KINERGY

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 2018

The Board is pleased to announce the interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017.

HIGHLIGHT

	For the six months ended			**Percentage**
	30 June 2018	30 June 2017	**Change**	**Change**
	(unaudited)	(unaudited)		
	(S$'000)	*(S$'000)*	*(S$'000)*	
Revenue	**78,684**	72,791	5,893	8.1%
Profit for the period	**5,176**	7,844	(2,668)	−34.0%
Adjusted net profit[Note 1]	**7,441**	7,844	(403)	−5.1%

[Note 1] Adjusted net profit for the period excludes listing expenses.

* *For Identification purpose only.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE SIX MONTHS ENDED 30 JUNE

	Notes	**2018 (unaudited)** ***S$'000***	2017 (unaudited) *S$'000*
Revenue	*4*	**78,684**	72,791
Cost of sales		**(64,160)**	(56,546)
Gross profit		**14,524**	16,245
Other income and gains	*4*	**1,254**	777
Other items of expense			
Selling and marketing expenses		**(1,479)**	(1,481)
General and administrative expenses		**(7,348)**	(6,430)
Finance cost	*5*	**(19)**	(3)
Profit before tax	*6*	**6,932**	9,108
Income tax expense	*7*	**(1,756)**	(1,264)
Profit for the period		**5,176**	7,844
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted *(S$)*	*9*	**0.82 cents**	1.39 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE

	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
PROFIT FOR THE PERIOD	**5,176**	7,844
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(516)**	(488)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**4,660**	7,356

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2018 (unaudited)** *S$'000*	As at 31 December 2017 (audited) *S$'000*
Non-current assets			
Property, plant and equipment	*10*	**19,932**	18,083
Prepaid land lease payments	*11*	**1,330**	1,338
Intangible assets	*12*	**240**	314
Advance payment for property, plant and equipment		**312**	679
		21,814	20,414
Current assets			
Inventories	*13*	**36,551**	33,974
Trade receivables	*14*	**29,480**	21,216
Prepayments, deposits and other receivables	*15*	**6,338**	3,319
Available-for-sale investment	*16*	**—**	6,758
Cash and cash equivalents	*8, 17*	**30,264**	13,657
		102,633	78,924
Current liabilities			
Trade payables	*18*	**41,504**	21,472
Other payables and accruals	*19*	**6,332**	5,483
Provisions for warranty		**103**	82
Tax payable		**1,555**	908
		49,494	27,945
Net current assets		**53,139**	50,979
Non-current liabilities			
Deferred tax liabilities		**—**	1,100
Net assets		**74,953**	70,293
Represented by:			
Equity attributable to owners of the parent			
Share capital		**40,879**	40,879
Reserves	*8*	**34,074**	29,414
Total equity		**74,953**	70,293

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kinergy Corporation Ltd. is a limited liability company incorporated in Singapore. The principal activities of the Company and its subsidiaries are to provide contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision molds and dies.

The Company operates in Singapore and the subsidiaries operate in the People's Republic of China ("PRC"), the Philippines and Japan.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB").

The unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale investment which has been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Singapore Dollars (S$ or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

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) Electronics Manufacturing Services division ("EMS") focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.

ii) Original Design Manufacturing division ("ODM"), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end 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 period ended:

	For the six months period ended 30 June			
	2018		2017	
	(unaudited)		(unaudited)	
	S$'000	*%*	*S$'000*	*%*
EMS	**72,335**	**91.9**	68,673	94.3
ODM	**6,349**	**8.1**	4,118	5.7
	78,684	**100.0**	72,791	100.0

Geographic information

The following table sets out our revenue by geographical locations during the six months period ended. 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.

The following table sets out our revenue by geographical location for six months period indicated:

	For the six months period ended 30 June			
	2018		2017	
	(unaudited)		(unaudited)	
	S$'000	*%*	*S$'000*	*%*
Singapore	**68,879**	**87.6**	66,510	91.4
The Philippines	**876**	**1.1**	1,293	1.8
The US	**2,750**	**3.5**	1,951	2.7
The PRC	**1,837**	**2.3**	748	1.0
Japan	**2,347**	**3.0**	1,068	1.5
Others	**1,995**	**2.5**	1,221	1.6
	78,684	**100.0**	72,791	100.0

