(107)**	(370)
Deferred listing expenses	**—**	(274)	**—**	—
Total financial assets carried at amortised cost	**62,668**	35,450	**54,388**	31,100

20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2018 $'000	2017 $'000
Due from subsidiaries:		
Trade	399	–
Non-trade (net of allowance for impairment)	872	590
	1,271	590
Due to subsidiaries:		
Trade	7,379	10,467
Non-trade	981	10,086
	8,360	20,553
Allowance for impairment	467	215
At 1 January		
(Reversal)/charge for the year	(88)	252
At 31 December	379	467

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:

	2018 $'000	2017 $'000
Amounts due from subsidiaries		
United States Dollar	900	346
Amounts due to subsidiaries		
United States Dollar	6,837	10,761

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Cash and bank balances	**18,464**	13,657	**14,852**	11,779
Short-term deposits	**25,245**	—	**23,252**	—
	43,709	13,657	**38,104**	11,779

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
United States Dollar	**18,001**	5,601	**16,834**	5,169
Hong Kong Dollar	**10,208**	—	**10,208**	—

The Renminbi is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for other currencies through banks authorised to conduct foreign exchange business. The remittance of funds out of Mainland China is subject to exchange restrictions imposed by the PRC government.

22. 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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
United States Dollar	**2,493**	5,345	**1,206**	1,174

22. TRADE PAYABLES *(continued)*

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	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
— 0 to 30 days	**6,754**	14,662	**1,495**	2,031
— 31 to 60 days	**2,474**	4,550	**913**	1,026
— 61 to 90 days	**2,362**	2,053	**522**	73
— Over 90 days	**3,325**	207	**61**	—
	14,915	21,472	**2,991**	3,130

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Accruals	**2,412**	4,146	**1,622**	1,926
Advances from customers	**453**	430	**453**	327
Other payables	**751**	907	**716**	799
Other payables and accruals	**3,616**	5,483	**2,791**	3,052
Add:				
Amount due to subsidiaries (Note 20)	**—**	—	**8,360**	20,553
Trade payables (Note 22)	**14,915**	21,472	**2,991**	3,130
Less:				
Advances from customers	**(453)**	(430)	**(453)**	(327)
Total financial liabilities carried at amortised cost	**18,078**	26,525	**13,689**	26,408

Other payables are non-interest bearing and are repayable on demand.

24. PROVISION FOR WARRANTY

Analysis of provision for warranty:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
At 1 January	**82**	83	**47**	–
Transfer from a related company	**–**	–	**–**	32
Additional provision	**160**	49	**124**	49
Amounts utilised during the year	**(62)**	(49)	**(51)**	(34)
Exchange differences	**(2)**	(1)	**–**	–
At 31 December	**178**	82	**120**	47

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.

25. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities and movements during the years are as follows:

	Group			
	Withholding Tax	Difference in depreciation for tax purposes	Provision	Total
	$'000	$'000	$'000	$'000
At 1 January 2017	770	–	–	770
Deferred tax charged to the consolidated statement of comprehensive income during the year (Note 11)	330	–	–	330
At 31 December 2017 and 1 January 2018	**1,100**	**–**	**–**	**1,100**
Deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year (Note 11)	**(674)**	**170**	**(50)**	**(554)**
At 31 December 2018	**426**	**170**	**(50)**	**546**

25. DEFERRED TAX LIABILITIES *(continued)*

	Company		
	Difference in depreciation for tax purposes $'000	Provision $'000	Total $'000
At 31 December 2017 and 1 January 2018	—	—	—
Deferred tax (credited)/charged to the consolidated statement of comprehensive income during the year	170	(50)	120
At 31 December 2018	170	(50)	120

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributable by the subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

26. SHARE CAPITAL

	Number of shares	Amount $'000
Issued and fully paid ordinary shares:		
At 1 January 2017	141,587,348	34,357
Ordinary shares issued[(1)]	15,750,483	6,522
At 31 December 2017 and 1 January 2018	157,337,831	40,879
Share split[(2)]	472,013,493	—
Ordinary shares issued pursuant to the initial public offering[(3)]	210,000,000	42,555
Ordinary shares issued pursuant to over-allotment options exercised[(4)]	19,320,000	3,938
	229,320,000	46,493
Share issuance expense	—	(2,382)
At 31 December 2018	858,671,324	84,990

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

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

26. SHARE CAPITAL *(continued)*

(3) On 18 July 2018, the Company issued 210,000,000 ordinary shares at $0.20 (or equivalent with HK$1.17) in connection with the initial public offering.

