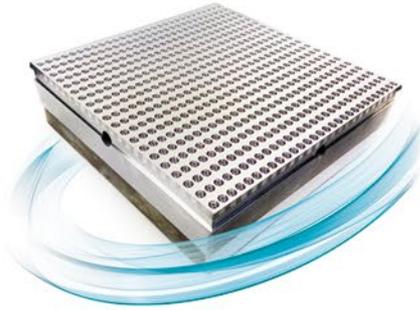


KINERGY

Kinergy Corporation Ltd.
光控精技有限公司*

(incorporated in Singapore with limited liability)

Stock Code : 3302



INTERIM REPORT 2019

* For identification purpose only



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lim Kuak Choi Leslie (*Chief Executive Officer*)
Mr. Du Xiaotang
Mr. Lim Khin Mann

Non-Executive Directors

Mr. Chen Shuang, *JP* (*Chairman*)
Mr. Bradley Fraser Kerr
Mr. Tsang Sui Cheong Frederick

Independent Non-Executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

AUTHORISED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

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

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

EXTERNAL AUDITORS

Ernst & Young LLP

REGISTERED OFFICE

1 Changi North Street 1
Singapore 498789

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

1 Changi North Street 1
Singapore 498789

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F
148 Electric Road
North Point
Hong Kong

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

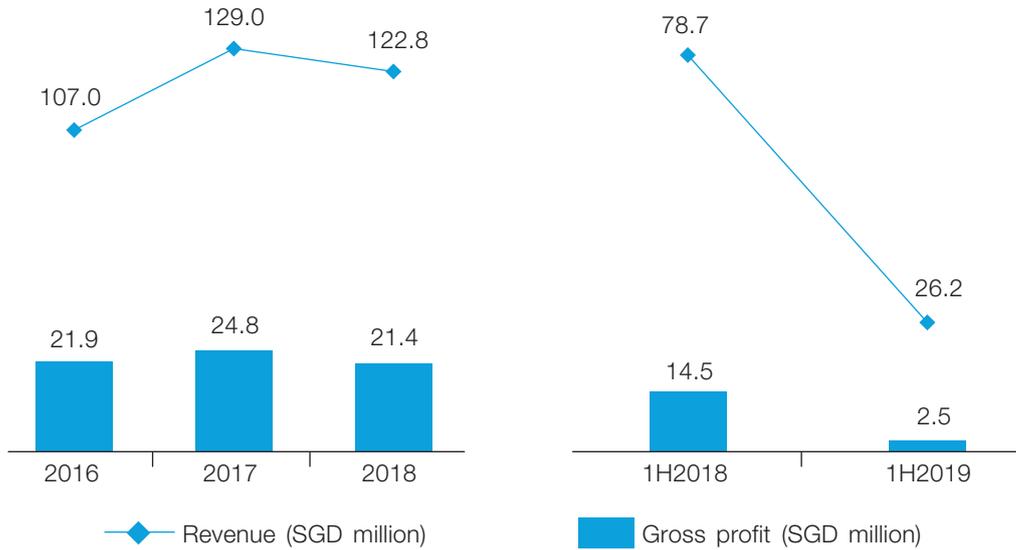
DEFINITIONS

“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China, for the purpose of this report, excluding, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (光控精技有限公司), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“EMS”	Electronics Manufacturing Services
“Group”, “we”, “us” or “Kinergy”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Kinergy EMS”	Kinergy EMS (Nantong) Company Limited* (精技電子(南通)有限公司), a limited liability company established in the PRC on 23 July 2003 and a direct wholly-owned subsidiary of the Company
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“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
“ODM”	Original Design Manufacturing
“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 Singapore
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share Option Scheme”	the share option scheme adopted by the Company on 27 June 2018

“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the Shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“SPE”	Semiconductor Process Equipment
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“U.S.”	the United States of America
“USD” of “US\$”	United States Dollar, the lawful currency of the United States of America
“%”	per cent

FINANCIAL HIGHLIGHTS

REVENUE AND GROSS PROFIT



TOTAL ASSETS, LIABILITIES AND EQUITY



MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC and the Philippines. We have two divisions, namely EMS division and ODM division. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. The Group’s revenue mainly derived from the EMS division, which accounted for approximately 90.3% of total revenue and ODM division accounted for approximately 9.7% of total revenue for the six months ended 30 June 2019.

