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**Kinergy Corporation Ltd.**

**精技集團有限公司\***

*(Incorporated in Singapore with limited liability)*

**(Stock Code: 3302)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) hereby announces the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022.

**SUMMARY**

	<b>For the six months ended</b>		<b>Change</b>	<b>Percentage Change</b>
	<b>30 June 2023</b>	<b>30 June 2022</b>		
	<b>(unaudited)</b>	<b>(unaudited)</b>		
	<b>(S\$’000)</b>	<b>(S\$’000)</b>	<b>(S\$’000)</b>	
Revenue	<b>44,336</b>	71,410	(27,074)	–37.9%
(Loss)/profit for the period	<b>(1,513)</b>	2,696	(4,209)	–156.1%
EBITDA <i>Note 1</i>	<b>2,182</b>	5,721	(3,539)	–61.9%

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

\* For identification purpose only

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**  
*FOR THE SIX MONTHS ENDED 30 JUNE*

	<i>Notes</i>	<b>2023</b> <b>(unaudited)</b> <i>S\$'000</i>	2022 (unaudited) <i>S\$'000</i>
<b>Revenue</b>	4	<b>44,336</b>	71,410
Cost of sales		<b>(40,824)</b>	(59,245)
<b>Gross profit</b>		<b>3,512</b>	12,165
Other income and gains	5	<b>3,520</b>	1,033
Sales and marketing expenses		<b>(1,210)</b>	(1,830)
General and administrative expenses		<b>(5,487)</b>	(6,745)
Other expense	6	—	(840)
Finance costs		<b>(488)</b>	(273)
Share of results of associates		<b>(245)</b>	(252)
<b>(Loss)/profit before tax</b>	7	<b>(398)</b>	3,258
Income tax expense	8	<b>(1,115)</b>	(562)
<b>(Loss)/profit for the period</b>		<b>(1,513)</b>	2,696
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>(2,826)</b>	(1,702)
<i>Item that will not reclassified to profit or loss</i>			
Fair value changes on investment securities at fair value through other comprehensive income		<b>(5,387)</b>	(4,323)
<b>Total comprehensive income for the period</b>		<b>(9,726)</b>	<b>(3,329)</b>
<b>(Loss)/profit for the period attributable to:</b>			
Equity holders of the parent		<b>(1,837)</b>	2,617
Non-controlling interests		<b>324</b>	79
		<b>(1,513)</b>	2,696

	<i>Notes</i>	<b>2023</b> <b>(unaudited)</b> <b>S\$'000</b>	2022 (unaudited) S\$'000
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		<b>(9,574)</b>	(3,081)
Non-controlling interests		<u><b>(152)</b></u>	<u>(248)</u>
		<u><b>(9,726)</b></u>	<u>(3,329)</u>
<b>(Loss)/earnings per share attributable to equity holders of the parent:</b>			
Basic and diluted (Singapore cents)	9	<u><b>(0.20)</b></u>	<u>0.28</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June 2023</b> (unaudited) S\$'000	As at 31 December 2022 (audited) S\$'000
<b>Non-current assets</b>			
Property, plant and equipment		23,879	24,675
Right-of-use assets		5,989	5,803
Intangible assets		139	194
Investment securities	11	20,155	30,957
Investment in associates	12	13,751	14,362
Deferred tax assets		440	664
Advance payment for property, plant and equipment		820	764
<b>Total non-current assets</b>		<u>65,173</u>	<u>77,419</u>
<b>Current assets</b>			
Inventories	13	46,082	53,699
Trade receivables	14	17,346	15,151
Prepayments, deposits and other receivables		2,815	2,547
Cash and cash equivalents	15	19,744	20,098
<b>Total current assets</b>		<u>85,987</u>	<u>91,495</u>
<b>Current liabilities</b>			
Trade payables	16	11,057	15,441
Other payables and accruals		6,229	7,682
Provision for warranty		96	88
Interest-bearing loans and borrowings	17	14,851	12,763
Income tax payable		231	617
<b>Total current liabilities</b>		<u>32,464</u>	<u>36,591</u>
<b>Net current assets</b>		<u>53,523</u>	<u>54,904</u>

