

KINERGY

Kinergy Corporation Ltd.

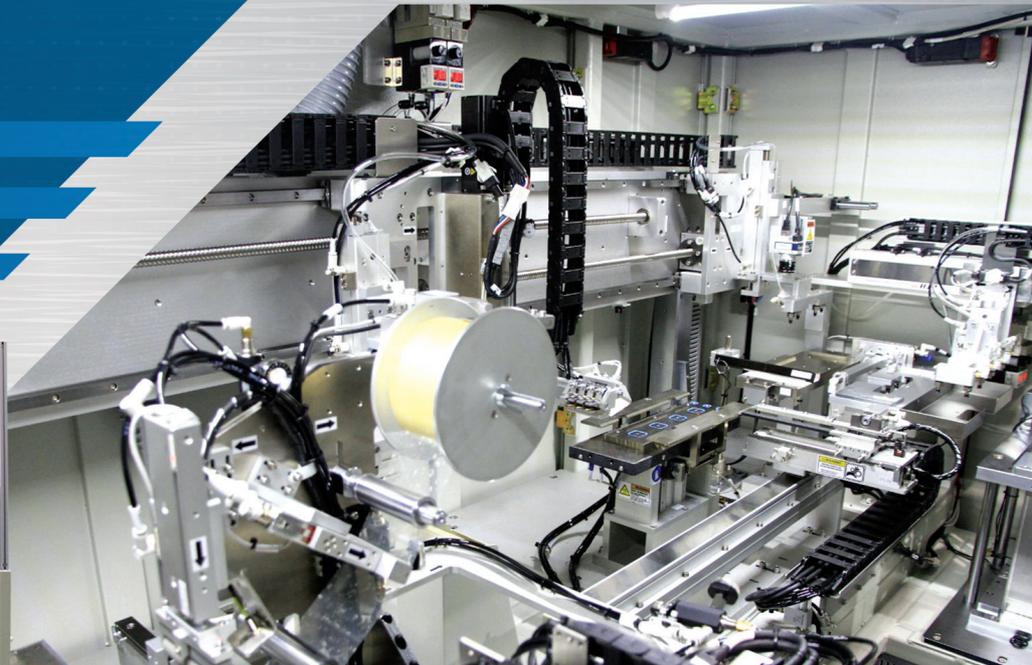
光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302



INTERIM REPORT 2021



* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Yang Ping (*Chairman*)
Mr. Tsang Sui Cheong Frederick

Independent Non-Executive Directors

Dr. Senerath Wickramanayaka Mudiyansele Sunil
Wickramanayaka
Professor Zhang Wei
Mr. Hoon Chee Wai (*Appointed on 28 May 2021*)
Mr. Ng Tiak Soon (*Retired on 28 May 2021*)

BOARD COMMITTEES

Audit Committee

Mr. Hoon Chee Wai (*Chairman*)
Dr. Senerath Wickramanayaka Mudiyansele Sunil
Wickramanayaka
Professor Zhang Wei

Nomination Committee

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

Remuneration Committee

Professor Zhang Wei (*Chairman*)
Mr. Yang Ping
Dr. Senerath Wickramanayaka Mudiyansele Sunil
Wickramanayaka

AUTHORISED REPRESENTATIVES

Mr. Lim Kuak Choi Leslie
Mr. Lee Cheuk Wang

JOINT COMPANY SECRETARIES

Mr. Lee Cheuk Wang
Ms. Gn Jong Yuh Gwendolyn

COMPLIANCE ADVISER

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

LEGAL ADVISERS AS TO HONG KONG LAWS

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

LEGAL ADVISERS AS TO SINGAPORE LAWS

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Singapore 048542

EXTERNAL AUDITORS

Ernst & Young LLP

REGISTERED OFFICE

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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

