

KINERGY

Kinergy Corporation Ltd.
光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302



INTERIM REPORT 2018

* 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

Non-Executive Directors

Mr. Chen Shuang, *JP (Chairman)*
Ms. Foo Kaw Jee
Mr. Lim Khin Mann
(alternate Director to Ms. Foo Kaw Jee)
Mr. Bradley Fraser Kerr
Mr. Tsang Sui Cheong Frederick

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Professor Zhang Wei *(Chairman)*
Mr. Chen Shuang
Dr. Senerath Wickramanayaka
Mudiyanselage Sunil Wickramanayaka

Nomination Committee

Dr. Senerath Wickramanayaka
Mudiyanselage Sunil Wickramanayaka
(Chairman)
Mr. Bradley Fraser Kerr
Mr. Ng Tiak Soon

JOINT COMPANY SECRETARIES

Ms. Wan Kim Ying Kasina
Ms. Gn Jong Yuh Gwendolyn

AUTHORISED REPRESENTATIVES

Mr. Lim Kuak Choi Leslie
Ms. Wan Kim Ying Kasina

JOINT COMPLIANCE ADVISERS

China Everbright Capital Limited

24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Guoyuan Capital (Hong Kong) Limited

22/F, CCB Tower
3 Connaught Road Central
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

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

COMPANY'S WEBSITE

www.kinergy.com.sg

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 BANKER

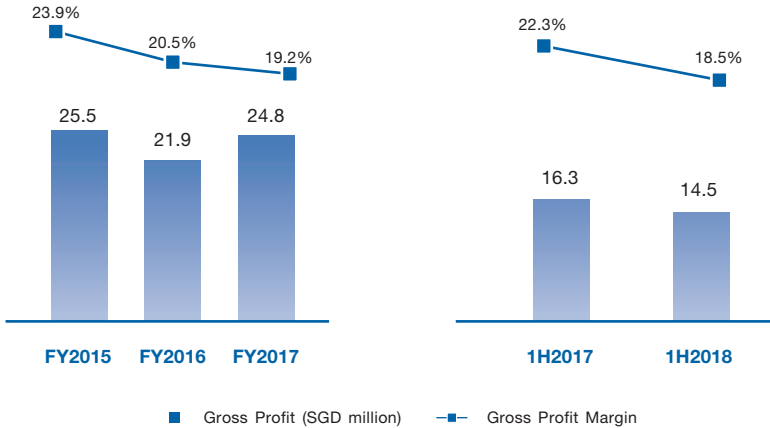
United Overseas Bank Limited

STOCK CODE

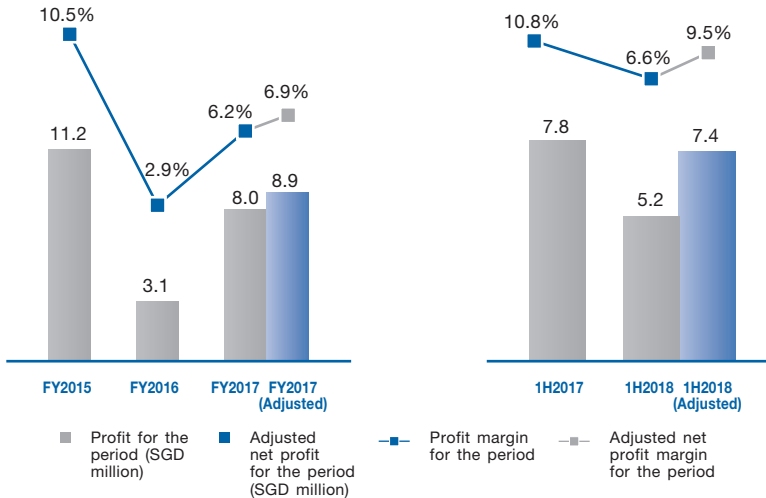
3302

KEY FINANCIALS

GROSS PROFIT AND GROSS PROFIT MARGIN



PROFIT AND PROFIT MARGIN FOR THE PERIOD/ADJUSTED NET PROFIT AND ADJUSTED NET PROFIT MARGIN



Note: Adjusted net profit for the period excludes listing expenses.