		<b>As at 30 June 2023 (unaudited) S\$'000</b>	As at 31 December 2022 (audited) S\$'000
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	7,567	8,485
Deferred tax liabilities		<u>1,838</u>	<u>1,536</u>
<b>Total non-current liabilities</b>		<u>9,405</u>	<u>10,021</u>
<b>Net assets</b>		<u><b>109,291</b></u>	<u>122,302</u>
<b>Equity</b>			
Share capital	18	91,293	91,293
Reserves		<u>4,235</u>	<u>15,191</u>
<b>Equity attributable to:</b>			
Equity holders of the parent		95,528	106,484
Non-controlling interests		<u>13,763</u>	<u>15,818</u>
<b>Total equity</b>		<u><b>109,291</b></u>	<u>122,302</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

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

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

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

The Company operates in Singapore and its subsidiaries operate in the PRC, the Philippines and Japan. Further, we entered into an agreement to acquire a factory in Melaka, Malaysia in October 2022 and we possess another factory in Johor, Malaysia by virtue of acquiring Continuumm Technologies.

## 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 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

### **3. SEGMENT INFORMATION**

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

- (i) EMS, which 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, which is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM division include equipment such as auto frame loaders, precision tools such as encapsulation moulds and dies and spare parts.
- (iii) Investment, which primarily engages in providing fund management services and conducting investment activities in equity securities and funds.

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

## Revenue breakdown by business segments

The following table sets out our revenue by business segments for the six months ended 30 June 2023 and 2022:

	For the six months ended 30 June			
	2023		2022	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
EMS	36,298	81.9	63,425	88.8
ODM	6,784	15.3	6,373	8.9
Investment	1,254	2.8	1,612	2.3
	<u>44,336</u>	<u>100.0</u>	<u>71,410</u>	<u>100.0</u>

## Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2023 and 2022. 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			
	2023		2022	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Singapore	24,490	55.2	50,803	71.1
Mainland China	6,899	15.6	6,758	9.5
The United States	3,734	8.4	5,823	8.2
The Philippines	3,648	8.2	2,260	3.2
Japan	2,530	5.7	1,797	2.5
Other countries	3,035	6.9	3,969	5.5
	<u>44,336</u>	<u>100.0</u>	<u>71,410</u>	<u>100.0</u>



## 4. REVENUE

### Disaggregation of revenue

	EMS		ODM		Investment		Total revenue	
	For the six months ended 30 June							
	2023	2022	2023	2022	2023	2022	2023	2022
	(unaudited)							
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Type of goods or services</b>								
Sale of goods	35,996	63,139	6,784	6,373	—	—	42,780	69,512
Rendering of services	302	286	—	—	1,254	1,612	1,556	1,898
	<u>36,298</u>	<u>63,425</u>	<u>6,784</u>	<u>6,373</u>	<u>1,254</u>	<u>1,612</u>	<u>44,336</u>	<u>71,410</u>
<b>Timing of transfer of goods or services</b>								
At a point in time	36,298	63,425	6,784	6,373	—	—	43,082	69,798
Over period of time	—	—	—	—	1,254	1,612	1,254	1,612
	<u>36,298</u>	<u>63,425</u>	<u>6,784</u>	<u>6,373</u>	<u>1,254</u>	<u>1,612</u>	<u>44,336</u>	<u>71,410</u>

## 5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2023	2022
	(unaudited)	(unaudited)
	S\$'000	S\$'000
<b>Other income</b>		
Bank interest income	107	215
Government grants <sup>(a)</sup>	194	299
Dividend income	36	111
Net fair value gain on investment securities at fair value through profit or loss	1,459	—
Others	282	—
	<u>2,078</u>	<u>625</u>
<b>Gains</b>		
Foreign exchange differences, net	393	365
Gain on disposal of investment	1,043	—
Gain on disposal of property, plant and equipment	6	43
	<u>1,442</u>	<u>408</u>
	<u><u>3,520</u></u>	<u><u>1,033</u></u>

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

## 6. OTHER EXPENSE

For the six months ended  
30 June

2023	2022
(unaudited)	(unaudited)
S\$'000	S\$'000

Net fair value loss on investment securities at fair  
value through profit or loss

