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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 2022

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) is pleased to announce the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021.

SUMMARY

	For the six months ended			
	30 June	30 June		Percentage
	2022	2021	Change	Change
	(unaudited)	(unaudited)		
	(S\$'000)	(S\$'000)	(S\$'000)	
Revenue	71,410	77,545	(6,135)	-7.9%
Profit for the period	2,696	4,627	(1,931)	-41.7%
EBITDA <i>Note 1</i>	5,721	7,188	(1,467)	-20.4%

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

* For identification purpose only.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2022 (unaudited) <i>S\$'000</i>	2021 (unaudited) <i>S\$'000</i>
Revenue	4	71,410	77,545
Cost of sales		(59,245)	(65,053)
Gross profit		12,165	12,492
Other income and gains	5	1,033	1,358
Sales and marketing expenses		(1,830)	(1,474)
General and administrative expenses		(6,745)	(6,432)
Other expense	6	(840)	(316)
Finance costs		(273)	(123)
Share of results of associates		(252)	—
Profit before tax	7	3,258	5,505
Income tax expense	8	(562)	(878)
Profit for the period		2,696	4,627
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,702)	1,397
<i>Item that will not be reclassified to profit or loss</i>			
Fair value changes on investment securities at fair value through other comprehensive income		(4,323)	314
Total comprehensive income for the period		(3,329)	6,338
Profit for the period attributable to:			
Equity holders of the parent		2,617	4,517
Non-controlling interests		79	110
		2,696	4,627
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(3,081)	6,075
Non-controlling interests		(248)	263
		(3,329)	6,338
Earnings per share attributable to equity holders of the parent:			
Basic and diluted (Singapore cents)	9	0.28	0.51

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 (unaudited) S\$'000	As at 31 December 2021 (audited) S\$'000
Non-current assets			
Property, plant and equipment		24,015	24,179
Right-of-use assets		2,328	2,255
Intangible assets		304	208
Investment securities	11	22,762	24,063
Investment in associates	12	13,072	11,464
Deferred tax assets		877	907
Advance payment for property, plant and equipment		19	3
Total non-current assets		63,377	63,079
Current assets			
Inventories	13	59,105	52,266
Trade receivables	14	27,459	32,252
Prepayments, deposits and other receivables		4,094	5,833
Cash and cash equivalents	15	33,108	41,706
Total current assets		123,766	132,057
Current liabilities			
Trade payables	16	26,583	34,803
Other payables and accruals		5,337	9,606
Provision for warranty		65	41
Interest-bearing loans and borrowings	17	27,552	13,762
Income tax payable		1,355	1,436
Total current liabilities		60,892	59,648
Net current assets		62,874	72,409
Non-current liabilities			
Interest-bearing loans and borrowings	17	6,373	7,030
Deferred tax liabilities		26	160
Total non-current liabilities		6,399	7,190
Net assets		119,852	128,298
Equity			
Share capital	18	91,293	91,293
Reserves		14,208	22,130
Equity attributable to equity holders of the parent		105,501	113,423
Non-controlling interests		14,351	14,875
Total equity		119,852	128,298

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

The principal activities of the Group are (i) to provide contract manufacturing, design, engineering and assembly for the electronics industry; (ii) to provide design, manufacture and sale of automated machines, apparatus, systems and equipment; and (iii) provision of fund management services and conducting 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 2021.

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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

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

- (i) EMS, it 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, which primarily engages in providing fund management services and conducting investment activities in equity securities and funds.

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 2022 and 2021:

	For the six months ended 30 June			
	2022		2021	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
EMS	63,425	88.8	73,325	94.6
ODM	6,373	8.9	2,781	3.6
Investment	1,612	2.3	1,439	1.8
	<u>71,410</u>	<u>100.0</u>	<u>77,545</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2022 and 2021. 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			
	2022		2021	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Singapore	50,803	71.1	57,641	74.3
Mainland China	6,758	9.5	6,011	7.8
The United States	5,823	8.2	10,791	13.9
The Philippines	2,260	3.2	369	0.5
Japan	1,797	2.5	547	0.7
Other countries	3,969	5.5	2,186	2.8
	<u>71,410</u>	<u>100.0</u>	<u>77,545</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Investment		Total revenue	
	For the six months ended 30 June							
	2022	2021	2022	2021	2022	2021	2022	2021
	(unaudited)							
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Type of goods or services								
Sale of goods	63,139	72,787	6,373	2,781	—	—	69,512	75,568
Rendering of services	286	538	—	—	1,612	1,439	1,898	1,977
	<u>63,425</u>	<u>73,325</u>	<u>6,373</u>	<u>2,781</u>	<u>1,612</u>	<u>1,439</u>	<u>71,410</u>	<u>77,545</u>
Timing of transfer of goods or services								
At a point in time	63,425	73,325	6,373	2,781	—	—	69,798	76,106
Over period of time	—	—	—	—	1,612	1,439	1,612	1,439
	<u>63,425</u>	<u>73,325</u>	<u>6,373</u>	<u>2,781</u>	<u>1,612</u>	<u>1,439</u>	<u>71,410</u>	<u>77,545</u>

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2022 (unaudited) S\$'000	2021 (unaudited) S\$'000
Other income		
Bank interest income	215	107
Government grants ^(a)	299	647
Dividend income	111	—
Service income	—	12
Rental income	—	13
Others	—	11
	625	790
Gains		
Foreign exchange differences, net	365	315
Gain on bargain purchase of a business	—	249
Gain on disposal of property, plant and equipment	43	4
	408	568
	1,033	1,358

- (a) The amount represents grants received from Singapore and the PRC government authorities under various support schemes which primarily aims to (i) protect local citizens' employment status; (ii) provide cash flow support and help local companies to retain their local employees during the Covid-19 pandemic period; and (iii) encourage business development. There are no unfulfilled conditions and other contingencies relating to these grants.

6. OTHER EXPENSE

	For the six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Net fair value loss on investment securities at fair value through profit or loss	840	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	
	2022	2021
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Cost of inventories	47,419	55,820
Depreciation of property, plant and equipment	1,534	888
Depreciation of right-of-use assets	552	548
Amortisation of intangible assets	104	124
Research and development expenses	1,765	1,975
Short-term leases	34	17
Auditor's remuneration	188	130
Professional fees	189	138
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	11,557	9,692
— Pension scheme contributions	1,701	1,158
Addition of provision for warranty	32	21
Foreign exchange differences, net	(365)	(315)
Government grants	(299)	(647)
Gain on disposal of property, plant and equipment	(43)	(4)
(Write-back of)/allowance for inventory obsolescence	(51)	11
Bank interest income	(215)	(107)

8. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2022 and 2021 are as follows:

	For the six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Current income taxation	552	869
Under provision in respect of previous years	10	9
	<hr/>	<hr/>
Income tax expense	<u>562</u>	<u>878</u>

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

The calculation of basic earnings per share amounts is based on the profit for six months attributable to equity holders of the parent, and the weighted average number of ordinary shares of 920,393,394 and 887,447,734 shares in issue during the periods ended 30 June 2022 and 2021 respectively.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2022 and 2021.

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	
	2022	2021
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Earnings		
Profit for the period attributable to equity holders of the parent	<u><u>2,617</u></u>	<u><u>4,517</u></u>
	As at 30 June	
	2022	2021
Number of shares		
Weighted average number of ordinary shares	<u><u>920,393,394</u></u>	<u><u>887,447,734</u></u>
Earnings per share attributable to equity holders of the parent		
Basic and diluted (Singapore cents)	<u><u>0.28</u></u>	<u><u>0.51</u></u>

10. DIVIDENDS

	For the six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Declared and paid during the reporting period:		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2021: 0.52 Singapore cents per share	<u><u>4,786</u></u>	<u><u>—</u></u>
Proposed but not recognised as a liability		
<i>Dividend on ordinary shares:</i>		
— Interim exempt (one-tier) dividend for 2022: Nil (2021: 0.13 Singapore cents per share)	<u><u>—</u></u>	<u><u>1,197</u></u>