2. BUSINESS REVIEW AND PROSPECT

Amid trade tension between U.S and China, our revenue dropped significantly by approximately S\$52.5 million. Total Group’s revenue for the six months ended 30 June 2019 was approximately S\$26.2 million as compared against the six months ended 30 June 2018 of approximately S\$78.7 million. This drop in revenue is in line with other companies in the SPE sector.

This situation is inseparable from global semiconductor market. The global semiconductor market is headed for a double-digit decline for the year 2019 after a decline of 15.6% in first quarter revenue of 2019 from fourth quarter revenue of 2018. Accordingly, this was the largest quarter-to-quarter decline since a 16.3% decline in first quarter revenue of 2009, ten years ago. When semiconductor chip sales see no growth or negative growth then the SPE industry will have very little business. This is due to the fact that new SPE will be ordered only when there is healthy growth in the marketplace.

The Group has been actively exploring new business opportunities and working to secure new potential customers amid the trade tension.

Cost efficiency and expense reduction have been implemented to minimise the impact of the current situation to our Group’s performance.

Ultimately, the semiconductor business is pervasive in all industries, in particular in automotive, communications (mobile phones), data, artificial intelligence and internet of things. We expect the semiconductor market to recover once the trade tension is resolved and when the market recovers from the current excessive integrated circuit chips inventory in the market. It will allow our Group to capture opportunities and develop our future plans.

3. FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June		
	2019 S\$'000	2018 S\$'000	% of change
EMS	23,628	72,335	-67.3%
ODM	2,529	6,349	-60.2%
	26,157	78,684	-66.8%

The Group's revenue decreased by approximately 66.8% from approximately S\$78.7 million for the six months ended 30 June 2018 to approximately S\$26.2 million for the six months ended 30 June 2019.

The decrease was primarily due to decrease in sales from both EMS and ODM segments, which is a reflection of the decline in worldwide semiconductor business caused by the trade tension.

Cost of sales

Cost of sales primarily consists of material costs, labor costs and depreciation 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		
	2019 S\$'000	2018 S\$'000	% of change
EMS	21,485	59,703	-64.0%
ODM	2,181	4,457	-51.1%
	23,666	64,160	-63.1%

The Group's cost of sales decreased by approximately 63.1% from approximately S\$64.2 million for the six months ended 30 June 2018 to approximately S\$23.7 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in revenue during the period.

Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales above, the gross profit decreased by approximately S\$12.0 million from approximately S\$14.5 million for the six months ended 30 June 2018 to approximately S\$2.5 million for the six months ended 30 June 2019.

Gross profit margin decreased by approximately 9.0% from 18.5% for the six months ended 30 June 2018 to 9.5% for the six months ended 30 June 2019. The main reason is due to the lower recovery of fixed overheads as a result of lower production volume/revenue.

Other income and gains

Other income and gains decreased from approximately S\$1.3 million for the six months ended 30 June 2018 to approximately S\$0.7 million for the six months ended 30 June 2019. The decrease was primarily due to the Group had foreign exchange gain of approximately S\$1.0 million in the prior period while having foreign exchange loss of approximately S\$0.4 million during the period. The decrease was partially offset with the higher bank interest income, rental and service income by approximately S\$0.4 million.

Sales and marketing expenses

Sales and marketing expenses decreased by approximately 40.0% from approximately S\$1.5 million for the six months ended 30 June 2018 to approximately S\$0.9 million for the six months ended 30 June 2019, which is in line with the decrease in revenue for the six months ended 30 June 2019.