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 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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.

In the coming months, besides sales and operational efficiency/productivity improvement activities, we will be mindful of the disruptive new business environment that is created by the trade wars among US-China and U.S. versus other OECD countries. To counter the impact of changes and uncertainties in the macroeconomic environment, we will try to get more revenue from current as well as new customers. We will also go into cost reduction measures.

The trade war and the following incidents have prompted the Chinese government to urgently develop the semiconductor industry, particularly the semiconductor materials and Semiconductor Process Equipment (“SPE”) sectors. As Kinergy is in the SPE sector, this favourably affects Kinergy’s business. China will see many semiconductor materials and SPE companies “near shoring” (setting up manufacturing facilities in the major marketplace countries) in China. This will mean that many SPE companies coming to China and giving Kinergy the opportunities to gain more business. The SPE sector was one of over US\$50 billion revenue, while China, which imported more than 65% of the world’s output of semiconductors, only manufactures less than 15% of global total SPE revenue. This indicates that there is less competition for Kinergy when the SPE companies “near shore” to China. Although it must be noted that, depending on the type of SPE companies, gestation period may take 6 months to 2 years for SPE companies to “near shore” to China, Kinergy is actively exploring and seeking 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. The increase mainly came from orders from existing 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 was mainly due to the increase in turnover.

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 was 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 was 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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 increase was mainly due to higher staff bonus paid in 2018 and listing expenses incurred during the six months ended 30 June 2018.

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. The decrease was mainly due to the lower gross profit margin and the 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 also 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.

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 committed for the construction of and machineries ordered for production use for the Nantong Facility II.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 had drawn an export financing loan 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 had no outstanding interest-bearing bank loan and other borrowings as at 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 Listing.

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 (unaudited) S\$'000 | 2017 (unaudited) 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 |

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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 approximately S\$6.9 million.

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.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

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

TREASURY POLICY

It is the Group's treasury management policy not to engage in any highly leveraged or speculative derivative products and not to invest current capital in financial products with significant underlying leverage or risk, including hedge funds or similar financial products.

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.

MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

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. 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 objectives to recognise contributions made by the eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labour disputes during the six months ended 30 June 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

OTHER INFORMATION

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 report, 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

OTHER INFORMATION *(continued)*

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 report.

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 report.

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.

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

Since the Company's Shares were not listed on the Stock Exchange as at 30 June 2018, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Company, the Directors and chief executive of the Company as at 30 June 2018.

As at the date of this report, 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 | 264,514,472 ⁽¹⁾ | 30.81 |
| Ms. Foo Kaw Jee ⁽²⁾ | Beneficial owner; interest of spouse | 264,514,472 ⁽¹⁾ | 30.81 |
| Mr. Bradley Fraser Kerr ⁽³⁾ | Interest of spouse | 76,498,768 ⁽¹⁾ | 8.91 |
| Mr. Du Xiaotang ⁽⁴⁾ | Interest of a controlled corporation | 8,105,704 ⁽¹⁾ | 0.94 |
| Mr. Lim Khin Mann ⁽⁵⁾ | Beneficial owner | 18,148,000 ⁽¹⁾ | 2.11 |

OTHER INFORMATION *(continued)*

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) These Shares comprise 246,366,472 Shares held directly by Mr. Lim and 18,148,000 Shares held directly by Ms. Foo. Ms. Foo is the spouse of Mr. Lim. Therefore, Mr. Lim is deemed or taken to be interested in the Shares held by himself and Ms. Foo, and Ms. Foo is deemed or taken to be interested in the Shares held by herself and Mr. Lim under the SFO.
- (3) These Shares are held by Unitras (H.K.) Limited. Mr. Bradley Fraser Kerr is the spouse of Ms. Joyce S. Kerr and Ms. Joyce S. Kerr owns 100% of the issued share capital of Unitras (H.K.) Limited. Therefore, Mr. Bradley Fraser Kerr is deemed or taken to be interested in Shares held by Unitras (H.K.) Limited under the SFO.
- (4) These Shares are held by Sino Expo Holdings Limited. 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.
- (5) Mr. Lim Khin Mann is the alternate Director to Ms. Foo Kaw Jee.

