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Kinergy Corporation Ltd.

光控精技有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The Board of Directors (the “Board”) of Kinergy Corporation Ltd. (the “Company”) announces the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019.

SUMMARY

	For the six months ended			Percentage
	30 June 2020	30 June 2019	Change	Change
	(unaudited)	(unaudited)		
	(S\$'000)	(S\$'000)	(S\$'000)	
Revenue	30,387	26,157	4,230	16.2%
Profit/(loss) for the period	45	(2,447)	2,492	101.8%
EBITDA ^{Note 1}	1,523	(1,130)	2,653	234.8%

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

* For Identification purpose only.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2020 (unaudited) <i>S\$'000</i>	2019 (unaudited) <i>S\$'000</i>
Revenue	4	30,387	26,157
Cost of sales		<u>(26,876)</u>	<u>(23,666)</u>
Gross profit		3,511	2,491
Other income and gains	5	2,392	701
Sales and marketing expenses		(1,089)	(918)
General and administrative expenses		(4,628)	(4,382)
Other expense	6	—	(400)
Finance costs		<u>(44)</u>	<u>(52)</u>
Profit/(loss) before tax	7	142	(2,560)
Income tax (expense)/credit	8	<u>(97)</u>	<u>113</u>
Profit/(loss) for the period		45	(2,447)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>561</u>	<u>(470)</u>
Total comprehensive income for the period		<u>606</u>	<u>(2,917)</u>
Profit/(loss) for the period attributable to:			
Owners of the Company		56	(2,447)
Non-controlling interest		<u>(11)</u>	<u>—</u>
		<u>45</u>	<u>(2,447)</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		620	(2,917)
Non-controlling interest		<u>(14)</u>	<u>—</u>
		<u>606</u>	<u>(2,917)</u>
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (<i>S\$</i>)	9	<u>0.01 cents</u>	<u>(0.28 cents)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2020 <i>(unaudited)</i> <i>S\$'000</i>	As at 31 December 2019 <i>(audited)</i> <i>S\$'000</i>
Non-current assets			
Property, plant and equipment		18,575	17,631
Right-of-use assets		3,697	4,229
Intangible assets		437	551
Investment securities	11	16,995	12,367
Advance payment for property, plant and equipment		5	12
Deferred tax assets		75	110
		39,784	34,900
Total non-current assets			
Current assets			
Inventories	12	27,476	22,028
Trade receivables	13	9,914	12,909
Prepayments, deposits and other receivables		2,758	2,025
Cash and cash equivalents	14	30,603	36,092
		70,751	73,054
Total current assets			
Current liabilities			
Trade payables	15	13,229	11,998
Other payables and accruals		3,464	3,001
Provision for warranty		31	41
Tax payable		130	3
Lease liabilities		1,043	1,030
		17,897	16,073
Total current liabilities			
Net current assets			
		52,854	56,981
Non-current liabilities			
Deferred tax liabilities		161	251
Lease liabilities		1,452	1,963
		1,613	2,214
Total non-current liabilities			
Net assets			
		91,025	89,667
Equity attributable to owners of the Company			
Share capital	16	84,857	84,938
Reserves		4,491	4,729
		89,348	89,667
Non-controlling interest		1,677	—
		91,025	89,667
Total equity			
		91,025	89,667

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Stock Exchange.

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

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

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

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

(i) Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board (“IASB”) and the applicable disclosure provisions of the Listing Rules.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

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

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

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

Revenue breakdown by business segment

The following table sets out our revenue by business segment for the six months ended 30 June 2020 and 2019:

	For the six months ended 30 June			
	2020 (unaudited)		2019 (unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
EMS	29,529	97.2	23,628	90.3
ODM	858	2.8	2,529	9.7
	<u>30,387</u>	<u>100.0</u>	<u>26,157</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2020 and 2019. It should be noted that the following breakdown is based on the location of our customers. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products are used may be different from where the customers locate.

