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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 2019**

The Board of Directors (the “Board”) of Kinergy Corporation Ltd (the “Company”) announces the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018.

SUMMARY

	For the six months ended			Percentage
	30 June 2019	30 June 2018	Change	Change
	(unaudited)	(unaudited)		
	(S\$'000)	(S\$'000)	(S\$'000)	
Revenue	26,157	78,684	(52,527)	-66.8%
(Loss)/profit for the period	(2,447)	5,176	(7,623)	-147.3%

* For Identification purpose only.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Revenue	4	26,157	78,684
Cost of sales		<u>(23,666)</u>	<u>(64,160)</u>
Gross profit		2,491	14,524
Other income and gains	5	701	1,254
Sales and marketing expenses		(918)	(1,479)
General and administrative expenses		(4,382)	(7,348)
Other expense	6	(400)	—
Finance costs		<u>(52)</u>	<u>(19)</u>
(Loss)/profit before tax	7	(2,560)	6,932
Income tax credit/(expense)	8	<u>113</u>	<u>(1,756)</u>
(Loss)/profit for the period		(2,447)	5,176
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(470)</u>	<u>(516)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>(2,917)</u>	<u>4,660</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (S\$)	9	<u>(0.28 cents)</u>	<u>0.82 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2019 (unaudited) S\$'000	As at 31 December 2018 (audited) S\$'000
Non-current assets			
Property, plant and equipment		15,649	16,318
Prepaid land lease payments		—	1,260
Right-of-use assets		4,568	—
Intangible assets		329	446
Investment securities	11	1,384	1,384
Advance payment for property, plant and equipment		1,072	679
Total non-current assets		23,002	20,087
Current assets			
Inventories	12	29,227	30,030
Trade receivables	13	13,320	18,443
Prepayments, deposits and other receivables		2,694	2,053
Cash and cash equivalents	14	38,780	43,709
Total current assets		84,021	94,235
Current liabilities			
Trade payables	15	10,518	14,915
Other payables and accruals		3,093	3,616
Provision for warranty		52	178
Tax payable		442	1,036
Lease liabilities		929	—
Total current liabilities		15,034	19,745
Net current assets		68,987	74,490
Non-current liabilities			
Deferred tax liabilities		230	546
Lease liabilities		2,362	—
Total non-current liabilities		2,592	546
Net assets		89,397	94,031
Equity attributable to owners of the Company			
Share capital	16	84,990	84,990
Reserves		4,407	9,041
Total equity		89,397	94,031

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.

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

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

The Company operates in Singapore and its subsidiaries operate in the People’s Republic of China (“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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“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 2018.

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 2018, except for the adoption of new accounting standard, IFRS 16 Leases, effective as at 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT INFORMATION

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

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

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

Revenue breakdown by business segment

The following table sets out our revenue by business segment:

	For the six months ended 30 June			
	2019 (unaudited)		2018 (unaudited)	
	<i>S\$’000</i>	%	<i>S\$’000</i>	%
EMS	23,628	90.3	72,335	91.9
ODM	2,529	9.7	6,349	8.1
	<u>26,157</u>	<u>100.0</u>	<u>78,684</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2019 and 2018. 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			
	2019		2018	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	20,766	79.4	68,879	87.6
The United States	2,515	9.6	2,750	3.5
Mainland China	698	2.7	1,837	2.3
The Philippines	668	2.6	876	1.1
Japan	137	0.5	2,347	3.0
Other countries	1,373	5.2	1,995	2.5
	<u>26,157</u>	<u>100.0</u>	<u>78,684</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Total revenue	
	For the six months ended 30 June				2019	2018
	2019	2018	2019	2018		
	<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	23,356	72,118	2,529	6,349	25,885	78,467
Rendering of services	272	217	—	—	272	217
	<u>23,628</u>	<u>72,335</u>	<u>2,529</u>	<u>6,349</u>	<u>26,157</u>	<u>78,684</u>
Timing of transfer of goods or services						
At a point in time	<u>23,628</u>	<u>72,335</u>	<u>2,529</u>	<u>6,349</u>	<u>26,157</u>	<u>78,684</u>