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

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.

27. DIVIDENDS

	Company	
	2018	2017
	$'000	$'000
Declared and paid during the year:		
Dividend on ordinary shares:		
— Final exempt (one-tier) dividend for 2017: $7.3 cents (2016: $7.8 cents) per share	**11,486**	7,697
— Interim exempt (one-tier) dividend for 2018: $10.8 cents (2017: Nil) per share	**16,914**	—
	28,400	7,697
Proposed but not recognised as a liability as at 31 December:		
Dividend on ordinary shares, subject to shareholders' approval at the Annual General Meeting (AGM):		
— Final exempt (one-tier) dividend for 2018: Nil) (2017: $7.3 cents) per share	**—**	11,486

28. COMMITMENTS

a) Capital and investment commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2018	2017
	$'000	$'000
Contracted but not provided for:		
Property, plant and equipment	**656**	1,595
Investment securities	**22,678**	—
	23,334	1,595

28. COMMITMENTS *(continued)*

b) Operating lease commitments – as lessee

The Group leases certain properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from three to six years.

Future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Within one year	**1,086**	1,115	**1,014**	1,014
After one year but not more than five years	**2,959**	4,048	**2,959**	3,973
After five years	**–**	5	**–**	–
	4,045	5,168	**3,973**	4,987

Minimum lease payments recognised as an expense in the statement of comprehensive income for the financial year ended 31 December 2018 amounted to $1,092,000 (2017: $1,086,000).

29. 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:

	2018	2017
	$'000	$'000
Group		
Service income	**45**	–
Rental income	**35**	–
Company		
Sales	**561**	571
Purchases	**69,850**	87,648
Commission	**254**	224
Disposal of property, plant and equipment	**–**	38
Interest income	**–**	15

29. RELATED PARTY TRANSACTIONS *(continued)*

b) Compensation of key management personnel

	Group	
	2018	2017
	$'000	$'000
Short-term employee benefits	**1,770**	1,390
Defined contribution benefits	**99**	72
Other short-term benefits	**11**	9
	1,880	1,471
Comprise amounts paid to:		
Directors of the Company	**597**	526
Other key management personnel	**1,283**	945
	1,880	1,471

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

a) Major non-cash transactions

During the years ended 31 December 2018 and 2017, the Group has no significant non-cash arrangement.

31. 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 that 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.

31. 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) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Group and Company				
31 December 2018				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income (Note 16)				
Unquoted equity instrument	–	–	1,384	1,384
Group				
31 December 2017				
Assets measured at fair value				
Available-for-sale financial assets (Note 16)				
Investment in bank financial products	–	6,758	–	6,758

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities in 2018 and 2017.

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.

32. 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.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 19, 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 debtor 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.

32. 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 2018 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.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using the provision matrix:

	Current $'000	More than 30 days past due $'000	More than 60 days past due $'000	More than 90 days past due $'000	Total $'000
31 December 2018					
Gross carrying amount	17,792	63	149	469	18,473
Loss allowance provision	–	–	–	30	30

Information regarding loss allowance movement of trade receivables are disclosed in Note 18.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

a) Credit risk *(continued)*

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.