	For the six months ended 30 June			
	2020		2019	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	23,333	76.8	20,766	79.4
The United States	4,134	13.6	2,515	9.6
Mainland China	1,230	4.0	698	2.7
The Philippines	158	0.5	668	2.6
Japan	146	0.5	137	0.5
Other countries	1,386	4.6	1,373	5.2
	<u>30,387</u>	<u>100.0</u>	<u>26,157</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Total revenue	
	For the six months ended 30 June				2020	2019
	2020	2019	2020	2019		
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Type of goods or services						
Sale of goods	29,424	23,356	858	2,529	30,282	25,885
Rendering of services	105	272	—	—	105	272
	<u>29,529</u>	<u>23,628</u>	<u>858</u>	<u>2,529</u>	<u>30,387</u>	<u>26,157</u>
Timing of transfer of goods or services						
At a point in time	<u>29,529</u>	<u>23,628</u>	<u>858</u>	<u>2,529</u>	<u>30,387</u>	<u>26,157</u>

5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Other income		
Bank interest income	186	384
Government grant ^(a)	745	104
Service income	60	99
Rental income	59	73
Others	8	41
	<u>1,058</u>	<u>701</u>
Gains		
Gain on disposal of property, plant and equipment	16	—
Foreign exchange differences, net	1,318	—
	<u>1,334</u>	<u>—</u>
	<u><u>2,392</u></u>	<u><u>701</u></u>

^(a) The amount represents grant income from Singapore government authorities under the various support schemes, of which approximately S\$699,000 was mainly from the Jobs Support Scheme announced by the Singapore government which is aimed to provide cash flow support and help local companies to retain their local employees during the COVID-19 pandemic period. There are no unfulfilled conditions and other contingencies relating to these grants.

6. OTHER EXPENSE

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Foreign exchange differences, net	—	400
	<u><u>—</u></u>	<u><u>400</u></u>

7. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Cost of inventories	20,750	17,052
Cost of services rendered	16	41
Depreciation of property, plant and equipment	676	755
Depreciation of right-of-use assets	547	506
Amortisation of intangible assets	114	117
Research and development expenses	899	714
Short-term leases	8	43
Auditor's remuneration	100	119
Professional fees	240	117
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	6,891	6,132
— Pension scheme contributions	625	960
Foreign exchange differences, net	(1,318)	400
Addition/(reversal) of provision for warranty	64	(17)
Write-back of impairment loss on trade receivables	—	(30)
Gain on disposal of property, plant and equipment	(16)	—
(Write-back of)/allowance for inventory obsolescence	(15)	155
Bank interest income	(186)	(384)

8. INCOME TAX (EXPENSE)/CREDIT

Major components of income tax (expense)/credit

The major components of income tax (expense)/credit for the six months ended 30 June 2020 and 2019 are as follows:

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
— Current income taxation	(40)	(1)
— (Under)/over provision in respect of previous years	(57)	114
Income tax (expense)/credit recognised in profit or loss	(97)	113

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

The calculation of basic earnings/(loss) per share amounts is based on the profit for six months attributable to the owners of the Company, and the weighted average number of ordinary shares of 857,467,027 and 858,671,324 shares in issue during the periods ended 30 June 2020 and 2019 respectively.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2020 and 2019.

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

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company	<u>56</u>	<u>(2,447)</u>
	As at 30 June	
	2020	2019
Number of shares		
Weighted average number of ordinary shares	<u>857,467,027</u>	<u>858,671,324</u>
Earnings/(loss) per share attributable to owners of the Company		
Basic and diluted (S\$)	<u>0.01 cents</u>	<u>(0.28 cents)</u>

10. DIVIDENDS

	For the six months ended	
	30 June	
	2020	2019
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Declared and paid during the reporting period:		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2019: S\$0.1 cents per share	<u>858</u>	<u>—</u>
— Special exempt (one-tier) dividend of S\$0.2 cents per share	<u>—</u>	<u>1,717</u>
	<u>858</u>	<u>1,717</u>

11. INVESTMENT SECURITIES

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
At fair value through other comprehensive income		
Equity securities (unquoted):		
— Towa (Nantong) Co., Ltd.	2,384	1,520
— Nantong Intelligent Fund	7,898	7,726
— SMEE Equipment (Group) Co., Ltd.	3,159	3,121
— Jinguan Electric Company Limited	3,554	—
	<u>16,995</u>	<u>12,367</u>

The Group has elected to measure these equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity instruments for long-term appreciation.

