

KINERGY
Kinergy Corporation Ltd.
光控精技有限公司*

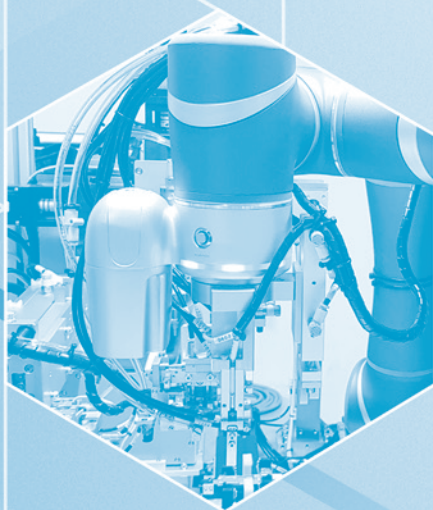
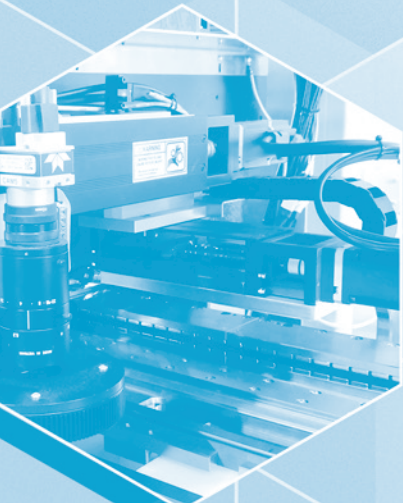
(incorporated in Singapore with limited liability)

Stock Code : 3302

INTERIM REPORT
2020



* 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

Mr. Ng Tiak Soon
Dr. Senerath Wickramanayaka Mudiyansele
Sunil Wickramanayaka
Professor Zhang Wei

BOARD COMMITTEES

Audit Committee

Mr. Ng Tiak Soon (*Chairman*)
Dr. Senerath Wickramanayaka Mudiyansele
Sunil Wickramanayaka
Professor Zhang Wei

Nomination Committee

Dr. Senerath Wickramanayaka Mudiyansele
Sunil Wickramanayaka (*Chairman*)
Mr. Tay Kim Kah
Mr. Ng Tiak Soon

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

21/F, CCB Tower
3 Connaught Road Central
Hong Kong

LEGAL ADVISERS AS TO SINGAPORE LAWS

Shook Lin & Bok LLP

1 Robinson Road
#18-00 AIA Tower
Singapore 048542

EXTERNAL AUDITORS

Ernst & Young LLP

REGISTERED OFFICE

1 Changi North Street 1
Singapore 498789

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Changi North Street 1
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 Registrar (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