—	840
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## 7. (LOSS)/PROFIT BEFORE TAX

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

For the six months ended  
30 June

2023	2022
(unaudited)	(unaudited)
S\$'000	S\$'000

Cost of inventories	<b>27,939</b>	47,419
Depreciation of property, plant and equipment	<b>1,444</b>	1,534
Depreciation of right-of-use assets	<b>592</b>	552
Amortisation of intangible assets	<b>55</b>	104
Research and development expenses	<b>1,024</b>	1,765
Short-term leases	<b>239</b>	34
Auditor's remuneration	<b>164</b>	188
Professional fees	<b>180</b>	189
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
— Wages and salaries	<b>10,308</b>	11,557
— Pension scheme contributions	<b>1,663</b>	1,701
Addition of provision for warranty	—	32
Foreign exchange differences, net	<b>(393)</b>	(366)
Government grants	<b>(194)</b>	(299)
Gain on disposal of property, plant and equipment	<b>(6)</b>	(43)
Allowance/(write-back) for inventory obsolescence	<b>31</b>	(51)
Bank interest income	<b>(107)</b>	(215)

## 8. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2023 and 2022 are as follows:

	For the six months ended	
	30 June	
	2023	2022
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Current income taxation	1,106	552
Under provision in respect of previous years	9	10
Income tax expense	<u>1,115</u>	<u>562</u>

## 9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for six months attributable to equity holders of the parent, and the weighted average number of ordinary shares of 920,393,394 shares in issue during the periods ended 30 June 2023 and 2022.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2023 and 2022.

The following table reflects the income and share data used in the basic and diluted (loss)/earnings per share calculations:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(unaudited)</b>	(unaudited)
	<b>S\$'000</b>	S\$'000
<b>(Loss)/earnings</b>		
(Loss)/profit for the period attributable to equity holders of the parent	<u><u>(1,837)</u></u>	<u><u>2,617</u></u>
	<b>As at 30 June</b>	
	<b>2023</b>	2022
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>920,393,394</u></u>	<u><u>920,393,394</u></u>
<b>(Loss)/earnings per share attributable to equity holders of the parent</b>		
Basic and diluted (Singapore cents)	<u><u>(0.20)</u></u>	<u><u>0.28</u></u>

## 10. DIVIDENDS

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(unaudited)</b>	(unaudited)
	<b>S\$'000</b>	S\$'000
<b>Declared and paid during the reporting period:</b>		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2022: 0.15 Singapore cents per share (2021: 0.52 Singapore cents per share)	<u><u>1,381</u></u>	<u><u>4,786</u></u>
<b>Proposed but not recognised as a liability</b>		
<i>Dividend on ordinary shares:</i>		
— Interim exempt (one-tier) dividend for 2023: Nil (2022: Nil)	<u><u>—</u></u>	<u><u>—</u></u>

## 11. INVESTMENT SECURITIES

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
<b>At fair value through profit or loss</b>		
— Non-quoted equity investments	<b>16,729</b>	17,366
— Quoted equity investments	<b>3,426</b>	4,041
<b>At fair value through other comprehensive income</b>		
— Non-quoted equity investment	<u>—</u>	<u>9,550</u>
	<b><u>20,155</u></b>	<b><u>30,957</u></b>

## 12. INVESTMENT IN ASSOCIATES

The Group's investment in associates are summarised below:

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
Continuumm Technologies <sup>(1)</sup>	<b>1,200</b>	1,784
Nantong Intelligent Fund	<b>9,199</b>	8,729
Nanyang Fund	<b>3,317</b>	3,421
Liteleaf Pte Ltd.	<u><b>35</b></u>	<u>428</u>
	<b><u>13,751</u></b>	<b><u>14,362</u></b>

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

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of ownership interest attributable to the Group	
			30 June 2023	31 December 2022
<i>Held through the Company</i>				
Continuumm Technologies <sup>(1)</sup>	Singapore	Manufacture of wire and cable assemblies and harnesses and electronic related industrial design services	49%	49%
Liteleaf Pte Ltd.	Singapore	Manufacture of farm equipment and farm operation	8%	49%
<i>Held through the subsidiaries of the Company:</i>				
Nantong Intelligent Fund	The PRC	Private equity investment	20%	20%
Nanyang Fund	The PRC	Private equity investment	20%	20%

(1) Continuumm Technologies was an associate during the reporting period and subsequently became a wholly-owned subsidiary of the Group after 30 June 2023 and as of the date of this announcement. For future details, please refer to the section headed “Significant investments, acquisitions and disposals” in this announcement.