In January 2020, the Group through its subsidiary, Kinergy EMS, entered into a share transfer agreement with Qingdao CEL Fund, a related company, to acquire 1,249,128 shares of Jinguan Electric from Qingdao CEL Fund for a consideration of RMB18,000,000. Immediately following the completion of the share transfer on 13 January 2020, the 1,249,128 shares represent approximately 1.22% of the entire issue shares of Jinguan Electric is owned as to Kinergy EMS.

In April 2020, the Group made an additional contribution in Towa (Nantong) Co., Ltd, a joint venture between the Group and Towa Corporation, of US\$600,000 (equivalent to S\$864,000). Immediately following the aforesaid contribution, the Group remains interested in 10% of the registered share capital of Towa (Nantong) Co., Ltd.

12. INVENTORIES

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Raw materials	19,959	14,300
Work-in-progress	4,537	4,397
Finished goods	2,980	3,331
	<u>27,476</u>	<u>22,028</u>
Total inventories at lower of cost and net realisable value	<u>27,476</u>	<u>22,028</u>

13. TRADE RECEIVABLES

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:

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
— 0 to 30 days	9,254	5,725
— 31 to 60 days	247	5,719
— 61 to 90 days	292	920
— Over 90 days	121	545
	<u>9,914</u>	<u>12,909</u>

14. CASH AND CASH EQUIVALENTS

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Cash and bank balances	12,949	12,584
Short-term deposits	17,654	23,508
	<u>30,603</u>	<u>36,092</u>

15. TRADE PAYABLES

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

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
— 0 to 30 days	5,458	5,593
— 31 to 60 days	3,434	3,572
— 61 to 90 days	3,083	1,425
— Over 90 days	1,254	1,408
	<u>13,229</u>	<u>11,998</u>

16. SHARE CAPITAL AND TREASURY SHARES

a. Share capital

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
As at 1 January 2019, 31 December 2019 and 1 January 2020	858,671,324	84,990
Shares repurchased and cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 30 June 2020	<u>857,419,324</u>	<u>84,857</u>

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

b. Treasury shares

	Number of shares	Amount S\$'000
As at 1 January 2019	—	—
Shares repurchased	<u>492,000</u>	<u>52</u>
As at 31 December 2019 and 1 January 2020	492,000	52
Shares repurchased	760,000	81
Shares cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 30 June 2020	<u>—</u>	<u>—</u>

During the six months ended 30 June 2020, the Company repurchased its own 760,000 ordinary shares on the Stock Exchange with the amount paid was S\$81,000. This was presented as a component within shareholders' equity.

In accordance with the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited, the repurchased shares shall be cancelled as soon as reasonably practicable following settlement of any such purchase. Accordingly, the repurchased shares were cancelled during the six months ended 30 June 2020.

17. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 20 May 2020, the Company entered into a facility agreement with a bank in respect of 5-year Temporary Bridging Loan Program ("TBLP") of up to an aggregate principal amount of S\$5,000,000, with the interest rate capped at 5% p.a. TBLP is a Singapore government assisted financing scheme with the purpose to provides access to working capital for business needs during the COVID-19 pandemic. On 3 August 2020, the Company has drawn the loan in full.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS Division and ODM Division. Our EMS Division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. The Group’s revenue mainly derived from the EMS Division, which accounted for approximately 97.2% of total revenue and ODM Division accounted for approximately 2.8% of total revenue for the six months ended 30 June 2020.

2. BUSINESS REVIEW AND PROSPECT

The global economy is still showing unfavorable outlook resulting from the trade tension between the U.S. and China trade war that has simmered for two years. Although the phase-one interim agreement has been made in December 2019 to prevent a further escalation of the trade tension, the next stage of the negotiation between the U.S. and China is expected to get tougher as they begin clashing on some other issues. Furthermore, the outbreak of COVID-19 pandemic emerged since the beginning of 2020 has worsened the situation. With the worldwide countries currently being affected and nationwide lockdown being imposed to contain the pandemic, our supply chain as well as our operation in Singapore, China and the Philippines were disrupted.

