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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 2021

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) is pleased to announce 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 2021, together with the comparative figures for the six months ended 30 June 2020.

SUMMARY

	For the six months ended		Change	Percentage Change
	30 June 2021	30 June 2020		
	(unaudited)	(unaudited)		
	(S\$'000)	(S\$'000)	(S\$'000)	
Revenue	77,545	30,387	47,158	155.2%
Profit for the period	4,627	45	4,582	10,182.2%
EBITDA <i>Note 1</i>	7,188	1,523	5,665	372.0%

Note 1 EBITDA is calculated using profit 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>	2021 (unaudited) S\$'000	2020 (unaudited) S\$'000
Revenue	4	77,545	30,387
Cost of sales		<u>(65,053)</u>	<u>(26,876)</u>
Gross profit		12,492	3,511
Other income and gains	5	1,358	2,392
Sales and marketing expenses		(1,474)	(1,089)
General and administrative expenses		(6,432)	(4,628)
Other expense	6	(316)	—
Finance costs		<u>(123)</u>	<u>(44)</u>
Profit before tax	7	5,505	142
Income tax expense	8	<u>(878)</u>	<u>(97)</u>
Profit for the period		4,627	45
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		1,397	561
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain on investment securities at fair value through other comprehensive income		<u>314</u>	<u>—</u>
Total comprehensive income for the period		<u>6,338</u>	<u>606</u>
Profit for the period attributable to:			
Equity holders of the parent		4,517	56
Non-controlling interests		<u>110</u>	<u>(11)</u>
		<u>4,627</u>	<u>45</u>
Total comprehensive income for the period attributable to:			
Equity holders of the parent		6,075	620
Non-controlling interests		<u>263</u>	<u>(14)</u>
		<u>6,338</u>	<u>606</u>
Earnings per share attributable to equity holders of the parent			
Basic and diluted (S\$)	9	<u>0.51 cents</u>	<u>0.01 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 (unaudited) S\$'000	As at 31 December 2020 (audited) S\$'000
Non-current assets			
Property, plant and equipment		23,110	19,769
Right-of-use assets		2,680	3,188
Intangible assets		332	455
Investment securities	11	27,900	19,196
Advance payment for property, plant and equipment		17	607
Deferred tax assets		398	126
Total non-current assets		54,437	43,341
Current assets			
Inventories	12	46,940	34,754
Trade receivables	13	34,110	17,744
Prepayments, deposits and other receivables		5,449	4,045
Investment securities	11	3,808	—
Cash and cash equivalents	14	29,899	25,259
Total current assets		120,206	81,802
Current liabilities			
Trade payables	15	38,380	25,508
Other payables and accruals		5,589	3,664
Provision for warranty		22	12
Interest-bearing loans and borrowings	16	8,949	1,459
Income tax payable		760	9
Total current liabilities		53,700	30,652
Net current assets		66,506	51,150
Non-current liabilities			
Deferred tax liabilities		228	—
Interest-bearing loans and borrowings	16	8,459	5,545
Total non-current liabilities		8,687	5,545
Net assets		112,256	88,946
Equity			
Share capital	17	91,293	84,857
Reserves		8,609	2,534
Equity attributable to equity holders of the parent		99,902	87,391
Non-controlling interests		12,354	1,555
Total equity		112,256	88,946

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

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 2020.

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 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

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

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

During the six months ended 30 June 2021, the Group acquired a new subsidiary, CEL Puyan, which its principal activities are provision of fund management services and investment activities in equity securities and funds. The Directors have assessed such segment and considered that it should be presented as a separate operating and reportable segment under "Investment".

The Group's chief operating decision maker is the chief executive officer, who reviews revenue and results of major type of products sold/services rendered 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 2021 and 2020:

	For the six months ended 30 June			
	2021		2020	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
EMS	73,325	94.6	29,529	97.2
ODM	2,781	3.6	858	2.8
Investment	1,439	1.8	—	—
	<u>77,545</u>	<u>100.0</u>	<u>30,387</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2021 and 2020. 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			
	2021		2020	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	57,641	74.3	23,333	76.8
The United States	10,791	13.9	4,134	13.6
Mainland China	6,011	7.8	1,230	4.0
Japan	547	0.7	146	0.5
The Philippines	369	0.5	158	0.5
Other countries	2,186	2.8	1,386	4.6
	<u>77,545</u>	<u>100.0</u>	<u>30,387</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Investment		Total revenue	
	For the six months ended 30 June							
	2021	2020	2021	2020	2021	2020	2021	2020
	(unaudited)							
	<i>S\$'000</i>	<i>S\$'000</i>	<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	72,787	29,424	2,781	858	-	-	75,568	30,282
Rendering of services	538	105	-	-	1,439	-	1,977	105
	<u>73,325</u>	<u>29,529</u>	<u>2,781</u>	<u>858</u>	<u>1,439</u>	<u>-</u>	<u>77,545</u>	<u>30,387</u>
Timing of transfer of goods or services								
At a point in time	73,325	29,529	2,781	858	-	-	76,106	30,387
Over period of time	-	-	-	-	1,439	-	1,439	-
	<u>73,325</u>	<u>29,529</u>	<u>2,781</u>	<u>858</u>	<u>1,439</u>	<u>-</u>	<u>77,545</u>	<u>30,387</u>

5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2021	2020
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Other income		
Bank interest income	107	186
Government grants ^(a)	647	745
Service income	12	60
Rental income	13	59
Others	11	8
	<u>790</u>	<u>1,058</u>
Gains		
Foreign exchange differences, net	315	1,318
Gain on bargain purchase of a business	249	—
Gain on disposal of property, plant and equipment	4	16
	<u>568</u>	<u>1,334</u>
	<u>1,358</u>	<u>2,392</u>

- (a) The amount represents grants from government authorities under the various support schemes, of which approximately (i) S\$295,000 (30 June 2020: S\$699,000) was primarily from the Jobs Support Scheme and Job Growth Incentive programs 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 and (ii) S\$289,000 (30 June 2020: nil) incentive from the PRC government related to investments activities for the six months ended 30 June 2021. There are no unfulfilled conditions and other contingencies relating to these grants.

6. OTHER EXPENSE

	For the six months ended	
	30 June	
	2021	2020
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Net fair value loss on investment securities at fair value through profit or loss	<u>316</u>	<u>—</u>

7. PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2021	2020
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Cost of inventories	55,820	20,750
Depreciation of property, plant and equipment	888	676
Depreciation of right-of-use assets	548	547
Amortisation of intangible assets	124	114
Research and development expenses	1,975	899
Short-term leases	17	8
Auditor's remuneration	130	100
Professional fees	138	240
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	9,692	6,891
— Pension scheme contributions	1,158	625
Addition of provision for warranty	21	64
Foreign exchange differences, net	(315)	(1,318)
Government grants	(647)	(745)
Gain on disposal of property, plant and equipment	(4)	(16)
Allowance for/(write-back of) inventory obsolescence	11	(15)
Bank interest income	(107)	(186)

8. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2021 and 2020 are as follows:

	For the six months ended	
	30 June	
	2021	2020
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Current income taxation	869	40
Under provision in respect of previous years	9	57
	<hr/>	<hr/>
Income tax expense	<u>878</u>	<u>97</u>

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for six months attributable to equity holders of the parent, and the weighted average number of ordinary shares of 887,447,734 and 857,467,027 shares in issue during the periods ended 30 June 2021 and 2020 respectively.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2021 and 2020.

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

	For the six months ended	
	30 June	
	2021	2020
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Earnings		
Profit for the period attributable to equity holders of the parent	<u><u>4,517</u></u>	<u><u>56</u></u>
	As at 30 June	
	2021	2020
Number of shares		
Weighted average number of ordinary shares	<u><u>887,447,734</u></u>	<u><u>857,467,027</u></u>
Earnings per share attributable to equity holders of the parent		
Basic and diluted (S\$)	<u><u>0.51 cents</u></u>	<u><u>0.01 cents</u></u>

10. DIVIDENDS

	For the six months ended	
	30 June	
	2021	2020
	(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 2020: S\$0.1 cents per share	<u><u>—</u></u>	<u><u>858</u></u>
Proposed but not recognised as a liability		
<i>Dividend on ordinary shares:</i>		
— Interim exempt (one-tier) dividend for 2021: S\$0.13 cents per share	<u><u>1,197</u></u>	<u><u>—</u></u>

11. INVESTMENT SECURITIES

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
At fair value through profit or loss		
— Non-quoted equity investments	19,199	15,423
— Quoted equity investments	8,152	—
At fair value through other comprehensive income		
— Non-quoted equity investment	4,357	3,773
	<u>31,708</u>	<u>19,196</u>
Total current	3,808	—
Total non-current	<u>27,900</u>	<u>19,196</u>
	<u>31,708</u>	<u>19,196</u>