### 13. INVENTORIES

	30 June 2023 (unaudited) S\$'000	31 December 2022 (audited) S\$'000
Raw materials	34,292	37,824
Work-in-progress	4,720	5,811
Finished goods	7,070	10,064
Total inventories at lower of cost and net realisable value	<u>46,082</u>	<u>53,699</u>

## 14. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of allowance, is as follows:

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
— 0 to 30 days	<b>6,425</b>	7,180
— 31 to 60 days	<b>5,654</b>	5,791
— 61 to 90 days	<b>3,264</b>	1,169
— Over 90 days	<b>2,003</b>	1,011
	<b><u>17,346</u></b>	<b><u>15,151</u></b>

## 15. CASH AND CASH EQUIVALENTS

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
Cash and bank balances	<b>15,074</b>	11,290
Short-term deposits	<b>4,670</b>	8,808
	<b><u>19,744</u></b>	<b><u>20,098</u></b>



## 16. TRADE PAYABLES

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

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
— 0 to 30 days	<b>6,133</b>	6,135
— 31 to 60 days	<b>2,587</b>	3,748
— 61 to 90 days	<b>1,281</b>	2,511
— Over 90 days	<b>1,056</b>	3,047
	<b><u>11,057</u></b>	<b><u>15,441</u></b>

## 17. INTEREST-BEARING LOANS AND BORROWINGS

	<b>30 June 2023 (unaudited) S\$'000</b>	31 December 2022 (audited) S\$'000
Lease liabilities	<b>5,035</b>	4,748
2% unsecured bank loan of S\$5,000,000	<b>2,757</b>	3,377
2.5% unsecured bank loan of S\$5,000,000	<b>3,075</b>	3,565
Unsecured bank trade financing	<b>11,030</b>	8,526
Bank overdrafts	<b>521</b>	1,032
	<b><u>22,418</u></b>	<b><u>21,248</u></b>
Repayable details as follows:		
— Not later than 1 year	<b>14,851</b>	12,763
— Later than 1 year but not later than 2 years	<b>4,153</b>	3,497
— Later than 2 years but not later than 5 years	<b>3,414</b>	4,988
— More than 5 years	<b>—</b>	—
	<b><u>22,418</u></b>	<b><u>21,248</u></b>

## 18. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount S\$'000</b>
Issued and fully paid ordinary shares <sup>(1)</sup> :		
As at 31 December 2022 (audited), 1 January 2023 and 30 June 2023 (unaudited)	<u>920,393,394</u>	<u>91,293</u>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC and the Philippines. Further, we entered into an agreement to acquire a factory in Melaka, Malaysia in October 2022 and we possess another factory in Johor, Malaysia by virtue of acquiring Continuum Technologies. We have three divisions, namely EMS, ODM and investment divisions. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. Our investment division focuses primarily on providing fund management services and conducting investment activities in equity securities and funds.

The Group’s revenue mainly derived from the EMS division, which accounted for approximately 81.9% of total revenue for the six months ended 30 June 2023. ODM and investment divisions accounted for approximately 15.3% and 2.8% of total revenue for the six months ended 30 June 2023, respectively.

## 2. BUSINESS REVIEW AND PROSPECT

Kinergy’s industrial sector, the semiconductor, is under intensification of the negative factors causing economic woes to the industry. Even some of the market leaders in the semiconductor industry, such as Intel, Samsung, TSMC and Hynix also suffer heavy degradation of business and financial performance.