PRINCIPAL SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

United Overseas Bank Limited
Citibank N.A. Singapore
DBS Bank Limited

COMPANY'S WEBSITE

www.kinergy.com.sg

STOCK CODE

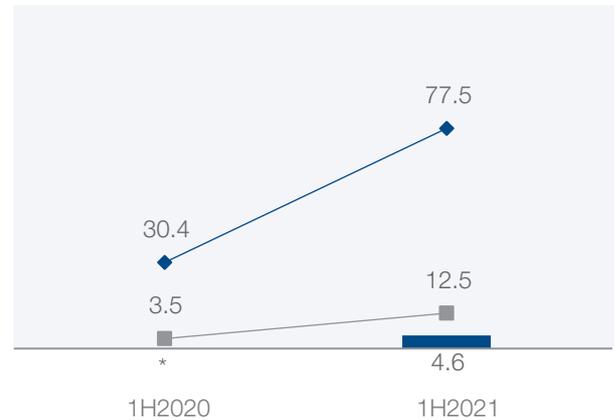
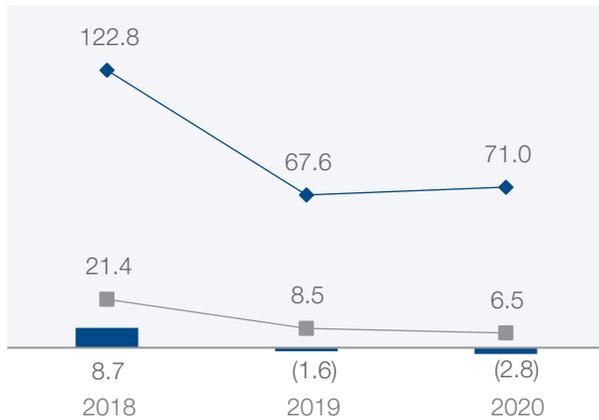
3302

“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 report, 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”, “us” or “Kinergy”	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 Date”	18 July 2018
“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

DEFINITIONS

“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
“Prospectus”	the Prospectus of the Company dated 30 June 2018
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of Singapore
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on 27 June 2018
“Share(s)”	ordinary share(s) in the share capital of the Company
“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)
“Share Subscription Agreements”	Refer to the agreements entered by the Company and several third parties and connected persons on 15 December 2020 of which the 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
“U.S.”	the United States of America
“USD” or “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

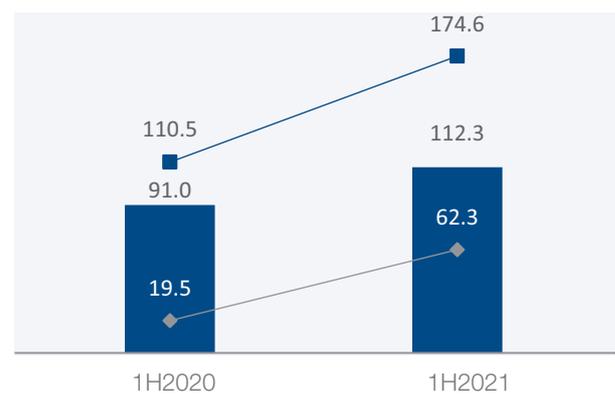
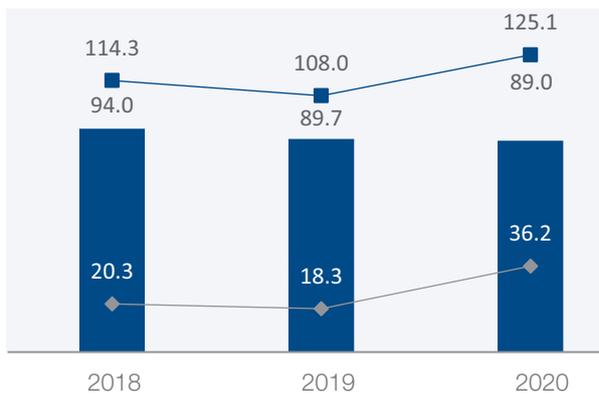
REVENUE, GROSS PROFIT AND NET PROFIT



◆ Revenue (SGD million) ■ Gross Profit (SGD million) ■ Net Profit/(Loss) (SGD million)

* Net profit for the 1H2020 was S\$45,000

TOTAL ASSETS, LIABILITIES AND EQUITY



■ Total assets (SGD million) ◆ Total liabilities (SGD million) ■ Total equities (SGD million)

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 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 year 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 S\$'000	2020 S\$'000	change
EMS	73,325	29,529	148.3%
ODM	2,781	858	224.1%
Investment	1,439	—	N/A
	77,545	30,387	155.2%

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

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 is mainly 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	29,899	30,603

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 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	18,730
	<hr/>
	19,270
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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).