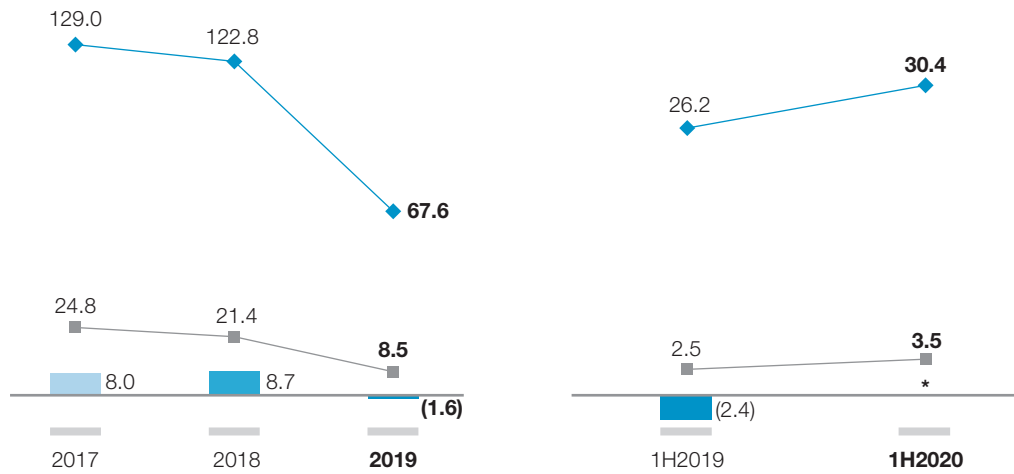
DEFINITIONS

“Board”	the board of Directors
“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
“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
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinguan Electric”	Jinguan Electric Company Limited* (金冠電氣股份有限公司), a joint stock company established in the PRC on 28 March 2005
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange on 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
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on 12 September 2019
“ODM”	Original Design Manufacturing
“Prospectus”	the Prospectus of the Company dated 30 June 2018
“Qingdao CEL Fund”	Qingdao CEL Intelligent Manufacturing Equity Investment Limited* (青島光控智造股權投資有限公司), a limited partnership established in the PRC on 1 March 2017 and a connected party of the Group

“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore Dollar, the lawful currency of Singapore
“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)
“U.S.”	the United States of America
“USD” or “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

FINANCIAL HIGHLIGHTS

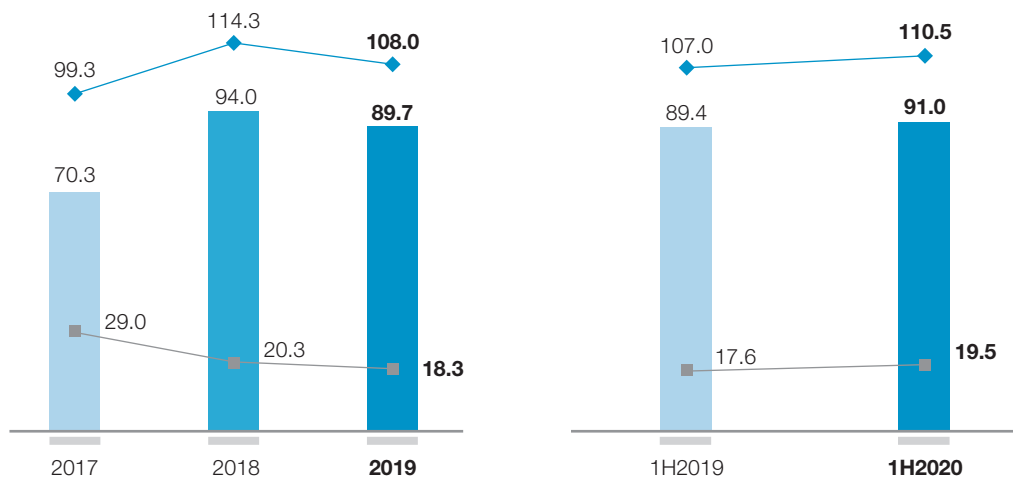
REVENUE, GROSS PROFIT AND NET PROFIT/(LOSS)



■ Net Profit/(loss) (SGD million)
 ◆ Revenue (SGD million)
 ■ Gross profit (SGD million)

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

TOTAL ASSETS, LIABILITIES AND EQUITY



■ Total equity (SGD million)
 ◆ Total assets (SGD million)
 ■ Total liabilities (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 two divisions, namely EMS Division and ODM Division. Our EMS Division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. The Group’s revenue mainly derived from the EMS Division, which accounted for approximately 97.2% of total revenue and ODM Division accounted for approximately 2.8% of total revenue for the six months ended 30 June 2020.

2. BUSINESS REVIEW AND PROSPECT

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

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

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

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

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

3. FINANCIAL REVIEW

Revenue

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

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

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

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

Cost of sales

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

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

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

Gross profit and gross profit margin

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

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

Other income and gains

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

Sales and marketing expenses

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

General and administration expenses

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

Other expense

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

Finance costs

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

Profit/(loss) before tax

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

Income tax (expense)/credit

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

Profit/(loss) for the period

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

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2020, the Group had cash and cash equivalents of approximately S\$30.6 million. The Board is of the opinion that the financial position of the Group is strong and healthy, and the Group has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Cash flow

The following table sets forth a summary of our cash flows for the periods indicated:

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

Net cash flow used in operating activities

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

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

Net cash flow used in investing activities

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

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

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

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

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

NET CURRENT ASSETS

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

CAPITAL EXPENDITURE

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

Capital and investment commitments

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

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

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

Investment securities

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

USE OF PROCEEDS

The Directors confirmed that there was no change in the proposed use of proceeds as previously disclosed in the Prospectus. However, in light of the uncertainty posed by the trade tension between the U.S. and China and COVID-19 pandemic, the Directors expect that there will be a further delay in the utilisation of proceeds from the Listing. The Board will continue to closely monitor the utilisation of proceeds with reference to the use of proceeds as disclosed in the Prospectus.