5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Other income		
Bank interest income	384	119
Government grant ^(a)	104	118
Service income	99	—
Rental income	73	—
Others	41	9
	<u>701</u>	<u>246</u>
Gains		
Gain on disposal of property, plant and equipment	—	30
Foreign exchange differences, net	—	978
	<u>—</u>	<u>1,008</u>
	<u>701</u>	<u>1,254</u>

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

6. OTHER EXPENSE

	For the six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Foreign exchange differences, net	400	—
	<u>400</u>	<u>—</u>

7. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Cost of inventories	17,052	54,321
Cost of services rendered	41	33
Depreciation of property, plant and equipment	755	875
Depreciation of right-of-use assets	506	—
Amortisation of prepaid land lease payments	—	17
Amortisation of intangible assets	117	74
Research and development expenses	714	1,747
Rental expenses	43	549
Listing expenses	—	2,265
Auditor's remuneration	119	23
Professional fees	117	120
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	6,132	8,560
— Pension scheme contributions	960	1,345
Foreign exchange differences, net	400	(978)
(Reversal of)/provision for warranty	(17)	21
Write-back of impairment loss on trade receivables	(30)	—
Gain on disposal of property, plant and equipment	—	(30)
Allowance for/(write-back of) inventory obsolescence	155	(1,117)
Bank interest income	(384)	(119)
	_____	_____

8. INCOME TAX EXPENSE

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the six months ended 30 June 2019 and 2018 are as follows:

	For the six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
— Current income taxation	1	2,176
— Over provision in respect of previous years	(114)	(420)
	_____	_____
Income tax (credit)/expense recognised in profit or loss	(113)	1,756
	_____	_____

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for six months attributable to the owners of the Company, and the weighted average number of ordinary shares of 858,671,324 and 629,351,324 shares in issue during the periods ended 30 June 2019 and 2018 respectively.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

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	
	2019	2018
	(unaudited)	(unaudited)
	<i>S\$'000</i>	<i>S\$'000</i>
Earnings		
(Loss)/profit for the period attributable to owners of the Company	<u>(2,447)</u>	<u>5,176</u>
	As at 30 June	
	2019	2018
Number of shares		
Weighted average number of ordinary shares	<u>858,671,324</u>	<u>629,351,324</u>
Earnings per share attributable to owners of the Company		
Basic and diluted (<i>S\$</i>)	<u>(0.28 cents)</u>	<u>0.82 cents</u>

10. DIVIDENDS

	For the six months ended	
	30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Declared and paid during the reporting period:		
<i>Dividend on ordinary shares:</i>		
— Special exempt (one-tier) dividend of S\$0.2 cents per share	1,717	—
Declared and to be paid subsequently to the reporting period:		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2017: S\$7.3 cents per share	—	11,486
— Interim exempt (one-tier) dividend for 2018: S\$10.8 cents per share	—	16,914
	<u>1,717</u>	<u>28,400</u>

11. INVESTMENT SECURITIES

	30 June	31 December
	2019	2018
	(unaudited)	(audited)
	S\$'000	S\$'000
At fair value through other comprehensive income		
— Unquoted equity investment (non-current)	<u>1,384</u>	<u>1,384</u>

The Group entered into an agreement with Towa Corporation, a Japan incorporated company, to form a company named Towa (Nantong) Co., Ltd. Towa (Nantong) Co., Ltd was incorporated in the PRC. The Group and Towa Corporation shall subscribe for 10% and 90% of the registered share capital of Towa (Nantong) Co., Ltd, respectively. The registered share capital of Towa (Nantong) Co., Ltd is US\$30,000,000 of which the Company shall contribute US\$3,000,000. As at 30 June 2019, the Group has paid US\$1,000,000 (equivalent to S\$1,384,000).