General and administration expenses

General and administration expenses decreased by approximately 39.7% from approximately S\$7.3 million for the six months ended 30 June 2018 to approximately S\$4.4 million for the six months ended 30 June 2019. The decrease was mainly due to the absent of the Listing expenses during the period and decrease in salaries expenses as a result of decrease in number of employees.

Other expense

The increase in other expense was due to the Group had foreign exchange loss during the period, as against a foreign exchange gain in the prior period.

Finance costs

Comparing to the six months ended 30 June 2018, finance costs incurred during the six months ended 30 June 2019 increased by approximately S\$33,000. The increase was mainly due to the interest expense of lease liabilities as a result of the implementation of IFRS 16 Leases commencing 2019.

(Loss)/profit before tax

Loss before tax for the six months ended 30 June 2019 was approximately S\$2.6 million, while profit before tax of approximately S\$6.9 million was recorded for the six months ended 30 June 2018. Such decrease was mainly due to significant decrease in revenue during the period.

Income tax credit/(expense)

The Group's income tax credit for the six months ended 30 June 2019 was approximately S\$113,000, while income tax expense of approximately S\$1.8 million was recorded for the six months ended 30 June 2018. The decrease was mainly due to the Group is in the loss position during the period.

(Loss)/profit for the period

As a result of the above, the Group recorded a net loss after tax of approximately S\$2.4 million for the six months ended 30 June 2019, comparing to a net profit after tax of approximately S\$5.2 million for the corresponding period in 2018.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2019, the Group had cash and cash equivalents of approximately S\$38.8 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	
	2019 S\$'000	2018 S\$'000
Net cash flow (used in)/generated from operating activities	(1,901)	12,397
Net cash flow (used in)/generated from investing activities	(744)	4,240
Net cash flow generated from/(used in) financing activities	(2,224)	(36)
Net (decrease)/increase in cash and cash equivalents	(4,869)	16,601
Cash and cash equivalents at 1 January	43,709	13,657
Effect of exchange rate changes on cash and cash equivalents	(60)	6
Cash and cash equivalents at 30 June	38,780	30,264

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

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

For the six months ended 30 June 2019, the Group's net cash used in operating activities was approximately S\$1.9 million, primarily reflected (i) cash flow before changes in working capital of approximately S\$1.6 million; (ii) a decrease in trade and other payables of approximately S\$5.0 million; and (iii) payment for tax of approximately S\$0.8 million which were partially offset by (i) a decrease in inventories of approximately S\$0.7 million; (ii) a net decrease in trade and other receivables of approximately S\$4.5 million; and (iii) received from interest income of approximately S\$0.4 million.

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

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

For the six months ended 30 June 2019, the Group's net cash flow used in investing activities was approximately S\$0.7 million, which was primarily used for purchase of property, plant and equipment of approximately S\$0.3 million and increase in advance to purchase property, plant and equipment of approximately S\$0.4 million

Cash flows used in financing activities

Cash flows generated used in financing activities includes payment of lease liabilities and dividend paid on ordinary shares.

For the six months ended 30 June 2019, the Group’s net cash flow used in financing activities was approximately S\$2.2 million, mainly used for payment of lease liabilities of approximately S\$0.5 million and special dividend paid on ordinary shares of approximately S\$1.7 million.

NET CURRENT ASSETS

The Group’s net current assets decreased by approximately S\$5.5 million from approximately S\$74.5 million as at 31 December 2018 to S\$69.0 million as at 30 June 2019. The decrease was primarily due to (i) a net decrease in trade and other receivables of approximately S\$4.5 million (ii) a decrease in cash and cash equivalents of approximately S\$4.9 million; (iii) a decrease in inventories of approximately S\$0.8 million; and (iv) increase in lease liabilities (current) of approximately S\$0.9 million, partially offset by (i) a decrease in trade and other payables of approximately S\$4.9 million; (ii) a decrease in tax payable of approximately S\$0.6 million and (iii) decrease in provision for warranty of S\$0.1 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 2019, the Group’s capital expenditure amounted to approximately S\$0.3 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure from the Listing proceeds.