The factors that caused these negative business conditions were some of the macroeconomic factors such as:

- a. inflation;
- b. aggressive interest rate hike;
- c. the steep intensification of geopolitical “wars” on both the military and economic fronts. The semiconductor industry bears the brunt of the conflict owing to the pervasive and critical uses of semiconductors in both military and economic spheres; and

- d. the over-stock of semiconductor chips in late 2022 and first half of 2023 compounded by poor worldwide consumer spending.

The above four items create cut-throat competition that cuts deeply into the profit margins of surviving businesses.

The emerging silver linings of the depressing above-mentioned four items are the creation of very strong demands for equipment used in the manufacture of semiconductor chips, i.e. semiconductor process equipment (SPE) which is Kinergy's core business. In the "Chip War" between China and the West (USA, Europe, Taiwan, South Korea and Japan), hundreds of billions of US dollars will be poured into building new capacities for manufacturing semiconductor chips so that these competing countries can be "semiconductor chips secure". The extent of this semiconductor industry expansion is reflected in the announced subsidies for the manufacture of semiconductor chips in the respective countries:

- a. China;
- b. USA;
- c. Europe;
- d. Japan, Taiwan and South Korea which are well developed in this industry.

These have led to the commencement of 117 new wafer fab projects in total.

In addition to the vast capital to be invested in building semiconductor chips self-sufficiency for these countries, another collateral benefit to the Far East contract manufacturing companies mainly in the SPE industry like Kinergy will be the very large numbers of SPE making enquires for use of our contract manufacturing services. We are working hard on capitalising this opportunity.

#### — **EMS Division**

Total revenue for the six months ended 30 June 2023 decreased by approximately 42.8% year-on-year ("YOY").

Legacy customers drop in revenue in tandem with industry. Our major customer, K&S, suffers particularly hard drop in revenue owing to heavy subsidies of K&S China competitors by local municipal Governments. Net subsidies can amount up to approximately 20% of equipment costs.

Kinergy's product strategy of shifting to wafer fab SPE is gaining traction. We will continue to see business in first articles build and early production build conditions for the new customers this year.

## — **ODM Division**

Our ODM division revenue has shown slightly growth for the six months ended 30 June 2023 by approximately 6.4% YOY. Year-on-year business improvement comes from two areas:

- a. business growth from customers associated with chips used in the power semiconductor sector; and
- b. new revenue stream from the test sockets business.

Our penetration of the European market is in good progress with Kinergy displaying some Assembly and Test (OSAT) equipment at Towa Corporation site at Stuttgart, Germany. We continue to work with Towa to market our products in Europe.

## — **Investment Division**

Revenue from fund management fee for the six months period decreased by 22.2% growth YOY but net profit increased by 398.4% YOY due to the increase in fair value of investment securities arising from general increase in stock value in China.

Our investment division faces challenging conditions during the first half of the year. Investment funds are getting scarce in China as Covid-19 saps the reserves of most municipal governments. Further, industries are undergoing adverse economic conditions which in turn result in lesser target investment companies.

The four funds that our fund management company, CEL Puyan. manages, (i.e. Nantong Intelligent Fund, Nantong Semiconductor Fund, Nantong Health Fund and Nanyang Fund), are performing reasonably well. These four funds invest mainly in high-quality mature projects in semiconductor and intelligent manufacturing related fields with a focus on new trends in technology. As at 30 June 2023, the total invested fund amounted to approximately RMB1.26 billion (approximately S\$235 million).

### 3. FINANCIAL REVIEW

#### Revenue

The following table sets forth the components of our revenue by operating segment for the periods indicated:

	For the six months ended 30 June		
	2023	2022	Percentage
	<i>S\$'000</i>	<i>S\$'000</i>	change
EMS	<b>36,298</b>	63,425	-42.8%
ODM	<b>6,784</b>	6,373	6.4%
Investment	<b>1,254</b>	1,612	-22.2%
	<b><u>44,336</u></b>	<b><u>71,410</u></b>	<b><u>-37.9%</u></b>

The Group's revenue decreased by approximately S\$27.1 million or 37.9% from approximately S\$71.4 million for the six months ended 30 June 2022 to approximately S\$44.3 million for the six months ended 30 June 2023.

The decrease was primarily attributable to the decrease in sales volume from EMS division in Singapore of approximately 51.8%.