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

12. INVENTORIES

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Raw materials	12,008	13,980
Work-in-progress	14,257	10,728
Finished goods	<u>2,962</u>	<u>5,322</u>
Total inventories at lower of cost and net realisable value	<u><u>29,227</u></u>	<u><u>30,030</u></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 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
— 0 to 30 days	11,606	8,435
— 31 to 60 days	787	7,079
— 61 to 90 days	122	2,000
— Over 90 days	<u>805</u>	<u>929</u>
	<u><u>13,320</u></u>	<u><u>18,443</u></u>

14. CASH AND CASH EQUIVALENTS

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Cash and bank balances	11,236	18,464
Short-term deposits	<u>27,544</u>	<u>25,245</u>
	<u><u>38,780</u></u>	<u><u>43,709</u></u>

15. TRADE PAYABLES

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
— 0 to 30 days	6,321	6,754
— 31 to 60 days	2,365	2,474
— 61 to 90 days	773	2,362
— Over 90 days	1,059	3,325
	<u>10,518</u>	<u>14,915</u>

16. SHARE CAPITAL

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
As at 1 January 2018	157,337,831	40,879
Share split ⁽²⁾	472,013,493	—
Ordinary shares issued pursuant to the initial public offering ⁽³⁾	210,000,000	42,555
Ordinary shares issued pursuant to over-allotment exercised ⁽⁴⁾	19,320,000	3,938
Share issuance expense	—	(2,382)
	<u>858,671,324</u>	<u>84,990</u>
As at 31 December 2018, 1 January 2019 and 30 June 2019 (unaudited)		

- (1) All issued shares are fully paid ordinary shares with no par value.
- (2) On 20 June 2018, the Company completed the share split of every one (1) ordinary share in the capital of the company into four (4) ordinary shares.
- (3) On 18 July 2018, the Company issued 210,000,000 ordinary shares at S\$0.20 (or equivalent with HK\$1.17) in connection with the initial public offering.
- (4) On 9 August 2018, additional 19,320,000 over-allotment were exercised and correspondingly the Company issued 19,320,000 new ordinary shares.

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 Semiconductor Process Equipment (“SPE”) industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS Division and ODM Division. Our EMS Division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. The Group’s revenue mainly derived from the EMS Division, which accounted for approximately 90.3% of total revenue and ODM Division accounted for approximately 9.7% of total revenue for the six months ended 30 June 2019.

2. BUSINESS REVIEW AND PROSPECT

Amid trade tension between U.S. and China, our revenue dropped significantly by approximately S\$52.5 million. Total Group’s revenue for the six months ended 30 June 2019 was approximately S\$26.2 million as compared against the six months ended 30 June 2018 of approximately S\$78.7 million. This drop in revenue is in line with other companies in the SPE sector.

This situation is inseparable from global semiconductor market. The global semiconductor market is headed for a double-digit decline for the year 2019 after a decline of 15.6% in first quarter revenue of 2019 from fourth quarter revenue of 2018. Accordingly, this was the largest quarter-to-quarter decline since a 16.3% decline in first quarter revenue of 2009, ten years ago. When semiconductor chip sales see no growth or negative growth then the SPE industry will have very little business. This is due to the fact that new SPE will be ordered only when there is healthy growth in the marketplace.

The Group has been actively exploring new business opportunities and working to secure new potential customers amid the trade tension.

Cost efficiency and expense reduction have been implemented to minimise the impact of the current situation to our Group’s performance.

Ultimately, the semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, artificial intelligence and internet of things. We expect the semiconductor market to recover once the trade tension is

resolved and when the market recovers from the current excessive integrated circuit (“IC”) chips inventory in the market. It will allow our Group to capture opportunities and develop our future plans.

3. FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June		
	2019	2018	% of change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	23,628	72,335	-67.3%
ODM	2,529	6,349	-60.2%
	<u>26,157</u>	<u>78,684</u>	<u>-66.8%</u>

The Group’s revenue decreased by approximately 66.8% from approximately S\$78.7 million for the six months ended 30 June 2018 to approximately S\$26.2 million for the six months ended 30 June 2019.

The decrease was primarily due to decrease in sales from both EMS and ODM segments, which is a reflection of the decline in worldwide semiconductor business caused by the trade tension.