Save as disclosed above, as at the date of this report, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

Since the Company's Shares were not listed on the Stock Exchange as at 30 June 2018, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company and the substantial shareholders as at 30 June 2018.

As at the date of this report, 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 (%) |
|--|--------------------------------------|---------------------------------|--|
| Diamond Wealth Global Limited ⁽²⁾ | Beneficial owner | 262,084,380 ⁽¹⁾ | 30.52 |
| China Everbright Venture Capital Limited ⁽²⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| China Everbright Limited ⁽²⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| Honorich Holdings Limited ⁽³⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| Datten Investments Limited ⁽³⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| China Everbright Holdings Company Limited ⁽³⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| China Everbright Group Ltd. ⁽³⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| Central Huijin Investment Limited ⁽⁴⁾ | Interest of a controlled corporation | 262,084,380 ⁽¹⁾ | 30.52 |
| Unitras (H.K.) Limited ⁽⁵⁾ | Beneficial owner | 76,498,768 ⁽¹⁾ | 8.91 |
| Ms. Joyce S. Kerr ⁽⁵⁾ | Interest of a controlled corporation | 76,498,768 ⁽¹⁾ | 8.91 |

OTHER INFORMATION *(continued)*

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) 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.
- (3) 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 0.36% 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.
- (4) Central Huijin Investment Limited 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 Limited is deemed to be interested in China Everbright Group Ltd.’s interest in the Shares under the SFO.
- (5) 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.

Save as disclosed above, as at the date of this report, 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 has adopted the Share Option Scheme on 27 June 2018 (“Adoption Date”) 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 the 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 the 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 the Subsidiaries.

Since the Adoption Date and up to the date of this interim report, no options under the Share Option Scheme have been granted, exercised, lapsed or cancelled.

CHANGES IN DIRECTORS’ BIOGRAPHICAL DETAILS

The Company is not aware of any change in Directors’ biographical details which is required to be disclosed pursuant to Rule 13.51(2) and 13.51(B) of the Listing Rules.

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

Hong Kong, 20 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June

| | | 2018 (unaudited) S\$'000 | 2017 (unaudited) S\$'000 |
|---|--------------|--------------------------------|--------------------------------|
| | <i>Notes</i> | | |
| 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 (unaudited) S\$'000 | 2017 (unaudited) 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

| | <i>Notes</i> | 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 | 20 | 103 | 82 |
| Tax payable | | 1,555 | 908 |
| | | 49,494 | 27,945 |