Despite the abovementioned unfavorable circumstances, the Group outperformed the corresponding period of previous year. The Group’s revenue increased by approximately 16.2% from approximately S\$26.2 million in first half of 2019 to approximately S\$30.4 million in first half of 2020 mainly due to increase in orders existing customers and contribution from new customers. The Group’s financial position remained firm, with a net asset value of approximately S\$91.0 million and cash and cash equivalents of approximately S\$30.6 million as at 30 June 2020.

During the period, the Group invested in Jinguan Electric. Jinguan Electric Group is a leading high-end lightning arresters manufacturer in the PRC. Jinguan Electric has submitted application for listing on the Shanghai Stock Exchange in June 2020.

The Group also expanded its capability to include fabrication of precision machine frames and sheet-metal forming by entering into a joint venture agreement with Techcom Technology Pte Ltd (“Techcom Technology”) in March 2020 to set up a new company named KinerTec (Nantong) Co. Ltd. We own 60% of KinerTec (Nantong) Co. Ltd, which operates out of our Nantong factory premises. This capability will strengthen and enrich our skill in the SPE sector in order to better serve our customers.

Looking ahead, the second half of the financial year ending 31 December 2020 will be filled with challenges and uncertainties. The Directors will continue to assess and monitor closely the impact of the COVID-19 pandemic and trade tension between the U.S. and China on the Group’s operations and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection with the pandemic. Further to that, the Group will adhere to prudent financial management in project selection and cost control as well as to adopt a cautious approach in exploring opportunities to expand and diversify our operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, and access to new markets and customers

3. FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June		
	2020	2019	% of change
	<i>S\$’000</i>	<i>S\$’000</i>	
EMS	29,529	23,628	25.0
ODM	858	2,529	(66.1)
	<u>30,387</u>	<u>26,157</u>	<u>16.2</u>

The Group’s revenue increased by approximately 16.2% from approximately S\$26.2 million for the six months ended 30 June 2019 to approximately S\$30.4 million for the six months ended 30 June 2020.

The increase was primarily due to the increase in sales from EMS segment which was caused by the increase in orders from existing customers and contribution from new customers. The increase was offset with the decrease in ODM segment due to lower order from existing customers.

Cost of sales

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

	For the six months ended 30 June		
	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>	% of change
EMS	25,930	21,485	20.7
ODM	946	2,181	(56.6)
	<u>26,876</u>	<u>23,666</u>	<u>13.6</u>

The Group's cost of sales increased by approximately 13.6% from approximately S\$23.7 million for the six months ended 30 June 2019 to approximately S\$26.9 million for the six months ended 30 June 2020. The increase was mainly due to the increase in revenue during the period.

Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales above, the gross profit increased by approximately 40.9% from approximately S\$2.5 million for the six months ended 30 June 2019 to approximately S\$3.5 million for the six months ended 30 June 2020.

Gross profit margin increased by approximately 2.1% from 9.5% for the six months ended 30 June 2019 to 11.6% for the six months ended 30 June 2020. The main reason was due to the higher recovery of fixed overheads as a result of higher production volume/revenue.

Other income and gains

Other income and gains increased from approximately S\$0.7 million for the six months ended 30 June 2019 to approximately S\$2.4 million for the six months ended 30 June 2020. The increase was primarily due to (i) government grant income by approximately S\$0.7 million mainly from Jobs Support Scheme announced by the Singapore government which is aimed to provide cash flow support and help company to retain their local employees during the COVID-19 pandemic period and (ii) foreign exchange gain of approximately S\$1.3 million recorded during the period. The increase was partially offset by the lower bank interest income of approximately S\$0.2 million.

Sales and marketing expenses

Sales and marketing expenses increased by approximately 18.6% from approximately S\$0.9 million for the six months ended 30 June 2019 to approximately S\$1.1 million for the six months ended 30 June 2020, which is mainly due to increase in distribution expenses in line with the increase in revenue for the six months ended 30 June 2020.