USE OF PROCEEDS

1. Listing proceeds

Total net proceeds of the Listing amounted to approximately S\$40.4 million. During the six months ended 30 June 2021, S\$4 million has been used in accordance with the plan disclosed in the Prospectus. Details of the use of the net proceeds are set out below:

Use of proceeds	Allocation (% of net proceeds)	Allocation (S\$'million of net proceeds)	Unutilised balance as at 1 January 2021 (S\$'million)	Utilisation	Unutilised amount as at 30 June 2021 (S\$'million)	Expected time of full utilisation*
				during the six months ended 30 June 2021 (S\$'million)		
Expansion of production capacity	40.4%	16.3	10.8	3.7 ⁽¹⁾	7.1	4th Quarter 2023
Development and acquisition of engineering and technological knowledge	29.3%	11.8	0.2	0.2 ⁽²⁾	—	N/A
Expansion of our marketing activities in Japan, Europe and the United States	17.6%	7.1	6.1	0.1 ⁽³⁾	6.0	4th Quarter 2023
Strengthening our research and development	11.7%	4.7	2.7	—	2.7	4th Quarter 2021
General working capital	1.0%	0.5	—	—	—	N/A
	100.0%	40.4	19.8	4.0	15.8	

Notes:

- (1) Of S\$3.7 million were spent on renovation and setting up production space of factory building in Nantong Facility II and purchase of new machines and equipment which comprise mainly computer numerical control machines.
- (2) Of S\$0.2 million were used to make further capital injection in Towa (Nantong) Co., Ltd., a joint venture company between the Group and Towa Corporation.
- (3) Of S\$0.1 million were spent on marketing activities in Japan.

As at 30 June 2021, the Group has not fully utilised the net proceeds for (i) expansion of production capacity, (ii) expansion of our marketing activities in Japan, Europe and the U.S and (iii) strengthening our research and development.

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

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

2. Proceeds from Share Subscription Agreements

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

Use of proceeds	Allocation (% of net proceeds)	Allocation (S\$'million of net proceeds)	Utilisation as at 30 June 2021 (S\$'million)	Unutilised amount as at 30 June 2021 (S\$'million)	Expected time of full utilisation
Developing the business of manufacturing smart-cards issuance systems	43%	2.7	—	2.7	Note A
Future funding needs on new private equity fund that CEL Puyan may established	54%	3.5	—	3.5	4th Quarter 2021
General working capital	3%	0.2	0.2	—	N/A
	100%	6.4	0.2	6.2	

Note A: the deal to acquire the company that manufactures the smart-cards issuance system did not materialize. The fund will be used for other business acquisition which is expected to be utilised by second quarter 2022.

Other than disclose above, the Directors are not aware of any other material change or delay in the use of proceeds in relation to the share subscriptions.

For details, please refer to the announcements of the Company dated 15 December 2020, 10 March 2021, 1 April 2021 and 13 April 2021, the supplemental announcement of the Company dated 7 April 2021, and circular dated 23 February 2021 in relation to subscription agreement.

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 25, “Event 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 13, “Investment Securities” of this report, 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.

OTHER INFORMATION

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.

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.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 of the Company:

Name of Directors	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Mr. Lim Kuak Choi Leslie ⁽²⁾	Beneficial owner; interest of spouse	295,653,246 (L)	32.12
Mr. Du Xiaotang ⁽³⁾	Beneficial owner; Interest of a controlled corporation	13,038,000 (L)	1.42
Mr. Lim Khin Mann	Beneficial owner	23,992,000 (L)	2.61
Mr. Tay Kim Kah	Beneficial owner	6,544,000 (L)	0.71
Mr. Yang Ping ⁽⁴⁾	Interest of a controlled corporation	19,377,000 (L)	2.11

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 277,505,246 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee under the SFO.
- (3) These Shares comprise 88,000 shares held directly by Mr. Du Xiaotang and 12,950,000 shares held through Sino Expo Holdings Limited ("Sino Expo"). Sino Expo is owned as to 100% by Mr. Du Xiaotang. Mr. Du Xiaotang is also the sole director of Sino Expo. Therefore, Mr. Du Xiaotang is deemed or taken to be interested in the Shares held by Sino Expo under the SFO.
- (4) These Shares are held by Future China Investment Co., Ltd. Future China Investment Co., Ltd is owned as to 100% by Mr. Yang Ping. Therefore, Mr. Yang Ping is deemed or taken to be interested in the Shares held by Future China Investment Co., Ltd under the SFO.