| | <i>Notes</i> | As at 30 June 2018 (unaudited) S\$'000 | As at 31 December 2017 (audited) S\$'000 |
|--|--------------|---|--|
| Net current assets | | 53,139 | 50,979 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 21 | — | 1,100 |
| Net assets | | 74,953 | 70,293 |
| Represented by: | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 22 | 40,879 | 40,879 |
| Reserves | 8 | 34,074 | 29,414 |
| Total equity | | 74,953 | 70,293 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Group | Attributable to ordinary equity holders of the Company | | | | |
|---|--|-------------------------|---------------------------|------------------------|--------------|
| | Share capital (Note 22) | Statutory reserve(*) | Translation reserve(*) | Retained profits(*) | Total equity |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| 30 June 2018 | | | | | |
| At 1 January 2018 (audited) | 40,879 | 2,246 | 791 | 26,377 | 70,293 |
| Profit for the period | — | — | — | 5,176 | 5,176 |
| Other comprehensive income for the period | | | | | |
| Exchange differences on translation of foreign operations | — | — | (516) | — | (516) |
| Transfer to statutory reserve | — | 1,951 | — | (1,951) | — |
| Dividends distribution (Note 8) | — | — | — | — | — |
| | | | | | |
| At 30 June 2018 (unaudited) | 40,879 | 4,197 | 275 | 29,602 | 74,953 |
| 30 June 2017 | | | | | |
| At 1 January 2017 (audited) | 34,357 | 2,478 | 1,162 | 25,810 | 63,807 |
| Profit for the period | — | — | — | 7,844 | 7,844 |
| Other comprehensive income for the period | | | | | |
| Exchange differences on translation of foreign operations | — | — | (488) | — | (488) |
| Transfer from statutory reserve | — | — | — | — | — |
| Dividends distribution (Note 8) | — | — | — | (7,697) | (7,697) |
| | | | | | |
| At 30 June 2017 (unaudited) | 34,357 | 2,478 | 674 | 25,957 | 63,466 |

* There reserve accounts comprise the consolidated reserves of S\$34,074,000 (31 December 2017: S\$29,414,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2018 (unaudited) S\$'000 | 2017 (unaudited) S\$'000 |
| Cash flow from operating activities: | | |
| Profit before tax | 6,932 | 9,108 |
| Adjustments for: | | |
| Provision/(Write-back) for warranty (net) | 21 | (10) |
| Depreciation of property, plant and equipment | 875 | 779 |
| Amortisation of prepaid land lease payments | 17 | 13 |
| Gain on disposal of property, plant and equipment | (30) | (50) |
| Finance cost | 19 | 3 |
| Interest income | (119) | (89) |
| (Write-back of)/allowance for inventory obsolescence | (1,117) | 32 |
| Amortisation of intangible assets | 74 | 56 |
| Unrealised (gain)/loss foreign exchange | (862) | 220 |
| Operating cash flow before changes in working capital | 5,810 | 10,062 |
| Increase in inventories | (1,397) | (6,373) |
| Increase in trade receivables | (8,263) | (15,299) |
| Increase in prepayments, deposits and other receivables | (2,648) | (1,572) |
| Increase in trade payables | 20,159 | 11,129 |
| Increase in other payables, accruals and provision for warranty | 841 | 160 |
| Cash flow generated from/(used in) operations | 14,502 | (1,893) |
| Interest expense paid | (19) | (3) |
| Interest income received | 119 | 89 |
| Income tax paid | (2,205) | (291) |
| Net cash flow generated from/(used in) operating activities | 12,397 | (2,098) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2018 (unaudited) S\$'000 | 2017 (unaudited) S\$'000 |
| Cash flow from investing activities: | | |
| Purchase of property, plant and equipment | (2,661) | (1,111) |
| Proceeds from disposal of property, plant and equipment | 30 | 50 |
| Additions to intangible assets | — | (325) |
| Proceeds from disposal of available-for-sale investment | 6,871 | — |
| Net cash flow from/(used in) investing activities | 4,240 | (1,386) |
| Cash flow from financing activities: | | |
| Repayments on finance lease payable | — | (64) |
| Proceeds from bank borrowings | 3,972 | 4,132 |
| Repayments of bank borrowings | (4,008) | — |
| Dividends paid on ordinary shares | — | (7,697) |
| Net cash flow used in financing activities | (36) | (3,629) |
| Net increase/(decrease) in cash and cash equivalents | 16,601 | (7,113) |
| Cash and cash equivalents at beginning of the period | 13,657 | 21,820 |
| Effects of exchange rate changes on cash and cash equivalents | 6 | (66) |
| Cash and cash equivalents at end of the period <i>(Note 17)</i> | 30,264 | 14,641 |