Use of proceeds	Allocation (% of net proceeds)	Allocation (S\$'million of net proceeds)	Utilisation as at 30 June 2020 (S\$'million)	Unutilised amount as at 30 June 2020 (S\$'million)	Expected time of full utilisation
Expansion of production capacity	40.4%	16.3	4.7	11.6	4th Quarter 2021
Development and acquisition of engineering and technological knowledge	29.3%	11.8	9.7	2.1	4th Quarter 2021
Expansion of our marketing activities in Japan, Europe and the United States	17.6%	7.1	0.9	6.2	4th Quarter 2022
Strengthening our research and development	11.7%	4.7	2.0	2.7	4th Quarter 2021
General working capital	1.0%	0.5	0.5	—	
	100.0%	40.4	17.8	22.6	

INDEBTEDNESS

Bank loan and other borrowings

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

Contingent liabilities

As at 30 June 2020, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents and pledged deposits at the end of the period divided by total equity at the end of the period. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than lease liabilities as at 30 June 2020.

Gearing ratio

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

Save as disclosed above, Note 11, "Investment Securities" and capital and investment commitments section on page 28 to this report, the Group did not have other plans for material investments.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

Save as disclosed above and in Note 11, "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 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PLEDGE OF ASSETS

As at 30 June 2020, the Group did not pledge any assets.

HUMAN RESOURCES

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

OTHER INFORMATION

DIVIDEND

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

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES

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

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

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

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

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

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 2020, 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	268,620,472 ^(L)	31.33
Mr. Du Xiaotang ⁽³⁾	Interest of a controlled corporation; beneficial owner	8,193,704 ^(L)	0.96
Mr. Lim Khin Mann	Beneficial owner	19,148,000 ^(L)	2.23
Mr. Tay Kim Kah	Beneficial owner	1,700,000 ^(L)	0.20

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 250,472,472 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 8,105,704 Shares held directly by Sino Expo Holdings Limited and 88,000 Shares held directly by Mr. Du Xiaotang. Sino Expo Holdings Limited is owned as to 100% by Mr. Du Xiaotang. Therefore, Mr. Du Xiaotang is deemed or taken to be interested in the Shares held by Sino Expo Holdings Limited under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, 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.

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

As at 30 June 2020, 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 Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Ms. Foo Kaw Jee ⁽²⁾	Beneficial owner; interest of spouse	268,620,472 ^(L)	31.33
Diamond Wealth Global Limited ⁽³⁾	Beneficial owner	262,084,380 ^(L)	30.57
China Everbright Venture Capital Limited ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
China Everbright Limited ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Honorich Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Datten Investments Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
China Everbright Holdings Company Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
China Everbright Group Ltd. ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Central Huijin Investment Ltd. ⁽⁵⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.57
Unitras (H.K.) Limited ⁽⁶⁾	Beneficial owner	76,498,768 ^(L)	8.92
Ms. Joyce S. Kerr ⁽⁶⁾	Interest of a controlled corporation	76,498,768 ^(L)	8.92
Mr. Bradley Fraser Kerr ⁽⁶⁾	Interest of spouse	76,498,768 ^(L)	8.92

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 250,472,472 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. Therefore, each of China Everbright Limited and China Everbright Venture Capital Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited under the SFO.
- (4) China Everbright Group Ltd. Holds 100% of 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 49.38% 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 55.67% 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 2020, 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.

Up to the date of this report, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Mr. Du Xiaotang resigned as an independent director of Sichuan Xin Jin Lu Group Co., Ltd. (四川新金路集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000510) in May 2020.