Save as disclosed above and Share Option Scheme adopted by the Company on 27 June 2018 as disclosed under section headed "Share Option Scheme" of this report, to the best knowledge of the Directors, as at 30 June 2021, none of the Directors of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Interest in the underlying shares of the Company

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

Details of the share options granted pursuant to the Share Option Scheme are disclosed under the paragraph headed "Share Option Scheme" below.

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

As at 30 June 2021, so far as the Directors are aware, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares of the Company:

Name of Directors	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Ms. Foo Kaw Jee ⁽²⁾	Beneficial owner; interest of spouse	295,653,246 (L)	32.12
Diamond Wealth Global Limited ⁽³⁾	Beneficial owner	262,084,380 (L)	28.48
China Everbright Venture Capital Limited ⁽³⁾	Interest of a controlled corporation	262,084,380 (L)	28.48
China Everbright Limited ⁽³⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
Honorich Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
Datten Investments Limited ⁽⁴⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
China Everbright Holdings Company Limited ⁽⁴⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
China Everbright Group Ltd. ⁽⁴⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
Central Huijin Investment Ltd. ⁽⁵⁾	Interest of a controlled corporation	262,906,380 (L)	28.56
Unitras (H.K.) Limited ⁽⁶⁾	Beneficial owner	56,498,768 (L)	6.14
Ms. Joyce S. Kerr ⁽⁶⁾	Interest of a controlled corporation	56,498,768 (L)	6.14
Mr. Bradley Fraser Kerr ⁽⁶⁾	Interest of spouse	56,498,768 (L)	6.14

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 277,505,246 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee, and Ms. Foo Kaw Jee is deemed or taken to be interested in the Shares held by herself and Mr. Lim Kuak Choi Leslie under the SFO.
- (3) China Everbright Limited holds 100% of the total issued share capital of China Everbright Venture Capital Limited and China Everbright Venture Capital Limited holds 100% of the total issued share capital of Diamond Wealth Global Limited. China Everbright Limited also holds 100% of the total issued share capital of China Everbright Financial Investments Limited and China Everbright Financial Investments Limited holds 822,000 shares of the Company. Therefore, China Everbright Venture Capital Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited and China Everbright Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited and China Everbright Financial Investments Limited under the SFO.
- (4) China Everbright Group Ltd. holds 100% of the total issued share capital of China Everbright Holdings Company Limited; China Everbright Holdings Company Limited holds 100% of the total issued share capital of each of Datten Investments Limited and Everbright Investment & Management Limited; Datten Investments Limited holds 100% of the total issued share capital of Honorich Holdings Limited, which in turn holds approximately 49.39% of the total issued share capital of China Everbright Limited; and Everbright Investment & Management Limited holds approximately 0.35% of the total issued share capital of China Everbright Limited. Accordingly, each of China Everbright Group Ltd., China Everbright Holdings Company Limited, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in China Everbright Limited's interest in the Shares under the SFO.
- (5) Central Huijin Investment Ltd. is indirectly wholly-owned by the State Council of the PRC and holds approximately 63.16% equity interest of China Everbright Group Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in China Everbright Group Ltd.'s interest in the Shares under the SFO.
- (6) Unitras (H.K.) Limited is wholly-owned by Ms. Joyce S. Kerr. Therefore, Ms. Joyce S. Kerr is deemed or taken to be interested in the Shares held by Unitras (H.K.) Limited under the SFO. Ms. Joyce S. Kerr is the spouse of Mr. Bradley Fraser Kerr and therefore Mr. Bradley Fraser Kerr is deemed or taken to be interested in the Shares held by herself.