Cost of sales

Cost of sales primarily consists of material costs, labor costs and depreciation 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		
	2019	2018	% of change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	21,485	59,703	-64.0%
ODM	2,181	4,457	-51.1%
	<u>23,666</u>	<u>64,160</u>	<u>-63.1%</u>

The Group's cost of sales decreased by approximately 63.1% from approximately S\$64.2 million for the six months ended 30 June 2018 to approximately S\$23.7 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease 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 decreased by approximately S\$12.0 million from approximately S\$14.5 million for the six months ended 30 June 2018 to approximately S\$2.5 million for the six months ended 30 June 2019.

Gross profit margin decreased by approximately 9.0% from 18.5% for the six months ended 30 June 2018 to 9.5% for the six months ended 30 June 2019. The main reason is due to the lower recovery of fixed overheads as a result of lower production volume/revenue.

Other income and gains

Other income and gains decreased from approximately S\$1.3 million for the six months ended 30 June 2018 to approximately S\$0.7 million for the six months ended 30 June 2019. The decrease was primarily due to the Group's foreign exchange gain of approximately S\$1.0 million in the prior period while having foreign exchange loss of approximately S\$0.4 million during the period. The decrease was partially offset by higher bank interest income, rental and service income of approximately S\$0.4 million.

Sales and marketing expenses

Sales and marketing expenses decreased by approximately 40.0% from approximately S\$1.5 million for the six months ended 30 June 2018 to approximately S\$0.9 million for the six months ended 30 June 2019, which is in line with the decrease in revenue for the six months ended 30 June 2019.

General and administration expenses

General and administration expenses decreased by approximately 39.7% from approximately S\$7.3 million for the six months ended 30 June 2018 to approximately S\$4.4 million for the six months ended 30 June 2019. The decrease was mainly due to the absent of the Listing expenses during the period and decrease in salaries expenses as a result of decrease in number of employees.

Other expense

The increase in other expense was due to the Group had foreign exchange loss during the period, as against a foreign exchange gain in the prior period.

Finance costs

Comparing to the six months ended 30 June 2018, finance costs incurred during the six months ended 30 June 2019 increased by approximately S\$33,000. The increase was mainly due to the interest expense of lease liabilities as a result of the implementation of IFRS 16 Leases commencing 2019.

(Loss)/profit before tax

Loss before tax for the six months ended 30 June 2019 was approximately S\$2.6 million, while profit before tax of approximately S\$6.9 million was recorded for the six months ended 30 June 2018. Such decrease was mainly due to significant decrease in revenue during the period.

Income tax credit/(expense)

The Group's income tax credit for the six months ended 30 June 2019 was approximately S\$113,000, while income tax expense of approximately S\$1.8 million was recorded for the six months ended 30 June 2018. The decrease was mainly due to the Group is in the loss position during the period.

(Loss)/profit for the period

As a result of the above, the Group recorded a net loss after tax of approximately S\$2.4 million for the six months ended 30 June 2019, comparing to a net profit after tax of approximately S\$5.2 million for the corresponding period in 2018.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the Group had cash and cash equivalents of approximately S\$38.8 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	
	2019	2018
	S\$'000	S\$'000
Net cash flow (used in)/generated from operating activities	(1,901)	12,397
Net cash flow (used in)/generated from investing activities	(744)	4,240
Net cash flow used in financing activities	(2,224)	(36)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(4,869)	16,601
Cash and cash equivalents at 1 January	43,709	13,657
Effect of exchange rate changes on cash and cash equivalents	(60)	6
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>38,780</u>	<u>30,264</u>

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

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

For the six months ended 30 June 2019, the Group's net cash used in operating activities was approximately S\$1.9 million, primarily reflected (i) cash flows before changes in working capital of approximately S\$1.6 million; (ii) a decrease in trade and other payables of approximately S\$5.0 million; and (iii) payment for tax of approximately

S\$0.8 million which were partially offset by (i) a decrease in inventories of approximately S\$0.7 million; (ii) a net decrease in trade and other receivables of approximately S\$4.5 million; and (iii) received from interest income of approximately S\$0.4 million.