11. INVESTMENT SECURITIES

	30 June 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
At fair value through profit or loss		
— Non-quoted equity investments	12,519	9,400
— Quoted equity investments	4,337	4,434
At fair value through other comprehensive income		
— Non-quoted equity investment	5,906	10,229
	<u>22,762</u>	<u>24,063</u>

12. INVESTMENT IN ASSOCIATES

The Group's investment in associates are summarised below:

	30 June 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
Continuumm Technologies	2,039	—
Nantong Intelligent Fund	8,794	8,937
Nanyang Fund	2,239	2,527
	<u>13,072</u>	<u>11,464</u>

Particulars of the principal associates of the Group are as follows:

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of ownership interest attributable to the Group	
			30 June 2022	31 December 2021
<i>Held through the Company:</i>				
Continuumm Technologies	Singapore	Manufacture of wire and cable assemblies and harnesses and electronic related industrial design services	49%	—
<i>Held through the subsidiaries of the Company:</i>				
Nantong Intelligent Fund	The PRC	Private equity investment	20%	20%
Nanyang Fund	The PRC	Private equity investment	20%	20%

13. INVENTORIES

	30 June 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
Raw materials	45,255	38,337
Work-in-progress	6,470	9,906
Finished goods	7,380	4,023
Total inventories at lower of cost and net realisable value	<u>59,105</u>	<u>52,266</u>

14. 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 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
— 0 to 30 days	14,622	15,174
— 31 to 60 days	9,618	14,204
— 61 to 90 days	1,640	1,648
— Over 90 days	1,579	1,226
	<hr/> 27,459 <hr/>	<hr/> 32,252 <hr/>

15. CASH AND CASH EQUIVALENTS

	30 June 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
Cash and bank balances	24,342	28,801
Short-term deposits	8,766	12,905
	<hr/> 33,108 <hr/>	<hr/> 41,706 <hr/>

16. 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 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
— 0 to 30 days	10,541	13,412
— 31 to 60 days	8,032	9,466
— 61 to 90 days	3,866	6,087
— Over 90 days	4,144	5,838
	<u>26,583</u>	<u>34,803</u>

17. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2022 (unaudited) S\$'000	31 December 2021 (audited) S\$'000
Lease liabilities	1,167	1,038
2% unsecured bank loan of S\$5,000,000	3,991	4,599
2.5% unsecured bank loan of S\$5,000,000	4,049	4,528
Unsecured bank trade financing	23,741	9,914
Bank overdrafts	977	713
	<u>33,925</u>	<u>20,792</u>
Repayable details as follows:		
— Not later than 1 year	27,552	13,762
— Later than 1 year but not later than 2 years	2,485	2,236
— Later than 2 years but not later than 5 years	3,817	4,723
— More than 5 years	71	71
	<u>33,925</u>	<u>20,792</u>

18. SHARE CAPITAL

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
As at 1 January 2021	857,419,324	84,857
Ordinary shares issued	<u>62,974,070</u>	<u>6,436</u>
As at 31 December 2021 (audited), 1 January 2022 and 30 June 2022 (unaudited)	<u><u>920,393,394</u></u>	<u><u>91,293</u></u>

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

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 providing fund management services and conducting investment activities in equity securities and funds.

The Group’s revenue mainly derived from the EMS division, which accounted for approximately 88.8% of total revenue for the six months ended 30 June 2022. ODM and investment divisions accounted for approximately 8.9% and 2.3% of total revenue for the six months ended 30 June 2022, respectively.

2. BUSINESS REVIEW AND PROSPECT

The global economy has been experiencing a gradual recovery. However, the momentum for growth, especially in most of the major economies has slowed considerably since early 2022 and the outlook remains uncertain in midst of, among other factors, new waves of the Covid-19 variants, ongoing geopolitical conflicts especially between Russia and Ukraine, prolonged supply-chain disruptions, rising global inflation and labour market challenges, while industry competition remains intense.

— EMS Division

Our EMS division was negatively affected by the global decline in demand in semiconductor industry due to:

1. the severe drop in the global consumer purchasing power index brought about by the worldwide steep inflation and impending recession;
2. the ongoing trade and technology wars between the United States and China, as well as the Ukraine war, that stunt the normal operations of production of goods and services as the worldwide supply chain is adversely affected; and

3. the mutation persistence of the Covid-19 pandemic that brings drastic drop in efficiency and productivity across all spectrum of social, economic and bureaucratic activities.