Save as disclosed above, as at 30 June 2021, 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 of the Company 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 adopted the Share Option Scheme on 27 June 2018 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.

The Group granted share options to Directors and senior management on 1 June 2021 to subscribe for a total of 18,500,000 ordinary shares with the exercise price of HK\$1.00 per share. The closing price of the Shares immediately before the date of grant (being 31 May 2021 was HK\$0.74 per share). The following table disclosed movements in the Company's share options during the period indicated:

	Date of grant	Vesting schedule	Exercise price (HK\$)	Balance as at		Movement during the period			Balance as at
				1-Jan-21	Granted	Cancelled	Exercised	Lapsed	30-Jun-21
Directors and Chief Executive									
Mr. Lim Kuak Choi Leslie	1-Jun-21	Tranche 1	1.00	–	2,000,000	–	–	–	2,000,000
		Tranche 2	1.00	–	1,000,000	–	–	–	1,000,000
Mr. Tay Kim Kah	1-Jun-21	Tranche 1	1.00	–	2,000,000	–	–	–	2,000,000
		Tranche 2	1.00	–	1,000,000	–	–	–	1,000,000
Mr. Du Xiaotang	1-Jun-21	Tranche 1	1.00	–	1,666,000	–	–	–	1,666,000
		Tranche 2	1.00	–	834,000	–	–	–	834,000
Mr. Lim Khin Mann	1-Jun-21	Tranche 1	1.00	–	1,000,000	–	–	–	1,000,000
		Tranche 2	1.00	–	500,000	–	–	–	500,000
Total Directors and Chief Executive				–	10,000,000	–	–	–	10,000,000
Senior management	1-Jun-21	Tranche 1	1.00	–	5,666,000	–	–	–	5,666,000
		Tranche 2	1.00	–	2,834,000	–	–	–	2,834,000
Total				–	18,500,000	–	–	–	18,500,000

The vesting schedule of the share options shall vest in two tranches in accordance with the following dates:

Tranche 1: shall be vested on the date which the Board announces the Group's consolidated audited financial results of FY2022.

Tranche 2: shall be vested on the date which the Board announces the Group's consolidated audited financial results of FY2023.

The exercise of the share options shall commence from the vesting schedule up to 31 May 2026 conditional upon the fulfilment of certain performance targets relating to the Group. The performance targets have been determined by the Board and specified in the respective grant letters of each Grantee. If the performance targets are not met, the share options granted will lapse.

CHANGES IN DIRECTORS' INFORMATION

The annual directors' fee of each of Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann, Mr. Tay Kim Kah, Mr. Yang Ping (Chairman), Mr. Tsang Sui Cheong Frederick, Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka and Professor Zhang Wei were adjusted from S\$30,000 to S\$45,000 with effect from 1 June 2021.

Save as disclosed above, the Company is not aware of any other change in Directors' information which is required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