General and administration expenses

General and administration expenses increased by approximately 5.6% from approximately S\$4.4 million for the six months ended 30 June 2019 to approximately S\$4.6 million for the six months ended 30 June 2020. The increase was mainly due to higher research and development expenses of approximately S\$0.2 million.

Other expense

The decrease in other expense was due to the Group had foreign exchange gain during the period which was presented as part of other income and gains, as against a foreign exchange loss in the corresponding period of prior year.

Finance costs

Comparing to the six months ended 30 June 2019, finance costs incurred during the six months ended 30 June 2020 decreased by approximately S\$8,000.

Profit/(loss) before tax

Profit before tax for the six months ended 30 June 2020 was approximately S\$142,000, while loss before tax of approximately S\$2.6 million was recorded for the six months ended 30 June 2019. Such increase was mainly due to significant increase in revenue and other income and gains during the period.

Income tax (expense)/credit

The Group's income tax expense for the six months ended 30 June 2020 was approximately S\$0.1 million, while income tax credit of approximately S\$0.1 million was recorded for the six months ended 30 June 2019.

Profit/(loss) for the period

As a result of the above, the Group recorded a net profit after tax of approximately S\$45,000 for the six months ended 30 June 2020, comparing to a net loss after tax of approximately S\$2.4 million for the corresponding period in 2019.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents of approximately S\$30.6 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 periods indicated:

	For the six months ended	
	30 June	
	2020	2019
	S\$'000	S\$'000
Net cash flow used in operating activities	(838)	(1,901)
Net cash flow used in investing activities	(5,501)	(744)
Net cash flow generated from/(used in) financing activities	<u>201</u>	<u>(2,224)</u>
Net decrease in cash and cash equivalents	(6,138)	(4,869)
Cash and cash equivalents at 1 January	36,092	43,709
Effect of exchange rate changes on cash and cash equivalents	<u>649</u>	<u>(60)</u>
Cash and cash equivalents at 30 June	<u><u>30,603</u></u>	<u><u>38,780</u></u>

Net cash flow used in operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit/(loss) before taxation for the period adjusted for (i) non-cash item such as depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets and other items, which led to the operating profit/(loss) 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 (used in)/generated from operations; and (iii) interest expense paid and income tax paid, which result in net cash flow (used in)/generated from operating activities.

For the six months ended 30 June 2020, the Group's net cash used in operating activities was approximately S\$0.8 million, primarily reflected an increase in inventories of approximately S\$5.4 million which was partially offset by (i) cash flow before changes in working capital of approximately S\$0.6 million; (ii) a net decrease in trade and other receivables of approximately S\$2.3 million; (iii) an increase in trade and other payables of approximately S\$1.6 million; and (iv) interest income received of approximately S\$0.2 million.

Net cash flow used in investing activities

Cash flow used in investing activities mainly relates to purchase of property, plant and equipment and investment securities.

For the six months ended 30 June 2020, the Group's net cash flow used in investing activities was approximately S\$5.5 million, which was primarily used for purchase of property, plant and equipment of approximately S\$1.2 million and purchase of investment securities of approximately S\$4.4 million.

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

Cash flows generated from/(used in) financing activities includes payment of principal and interest of lease liabilities, dividend paid on ordinary shares, purchase of treasury shares and capital contribution from non-controlling interest.

For the six months ended 30 June 2020, the Group's net cash flow generated from financing activities was approximately S\$0.2 million, mainly generated from capital contribution from non-controlling interest of approximately S\$1.7 million which was partially offset with (i) payment of principal and interest of lease liabilities of approximately S\$0.6 million; (ii) final dividend paid on ordinary shares of approximately S\$0.9 million; and purchase of treasury shares of approximately S\$0.1 million.