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

3 OPERATING SEGMENT INFORMATION *(continued)*

- 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 (unaudited) | | 2017 (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 |

3 OPERATING SEGMENT INFORMATION *(continued)*

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 (unaudited) | | 2017 (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 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

4. REVENUE, OTHER INCOME AND GAINS

| | For the six months period ended 30 June | |
|---|--|--------------------------------|
| | 2018 (unaudited) S\$'000 | 2017 (unaudited) 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 <i>(note (a))</i> | 118 | 632 |
| | 246 | 727 |
| Gains | | |
| Foreign exchange 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 (unaudited) S\$'000 | 2017 (unaudited) S\$'000 |
| Interest on bank borrowings | 19 | 2 |
| Finance charge payable under a hire purchase contract | — | 1 |
| | 19 | 3 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 (unaudited) S\$'000 | 2017 (unaudited) 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 (Write-back)/allowance of inventory obsolescence | (978) | 1,083 |
| Product warranty provision/(write-back) | (1,117) | 32 |
| Bank interest income | 21 | (10) |
| Gain on disposal of property, plant and equipment | (119) | (89) |
| | (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 (unaudited) S\$'000 | 2017 (unaudited) 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 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

8. DIVIDENDS

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

Notes:

- 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.
- 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.
- 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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) |
| | <hr/> |
| Net carrying amount | 1,394 |
| | <hr/> |
| Cost at 1 January 2017: | |
| Net of accumulated amortisation | 1,394 |
| Amortisation provided during the year | (28) |
| Exchange differences | (28) |
| | <hr/> |
| At 31 December 2017 | 1,338 |
| | <hr/> |
| At 31 December 2017: | |
| Cost | 1,591 |
| Accumulated amortisation | (253) |
| | <hr/> |
| Net carrying amount | 1,338 |
| | <hr/> |

11. PREPAID LAND LEASE PAYMENTS *(continued)*

| 30 June 2018 (unaudited) | Prepaid land lease payments S\$'000 |
|---|--|
| At 1 January 2018: | |
| Cost | 1,591 |
| Accumulated amortisation | (253) |
| | 1,338 |
| 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 |
| | 1,330 |
| At 30 June 2018 | 1,330 |
| At 30 June 2018: | |
| Cost | 1,591 |
| Accumulated amortisation | (261) |
| | 1,330 |
| Net carrying amount | 1,330 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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) |
| | <hr/> | | |
| At 31 December 2017 | 303 | 11 | 314 |
| | <hr/> | | |
| At 31 December 2017: | | | |
| Cost | 1,676 | 32 | 1,708 |
| Accumulated amortisation and impairment | (1,373) | (21) | (1,394) |
| | <hr/> | | |
| Net carrying amount | 303 | 11 | 314 |
| | <hr/> | | |

12. INTANGIBLE ASSETS *(continued)*

| | 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 or loss under the line item "cost of sales".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 AND 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) S\$'000 | 31 December 2017 (audited) 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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) S\$'000 | 31 December 2017 (audited) 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) S\$'000 | 31 December 2017 (audited) 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) S\$'000 | 31 December 2017 (audited) 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. PROVISIONS FOR WARRANTY

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

| | 30 June 2018 (unaudited) S\$'000 | 31 December 2017 (audited) S\$'000 |
|----------------------|---|---|
| At 1 January | 82 | 83 |
| Additional provision | 60 | 49 |
| Amount utilised | (38) | (49) |
| Exchange realignment | (1) | (1) |
| | 103 | 82 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

21. DEFERRED TAX LIABILITIES

The movement in deferred tax liabilities during the period/year are as follows:

| | Withholding taxes | |
|---|---|---|
| | 30 June 2018 (unaudited) S\$'000 | 31 December 2017 (audited) S\$'000 |
| At 1 January | 1,100 | 770 |
| Deferred tax charged to the statement of profit or loss | — | 330 |
| Amount utilised | (1,100) | — |
| | | |
| Gross deferred tax liabilities recognised in the consolidated statement of financial position | — | 1,100 |