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

Hong Kong, 19 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	2021 (unaudited) S\$'000	2020 (unaudited) S\$'000
Revenue	4	77,545	30,387
Cost of sales		(65,053)	(26,876)
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		(123)	(44)
Profit before tax	7	5,505	142
Income tax expense	8	(878)	(97)
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		314	—
Total comprehensive income for the period		6,338	606
Profit for the period attributable to:			
Equity holders of the parent		4,517	56
Non-controlling interests		110	(11)
		4,627	45
Total comprehensive income for the period attributable to:			
Equity holders of the parent		6,075	620
Non-controlling interests		263	(14)
		6,338	606
Earnings per share attributable to equity holders of the parent			
Basic and diluted (S\$)	9	0.51 cents	0.01 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2021 (unaudited) S\$'000	As at 31 December 2020 (audited) S\$'000
Non-current assets			
Property, plant and equipment	12	23,110	19,769
Right-of-use assets		2,680	3,188
Intangible assets		332	455
Investment securities	13	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	14	46,940	34,754
Trade receivables	15	34,110	17,744
Prepayments, deposits and other receivables	16	5,449	4,045
Investment securities	13	3,808	—
Cash and cash equivalents	17	29,899	25,259
Total current assets		120,206	81,802
Current liabilities			
Trade payables	18	38,380	25,508
Other payables and accruals	19	5,589	3,664
Provision for warranty		22	12
Interest-bearing loans and borrowings	20	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	20	8,459	5,545
Total non-current liabilities		8,687	5,545
Net assets		112,256	88,946
Equity			
Share capital	21	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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Attributable to equity holders of the parent										
	Share capital	Treasury shares	Total share capital	Statutory reserve	Translation reserve	Fair value adjustment reserves	Retained profits	Total reserves	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
	(Note 21) S\$'000	(Note 21) S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2021											
At 1 January 2021	84,857	—	84,857	1,365	569	(119)	719	2,534	87,391	1,555	88,946
Profit for the period	—	—	—	—	—	—	4,517	4,517	4,517	110	4,627
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	1,244	—	—	1,244	1,244	153	1,397
Fair value changes on investment securities	—	—	—	—	—	314	—	314	314	—	314
Total comprehensive income for the period	—	—	—	—	1,244	314	4,517	6,075	6,075	263	6,338
Acquisition of a subsidiary (Note 11)	—	—	—	—	—	—	—	—	—	10,536	10,536
Ordinary shares issued	6,436	—	6,436	—	—	—	—	—	6,436	—	6,436
At 30 June 2021 (unaudited)	91,293	—	91,293	1,365	1,813	195	5,236	8,609	99,902	12,354	112,256
30 June 2020											
At 1 January 2020	84,990	(52)	84,938	3,347	(873)	—	2,255	4,729	89,667	—	89,667
Profit for the period	—	—	—	—	—	—	56	56	56	(11)	45
Other comprehensive income for the period:											
Exchange differences on translation of foreign operations	—	—	—	—	564	—	—	564	564	(3)	561
Total comprehensive income for the period	—	—	—	—	564	—	56	620	620	(14)	606
Purchase of treasury shares	—	(81)	(81)	—	—	—	—	—	(81)	—	(81)
Cancellation of treasury shares	(133)	133	—	—	—	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	111	—	—	(111)	—	—	—	—
Reclassification from statutory reserve to retained profits	—	—	—	(1,094)	—	—	1,094	—	—	—	—
Dividend paid on ordinary shares (Note 10)	—	—	—	—	—	—	(858)	(858)	(858)	—	(858)
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	—	—	1,691	1,691
At 30 June 2020 (unaudited)	84,857	—	84,857	2,364	(309)	—	2,436	4,491	89,348	1,677	91,025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021 (unaudited) S\$'000	2020 (unaudited) S\$'000
Cash flow from operating activities:		
Profit before tax	5,505	142
Adjustments for:		
Depreciation of property, plant and equipment	888	676
Depreciation of right-of-use assets	548	547
Amortisation of intangible assets	124	114
Addition of provision for warranty	21	64
Allowance for/(write-back of) inventory obsolescence	11	(15)
Gain on disposal of property, plant and equipment	(4)	(16)
Finance cost	123	44
Interest income	(107)	(186)
Net fair value loss on investment securities at fair value through profit or loss	316	—
Gain on bargain purchase of a business	(249)	—
Net foreign exchanges differences	(295)	(816)
Operating cash flow before changes in working capital	6,881	554
Increase in inventories	(12,195)	(5,434)
(Increase)/decrease in trade receivables	(16,366)	2,994
Decrease/(increase) in prepayments, deposits and other receivables	1,801	(732)
Increase in trade payables	12,997	1,232
Increase in other payables and accruals and provision for warranty	785	389
Cash flow used in operations	(6,097)	(997)
Interest income received	107	186
Income tax paid	(206)	(27)
Net cash flow used in operating activities	(6,196)	(838)
Cash flow from investing activities:		
Purchase of property, plant and equipment	(3,713)	(1,155)
Proceeds from disposal of property, plant and equipment	4	16
Purchase of investment securities	(4,199)	(4,369)
Acquisition of a subsidiary, net of cash acquired	1,023	—
Decrease in advance payment for property, plant and equipment	590	7
Net cash flow used in investing activities	(6,295)	(5,501)
Cash flow from financing activities:		
Proceeds from bank loans	22,830	—
Repayment of bank loans	(11,902)	—
Repayment of interest of bank loans	(96)	—
Payment of principal portion of lease liabilities	(524)	(506)
Payment of interest portion of interest of lease liabilities	(27)	(45)
Proceeds from ordinary shares issued	6,436	—
Purchase of treasury shares	—	(81)
Dividends paid on ordinary shares	—	(858)
Capital contribution from non-controlling interest	—	1,691
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 beginning of the period	25,259	36,092
Effects of exchange rate changes on cash and cash equivalents	414	649
Cash and cash equivalents at end of the period	29,899	30,603

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kinergy Corporation Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Stock Exchange.