## 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		
	2023	2022	Percentage change
	S\$'000	S\$'000	
EMS	34,744	54,060	-35.7%
ODM	6,080	5,185	17.3%
Investment	—	—	N/A
	<u>40,824</u>	<u>59,245</u>	<u>-31.1%</u>

The Group's cost of sales decreased by approximately S\$18.4 million or 31.1% from approximately S\$59.2 million for the six months ended 30 June 2022 to approximately S\$40.8 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in revenue from EMS division.

## Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales above, the gross profit decreased by approximately S\$8.7 million or 71.1% from approximately S\$12.2 million for the six months ended 30 June 2022 to approximately S\$3.5 million for the six months ended 30 June 2023.

Gross profit margin decreased by approximately 9.1% from 17.0% for the six months ended 30 June 2022 to 7.9% for the six months ended 30 June 2023.

## **Other income and gains**

Other income and gains increased by approximately S\$2.5 million or 240.8% from approximately S\$1.0 million for the six months ended 30 June 2022 to approximately S\$3.5 million for the six months ended 30 June 2023. The increase was primarily attributable to (i) net fair value gain on investment securities of S\$1.5 million; (ii) gain on disposal of investment of S\$1.0 million; (iii) gain on foreign exchange amounted to S\$0.4 million; and (iv) other compensation of S\$0.2 million.

## **Sales and marketing expenses**

Sales and marketing expenses decreased by approximately S\$0.6 million or 33.9% from approximately S\$1.8 million for the six months ended 30 June 2022 to approximately S\$1.2 million for the six months ended 30 June 2023, which was due to the decrease in distribution & freight outwards cost from EMS division for the six months ended 30 June 2023.

## **General and administration expenses**

General and administration expenses decreased by approximately S\$1.3 million or 18.7% from approximately S\$6.7 million for the six months ended 30 June 2022 to approximately S\$5.5 million for the six months ended 30 June 2023. The decrease was mainly due to the lower research and development cost by approximately S\$0.7 million primarily from EMS segment.

## **Other expense**

There is no other expense incurred for the six months ended 30 June 2023.

## **Finance costs**

Comparing to the six months ended 30 June 2022, finance costs incurred during the six months ended 30 June 2023 increased by approximately S\$0.2 million primarily due to the higher bank loan balances utilised and higher interest rate during the six months ended 30 June 2023.



### **(Loss)/Profit before tax**

Loss before tax for the six months ended 30 June 2023 was approximately S\$0.4 million as compared to profit before tax of approximately S\$3.3 million for the six months ended 30 June 2022. Such decrease was mainly due to the decrease in revenue during the six months ended 30 June 2023.

### **Income tax expense**

The Group's income tax expense increased by approximately S\$0.6 million from approximately S\$0.6 million for the six months ended 30 June 2022 to approximately S\$1.1 million for the six months ended 30 June 2023. The increase was mainly due to higher profit in investment segment for the six months ended 30 June 2023.

### **(Loss)/Profit for the period**

As a result of the above, the Group recorded a net loss after tax of approximately S\$1.5 million for the six months ended 30 June 2023 as compared to net profit after tax of approximately S\$2.7 million for the corresponding period in 2022, indicating a decrease of approximately S\$4.2 million or 156.1%.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 30 June 2023, the Group had cash and cash equivalents of approximately S\$19.7 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	
	2023	2022
	S\$'000	S\$'000
Net cash flow used in operating activities	(2,176)	(7,485)
Net cash flow generated/(used in) investing activities	5,844	(8,281)
Net cash flow (used in)/generated from financing activities	(3,341)	7,145
Net increase/(decrease) in cash and cash equivalents	327	(8,621)
Cash and cash equivalents at 1 January	20,098	41,706
Effect of exchange rate changes on cash and cash equivalents	(681)	23
Cash and cash equivalents at 30 June	<u>19,744</u>	<u>33,108</u>

### *Net cash flow used in operating activities*

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

For the six months ended 30 June 2023, the Group's net cash used in operating activities was approximately S\$2.2 million, primarily reflected: (i) increase in trade and other receivables of approximately S\$2.5 million; (ii) decrease in trade and other payables and accruals of approximately S\$5.8 million; and (iii) tax paid of approximately S\$1 million which were partially offset by: (i) decrease in inventories of approximately S\$7.6 million and (ii) interest income received of approximately S\$0.1 million.