NET CURRENT ASSETS

The Group's net current asset decreased by approximately S\$4.1 million from approximately S\$57.0 million as at 31 December 2019 to approximately S\$52.9 million as at 30 June 2020. The decrease was primarily due to (i) a decrease in cash and cash equivalents of approximately S\$5.5 million; (ii) a net decrease in trade and other receivables of approximately S\$2.3 million; (iii) an increase in trade and other payables of approximately S\$1.7 million; and (iv) an increase in tax payable of approximately S\$0.1 million, partially offset with an increase in inventories of approximately S\$5.5 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchases cost relating to property, plant and equipment. For the six months ended 30 June 2020, the Group's capital expenditure amounted to approximately S\$1.2 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure from the Listing proceeds.

Capital and investment commitments

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

As at 30 June 2020, the Group's capital and investment expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	30 June 2020 S\$'000
Contracted, but not provided for:	
Property, plant and equipment	1,383
Investment securities	13,661
	<hr/>
	15,044
	<hr/> <hr/>

Investment securities

The balance of S\$13,661,000 pertains to the remaining investment commitments of the Group in Towa (Nantong) Co., Ltd and Nantong Intelligent Fund amounting to S\$1,814,000 (equivalent to US\$1,300,000) and S\$11,847,000 (equivalent to RMB60,000,000), respectively.

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2020 the Group has outstanding balance from lease liabilities of approximately S\$2.5 million (31 December 2019: approximately S\$3.0 million).

Contingent liabilities

As at 30 June 2020, 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 period divided by total equity at the end of the period. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than lease liabilities as at 30 June 2020.

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes lease liabilities. Gearing ratio of the Group as at 30 June 2020 was 0.03.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

In anticipation of the growth of the SPE market in China and the Far East, the Group's plan is to expand our capacities and capabilities in the areas of SPE manufacturing, among others, high technology equipment designs, high tech equipment manufacturing protocol and precision machining. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Save as disclosed above, Note 11, "Investment Securities" and capital and investment commitments section on page 19 to this announcement, the Group did not have other plans for material investments.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

In March 2020, the Company entered into a joint venture agreement with Techcom Technology, an independent third party, pursuant to which the parties agreed to set up a new company named KinerTec (Nantong) Co. Ltd in the PRC to principally engage in the manufacturing of sheet metal products and structural metal products. The Group and Techcom Technology own 60% and 40% equity interest in the KinerTec (Nantong) Co. Ltd respectively. KinerTec (Nantong) Co. Ltd is a subsidiary and is consolidated in the Group's financial statements.

Save as disclosed above and Note 11, "Investment Securities" of this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is Singapore dollar ("SGD"). The Group mainly operates in Singapore and China, 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 30 June 2020, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2020, the Group had 522 employees. The employees benefit expense incurred during the six months ended 30 June 2020 was approximately S\$8.0 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments. The Group's remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. Besides offering competitive remuneration packages, the Company adopted the Share Option Scheme with the objective to recognise contributions made by eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labor disputes during the six months ended 30 June 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

DIVIDEND

Except for the final dividend for the year ended 31 December 2019 paid on 12 June 2020, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2020.

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Upon specific enquiry of all Directors, all Directors confirmed that they have complied with the Code and the Model Code during the period under review.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES

During the six months ended 30 June 2020, the Company repurchased a total of 760,000 ordinary shares (“Shares Repurchased”) of the Company on the Stock Exchange at an aggregate consideration (including transaction costs) of approximately S\$81,000 (equivalent to approximately HK\$460,000). Particulars of the Shares Repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per share		Aggregate Consideration (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
January 2020	<u>760,000</u>	0.66	0.55	<u>460</u>

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

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee, comprising solely the independent non-executive Directors of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.kinergy.com.sg>). The interim report for the six months ended 30 June 2020 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (光控精技有限公司), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we” or “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinguan Electric”	Jinguan Electric Company Limited* (金冠電氣股份有限公司), a joint stock company established in the PRC on 28 March 2005
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 12 September 2019

“ODM”	Original Design Manufacturing
“Qingdao CEL Fund”	Qingdao CEL Intelligent Manufacturing Equity Investment Limited* (青島光控智造股權投資有限公司), a limited partnership established in the PRC on 1 March 2017 and a connected party of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of Singapore
“Shareholder(s)”	the Shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“USD” of “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 17 August 2020

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