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 accounting standards effective as at 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. OPERATING 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.

3. OPERATING SEGMENT INFORMATION *(continued)*

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) S\$'000	%	(unaudited) S\$'000	%
EMS	73,325	94.6	29,529	97.2
ODM	2,781	3.6	858	2.8
Investment	1,439	1.8	—	—
	77,545	100.0	30,387	100.0

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) S\$'000	%	(unaudited) S\$'000	%
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
	77,545	100.0	30,387	100.0

6. OTHER EXPENSE

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

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) S\$'000	(unaudited) 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) S\$'000	(unaudited) S\$'000
Current income taxation	869	40
Under provision in respect of previous years	9	57
Income tax expense	878	97

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

10. DIVIDENDS

	For the six months ended 30 June	
	2021 (unaudited) S\$'000	2020 (unaudited) 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	—	858
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	1,197	—

11. BUSINESS COMBINATIONS

Acquisition of CEL Puyan

On 8 January 2021, the Group's wholly owned subsidiary, Kinergy IME, acquired 51.03% of equity interest of CEL Puyan by way of putting capital injection of approximately S\$10,730,000 (equivalent to RMB52,100,000) in cash to subscribe new capital of CEL Puyan. CEL Puyan is a private equity fund manager and currently manages several funds. The objectives of the funds are to make equity investments in high-tech manufacturing equipment in semiconductor, solar, flat panel displays, medical and test & analysis machines which in line with the Group main operation in semiconductor industries. Upon the acquisition, CEL Puyan became a subsidiary of the Group.

The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of CEL Puyan for the six months period from January 2021.

The fair values of the identifiable assets and liabilities of CEL Puyan as at the date of acquisition were:

Fair value recognised on acquisition date	Amount S\$'000
Assets	
Investment securities at fair value	7,597
Other receivables	3,205
Deferred tax asset	84
Cash	1,023
Liabilities	
Trade and other payables	(1,005)
Tax payable	(119)
Total identifiable net assets at fair value	10,785
Capital injection made by the Group	10,730
Total identifiable net assets at fair value after capital injection	21,515
Non-controlling interest measured at proportionate share (48.97%) of net identifiable assets after capital injection	(10,536)
Capital injection made by the Group	(10,730)
Gain on bargain purchase of a business	249
Amount S\$'000	
Analysis of cash flows on acquisition:	
Net cash acquired from the acquisition of the subsidiary (included in cash flows from investing activities)	1,023

11. BUSINESS COMBINATIONS *(continued)***Acquisition of CEL Puyan** *(continued)*

As the date of the acquisition, the carrying amount of other receivables was S\$3,205,000 which approximates its fair value.

From the date of acquisition or at the beginning of the year, CEL Puyan has contributed S\$1,439,000 of revenue and S\$512,000 to the net profit after tax of the Group.

The gain on bargain purchase of a business of S\$249,000 was recognised in the consolidated statement of comprehensive income under other income and gains. On the date of acquisition, CEL Puyan's identifiable net assets at fair value are higher as compared to fair market valuation which was determined at the time during negotiation. Hence, the business combination results in a gain on bargain purchase.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a consideration of S\$3,713,000 (for the six months ended 30 June 2020: S\$1,155,000), including construction in progress of S\$3,675,000 (for the six months ended 30 June 2020: S\$7,000).

Property, plant and equipment with nil book value (for the six months ended 30 June 2020: S\$1,000) were disposed during the six months ended 30 June 2021, resulting in a gain on disposal of S\$4,000 (for the six months ended 30 June 2020: S\$16,000).