Total revenue for the six months ended 30 June 2022 decreased by approximately 13.5% year-on-year (“YOY”).

Extending the Group’s strategy to acquire manufacturing competence, an investment of 49% equity interest in Continuumm Technologies, a wire harness and cable assembly manufacturer, was made during the reporting period. This will enhance our Group’s capability and competitiveness.

Our active pursuit into semiconductor front-end business has been encouraging. Several engagements with potential customers have yielded positive responses with a number of successful request for quotation and deliveries during the reporting period. Our management is encouraged that new orders have been received from customers with potential sizeable orders.

— **ODM Division**

Our ODM division revenue has shown exceptional growth for the half year ended 30 June 2022 by approximately 129.2% YOY. Demand for SPE has been strong since early 2022 and is expected to continue for a while. During this six-month period, ODM embarked on developing a new deflashing machine for China market and targeted to launch by the end of 2022. This will increase supply of our own Kinergy brand SPE products. The division also secured a new customer for supply of test socket parts and has invested approximately S\$1.7 million in production equipment to increase our Group’s capacity. Expected revenue from this new business is approximately S\$5 million for 2022.

— **Investment Division**

Due to Covid-19 lockdown in China, our fund management company’s operation in Shanghai has been curtailed. Planned increase in fund formation and target investments of managed funds were interrupted. Revenue from fund management fee for the six-month period showed a reasonable 12.0% growth YOY but net profit declined by 77.0% YOY due to the decrease in fair value of investment securities arising from general decline in stock value in China.

Looking forward to the second half of 2022, the Group will continue to focus on the manufacturing competence acquisition; penetrate semiconductor front-end business; develop further the ODM business; and improve our operational efficiencies. Our management will also evaluate the feasibility of extending our fund management operation outside China.

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		
	2022	2021	Percentage
	<i>S\$'000</i>	<i>S\$'000</i>	change
EMS	63,425	73,325	-13.5%
ODM	6,373	2,781	129.2%
Investment	1,612	1,439	12.0%
	<u>71,410</u>	<u>77,545</u>	<u>-7.9%</u>

The Group's revenue decreased by approximately S\$6.1 million or 7.9% from approximately S\$77.5 million for the six months ended 30 June 2021 to approximately S\$71.4 million for the six months ended 30 June 2022.

The decrease was primarily attributable to the decrease in sales volume from EMS division, which was partially offset by the increase in sales from ODM division and the higher management fee from investment division.

Cost of sales

Cost of sales primarily consists of material costs, labour 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		
	2022	2021	Percentage change
	S\$'000	S\$'000	
EMS	54,060	62,888	-14.0%
ODM	5,185	2,165	139.5%
Investment	—	—	N/A
	<u>59,245</u>	<u>65,053</u>	<u>-8.9%</u>

The Group's cost of sales decreased by approximately S\$5.9 million or 8.9% from approximately S\$65.1 million for the six months ended 30 June 2021 to approximately S\$59.2 million for the six months ended 30 June 2022. The decrease was mainly attributable to the decrease in revenue from EMS division.

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\$0.3 million or 2.6% from approximately S\$12.5 million for the six months ended 30 June 2021 to approximately S\$12.2 million for the six months ended 30 June 2022.

Gross profit margin slightly increased by approximately 0.9% from approximately 16.1% for the six months ended 30 June 2021 to approximately 17.0% for the six months ended 30 June 2022. The increase was primarily attributable to the appreciation of USD as against SGD and mix sales of machines.

Other income and gains

Other income and gains decreased by approximately S\$0.3 million or 23.9% from approximately S\$1.4 million for the six months ended 30 June 2021 to approximately S\$1.0 million for the six months ended 30 June 2022. The decrease was primarily attributable to (i) the decrease in government grants of approximately S\$0.3 million and (ii) the absence of gain on bargain purchase of a business of approximately S\$0.2 million for the six months ended 30 June 2022. The decrease was partially offset by the increase of bank interest income of approximately S\$0.1 million and dividend income of approximately S\$0.1 million.