By order of the Board
Kinergy Corporation Ltd.
Lim Kuak Choi Leslie

Executive Director and Chief Executive Officer

Hong Kong, 17 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Revenue	4	30,387	26,157
Cost of sales		(26,876)	(23,666)
Gross profit		3,511	2,491
Other income and gains	5	2,392	701
Sales and marketing expenses		(1,089)	(918)
General and administrative expenses		(4,628)	(4,382)
Other expense	6	—	(400)
Finance costs		(44)	(52)
Profit/(loss) before tax	7	142	(2,560)
Income tax (expense)/credit	8	(97)	113
Profit/(loss) for the period		45	(2,447)
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		561	(470)
Total comprehensive income for the period		606	(2,917)
Profit/(loss) for the period attributable to:			
Owners of the Company		56	(2,447)
Non-controlling interest		(11)	—
		45	(2,447)
Total comprehensive income for the period attributable to:			
Owners of the Company		620	(2,917)
Non-controlling interest		(14)	—
		606	(2,917)
Earnings/(loss) per share attributable to owners of the Company			
Basic and diluted (S\$)	10	0.01 cents	(0.28 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2020 (unaudited) S\$'000	As at 31 December 2019 (audited) S\$'000
Non-current assets			
Property, plant and equipment	11	18,575	17,631
Right-of-use assets		3,697	4,229
Intangible assets		437	551
Investment securities	12	16,995	12,367
Advance payment for property, plant and equipment		5	12
Deferred tax assets		75	110
Total non-current assets		39,784	34,900
Current assets			
Inventories	13	27,476	22,028
Trade receivables	14	9,914	12,909
Prepayments, deposits and other receivables	15	2,758	2,025
Cash and cash equivalents	16	30,603	36,092
Total current assets		70,751	73,054
Current liabilities			
Trade payables	17	13,229	11,998
Other payables and accruals	18	3,464	3,001
Provision for warranty	19	31	41
Tax payable		130	3
Lease liabilities		1,043	1,030
Total current liabilities		17,897	16,073
Net current assets		52,854	56,981
Non-current liabilities			
Deferred tax liabilities		161	251
Lease liabilities		1,452	1,963
Total non-current liabilities		1,613	2,214
Net assets		91,025	89,667
Equity attributable to owners of the Company			
Share capital	20	84,857	84,938
Reserves		4,491	4,729
Non-controlling interest		89,348	89,667
		1,677	—
Total equity		91,025	89,667

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Attributable to owners of the Company							Total equity Attributable to owners of the Company SS'000	Non- controlling interest SS'000	Total equity SS'000
	Share capital	Treasury shares	Total	Statutory	Translation	Retained	Total			
	(Note 20) SS'000	(Note 20) SS'000	share capital SS'000	reserve SS'000	reserve SS'000	profits SS'000	reserves SS'000			
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 (Note 20)	—	(81)	(81)	—	—	—	—	(81)	—	(81)
Cancellation of treasury shares (Note 20)	(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 9)	—	—	—	—	—	(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
30 June 2019										
At 1 January 2019	84,990	—	84,990	4,222	90	4,729	9,041	94,031	—	94,031
Loss for the period	—	—	—	—	—	(2,447)	(2,447)	(2,447)	—	(2,447)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	—	—	—	—	(470)	—	(470)	(470)	—	(470)
Total comprehensive income for the period	—	—	—	—	(470)	(2,447)	(2,917)	(2,917)	—	(2,917)
Dividend paid on ordinary shares (Note 9)	—	—	—	—	—	(1,717)	(1,717)	(1,717)	—	(1,717)
Transfer to statutory reserve	—	—	—	426	—	(426)	—	—	—	—
Reclassification from statutory reserve to retained profits	—	—	—	(479)	—	479	—	—	—	—
At 30 June 2019 (unaudited)	84,990	—	84,990	4,169	(380)	618	4,407	89,397	—	89,397