12. INVENTORIES

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
Raw materials	36,685	26,472
Work-in-progress	6,229	5,570
Finished goods	4,026	2,712
	<u>46,940</u>	<u>34,754</u>
Total inventories at lower of cost and net realisable value	<u>46,940</u>	<u>34,754</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 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
— 0 to 30 days	17,459	17,429
— 31 to 60 days	13,261	164
— 61 to 90 days	2,628	76
— Over 90 days	762	75
	<hr/> 34,110 <hr/>	<hr/> 17,744 <hr/>

14. CASH AND CASH EQUIVALENTS

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
Cash and bank balances	25,737	25,259
Short-term deposits	4,162	—
	<hr/> 29,899 <hr/>	<hr/> 25,259 <hr/>

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 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
— 0 to 30 days	15,560	11,218
— 31 to 60 days	9,145	8,495
— 61 to 90 days	7,191	4,087
— Over 90 days	6,484	1,708
	<u>38,380</u>	<u>25,508</u>

16. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
Lease liabilities	1,480	2,004
2% unsecured bank loan of S\$5,000,000	5,000	5,000
2.5% unsecured bank loan of S\$5,000,000	5,000	—
Unsecured bank trade financing	5,928	—
	<u>17,408</u>	<u>7,004</u>
Repayable details as follows:		
Within 1 year	8,949	1,459
1 to 5 years	8,459	5,545
	<u>17,408</u>	<u>7,004</u>

17. SHARE CAPITAL AND TREASURY SHARES

a. Share capital

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
As at 1 January 2020	858,671,324	84,990
Shares repurchased and cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020 and 1 January 2021 (audited)	857,419,324	84,857
Ordinary shares issued ⁽²⁾	<u>62,974,070</u>	<u>6,436</u>
As at 30 June 2021 (unaudited)	<u><u>920,393,394</u></u>	<u><u>91,293</u></u>

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

⁽²⁾ In April 2021, the Company issued 62,974,070 ordinary shares at S\$0.1022 per share (equivalent to HK\$0.60 per share) following the completion of the Share Subscription Agreements.

b. Treasury shares

	Number of shares	Amount S\$'000
As at 1 January 2020	492,000	52
Shares repurchased	760,000	81
Shares cancelled	<u>(1,252,000)</u>	<u>(133)</u>
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u><u>—</u></u>	<u><u>—</u></u>

18. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 30 July 2021, the Group through its subsidiaries, Kinergy IME and CEL Puyan entered into a fund partnership agreement in relation to the Nanyang Fund, with two Independent Third Parties, Nanyang Chanye and Zibo Fuyan, and a connected party, Guangguan Zhihe, with total initial capital contribution of S\$12,487,000 (or equivalent to RMB60,000,000). Guangguan Zhihe is 99.01% owned by Mr. Du Xiaotang, the executive Director of the Company. Kinergy IME and CEL Puyan capital commitments amounted to S\$2,497,000 (or equivalent to RMB12,000,000) and S\$2,123,000 (or equivalent to RMB10,200,000), representing 20% and 17% of the total commitment capital contribution of the fund respectively.

On 19 August 2021, the abovementioned parties entered into a supplementary agreement to increase the capital contribution from S\$12,487,000 (or equivalent to RMB60,000,000) to S\$41,622,000 (or equivalent to RMB200,000,000). The supplementary agreement is subject to shareholders' approval of the Company.

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

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 three divisions, namely EMS, ODM and investment divisions. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. Our investment division focuses primarily on provision of fund management services and investment activities in equity securities and funds.

The Group’s revenue mainly derived from the EMS division, which accounted for approximately 94.6% of total revenue for the six months ended 30 June 2021. ODM and investment divisions accounted for approximately 3.6% and 1.8% of total revenue for the six months ended 30 June 2021.

2. BUSINESS REVIEW AND PROSPECT

After one and a half year of difficult business condition due to the trade tension between the United States and China and COVID-19, demand for semi-conductor products began to gradually pick up in the fourth quarter of 2020 due the frenzied purchases for semiconductor chips in the second half of 2020. Compounding the shortage of semiconductor chips was the fact that the semiconductor chips production was reduced due to worldwide lockdowns caused by COVID-19, and also equipment supply disruption caused by geo-political conflicts. The Company received strong purchase orders during this period. Despite the supply chain disruption due to COVID-19 lockdown, we recorded a strong first half year revenue with a net profit after tax of approximately S\$4.6 million.