Capital and investment commitments

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

As at 30 June 2019, 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:

	As at 30 June 2019 S\$'000
Contracted, but not provided for:	
Property, plant and equipment	326
Investment securities	22,410
	22,736

USE OF PROCEEDS

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

Use of proceeds	Allocation (% of net proceeds)	Allocation (S\$'million of net proceeds)	Utilisation as at 30 June 2019 (S\$'million)	Unutilised amount as at 30 June 2019 (S\$'million)	Expected time of full utilisation
Expansion of production capacity	40.4%	16.3	0.7	15.6	4th Quarter 2020
Development and acquisition of engineering and technological knowledge	29.3%	11.8	1.4	10.4	4th Quarter 2020
Expansion of our marketing activities in Japan, Europe and the United States	17.6%	7.1	*	7.1	4th Quarter 2020
Strengthening our research and development	11.7%	4.7	1.1	3.6	4th Quarter 2020
General working capital	1.0%	0.5	—	0.5	4th Quarter 2019
	100.0%	40.4	3.2	37.2	

* The amount is less than S\$100,000.

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2019 the Group had outstanding balance from lease liabilities of approximately S\$3.3 million (31 December 2018: Nil).

Contingent liabilities

As at 30 June 2019, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents and pledged deposits at the end of the period divided by total equity at the end of the period. Net debt to equity ratio is not applicable to the Group as the Group's cash and cash equivalents is higher than lease liabilities as at 30 June 2019.

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes lease liabilities. Gearing ratio of the Group as at 30 June 2019 was 0.04.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

On 27 December 2018, Kinergy EMS entered into a fund partnership agreement (the "Fund Partnership Agreement") with related parties in relation to the formation of the fund (the "Fund") with initial proposed size of RMB500,000,000 (equivalent to S\$99,661,000). The Fund will be principally engaged in equity investments in enterprises in the information technology industry (which encompasses the semiconductor industry),

intelligent manufacturing industry, and precision engineering equipment manufacturing industry (such as the SPE industry) and peripheral industries (such as the analog chips and perceptual components sectors) in the PRC. On 15 February 2019, the Fund Partnership Agreement was approved by the independent shareholders of the Company during the extraordinary general meeting. The capital commitment of the Group will amount to RMB100,000,000 (equivalent to approximately S\$19,932,000), representing 20% of the total capital contribution amount of the fund.

For the details of the Fund and the Fund Partnership Agreement, please refer to the announcement of the Company dated 27 December 2018 and the circular of the Company dated 17 January 2019.

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 2019.

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 2019, the Group did not pledge any assets.

HUMAN RESOURCES

As at 30 June 2019, the Group had 480 employees. The employees benefit expense incurred during the six months ended 30 June 2019 was approximately S\$7.4 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 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 objective to recognise contributions made by eligible employees and to retain the eligible employees for the continual operation, growth and future development of the Group. We did not experience any material labour disputes during the six months ended 30 June 2019.

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 special dividend paid on 10 June 2019, the Board does not recommend the payment of interim dividend for the six months ended 30 June 2019.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 2019 have been reviewed by the audit committee, comprising solely the independent non-executive Directors of the Company.