* S\$1,094,000 was transferred to retained profits to offset the loss during the period incurred by a PRC subsidiary.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Cash flow from operating activities:		
Profit/(loss) before tax	142	(2,560)
Adjustments for:		
Addition/(reversal) of provision for warranty	64	(17)
Depreciation of property, plant and equipment	676	755
Depreciation of right-of-use assets	547	506
Gain on disposal of property, plant and equipment	(16)	—
Finance cost	44	52
Interest income	(186)	(384)
(Write-back of)/allowance for inventory obsolescence	(15)	155
Write-back of impairment of trade receivables	—	(30)
Amortisation of intangible assets	114	117
Unrealised foreign exchange gain	(816)	(209)
Operating cash flow before changes in working capital	554	(1,615)
(Increase)/decrease in inventories	(5,434)	652
Decrease in trade receivables	2,994	5,154
Increase in prepayments, deposits and other receivables	(732)	(642)
Increase/(decrease) in trade payables	1,232	(4,398)
Increase/(decrease) in other payables and accruals	389	(640)
Cash flow used in operations	(997)	(1,489)
Interest income received	186	384
Income tax paid	(27)	(796)
Net cash flow used in operating activities	(838)	(1,901)
Cash flow from investing activities:		
Purchase of property, plant and equipment	(1,155)	(351)
Decrease in advance payment for property, plant and equipment	7	(393)
Proceeds from disposal of property, plant and equipment	16	—
Purchase of investment securities	(4,369)	—
Net cash flow used in investing activities	(5,501)	(744)
Cash flow from financing activities:		
Payment of principal and interest of lease liabilities	(551)	(507)
Purchase of treasury shares	(81)	—
Dividends paid on ordinary shares	(858)	(1,717)
Capital contribution from non-controlling interest	1,691	—
Net cash flow generated from/(used in) financing activities	201	(2,224)
Net decrease in cash and cash equivalents	(6,138)	(4,869)
Cash and cash equivalents at beginning of the period	36,092	43,709
Effects of exchange rate changes on cash and cash equivalents	649	(60)
Cash and cash equivalents at end of the period (Note 16)	30,603	38,780

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 is 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 Listing Rules.

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

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

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

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

Several amendments and interpretations apply for the first time in 2020 as follows:

Amendments to IFRS 3: *Definition of a Business*

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

Amendments to IAS 1 and IAS 8: *Definition of Material*

Conceptual Framework for Financial Reporting issued on 29 March 2018

The above-mentioned amendments to IFRSs and Conceptual Framework for Financial Reporting had no 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 and has two reportable operating segments as follows:

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

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

Revenue breakdown by business segment

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

Geographic information

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

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

4. REVENUE

Disaggregation of revenue

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

5. OTHER INCOME AND GAINS

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

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

6. OTHER EXPENSE

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

7. PROFIT/(LOSS) BEFORE TAX

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

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

8. INCOME TAX (EXPENSE)/CREDIT

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

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a consideration of approximately S\$1,155,000 (for the six months ended 30 June 2019: approximately S\$351,000), including construction in progress approximately S\$7,000 (for the six months ended 30 June 2019: Nil).

Property, plant and equipment with a net book value of approximately S\$1,000 (for the six months ended 30 June 2019: nil) were disposed during the six months ended 30 June 2020, resulting in a gain on disposal of approximately S\$16,000 (for the six months ended 30 June 2019: Nil).

12. INVESTMENT SECURITIES

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

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

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

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

13. INVENTORIES

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Raw materials	19,959	14,300
Work in progress	4,537	4,397
Finished goods	2,980	3,331
	27,476	22,028

During the six months ended 30 June 2020, the Group made a reversal of allowance for inventory obsolescence of S\$15,000 (30 June 2019: allowance for inventory obsolescence of S\$155,000).

14. TRADE RECEIVABLES

The following tables sets forth the aging analysis of trade receivables, based on invoice date and net of provision, as at the respective dates indicated:

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Advance to suppliers	767	929
Deposits	387	398
Grant receivables ^(a)	434	—
Other receivables	119	175
Prepaid Goods and Services Tax (“GST”)/Value-added tax (“VAT”)	611	253
Prepayments	247	230
Bills of exchange ^(b)	193	40
	2,758	2,025

(a) The amount represents grants receivables in relation to 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. There are no unfulfilled conditions and other contingencies relating to these grants.