4. REVENUE, OTHER INCOME AND GAINS

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Revenue		
Sale of goods	**78,467**	72,541
Rendering of services	**217**	250
	78,684	72,791
Other income		
Interest income from bank deposits	**119**	89
Sale of scrap materials	**9**	6
Government grant *(note (a))*	**118**	632
	246	727
Gains		
Differences, net	**978**	—
Gain on disposal of property, plant and equipment	**30**	50
	1,008	50
Total other income and gains	**1,254**	777

Note:

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

5. FINANCE COST

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Interest on bank borrowings	**19**	2
Finance charge payable under a hire purchase contract	**—**	1
	19	3

6. PROFIT BEFORE TAX

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

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Cost of inventories	**54,321**	47,430
Cost of service rendered	**33**	38
Depreciation of property, plant and equipment	**875**	779
Amortisation of prepaid land lease payments	**17**	13
Research and development expenses	**1,747**	1,767
Minimum lease payments under operating leases	**549**	543
Auditor's remuneration	**23**	95
Listing expenses	**2,265**	—
Professional fees	**120**	94
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**8,560**	8,680
Pension scheme contributions (defined contribution scheme)	**1,345**	1,141
	12,862	10,553
Foreign exchange differences, net	**(978)**	1,083
(Write-back)/allowance of inventory obsolescence	**(1,117)**	32
Product warranty provision/(write-back)	**21**	(10)
Bank interest income	**(119)**	(89)
Gain on disposal of property, plant and equipment	**(30)**	(50)

7. INCOME TAX EXPENSE

Major components of income tax expense

The major components of income tax expense for the six months period ended are:

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Current income tax	**2,176**	1,251
(Over)/under provision in respect of prior years	**(420)**	13
Income tax expense recognised in profit or loss	**1,756**	1,264

8. DIVIDENDS

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Approved at AGM and paid during the reporting period:		
Final tax exempt (one-tier) dividend for 2016: 7.8 cents per ordinary share	**—**	7,697
Approved at AGM and to be paid subsequently to the reporting period:		
Final tax exempt (one-tier) dividend for 2017: 7.3 cents per ordinary share	**11,486**	—
Approved during the reporting period and to be paid subsequently:		
Interim dividend for 2018: 10.75 cents per ordinary share	**16,914**	—

Notes:

1. Pursuant to the pre-ipo investment agreements, Diamond Wealth Global Limited, which owned 262,084,380 shares as at 30 June 2018, has agreed to waive its rights to receive certain proportion of the dividends declared for the financial year ended prior to 31 December 2017.

2. Pursuant to the pre-ipo investment agreements, Sino Expo Holdings Limited, which owned 8,105,704 shares as at 30 June 2018, has agreed to waive its rights to receive certain proportion of the dividends declared for the financial year ended prior to 31 December 2017.

3. The final tax exempt (one-tier) dividend for 2017 and the interim dividend for 2018 are paid to certain Shareholders in July 2018 pursuant to the pre-ipo investment agreements.

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 566,349,392 and 629,351,324 shares in issue during the period ended 30 June 2017 and 30 June 2018 respectively. This was considered the share subdivision occurred on 20 June 2018 for each ordinary share split into four unit of ordinary shares.

No adjustment has been made to the basic earnings per share amounts presented for the period in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

	For the six months period ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**5,176**	7,844

	Number of shares As at 30 June	
	2018	2017
Shares		
Weighted average number of ordinary shares in issues	**629,351,324**	566,349,392
Earnings per share		
Basic and diluted *(S$)*	**0.82cents**	1.39cents

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired assets at a consideration of approximately S$2,661,000 (unaudited) for the six months ended 30 June 2017: approximately S$1,111,000 (unaudited), including Construction in progress approximately S$952,000 for the six months ended 30 June 2017: Nil (unaudited).

Fixed assets with total cost approximately S$346,000 (unaudited) which were fully depreciated was disposed during six months ended 30 June 2018 for the six months ended 30 June 2017: a net book value of approximately S$29,000 (unaudited), resulting net gain from disposal approximately S$30,000 (unaudited) for the six months ended 30 June 2017: a net gain on disposal of approximately S$50,000 (unaudited).