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

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

For the six months ended 30 June 2019, the Group's net cash flow used in investing activities was approximately S\$0.7 million, which was primarily used for purchase of property, plant and equipment of approximately S\$0.3 million and increase in advance to purchase property, plant and equipment of approximately S\$0.4 million.

Net cash flow used in financing activities

Cash flows generated used in financing activities includes payment of lease liabilities and dividend paid on ordinary shares.

For the six months ended 30 June 2019, the Group's net cash flow used in financing activities was approximately S\$2.2 million, mainly used for payment of lease liabilities of approximately S\$0.5 million and special dividend paid on ordinary shares of approximately S\$1.7 million.

NET CURRENT ASSETS

The Group's net current asset decreased by approximately S\$5.5 million from approximately S\$74.5 million as at 31 December 2018 to S\$69.0 million as at 30 June 2019. The decrease was primarily due to (i) a net decrease in trade and other receivables of approximately S\$4.5 million; (ii) a decrease in cash and cash equivalents of approximately S\$4.9 million; (iii) a decrease in inventories of approximately S\$0.8 million; and (iv) increase in lease liabilities (current) of approximately S\$0.9 million, partially offset by (i) a decrease in trade and other payables of approximately S\$4.9 million; (ii) a decrease in tax payable of approximately S\$0.6 million; and (iii) decrease in provision for warranty of S\$0.1 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 2019, the Group's capital expenditure amounted to approximately S\$0.3 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 2019, 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
2019
S\$'000**

Contracted, but not provided for:

Property, plant and equipment

326

Investment securities

22,410

22,736

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2019 the Group has outstanding balance from lease liabilities of approximately S\$3.3 million (31 December 2018: Nil).

Contingent liabilities

As at 30 June 2019, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents and pledged deposits at the end of the period divided by total equity at the end of the period. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than lease liabilities as at 30 June 2019.

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes lease liabilities. Gearing ratio of the Group as at 30 June 2019 was 0.04.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 27 December 2018, Kinergy EMS entered into a fund partnership agreement (the “Fund Partnership Agreement”) with related parties in relation to the formation of the fund (the “Fund”) with initial proposed size of RMB500,000,000 (equivalent to S\$99,661,000). The Fund will be principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry), intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the SPE industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC. On 15 February 2019, the Fund Partnership Agreement was approved by the independent shareholders of the Company during the extraordinary general meeting. The capital commitment of the Group will amount to RMB100,000,000 (equivalent to approximately S\$19,932,000), representing 20% of the total capital contribution amount of the fund.

For the details of the Fund and the Fund Partnership Agreement, please refer to the announcement of the Company dated 27 December 2018 and the circular of the Company dated 17 January 2019.

Save as disclosed in the Prospectus and this announcement, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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 2019.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2019, the Group had 480 employees. The employees benefit expense incurred during the six months ended 30 June 2019 was approximately S\$7.4 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 government. The Group's remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. Besides offering competitive remuneration packages, the Company adopted the Share Option Scheme with the 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 labour disputes during the six months ended 30 June 2019.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

INTERIM DIVIDEND

Except for the special dividend paid on 10 June 2019, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

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 for Securities Transactions by Directors of Listed Issuers (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 up to the date of this announcement.

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 2019 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 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (光控精技有限公司), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules

“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we” or “us”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“Listing”	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
“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
“Shareholder(s)”	the Shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“USD” of “US\$”

United States Dollar, the lawful currency of the United States of America

“%”

per cent

By order of the Board
Kinergy Corporation Ltd.

Lim Kuak Choi Leslie

Executive Director and Chief Executive officer

Hong Kong, 19 August 2019

As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang and Mr. Lim Khin Mann; the non-executive Directors are Mr. Chen Shuang, JP (Chairman), Mr. Bradley Fraser Kerr and Mr. Tsang Sui Cheong Frederick; and the independent non-executive Directors are Mr. Ng Tiak Soon, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Professor Zhang Wei.