Both our EMS and ODM divisions showed creditable performances. EMS division accounted for approximately S\$73.3 million and ODM accounted for approximately S\$2.8 million of the total revenue of approximately S\$77.5 million for the first half 2021. It reflects a growth of approximately 148.3% and approximately 224.1% year-on-year respectively.

During the period, the Group acquired a 51.03% interest in CEL Puyan. CEL Puyan is an equity investment company and a private equity fund manager. Currently CEL Puyan manages three funds. The objectives of the funds are to make equity investments in high-tech manufacturing equipment in semiconductor, solar, flat panel displays, medical and test and analysis machines.

We anticipate that the second half of the financial year ending 31 December 2021 will be stronger as evidenced by the volume of outstanding purchase order in hand. However, the Directors will continue to assess and monitor closely the impact of the trade tension between the United States and China as well as reemergence of COVID-19 cases in many countries around the world including Singapore, China and the Philippines where our Group operates. Further to that, the Group will adhere to prudent financial management in project selection and cost control as well as to adopt a cautious approach in exploring opportunities to expand and diversify our operations through our investment business, joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, and access to new markets and customers.

3. FINANCIAL REVIEW

Revenue

The following table sets forth the components of our revenue by operating segment for the periods indicated:

	For the six months ended 30 June		
	2021	2020	change
	S\$'000	S\$'000	
EMS	73,325	29,529	148.3%
ODM	2,781	858	224.1%
Investment	1,439	—	N/A
	<u>77,545</u>	<u>30,387</u>	<u>155.2%</u>

The Group's revenue increased by approximately 155.2% from approximately S\$30.4 million for the six months ended 30 June 2020 to approximately S\$77.5 million for the six months ended 30 June 2021.

The increase was primarily attributable to the significant increase in sale volume for EMS and ODM division. The new investment segment acquired during the period also contributed to the increase in revenue.

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		
	2021	2020	change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	62,888	25,930	142.5%
ODM	2,165	946	128.9%
Investment	<u>—</u>	<u>—</u>	<u>N/A</u>
	<u>65,053</u>	<u>26,876</u>	<u>142.0%</u>

The Group's cost of sales increased by approximately 142.0% from approximately S\$26.9 million for the six months ended 30 June 2020 to approximately S\$65.1 million for the six months ended 30 June 2021. 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 S\$9.0 million or 255.8% from approximately S\$3.5 million for the six months ended 30 June 2020 to approximately S\$12.5 million for the six months ended 30 June 2021.

Gross profit margin increased by approximately 4.5% from 11.6% for the six months ended 30 June 2020 to 16.1% for the six months ended 30 June 2021. The main reason was due to higher recovery of fixed overheads as a result of higher production volume/revenue of the EMS and ODM segments. The contribution of revenue from the investment segment, which has no cost of sale, has also contributed to the improvement of the gross profit margin.

Other income and gains

Other income and gains decreased by approximately S\$1.0 million or 43.2% from approximately S\$2.4 million for the six months ended 30 June 2020 to approximately S\$1.4 million for the six months ended 30 June 2021. The decrease was primarily due to (i) decrease in foreign exchange gain of approximately S\$1.0 million, (ii) decrease in government grants of S\$0.1 million and (iii) decrease in bank interest income of S\$0.1 million. The decrease was partially offset by a gain on bargain purchase of a business of approximately S\$0.2 million.

Sales and marketing expenses

Sales and marketing expenses increased by approximately S\$0.4 million or 35.4% from approximately S\$1.1 million for the six months ended 30 June 2020 to approximately S\$1.5 million for the six months ended 30 June 2021, which was due to increase in freight expenses in line with the increase in revenue for the six months ended 30 June 2021.

General and administration expenses

General and administration expenses increased by approximately S\$1.8 million or 39.0% from approximately S\$4.6 million for the six months ended 30 June 2020 to approximately S\$6.4 million for the six months ended 30 June 2021. The increase was mainly due to (i) higher research and development expenses of approximately S\$1.1 million and (ii) increase in indirect staff costs by S\$0.7 million primarily contributed from investment segment.

Other expense

The Group recorded a net fair value loss on investment securities of approximately S\$0.3 million for the six months ended 30 June 2021.