11. PREPAID LAND LEASE PAYMENTS

31 December 2017 (audited)	Prepaid land lease payments *S$'000*
At 1 January 2017:	
Cost	1,591
Accumulated amortisation	(197)
Net carrying amount	1,394
Cost at 1 January 2017:	
Net of accumulated amortisation	1,394
Amortisation provided during the year	(28)
Exchange differences	(28)
At 31 December 2017	1,338
At 31 December 2017:	
Cost	1,591
Accumulated amortisation	(253)
Net carrying amount	1,338

30 June 2018 (unaudited)	**Prepaid land lease payments** ***S$'000***
At 1 January 2018:	
Cost	**1,591**
Accumulated amortisation	**(253)**
Net carrying amount	**1,338**
Cost at 1 January 2018:	
Net of accumulated amortisation	**1,338**
Amortisation provided during the period	**(17)**
Exchange differences	**9**
At 30 June 2018	**1,330**
At 30 June 2018:	
Cost	**1,591**
Accumulated amortisation	**(261)**
Net carrying amount	**1,330**

12. INTANGIBLE ASSETS

	Development cost *S$'000*	Others *S$'000*	Total *S$'000*
31 December 2017 (audited)			
Cost at 1 January 2017	108	11	119
Additions	324	—	324
Amortisation provided during the year	(129)	—	(129)
At 31 December 2017	303	11	314
At 31 December 2017:			
Cost	1,676	32	1,708
Accumulated amortisation and impairment	(1,373)	(21)	(1,394)
Net carrying amount	303	11	314

	Development cost ***S$'000***	**Others** ***S$'000***	**Total** ***S$'000***
30 June 2018 (unaudited)			
Cost at 1 January 2018	**303**	**11**	**314**
Additions	**—**	**—**	**—**
Amortisation provided during the period	**(74)**	**—**	**(74)**
At 30 June 2018	**229**	**11**	**240**
At 30 June 2018:			
Cost	**1,676**	**32**	**1,708**
Accumulated amortisation and impairment	**(1,447)**	**(21)**	**(1,468)**
Net carrying amount	**229**	**11**	**240**

Impairment loss recognised

An impairment loss was recognised to write-down the carrying amount of development costs attributable to ODM segment based on the value in use assessment during the periodical impairment assessment exercise. No impairment loss had been recognised in profit and loss under the line item "cost of sales".

13. INVENTORIES

	30 June 2018 (unaudited) *S$'000*	31 December 2017 (audited) *S$'000*
Raw materials	**17,222**	16,647
Work in progress	**14,223**	13,187
Finished goods	**5,106**	4,140
	36,551	33,974

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 financial position dates:

	30 June 2018 (unaudited) *S$'000*	31 December 2017 (audited) *S$'000*
Within 1 month	**11,470**	8,656
1 to 2 months	**15,227**	8,914
2 to 3 months	**2,246**	2,862
Over 3 months	**537**	784
	29,480	21,216

15. PREPAYMENTS, DEPOSITS OTHER RECEIVABLES

	30 June 2018 (unaudited) *S$'000*	31 December 2017 (audited) *S$'000*
Advance to suppliers	**1,318**	1,639
Deposits	**465**	445
Deferred listing expenses	**2,268**	274
Other receivables	**181**	140
Prepaid Goods and Services Tax ("GST")/ Value-added tax ("VAT")	**1,933**	690
Prepayments	**173**	131
	6,338	3,319

16. AVAILABLE-FOR-SALE INVESTMENT

The following table sets forth a breakdown of our available-for-sale investment as at the respective dates indicated:

	30 June 2018 (unaudited)	31 December 2017 (audited)
	S$'000	*S$'000*
Investment in bank financial products	**—**	6,758

The investment in bank financial products we held represented investments in bank financial products issued by banks in the PRC. The investment in bank financial products as at 31 December 2017 bears an expected yield rate approximately 4.2% per annum, which was matured on March 2018. The principals are all protected. During the reporting period, We had no intention to invest in any wealth management product.