Sales and marketing expenses

Sales and marketing expenses increased by approximately S\$0.4 million or 24.2% from approximately S\$1.5 million for the six months ended 30 June 2021 to approximately S\$1.8 million for the six months ended 30 June 2022, which was due to the increase in sales commission from ODM division for the six months ended 30 June 2022.

General and administration expenses

General and administration expenses increased by approximately S\$0.3 million or 4.9% from approximately S\$6.4 million for the six months ended 30 June 2021 to approximately S\$6.7 million for the six months ended 30 June 2022. The increase was mainly due to (i) the higher indirect staff costs by approximately S\$0.3 million primarily contributed from investment segment.

Other expense

Other expense increased by approximately S\$0.5 million was mainly due to the increase in net fair value loss of investment securities.

Finance costs

Comparing to the six months ended 30 June 2021, finance costs incurred during the six months ended 30 June 2022 increased by approximately S\$0.2 million primarily due to the higher bank loan balances utilised during the six months ended 30 June 2022.

Profit before tax

Profit before tax for the six months ended 30 June 2022 decreased by approximately S\$2.2 million or 40.8% from approximately S\$3.3 million as compared to profit before tax of approximately S\$5.5 million for the six months ended 30 June 2021. Such increase was mainly due to the decrease in revenue and higher losses in net fair value of investment securities during the six months ended 30 June 2022.

Income tax expense

The Group's income tax expense decreased by approximately S\$0.3 million from approximately S\$0.9 million for the six months ended 30 June 2021 to approximately S\$0.6 million for the six months ended 30 June 2022. The decrease was in line with the lower profit before tax during the six months ended 30 June 2022.

Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately S\$2.7 million for the six months ended 30 June 2022 as compared to profit after tax of approximately S\$4.6 million for the corresponding period in 2021, indicating a decrease of approximately S\$1.9 million or 41.7%.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2022, the Group had cash and cash equivalents of approximately S\$33.1 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	
	2022	2021
	S\$'000	S\$'000
Net cash flow used in operating activities	(7,485)	(6,196)
Net cash flow used in investing activities	(8,281)	(6,295)
Net cash flow generated from financing activities	7,145	16,717
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(8,621)	4,226
Cash and cash equivalents at 1 January	41,706	25,259
Effect of exchange rate changes on cash and cash equivalents	23	414
	<hr/>	<hr/>
Cash and cash equivalents as at 30 June	<u>33,108</u>	<u>29,899</u>

Net cash flow used in operating activities

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

For the six months ended 30 June 2022, the Group's net cash used in operating activities was approximately S\$7.5 million, primarily reflected: (i) increase in inventories of approximately S\$6.8 million; (ii) decrease in trade and other payables and accruals of approximately S\$12.5 million; and (iii) tax paid of approximately S\$0.7 million, which were partially offset by: (i) cash generated before changes in working capital of approximately S\$5.8 million; (ii) decrease in trade and other receivables of approximately S\$6.5 million; and (iii) interest income received of approximately S\$0.2 million.

Net cash flow used in investing activities

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

For the six months ended 30 June 2022, the Group's net cash flow used in investing activities was approximately S\$8.3 million, which was primarily used for: (i) purchase of property, plant and equipment of approximately S\$2.0 million and (ii) purchase of investment securities and investment in associates of approximately S\$4.2 million and S\$2.1 million, respectively.

Net cash flow generated from financing activities

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

For the six months ended 30 June 2022, the Group's net cash flow generated from financing activities was approximately S\$7.1 million, mainly generated from net proceeds of bank loans of approximately S\$13.0 million and capital contribution from non-controlling interest of approximately S\$0.5 million, which was partially offset by: (i) dividend paid on ordinary shares of approximately S\$4.8 million; (ii) dividend paid to non-controlling interest of approximately of S\$0.8 million; (iii) payment of lease liabilities of approximately S\$0.5 million; and (iv) payments of interests from bank loan and lease liabilities of approximately S\$0.3 million.