Finance costs

Comparing to the six months ended 30 June 2020, finance costs incurred during the six months ended 30 June 2021 increased by approximately S\$79,000 primarily due to bank loan facilities utilised during the six months ended 30 June 2021.

Profit before tax

Profit before tax for the six months ended 30 June 2021 was approximately S\$5.5 million as compared to profit before tax of approximately S\$142,000 for the six months ended 30 June 2020. Such increase was mainly due to significant increase in revenue during the six months ended 30 June 2021.

Income tax expense

The Group's income tax expense increased by approximately S\$0.8 million from approximately S\$0.1 million for the six months ended 30 June 2020 to approximately S\$0.9 million for the six months ended 30 June 2021. The increase was in line with the higher profit before tax during the six months ended 30 June 2021.

Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately S\$4.6 million for the six months ended 30 June 2021 as compared to profit after tax of approximately S\$45,000 for the corresponding period in 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2021, the Group had cash and cash equivalents of approximately S\$29.9 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	
	2021	2020
	S\$'000	S\$'000
Net cash flow used in operating activities	(6,196)	(838)
Net cash flow used in investing activities	(6,295)	(5,501)
Net cash flow generated from financing activities	16,717	201
Net increase/(decrease) in cash and cash equivalents	4,226	(6,138)
Cash and cash equivalents at 1 January	25,259	36,092
Effect of exchange rate changes on cash and cash equivalents	414	649
Cash and cash equivalents at 30 June	<u>29,899</u>	<u>30,603</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 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 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 operations; and (iii) interest income received and income tax paid, which result in net cash flow used in operating activities.

For the six months ended 30 June 2021, the Group's net cash used in operating activities was approximately S\$6.2 million, primarily reflected (i) net increase in trade and receivables of S\$14.6 million, (ii) increase in inventories of approximately S\$12.2 million and (iii) tax paid of approximately S\$0.2 million, which were partially offset by (i) cash flow before changes in working capital of approximately S\$6.9 million; (ii) an increase in trade and other payables of approximately S\$13.8 million and (iii) interest income received of approximately S\$0.1 million.

Net cash flow used in investing activities

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

For the six months ended 30 June 2021, the Group's net cash flow used in investing activities was approximately S\$6.3 million, which was primarily used for purchases of property, plant and equipment and investment securities of approximately S\$3.7 million and S\$4.2 million respectively. This partially offset with net cash inflow from acquisition of subsidiary of approximately S\$1.0 million and decrease in advance payment for property, plant and equipment of approximately S\$0.6 million.

Net cash flow generated from financing activities

Cash flows generated from financing activities includes proceeds and repayments of bank loans, payment of lease liabilities and proceeds from issuance of new shares.

For the six months ended 30 June 2021, the Group's net cash flow generated from financing activities was approximately S\$16.7 million, mainly generated from net proceeds of bank loan of approximately S\$10.9 million and ordinary shares issued of approximately S\$6.4 million. This partially offset by payment of lease liabilities of approximately S\$0.5 million and payments of interests from bank loan and lease liabilities of approximately S\$0.1 million.

NET CURRENT ASSETS

The Group's net current asset increased by approximately S\$15.4 million from approximately S\$51.2 million as at 31 December 2020 to approximately S\$66.5 million as at 30 June 2021. The increase was primarily due to (i) increase in cash and cash equivalents of approximately S\$4.6 million; (ii) increase in trade and other receivables of approximately S\$17.8 million; (iii) increase in inventories of approximately S\$12.2 million; and (iv) increase in investment securities-current of approximately S\$3.8 million. This partially offset by (i) increase in trade and other payables and accruals of approximately S\$14.8 million; (ii) increase in interest-bearing loans and borrowings-current of approximately S\$7.5 million; and (iii) increase in tax payables of approximately S\$0.8 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 2021, the Group's capital expenditure amounted to approximately S\$3.7 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 2021, 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
2021
S\$'000**

Contracted, but not provided for:

Property, plant and equipment	540
Investment securities	<u>18,730</u>
	<u><u>19,270</u></u>

Investment securities

The balance pertains to commitments of the Group in contributing to a private equity fund amounting to S\$18,730,000 (equivalent to RMB90,000,000).

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2021 the Group has outstanding balances from interest-bearing loans and borrowings of approximately S\$17.4 million (31 December 2020: approximately S\$7.0 million).

Contingent liabilities

As at 30 June 2021, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing loans and borrowings net of cash and cash equivalents at the end of the 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 interest-bearing loans and borrowings as at 30 June 2021.