17. CASH AND CASH EQUIVALENTS

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

	30 June 2018 (unaudited)	31 December 2017 (audited)
	S$'000	*S$'000*
Cash and bank balances	**30,264**	13,657
Denominated in RMB	**869**	1,470
Denominated in USD	**12,699**	5,601
Denominated in SGD	**16,291**	6,518
Denominated in other currencies	**405**	68
	30,264	13,657

18. TRADE PAYABLES

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

	30 June 2018 (unaudited)	31 December 2017 (audited)
	S$'000	*S$'000*
Within 1 month	**12,887**	14,662
1 to 2 months	**8,143**	4,550
2 to 3 months	**11,453**	2,053
Over 3 months	**9,021**	207
	41,504	21,472

19. OTHER PAYABLES AND ACCRUALS

	30 June 2018 (unaudited)	31 December 2017 (audited)
	S$'000	*S$'000*
Advances from customers	**203**	430
Payroll and welfare accruals	**1,967**	2,216
Accruals	**3,228**	1,930
Other payables	**934**	907
	6,332	5,483

20. EVENTS AFTER THE REPORTING PERIOD

(i) Company approved and paid final tax exempt (one-tier) dividend for 2017: 7.3 cents per ordinary share amounted to approximately S$11,486,000 and interim dividend for 2018:10.75 cents per ordinary share amounted approximately S$16,914,000 on 2 July 2018.

(ii) The Company was listed on the Stock Exchange on 18 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specializing in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components in the semiconductor back-end equipment 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. For the period ended 30 June 2018, the Group derived revenue mainly from the EMS Division, which accounted for approximately 91.9% of total revenue and ODM Division accounted for approximately 8.1% of total revenue for the six months ended 30 June 2018.

2. BUSINESS REVIEW AND PROSPECT

For the six months ended 30 June 2018, our revenue improved significantly and reached approximately S$78.7 million whereas our revenue for the six months ended 30 June 2017 was approximately S$72.8 million, mainly due to the increase in orders from customers. In spite of intense threat of trade war between the U.S. and China starting in March 2018, consumer demands worldwide remained bullish up to June 2018.

Comparing to the six months ended 30 June 2017, sales of our Group to our three major customers of the EMS division during the six months ended 30 June 2018 perked up as did our ODM division.

For the first half of 2018, some customers, including our major customers are making use of our design capabilities to add values (of quality, cost and/or delivery compression) to their businesses, or to leverage on our design skills to put more products in the marketplace. These design work will translate into new businesses for us.

The semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, Artificial Intelligence and Internet of Things. We expect that these markets of application will continue its growth and will drive the same pace of growth for the semiconductor industry we have seen in the first half of 2018. The Group is very fortunate to have successfully listed in the Stock Exchange on 18 July 2018. We expect the proceeds from the Listing will allow us to proceed on the implementation of our future plans despite the threat of trade wars and signs of the coming of recession which posed a caveat to the otherwise favourable development of the semiconductor business. The Group is actively exploring business opportunities and will take extra care to prioritise capital expenditure to maximise return for our Shareholders.

3. FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 8.1% from approximately S$72.8 million for the six months ended 30 June 2017 to approximately S$78.7 million for the six months ended 30 June 2018. Such increase mainly came from orders from Japanese customers.

Cost of sales

Cost of sales increased from approximately S$56.5 million for six months ended 30 June 2017 to approximately S$64.2 million for the six months ended 30 June 2018. The increase is mainly due to the increase in revenue.

Gross profit and gross profit margin

The gross profit for the six months ended 30 June 2018 showed a decrease of approximately 10.5% from approximately S$16.2 million for six months ended 30 June 2017 to approximately S$14.5 million. The main reason is due to the depreciation of USD against SGD. Our revenue is mainly denominated in USD whereas our purchases and expenses are mostly denominated in SGD and RMB. Consequently, the gross profit margin decreased from approximately 22.3% for the six months ended 30 June 2017 to approximately 18.5% for the six months ended 30 June 2018.

Other income and gains

Other income and gains increased from approximately S$0.8 million for the six months ended 30 June 2017 to approximately S$1.3 million for the six months ended 30 June 2018. The increase is primarily due to an exchange gain of approximately S$1.0 million and higher interest income.

Selling and marketing expenses

Selling and marketing expenses for the six months ended 30 June 2017 was approximately S$1.5 million and same level of selling and marketing expenses was incurred for the six months ended 30 June 2018.

General and administration expenses

General and administration expenses increased by approximately 14.1% from approximately S$6.4 million for the six months ended 30 June 2017 to approximately S$7.3 million for the six months ended 30 June 2018. The increased mainly due to staff bonus paid at the beginning of the year in 2018 and listing expenses.

Finance cost

Comparing to the six months ended 30 June 2017, finance cost incurred during the six months ended 30 June 2018 increased by approximately S$16,000. The increase was mainly due to the interest incurred on export financing during the six months ended 30 June 2018, as no export financing was drawn during the six months ended 30 June 2017.