13. 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
	31,708	19,196
Total current	3,808	—
Total non-current	27,900	19,196
	31,708	19,196

14. 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
Total inventories at lower of cost and net realisable value	46,940	34,754

15. 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
	34,110	17,744

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
Advance to suppliers	2,354	1,814
Deposits	395	409
Other receivables	341	370
Prepaid Goods and Services Tax ("GST")/Value-added tax ("VAT")	2,110	1,208
Prepayments	249	206
Bills of exchange	—	38
	5,449	4,045

17. CASH AND CASH EQUIVALENTS

The following table sets forth the breakdown of our cash and cash equivalents as at the respective dates indicated:

	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	—
	29,899	25,259
Denominated in Renminbi	13,834	288
Denominated in United States Dollar	11,890	23,051
Denominated in Singapore Dollar	4,128	1,888
Denominated in other currencies	47	32
	29,899	25,259

18. TRADE PAYABLES

The following tables set forth the aging analysis of our trade payables based on the invoice date as at the respective dates indicated:

	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
	38,380	25,508

19. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
Accruals	2,683	1,966
Advances from customers	839	671
Deferred income (a)	671	210
Other payables	1,396	817
	5,589	3,664

- (a) The balance mainly pertains to deferred income from fund management fees during the period (30 June 2021: the balance pertains to grant income 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).

20. 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	—
	17,408	7,004
Repayable details as follows:		
Within 1 year	8,949	1,459
1 to 5 years	8,459	5,545
	17,408	7,004

21. SHARE CAPITAL**a. Share capital**

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

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

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

b. Treasury shares

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

22. RELATED PARTY TRANSACTIONS**a) Compensation of key management personnel**

	For the six months ended 30 June	
	2021 (unaudited) S\$'000	2020 (audited) S\$'000
Short-term employee benefits	1,204	1,139
Defined contribution benefits	44	39
Other short-term benefits	5	5
	1,253	1,183
Directors of the Company	519	491
Other key management personnel	734	692
	1,253	1,183

22. RELATED PARTY TRANSACTIONS (continued)
b) Sales and purchase of goods and services

	For the six months ended 30 June	
	2021	2020
	(unaudited) S\$'000	(audited) S\$'000
Management fees	1,439	—
Service income	13	60
Rental income	12	59
Purchase of materials	(46)	—

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the periods as follows:

	30 June	31 December
	2021	2020
	(unaudited) S\$'000	(audited) S\$'000
Financial assets		
Trade receivables	34,110	17,744
Financial assets included in deposits and other receivables	736	817
Cash and cash equivalents	29,899	25,259
	64,745	43,820
Financial liabilities		
Trade payables	38,380	25,508
Financial liabilities included in other payables and accruals	4,079	2,783
Interest-bearing loans and borrowings	17,408	7,004
	59,867	35,295

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)***Fair value hierarchy** *(continued)*

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The carrying amounts and fair values of Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Assets measured at fair value:

	Quoted prices in active markets (Level 1) S\$'000	Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	Total S\$'000
30 June 2021				
<i>Assets measured at fair value</i>				
Financial assets at fair value through profit or loss (Note 13)				
— Non-quoted equity investments	—	—	19,199	19,199
— Quoted equity investments	3,809	4,343	—	8,152
Financial assets at fair value through other comprehensive income (Note 13)				
— Non-quoted equity investments	—	—	4,357	4,357
31 December 2020				
<i>Assets measured at fair value</i>				
Financial assets at fair value through profit or loss (Note 13)				
— Non-quoted equity investments	—	—	15,423	15,423
Financial assets at fair value through other comprehensive income (Note 13)				
— Non-quoted equity investments	—	—	3,773	3,773

During the six months ended 30 June 2021, there were no transfers between Level 1 and Level 2. As at 30 June 2021, one financial asset at fair value through profit or loss with fair value of approximately S\$4,343,000 (31 December 2020: approximately S\$4,232,000) was previously determined to be level 3 under the fair value hierarchy using a valuation technique that used significant unobservable inputs. As unadjusted quoted prices are available in the active market and adjusted with unobservable inputs, the fair value measurement of this equity security was transferred accordingly from Level 3 to Level 2 of the fair value hierarchy.

25. 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.

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.

26. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2021.