22. SHARE CAPITAL

| | 30 June 2018 (unaudited) S\$'000 | 31 December 2017 (audited) S\$'000 |
|--|---|---|
| Issued and fully paid: 629,351,324 (2017: 157,337,831) ordinary shares | 40,879 | 40,879 |

22. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

| | Number of Shares in issue | Share Capital S\$'000 |
|--|------------------------------|--------------------------|
| At 1 January 2017 | 141,587,348 | 34,357 |
| Shares issued <i>(note (1))</i> | 15,750,483 | 6,522 |
| <hr/> | | |
| As at 31 December 2017 and 1 January 2018 | 157,337,831 | 40,879 |
| Share split <i>(note (2))</i> | 472,013,493 | — |
| <hr/> | | |
| As at 30 June 2018 | 629,351,324 | 40,879 |
| <hr/> | | |

Notes:

- (1) In December 2017, the Company issued 15,750,483 ordinary shares at S\$0.41 per share to its new investor, Diamond Wealth Global Limited.
- (2) In June 2018, the Company split each ordinary share to four units of ordinary shares.

23. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

| | For the six months period ended 30 June | |
|-------------------------------|--|--------------------------------|
| | 2018 (unaudited) S\$'000 | 2017 (unaudited) S\$'000 |
| Short-term employee benefits | 847 | 750 |
| Defined contribution benefits | 54 | 38 |
| Other short-term benefits | 5 | 5 |
| <hr/> | | |
| | 906 | 793 |
| <hr/> | | |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the periods as follows:

Financial assets

| | 30 June 2018 (unaudited) S\$'000 | 31 December 2017 (audited) S\$'000 |
|---|---|---|
| Trade receivables | 29,480 | 21,216 |
| Financial assets included in prepayments, deposits and other receivables | 646 | 585 |
| Cash and cash equivalents | 30,264 | 13,657 |
| Available-for-sale investment | — | 6,758 |
| | 60,390 | 42,216 |

Financial liabilities

| | 30 June 2018 (unaudited) S\$'000 | 31 December 2017 (audited) S\$'000 |
|--|---|---|
| Trade payables | 41,504 | 21,472 |
| Financial liabilities included in other payables and accruals | 6,129 | 5,053 |
| | 47,633 | 26,525 |

25. 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 31 December 2017 (audited) | | | | |
| Available-for-sale investments: | | | | |
| Investment in bank financial products | — | 6,758 | — | 6,758 |

| | 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 2018 (unaudited) | | | | |
| Available-for-sale investments: | | | | |
| Investment in bank financial products | — | — | — | — |

As at 31 December 2017, the Group did not have any financial liabilities measured at fair value. As at 30 June 2018, the Group did not have any financial assets and financial liabilities measured at fair value.

During the year ended 31 December 2017 and the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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.

26. EVENTS AFTER THE REPORTING PERIOD

- (i) Company approved and paid final exempt (one-tier) dividend for 2017: 7.3 Singapore cents per ordinary share amounted to approximately S\$11,486,000 and interim dividend for 2018: 10.75 Singapore cents per ordinary share amounted to approximately S\$16,914,000 on 2 July 2018.
- (ii) The Company was listed on the Stock Exchange on 18 July 2018.

27. 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 20 August 2018.

DEFINITIONS

| | |
|----------------------------------|---|
| “Board” | the board of directors of the Company |
| “China” or “PRC” | the People’s Republic of China, excluding, for the purpose of this report, 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”, “us” or “Kinergy” | 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 |

DEFINITIONS *(continued)*

| | |
|-----------------------|--|
| “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 |
| “OECD” | Organization for Economic Co-operation and Development |
| “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 |
| “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 |
| “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 |