Profit before tax

The profit before tax for the six months ended 30 June 2018 was approximately S$6.9 million which was approximately 24.2% lower than the profit before tax of approximately S$9.1 million recorded for the six months ended 30 June 2017. Such decrease is mainly due to the decrease in gross profit and listing expenses incurred during the six months ended 30 June 2018.

Income tax expense

The Group's income tax expense increased from approximately S$1.3 million for the six months ended 30 June 2017 to approximately S$1.8 million for the six months ended 30 June 2018. The income tax expense for the six months ended 30 June 2017 was lower because of the ability to use tax loss brought forward from previous year for the subsidiary company in Singapore. The higher income tax expense for the six months ended 30 June 2018 was due to the non-deductible listing expenses.

Profit for the period

As a result of the above, the Group recorded a net profit after tax of approximately S$5.2 million for the six months ended 30 June 2018, representing a decrease of approximately 33.3% from the profit for the period of approximately S$7.8 million for the six months ended 30 June 2017.

Adjusted Net Profit

Adjusted net profit which excludes listing expenses for the six months ended 30 June 2018 decreased by approximately 5.1% from approximately S$7.8 million for the six months ended 30 June 2017 to approximately S$7.4 million for the six months ended 30 June 2018.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2018, the Group had cash and cash equivalents of approximately S$30.2 million. The Group met and expects to continue its operating capital, capital expenditure and other capital needs with proceeds from the IPO.

Cash flow

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

	For the six months ended 30 June	
	2018	2017
	(unaudited)	(unaudited)
	S$'000	*S$'000*
Net cash from/(used in) operating activities	**12,397**	(2,098)
Net cash from/(used in) investing activities	**4,240**	(1,386)
Net cash used in financing activities	**(36)**	(3,629)
Effect on changes in exchange rate on cash and cash equivalents	**6**	(66)
Cash and cash equivalents at beginning of the period	**13,657**	21,820
Cash and cash equivalents at end of the period	**30,264**	14,641

Cash flows from/(used in) operating activities

The Group generates cash from operating activities primarily from sales of goods. Cash flows from operating activities reflects profit before taxation for the year adjusted for (i) non-cash item such as depreciation of property, plant and equipment, and amortisation of prepaid land lease payments and development cost, gain from disposal of property, plant and equipment and other items, which lead to the operating profit before changes in working capital; (ii) effects of cash flows arising from changes in working capital, including increase in inventories, trade and other receivables and trade and other payables which lead to cash generated from operations; and 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 2018, the Group's net cash generated from operating activities of approximately S$12.4 million primarily reflected (i) an increase in inventories of approximately S$1.4 million; (ii) an increase in receivables of approximately S$10.9 million; and (iii) tax paid of approximately S$2.2 million, which were partially offset by the increase in trade and other payables of approximately S$21.0 million.

Cash flows from/(used in) investing activities

Cash flow generated from/(used in) investing activities mainly relates to purchase and disposal of fixed assets and available-for-sale investment.

For the six months ended 30 June 2018, the Group had net cash generated from investing activities of approximately S$4.2 million, which was primarily attributable to (i) purchase of property, plant and equipment of approximately S$2.7 million; (ii) proceeds from disposal of fixed assets approximately S$30,000; and (iii) proceeds from disposal of available-for-sales investment.

Cash flows used in financing activities

Cash flows used in financing activities includes proceeds and repayment of short-term export financing from bank.

For the six months ended 30 June 2018, the Group's net cash flow used in financing activities was approximately S$36,000 which represented the exchange loss incurred from export financing amounted to approximately US$3 million. This was mainly due to the appreciation of USD against SGD upon maturity.

NET CURRENT ASSETS

The Group net current assets increased by approximately S$2.1 million from approximately S$51.0 million as at 31 December 2017 to approximately S$53.1 million as at 30 June 2018. The increase was primarily due to (i) an increase in inventories of approximately S$2.6 million; (ii) an increase of trade receivables of approximately S$8.3 million; (iii) an increase of prepayment, deposits and other receivables of approximately S$3.0 million; (iv) a decrease in available-for-sale investment of approximately S$6.8 million; and (v) an increase of cash and cash equivalents of approximately S$16.6 million, partially offset by (i) an increase in trade payables of approximately S$20.0 million; (ii) increase in other payables and accruals of approximately S$0.8 million; and (iii) an increase in provision for tax of approximately S$0.7 million.