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes bank loans and lease liabilities. Gearing ratio of the Group as at 30 June 2021 was 0.16.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in Note 18, "Events Occurring After The Reporting Period", the Group did not have other concrete plans for material investments as at 30 June 2021.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 6 November 2020, the Group's subsidiary company, Kinergy IME, entered into a capital injection agreement with related parties, Chongqing CEL and CEL Puyan, pursuant to which Kinergy IME agreed to subscribe for new capital of the CEL Puyan in the aggregate amount of approximately S\$10,420,000 (equivalent to approximately RMB52,100,000) in cash. On 8 January 2021, all the conditions precedent as set out in the capital injection agreement had been fulfilled and the completion took place on the same date. Accordingly, Kinergy IME holds approximately 51.03% of the equity interest of CEL Puyan and CEL Puyan becomes a subsidiary of the Group.

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

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 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is SGD. The Group mainly operates in Singapore and China, hence the operating expenses are denominated in SGD and RMB. The majority of the Group's revenue are denominated and settled in 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 practices certain amount of natural hedge of this risk through purchase raw material in USD and borrow USD short term loan for working capital need. In addition, a certain amount of USD forward sales contract has been done with our bankers. Going forward, the Group expects that exchange rates of SGD, RMB and USD will continue to fluctuate. The management of the Group will continue to monitor the Group's foreign currency exchange exposure and will take prudent measures to minimise that currency exchange risk.

PLEDGE OF ASSETS

As at 30 June 2021, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2021, the Group had 620 employees. The employees benefit expense incurred during the six months ended 30 June 2021 was approximately S\$11.4 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 2021.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommends an interim dividend of S\$0.13 cents per share, amounting to a total of approximately S\$1,197,000 (based on the number of shares of the Company as of 19 August 2021). The interim dividend is declared in Singapore dollars and will be paid in Hong Kong dollars. The exchange rate applicable for the calculation of the interim dividend in Hong Kong dollars shall be the closing selling rate of Singapore dollars to Hong Kong dollars on 19 August 2021 as announced by United Overseas Bank, which was S\$1 to HK\$5.64. Interim dividend payable for each share shall be HK\$0.73 cents to shareholders whose names appear on the Register of Members of the Company on 7 September 2021. The proposed interim dividend is expected to be distributed to shareholders on 20 September 2021.

The register of members of the Company will be closed from 6 September 2021 to 7 September 2021, both days inclusive, during which no transfer of shares can be registered. To qualify for the interim dividend (which will be payable on 20 September 2021), Shareholders must ensure that all transfer documents accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on 3 September 2021.

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.

SUBSCRIPTION OF NEW SHARES

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

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 2021 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 2021 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

“Board”	the board of Directors
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and a substantial shareholders of the Company holding approximately 28.56% issued shares of the Company
“CEL Puyan”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司) a limited liability company established in the PRC on 6 July 2015 and owned as to approximately 51.03% by the Company and ultimately and beneficially owned as to approximately 48.97% by CEL
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Chongqing CEL”	Chongqing CEL Equity Investment Management Co., Ltd.* (重慶光控股權投資管理有限公司)
“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
“HK\$” or “HK cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Third Party”	a third party which is independent of and not connected with the Company and otherwise not a connected person of the Company
“Kinergy IME”	Kinergy Intelligent Manufacturing Equipment (Nantong) Co. Ltd.* (精技智能裝備 (南通) 有限公司), a limited liability company established in the PRC on 2 April 2020 and a wholly-owned subsidiary of the Company
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業 (有限合夥)), a limited partnership established in the PRC
“ODM”	Original Design Manufacturing
“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

“Share Subscription Agreements”	Refer to the agreements entered by the Company and several parties on 15 December 2020 of which the several parties agreed to subscribe ordinary shares of the Company as announced by the Company on (1) the announcement dated 15 December 2020, (2) the circular dated 23 February 2021 in relation to subscription agreement, (3) the announcement of the Company dated 1 April 2021 in relation to the Completed Subscriptions; (4) the announcement of the Company dated 10 March 2021 in relation to the termination of First Subscription Agreement; (5) the supplemental announcement of the Company dated 7 April 2021 in relation to the Fifth Connected Subscription Agreement and (6) the announcement dated 13 April 2021 in relation to the completion of the Fifth Connected Subscription Agreement
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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, 19 August 2021

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 Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka, Professor Zhang Wei and Mr. Hoon Chee Wai.