NET CURRENT ASSETS

The Group's net current asset decreased by approximately S\$9.5 million from approximately S\$72.4 million as at 31 December 2021 to approximately S\$62.9 million as at 30 June 2022. The increase was primarily due to: (i) decrease in cash and cash equivalents of approximately S\$8.6 million; (ii) decrease in trade receivables and prepayments, deposits and other receivables of approximately S\$6.5 million and (iii) increase in current portion of interest-bearing loans and borrowings of approximately S\$13.8 million. This was partially offset by (i) decrease in trade and other payables and accruals of approximately S\$12.5 million and (ii) increase in inventories of approximately S\$6.8 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchases cost relating to property, plant and equipment. For the six months ended 30 June 2022, the Group's capital expenditure amounted to approximately S\$2.0 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 2022, 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 2022 S\$'000
Contracted, but not provided for:	
Property, plant and equipment	3,221
Investment securities	20,234
	<hr/>
	23,455
	<hr/> <hr/>

Investment securities

The balance of S\$20,234,000 pertains to the remaining investment commitments of the Group in contributing to a private equity fund.

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2022, the Group has outstanding balances from interest-bearing loans and borrowings of approximately S\$33.9 million (31 December 2021: approximately S\$20.8 million).

Contingent liabilities

As at 30 June 2022, 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 as at 30 June 2022 was 0.7% (31 December 2021: not applicable as the Group's cash and cash equivalents is higher than interest-bearing loans and borrowings).

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 2022 was 28.3% (31 December 2021: 16.2%).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any concrete plans for material investments or capital assets as at 30 June 2022.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Company, Continuumm Technologies and Synesys Technologies Pte. Ltd. (“**Synesys**”) signed a subscription and shareholders agreement and a supplementary agreement (the “**Agreements**”) on 7 January 2022 and 27 February 2022, respectively, pursuant to which the Company agreed to subscribe for 2,113,725 ordinary shares in Continuumm Technologies, representing approximately 49.0% equity interest for a cash consideration of S\$2,113,725. Synesys is the parent company of Continuumm Technologies and both Synesys and Continuumm Technologies are independent third parties. Continuumm Technologies has its capabilities in wire harness and cable assembly for semiconductor industry. On 21 March 2022, the completion took place following the satisfaction of all conditions under the Agreements.

On 29 June 2022, the Group through its subsidiary, CEL Puyan, entered into a subscription and shareholders agreement with Shenzhen Jiecheng Nickel Cobalt New Energy Technology Co., Ltd. (“**Shenzhen Jiecheng**”), pursuant to which CEL Puyan agreed to subscribe for new capital in Shenzhen Jiecheng for a cash consideration of approximately S\$4,155,000 (equivalent to RMB20,000,000), representing approximately 2.0% equity interest of Shenzhen Jiecheng. Shenzhen Jiecheng's primary activities are recycling rare metals and batteries.

Save as disclosed above, 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 2022.

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 2022, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2022, the Group had 761 employees. The employees benefit expense incurred during the six months ended 30 June 2022 was approximately S\$13.9 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 trainings. 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 labour disputes during the six months ended 30 June 2022.

DIVIDEND

Except for the final dividend for the year ended 31 December 2021 that was paid on 24 June 2022, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2022.

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 its Shareholders.

The Company has complied with all the code provisions of the Corporate Governance Code during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and relevant employees.

Having made specific enquiries with the Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2022.

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 2022.

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 2022 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 2022 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

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

“Continuumm Technologies”	Continuumm Technologies Pte. Ltd, a limited liability company established in Singapore on 17 January 2017
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules that are applicable to the Company during the reporting period
“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
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 12 September 2019
“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“ODM”	Original Design Manufacturing
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of Singapore
“Shareholder(s)”	the shareholder(s) of the Company
“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)
“the United States”	the United States of America
“USD”	United States Dollar, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 19 August 2022

As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann (Mr. Henry Lee Wong as his alternate) and Mr. Tay Kim Kah; the non-executive Directors are Mr. Loh Kin Wah (Chairman) and Mr. Wang Yizhe; and the independent non-executive Directors are Mr. Hoon Chee Wai, Dr. Senerath Wickramanayaka Mudiyanseelage Sunil Wickramanayaka and Dr. Ang Peng Huat.