CAPITAL EXPENDITURE

The Group capital expenditure consisted of purchases cost relating to property, plant and equipment. For the six months ended 30 June 2018, the Group's capital expenditure amounted to approximately S$2.7 million for the acquisition of plant and machinery, computers, motor vehicle, workshop tools, furniture and fittings, office equipment, and office renovation. The Group funded such capital expenditure primarily with cash generated from operations.

Capital commitments

The Group's capital commitments primarily relate to costs incurred for the construction and machinery order in advance for the Nantong Facility II.

As at 30 June 2018, our capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	As at 30 June 2018 (unaudited) *S$'000*
Contracted, but not provided for:	
Land and buildings	**447**
Plant and machinery	**75**
	522

INDEBTEDNESS

Bank loan and other borrowings

The Group's bank loan and other borrowings primarily consisted of short-term export financing from bank. The loan was mainly for financing the operation.

On 7 May 2018, the Group drew an export financing amounted to approximately S$4.0 million (equivalent to approximately US$3.0 million) at an interest rate of approximately 3.7% per annum for 46 days. The loan was fully repaid on 22 June 2018.

Contingent liabilities

As at 30 June 2018, the Group did not have any material 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 year/period divided by total equity at the end of the year/period. Net debt to equity ratio is not applicable to the Group as the Group has no outstanding interest-bearing bank loan and other borrowings as at 30 June 2018.

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the year/period. Total debt includes all interest-bearing bank loan and other borrowings. Gearing ratio is not applicable to the Group as the Group has no outstanding interest-bearing bank loan and other borrowings as at 30 June 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no other significant investment held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the same period.

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 2018, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2018, the Group had 672 employees. The employees benefit expense incurred during the six months ended 30 June 2018 was approximately S$9.9 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 government. We believe that we maintain a good working relationship with our employees, and we have not experienced any material labour disputes during the six months ended 30 June 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

INTERIM DIVIDEND

Except for the interim dividend approved and paid in July 2018 pursuant to the pre-ipo investment agreements, the Board does not recommend the payment of further interim dividend for the six months ended 30 June 2018.

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 organization 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 was listed on 18 July 2018. Since the Listing Date to the date of this announcement, the Company has complied with the Corporate Governance Code except the following:

A.1.8 Insurance cover in respect of legal action against its directors

Code Provision A.1.8 of the Corporate Governance Code stipulates that the Group arrange appropriate insurance cover in respect of legal action against its directors. The Group is now in the process of arranging such insurance and expect such insurance will be arranged in due course.

C.2.5 Internal audit function

Code Provision C.2.5 of the Corporate Governance Code stipulates that the Group should have an internal audit function. The Group has not established an internal audit function from the Listing Date. Taking into account the size, nature and complexity of the operations in the future, the Group considers that the current organization structure and management could provide adequate risk management and internal control of the Group. The audit committee of the Board regularly reviews the effectiveness of the internal control systems and risk management of the Group. The Board would review the need to set up an internal audit function on an annual basis and will consider to appoint an external internal control consultant to perform periodic review of the internal control system.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors in June 2018.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions since the Listing Date and up to the date of this announcement.

REVIEW OF FINANCIAL INFORMATION BY THE AUDIT COMMITTEE

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the audit committee, comprising solely the independent non-executive Directors of the Company.

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 since the Listing Date and up to the date of this announcement.

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 2018 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

DEFINITIONS

"Board"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of the Prospectus, Hong Kong, Macau 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 directors of the Company
"EMS"	Electronics Manufacturing Services division ("EMS") focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers
"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 Date"	18 July 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
"Nantong Facility II"	our production facility situated on 18 Fuxing Road, Nantong, Jiangsu Province, the PRC

"ODM"	Original Design Manufacturing division ("ODM"), it is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end industry
"Prospectus"	the Prospectus of the Company dated 30 June 2018
"RMB"	Renminbi, the lawful currency of the PRC
"S$" or "SGD"	Singapore Dollar, the lawful currency of the Republic of Singapore
"Shareholder(s)"	the Shareholder(s) of the Company
"Singapore"	the Republic of Singapore
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"U.S."	the United States of America
"USD" of "US$"	United States Dollar, the lawful currency of the United States of America
"%"	per cent

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

Hong Kong, 20 August 2018

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