(b) Bills of exchange are non-interest bearing and have maturity periods of six months.

16. 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 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Cash and bank balances	12,949	12,584
Short-term deposits	17,654	23,508
	30,603	36,092
Denominated in United States Dollar	25,198	22,594
Denominated in Singapore Dollar	5,025	9,144
Denominated in Renminbi	291	4,239
Denominated in other currencies	89	115
	30,603	36,092

17. 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 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
– 0 to 30 days	5,458	5,593
– 31 to 60 days	3,434	3,572
– 61 to 90 days	3,083	1,425
– Over 90 days	1,254	1,408
	13,229	11,998

18. OTHER PAYABLES AND ACCRUALS

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Accruals	1,487	1,820
Advances from customers	803	498
Deferred grant income ^(a)	515	—
Other payables	659	683
	3,464	3,001

(a) The balance mainly pertains to deferred 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.

19. PROVISIONS FOR WARRANTY

The following tables set forth the analysis of provision for warranty as at the respective dates indicated:

	30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
At 1 January	41	178
Addition	63	64
Amounts utilised	(73)	(200)
Exchange differences	—	(1)
	31	41

20. SHARE CAPITAL

a. Share capital

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

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

b. Treasury shares

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

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

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

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

	For the six months ended 30 June	
	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Short-term employee benefits	1,139	1,246
Defined contribution benefits	39	51
Other short-term benefits	5	5
	1,183	1,320
Directors of the Company	491	554
Other key management personnel	692	766
	1,183	1,320

b) Sales and purchase of goods and services

	For the six months ended 30 June	
	2020 (unaudited) S\$'000	2019 (unaudited) S\$'000
Service income	60	99
Rental income	59	73
	119	172

22. 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 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
Financial assets		
Trade receivables	9,914	12,909
Financial assets included in deposits and other receivables	1,133	613
Cash and cash equivalents	30,603	36,092
	41,650	49,614
Financial liabilities		
Trade payables	13,229	11,998
Financial liabilities included in other payables and accruals	2,146	2,503
Lease liabilities	2,495	2,993
	17,870	17,992

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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:

	Fair value measurement using			Total S\$'000
	Quoted prices in active markets (Level 1) S\$'000	Significant observable inputs (Level 2) S\$'000	Significant unobservable inputs (Level 3) S\$'000	
As at 30 June 2020				
Financial assets at fair value through other comprehensive income (Note 12)				
Equity securities (unquoted)				
– Towa (Nantong) Co., Ltd	–	–	2,384	2,384
– Nantong Intelligent Fund	–	7,898	–	7,898
– SMEE Equipment (Group) Co., Ltd.	–	3,159	–	3,159
– Jinguan Electric	–	3,554	–	3,554
As at 31 December 2019				
Financial assets at fair value through other comprehensive income (Note 12)				
Equity securities (unquoted)				
– Towa (Nantong) Co., Ltd	–	–	1,520	1,520
– Nantong Intelligent Fund	–	7,726	–	7,726
– SMEE Equipment (Group) Co., Ltd.	–	3,121	–	3,121

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2020.

(i) Financial instruments whose carrying amounts approximate to their fair values

Management has determined that the carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, and financial liabilities included in other payables and accruals, based on their notional amounts, reasonably approximate to their fair values because these financial instruments are mostly short term in nature.

(ii) Level 2 fair value measurements

The fair value of the investment securities in Nantong Intelligent Fund and SMEE Equipment (Group) Co., Ltd, and Jinguan Electric have been estimated based on the recent transaction prices paid for the investments.

23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

(iii) Level 3 fair value measurements

The fair values of the investment securities in Towa (Nantong) Co., Ltd has been estimated using market approach based on market multiples derived from a set of comparable companies. The valuation requires management to make certain assumptions about the model inputs, including listed comparable companies, volatility in the share price and discount for lack of marketability. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for this unquoted equity investment.

24. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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

25. 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 17 August 2020.