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

Cash flow generated from/(used in) investing activities mainly relates to proceed from disposal of investment securities.

For the six months ended 30 June 2023, the Group's net cash flow generated from investing activities was approximately S\$5.8 million, which was primarily generated from: (i) proceeds from sale of financial instruments of approximately S\$6.4 million and (ii) partially distribution of fund surplus of S\$0.8 million, which were partially offset by addition of property, plant and equipment of approximately S\$1.3 million.

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

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

For the six months ended 30 June 2023, the Group's net cash flow used in financing activities was approximately S\$3.3 million, mainly used in: (i) repayment of bank loan of S\$9.5 million (ii) dividend paid on ordinary shares of approximately S\$1.4 million; (iii) dividend paid to non-controlling interest of approximately of S\$1.9 million; (iv) payment of lease liabilities of approximately S\$0.5 million; and (v) payments of interests from bank loan and lease liabilities of approximately S\$0.5 million. Which was partially offset by net proceeds of bank loans of approximately S\$10.5 million.

## **NET CURRENT ASSETS**

The Group's net current asset decreased by approximately S\$1.6 million from approximately S\$54.9 million as at 31 December 2022 to approximately S\$53.3 million as at 30 June 2023. The decrease was primarily due to: (i) decrease in inventories of approximately S\$7.6 million; (ii) increase in current portion of interest-bearing loans and borrowings of approximately S\$2.1 million; and (iii) decrease in cash and cash equivalents of approximately S\$0.4 million. This was partially offset by (i) increased in trade receivables and prepayments, deposits and other receivables of approximately S\$2.3 million; (i) decrease in trade and other payables and accruals of approximately S\$5.8 million and (iii) decreased in income tax payable of approximately S\$0.4 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 2023, the Group's capital expenditure amounted to approximately S\$1.3 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure with internal resource.

### 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 2023, 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  
2023  
S\$'000**

Contracted, but not provided for:

Property, plant and equipment	1,347
Investment securities	6,625
	<hr/>
	<b>7,972</b>
	<hr/> <hr/>

### *Investment securities*

The balance of S\$6.6 million pertains to the remaining investment commitments of the Group in contributing to a private equity fund.

## INDEBTEDNESS

### Bank loan and other borrowings

As at 30 June 2023 the Group has outstanding balances from interest-bearing loans and borrowings of approximately S\$22.4 million (31 December 2022: approximately S\$21.2 million).

## **Contingent liabilities**

As at 30 June 2023, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

## **Net debt to equity ratio**

Net debt to equity ratio equals total interest-bearing loans and borrowings net of cash and cash equivalents at the end of the period divided by total equity at the end of the period. Net debt to equity ratio as at 30 June 2023 was 2.4% (31 December 2022: 1.1%).

## **Gearing ratio**

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes bank loans and lease liabilities. Gearing ratio of the Group as at 30 June 2023 was 20.5% (31 December 2022: 17.4%).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group did not have other concrete plans for material investments as at 30 June 2023.

## **SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS**

The Company, Continuumm Technologies and Synesys Technologies Pte. Ltd. (“**Synesys**”) signed a subscription and shareholders agreement and a supplementary agreement on 7 January 2022 and 27 February 2022 (collectively referred to as the “**Agreements**”), respectively, pursuant to which the Company agreed to subscribe for 2,113,725 ordinary shares in Continuumm Technologies, representing approximately 49.0% equity interest for a cash consideration of S\$2,113,725. Synesys is the parent company of Continuumm Technologies and both Synesys and Continuumm Technologies are Independent Third Parties. Continuumm Technologies has its capabilities in wire harness and cable assembly for semiconductor industry. On 21 March 2022, the completion took place following the satisfaction of all conditions under the Agreements. Further, on 30 June 2023, the Company entered into a Share Sale Agreement (“**2023 Share Agreement**”) with Synesys to purchase all the remaining 2,200,000 shares in Continuumm Technologies with a purchase consideration of S\$15,000. As at the date of this announcement, the completion took place following the satisfaction of all conditions as set out in the 2023 Share Agreement and hence Continuumm Technologies has subsequently become a wholly-owned subsidiary of the Group.