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			
	2018		2017	
	$'000	% of total	$'000	% of total
By country:				
Singapore	12,937	70.1	17,264	81.4
Mainland China	2,160	11.7	808	3.8
United States	935	5.1	1,178	5.6
Japan	899	4.9	767	3.6
Philippines	417	2.3	1,037	4.9
Others	1,095	5.9	162	0.7
	18,443	100.0	21,216	100.0

For the year ended 31 December 2018, approximately 65.1% (2017: 77.9%) of the Group's total revenue was derived from a major customer. At the end of the reporting period, approximately 35.7% (2017: 73.5%) 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 18.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

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:

	One year or less	
	2018	2017
	$'000	$'000
Group		
Financial liabilities:		
Trade payables	**(14,915)**	(21,472)
Financial liabilities included in other payables and accruals	**(3,163)**	(5,053)
Total undiscounted financial liabilities	**(18,078)**	(26,525)

	One year or less	
	2018	2017
	$'000	$'000
Company		
Financial liabilities:		
Trade payables	**(2,991)**	(3,130)
Financial liabilities included in other payables and accruals	**(2,338)**	(2,725)
Amount due to subsidiaries	**(8,360)**	(20,553)
Total undiscounted financial liabilities	**(13,689)**	(26,408)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 97.6% (2017: 98.8%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 62.3% (2017: 61.1%) 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 2018, 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	
	Profit before tax	Profit before tax
	2018	2017
	$'000	$'000
USD/SGD — strengthened 3% (2017: 3%)	**935**	615
— weakened 3% (2017: 3%)	**(935)**	(615)

33. 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 2018 and 2017.

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 2018 and 2017.

34. SEGMENT INFORMATION

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

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

(ii) Original Design Manufacturing division ("ODM"), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM divisions include equipment such as auto frame loaders, precision tools such as encapsulation moulds and dies and spare parts.

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

	2018		
	EMS S$'000	ODM S$'000	Total S$'000
Segment revenue			
Sales to external customers	110,783	12,026	122,809
Intersegment sales	79,024	1,522	80,546
	189,807	13,548	203,355
Reconciliation:			
Elimination of intersegment sales			(80,546)
			122,809
Segment results	17,763	3,651	21,414
Other income and gains			4,867
Selling and marketing expenses			(2,673)
General and administrative expenses			(12,230)
Other expenses			(30)
Finance costs			(29)
Profit before tax			11,319
Other segment information:			
Write-back of allowance for inventory obsolescence	(863)	(30)	(893)
Depreciation and amortisation	1,302	529	1,831
Capital expenditure*	3,040	294	3,334

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

34. SEGMENT INFORMATION *(continued)*

	2017		
	EMS S$'000	ODM S$'000	Total S$'000
Segment revenue			
Sales to external customers	119,527	9,425	128,952
Intersegment sales	98,564	1,940	100,504
	218,091	11,365	229,456
Reconciliation:			
Elimination of intersegment sales			(100,504)
			128,952
Segment results	23,097	1,713	24,810
Other income and gains			1,031
Selling and marketing expenses			(2,813)
General and administrative expenses			(10,915)
Other expenses			(2,212)
Finance costs			(36)
Profit before tax			9,865
Other segment information:			
Allowance for/(write-back of) inventory obsolescence	38	(62)	(24)
Depreciation and amortisation	1,388	450	1,838
Capital expenditure*	1,706	1,871	3,577

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

34. SEGMENT INFORMATION *(continued)*

Geographical information

a) Revenue from external customers

	Revenue 2018 $'000	2017 $'000
Singapore	**103,935**	114,492
United States	**4,710**	3,358
Japan	**3,788**	2,781
Mainland China	**3,155**	1,662
Philippines	**2,083**	3,550
Other countries	**5,138**	3,109
	122,809	128,952

The revenue information above is based on the location of the customers.

b) Non-current assets

	Non-current assets 2018 $'000	2017 $'000
Mainland China	**16,370**	18,506
Singapore	**1,779**	1,633
Philippines	**213**	275
	18,362	20,414

The non-current asset information above is based on the location of assets and excludes financial instruments.

Information about a major customer

During the year ended 31 December 2018, revenue generated from one single customer amounting to $79,966,000 (2017: $100,463,000) accounted for over 10% of the Group's revenue.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

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

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 27 March 2019.