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

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the Shares of the Company:

Name of Directors	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Mr. Lim Kuak Choi Leslie ⁽²⁾	Beneficial owner; interest of spouse	268,620,472 ^(L)	31.28
Mr. Bradley Fraser Kerr ⁽³⁾	Interest of spouse	76,498,768 ^(L)	8.91
Mr. Du Xiaotang ⁽⁴⁾	Interest of a controlled corporation	8,105,704 ^(L)	0.94
Mr. Lim Khin Mann	Beneficial owner	19,148,000 ^(L)	2.23

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 250,472,472 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee, and Ms. Foo Kaw Jee is deemed or taken to be interested in the Shares held by herself and Mr. Lim Kuak Choi Leslie under the SFO.
- (3) 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.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2019, none of the Directors of the Company had any interests and/or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2019, so far as the Directors are aware, the following persons (other than being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares of the Company:

Name of Shareholders	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding (%)
Ms. Foo Kaw Jee ⁽²⁾	Beneficial owner; interest of spouse	268,620,472 ^(L)	31.28
Diamond Wealth Global Limited ⁽³⁾	Beneficial owner	262,084,380 ^(L)	30.52
China Everbright Venture Capital Limited ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
China Everbright Limited ⁽³⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
Honorich Holdings Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
Datten Investments Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
China Everbright Holdings Company Limited ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
China Everbright Group Ltd. ⁽⁴⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
Central Huijin Investment Ltd. ⁽⁵⁾	Interest of a controlled corporation	262,084,380 ^(L)	30.52
Unitras (H.K.) Limited ⁽⁶⁾	Beneficial owner	76,498,768 ^(L)	8.91
Ms. Joyce S. Kerr ⁽⁶⁾	Interest of a controlled corporation	76,498,768 ^(L)	8.91

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares comprise 250,472,472 Shares held directly by Mr. Lim Kuak Choi Leslie and 18,148,000 Shares held directly by Ms. Foo Kaw Jee. Ms. Foo Kaw Jee is the spouse of Mr. Lim Kuak Choi Leslie. Therefore, Mr. Lim Kuak Choi Leslie is deemed or taken to be interested in the Shares held by himself and Ms. Foo Kaw Jee, and Ms. Foo Kaw Jee is deemed or taken to be interested in the Shares held by herself and Mr. Lim Kuak Choi Leslie under the SFO.
- (3) China Everbright Limited holds 100% of the total issued share capital of China Everbright Venture Capital Limited; and China Everbright Venture Capital Limited holds 100% of the total issued share capital of Diamond Wealth Global Limited. Therefore, each of China Everbright Limited and China Everbright Venture Capital Limited is deemed to be interested in the Shares held by Diamond Wealth Global Limited under the SFO.
- (4) China Everbright Group Ltd. holds 100% of total issued share capital of China Everbright Holdings Company Limited; China Everbright Holdings Company Limited holds 100% of the total issued share capital of each of Datten Investments Limited and Everbright Investment & Management Limited; Datten Investments Limited holds 100% of the total issued share capital of Honorich Holdings Limited, which in turn holds approximately 49.38% of the total issued share capital of China Everbright Limited; and Everbright Investment & Management Limited holds approximately 0.35% of the total issued share capital of China Everbright Limited. Accordingly, each of China Everbright Group Ltd., China Everbright Holdings Company Limited, Datten Investments Limited and Honorich Holdings Limited is deemed to be interested in China Everbright Limited's interest in the Shares under the SFO.

- (5) Central Huijin Investment Ltd. is indirectly wholly-owned by the State Council of the PRC and holds approximately 55.67% equity interest of China Everbright Group Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in China Everbright Group Ltd.'s interest in the Shares under the SFO.
- (6) Unitras (H.K.) Limited is wholly-owned by Ms. Joyce S. Kerr. Therefore, Ms. Joyce S. Kerr is deemed or taken to be interested in the Shares held by Unitras (H.K.) Limited under the SFO.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 27 June 2018 for the purpose of giving the eligible participants as incentives or rewards to recognize and acknowledge their contributions or potential contributions to the Company and/or any of its Subsidiaries. The Share Option Scheme will provide eligible participants an opportunity to have a personal stake in the Company with the view to motivate the eligible participants to optimize their performance efficiency for the benefits of the Company and/or of its Subsidiaries; and attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Company and/or of its Subsidiaries.