On 30 June 2023, given the change in Singapore’s domestic market environment affecting the potential investment return of Liteleaf Pte. Ltd. (“**Liteleaf**”), after arm’s length

negotiations among the Company, Ms. Cheng Tsing Liu, Mr. Shih Ching Yen and Liteleaf (collectively referred to as the “**Parties**”), the Parties entered into a written mutual consent (“**Mutual Consent**”), pursuant to which the Parties unanimously agreed to terminate the subscription agreement dated 6 September 2022 in respect of the subscription of shares of Liteleaf by the Parties (“**Subscription Agreement**”) and the Parties were released and discharged from their respective unperformed obligations under the Subscription Agreement with effect from the date of the Mutual Consent. For further details, please refer to the Company’s announcements dated 6 September 2022 and 30 June 2023.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The functional currency of the Group is SGD. The Group mainly operates in Singapore and China, hence the operating expenses are denominated in SGD and RMB. The majority of the Group’s revenue are denominated and settled in USD. Therefore, fluctuations in exchange rates of SGD, RMB and USD could materially impact the Group’s profit margin and overall results of operations, and there will be gains and losses resulting from fluctuations in the exchange rate. The Group practices certain amount of natural hedge of this risk through purchase raw material in USD and borrow USD short term loan for working capital need. In addition, a certain amount of USD forward sales contract has been done with our bankers. Going forward, the Group expects that exchange rates of SGD, RMB and USD will continue to fluctuate. The management of the Group will continue to monitor the Group’s foreign currency exchange exposure and will take prudent measures to minimise that currency exchange risk.

## **PLEDGE OF ASSETS**

As at 30 June 2023, the Group did not pledge any assets.

## **HUMAN RESOURCES**

As at 30 June 2023, the Group had 803 employees. The employees benefit expense incurred during the six months ended 30 June 2023 was approximately S\$12.4 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments. The Group’s remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the

Group's performance. Besides offering competitive remuneration packages, the Company adopted the Share Option Scheme with the objective to recognise contributions made by eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any labor disputes during the six months ended 30 June 2023.

## **DIVIDEND**

Except for the final dividend for the year ended 31 December 2022 that was paid on 23 June 2023, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2023.

## **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 during the six months ended 30 June 2023.

## **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 required standard set out in the Model Code during six months ended 30 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

## **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 2023 have been reviewed by the audit committee of the Company, comprising solely the independent non-executive Directors of the Company.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.kinergy.com.sg>). The interim report for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

## **DEFINITIONS**

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and a substantial shareholders of the Company holding approximately 28.58% issued shares of the Company
“CEL Puyan”	Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), a limited liability company established in the PRC on 6 July 2015 and owned as to approximately 51.03% by the Company and ultimately and beneficially owned as to approximately 48.97% by CEL
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (精技集團有限公司*), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)



“Continuumm Technologies”	Continuumm Technologies Pte. Ltd, a limited liability company established in Singapore on 17 January 2017, which was an associate during the reporting period and has subsequently become a wholly-owned subsidiary of the Group as of the date of this announcement
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules that are applicable to the Company for the reporting period
“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
“Independent Third Party(ies)”	third party which is independent of and not connected with the Company and otherwise not a connected person of the Company
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the 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 Health Fund”	Nantong CEL Health Industry Investment Partnership (Limited Partnership)* (南通光控健康產業投資合夥企業(有限合夥)), a limited partnership established in the PRC

“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
“Nantong Semiconductor Fund”	Nantong CEL Semiconductor Industry Investment Fund Partnership (Limited Partnership)* (南通光控半導體產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業 (有限合夥)), a limited partnership established in the PRC
“ODM”	Original Design Manufacturing
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Share Option Scheme”	the share option scheme adopted by the Company on 27 June 2018
“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 section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“the United States”	the United States of America

“US\$” or “USD” or “US dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 18 August 2023

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