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

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Mr. Chen Shuang resigned as an executive director and the chief executive officer of China Everbright Limited (stock code: 165.HK) and the chairman and an executive director of China Aircraft Leasing Group Holdings Limited (stock code: 1848.HK) in May 2019, and resigned as the chairman of Everbright Jiabao Co., Ltd. (stock code: 600622.SH) and a director of China Everbright Venture Capital Limited and Diamond Wealth Global Limited in June 2019. Mr. Chen Shuang has been appointed as a member of Exchange Fund Advisory Committee (EFAC) Financial Infrastructure and Market Development Sub-Committee of Hong Kong Monetary Authority since July 2019 and the Chairman of Hua Jing Society since May 2019.

Mr. Du Xiaotang has been appointed as an independent non-executive director of China First Capital Group Limited (stock code: 1269.HK) on 19 July 2019.

Save as disclosed above, the Company is not aware of any other change in Directors' biographical details which is required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

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

Hong Kong, 19 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

	Notes	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Revenue	4	26,157	78,684
Cost of sales		(23,666)	(64,160)
Gross profit		2,491	14,524
Other income and gains	5	701	1,254
Sales and marketing expenses		(918)	(1,479)
General and administrative expenses		(4,382)	(7,348)
Other expense	6	(400)	—
Finance cost		(52)	(19)
(Loss)/profit before tax	7	(2,560)	6,932
Income tax credit/(expense)	8	113	(1,756)
(Loss)/profit for the period		(2,447)	5,176
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(470)	(516)
Total comprehensive income for the period attributable to owners of the Company		(2,917)	4,660
Earnings per share attributable to owners of the Company			
Basic and diluted (S\$)	10	(0.28 cents)	0.82 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 (unaudited) S\$'000	As at 31 December 2018 (audited) S\$'000
Non-current assets			
Property, plant and equipment	11	15,649	16,318
Prepaid land lease payments	2(ii)	—	1,260
Right-of-use assets	2(ii)	4,568	—
Intangible assets		329	446
Investment securities	12	1,384	1,384
Advance payment for property, plant and equipment		1,072	679
Total non-current assets		23,002	20,087
Current assets			
Inventories	13	29,227	30,030
Trade receivables	14	13,320	18,443
Prepayments, deposits and other receivables	15	2,694	2,053
Cash and cash equivalents	16	38,780	43,709
Total current assets		84,021	94,235
Current liabilities			
Trade payables	17	10,518	14,915
Other payables and accruals	18	3,093	3,616
Provision for warranty	19	52	178
Tax payable		442	1,036
Lease liabilities	2(ii)	929	—
Total current liabilities		15,034	19,745
Net current assets		68,987	74,490
Non-current liabilities			
Deferred tax liabilities	20	230	546
Lease liabilities	2(ii)	2,362	—
Total non-current liabilities		2,592	546
Net assets		89,397	94,031
Equity attributable to owners of the Company			
Share capital	21	84,990	84,990
Reserves		4,407	9,041
Total equity		89,397	94,031

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Attributable to owners of the Company				
	Share capital	Statutory reserve(*)	Translation reserve(*)	Retained profits(*)	Total equity
	(Note 21) S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
30 June 2019					
At 1 January 2019	84,990	4,222	90	4,729	94,031
Loss for the period	—	—	—	(2,447)	(2,447)
Other comprehensive income for the period					
Exchange differences on translation of foreign operations	—	—	(470)	—	(470)
Dividend paid on ordinary shares (Note 9)	—	—	—	(1,717)	(1,717)
Transfer to statutory reserve	—	426	—	(426)	—
Reclassification from statutory reserve to retained profits	—	(479)	—	479	—
At 30 June 2019 (unaudited)	84,990	4,169	(380)	618	89,397
30 June 2018					
At 1 January 2018	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)	—
At 30 June 2018 (unaudited)	40,879	4,197	275	29,602	74,953

* There reserve accounts comprise the consolidated reserves of S\$4,407,000 (30 June 2018: S\$34,074,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Cash flow from operating activities:		
(Loss)/profit before tax	(2,560)	6,932
Adjustments for:		
(Reversal)/provision for warranty	(17)	21
Depreciation of property, plant and equipment	755	875
Depreciation of right-of-use assets	506	—
Amortisation of prepaid land lease payments	—	17
Gain on disposal of property, plant and equipment	—	(30)
Finance cost	52	19
Interest income	(384)	(119)
Allowance for/(write-back of) inventory obsolescence	155	(1,117)
Write-back of impairment of trade receivables	(30)	—
Amortisation of intangible assets	117	74
Unrealised (gain)/loss foreign exchange	(209)	(862)
Operating cash flow before changes in working capital	(1,615)	5,810
Decrease/(increase) in inventories	652	(1,397)
Decrease/(increase) in trade receivables	5,154	(8,263)
Increase in prepayments, deposits and other receivables	(642)	(2,648)
(Decrease)/increase in trade payables	(4,398)	20,159
(Decrease)/increase in other payables and accruals	(640)	841
Cash flow (used in)/generated from operations	(1,489)	14,502
Interest expense paid	—	(19)
Interest income received	384	119
Income tax paid	(796)	(2,205)
Net cash flow (used in)/generated from operating activities	(1,901)	12,397
Cash flow from investing activities:		
Purchase of property, plant and equipment	(351)	(2,661)
Increase in advance payment for property, plant and equipment	(393)	—
Proceeds from disposal of property, plant and equipment	—	30
Proceeds from disposal of available-for-sale investment	—	6,871
Net cash flow (used in)/generated from investing activities	(744)	4,240
Cash flow from financing activities:		
Repayments on lease liabilities	(507)	—
Proceeds from bank borrowings	—	3,972
Repayments of bank borrowings	—	(4,008)
Dividends paid on ordinary shares	(1,717)	—
Net cash flow used in financing activities	(2,224)	(36)
Net (decrease)/increase in cash and cash equivalents	(4,869)	16,601
Cash and cash equivalents at beginning of the period	43,709	13,657
Effects of exchange rate changes on cash and cash equivalents	(60)	6
Cash and cash equivalents at end of the period (Note 16)	38,780	30,264

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Kinergy Corporation Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore.

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

The principal activities of the Group is to provide contract manufacturing, design, engineering and assembly for the electronics industry, and the design, manufacture and sale of automated machines, apparatus, systems, equipment and precision moulds and dies.

The Company operates in Singapore and its subsidiaries operate in the People’s Republic of China (“PRC”), the Philippines and Japan.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

(i) Basis of preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board (“IASB”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“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 2018.

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 2018, except for the adoption of new accounting standards effective as at 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 16 Leases using the modified retrospective of adoption with the date of initial application of 1 January 2019.

On the adoption, the Group elected on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the statement of financial position immediately on the initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less (“short-term leases”) and lease contracts for which the underlying asset is low value (“low-value assets”).

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

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

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	As at 1 January 2019 (unaudited) Increase/ (decrease) S\$'000
Assets	
Right-of-use assets	5,092
Prepaid land lease payments	(1,260)
Property, plant and equipment	(78)
	3,754
Liabilities	
Lease liabilities	3,754

Based on the foregoing, as at 1 January 2019, right-of-use assets of S\$5,092,000 were recognised and presented separately in the statement of financial position. This includes reclassification from reinstatement assets of S\$78,000 recognised previously under property, plant and equipment and prepaid land lease payments of S\$1,260,000.

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for land and properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased land and property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under prepayments. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use asset was recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

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

(a) Nature of the effect of adoption of IFRS 16 *(continued)*

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	As at 1 January 2019 (unaudited) S\$'000
Operating lease commitments at 31 December 2018	4,045
Commitments relating to short-term leases	(72)
Gross lease liabilities at 1 January 2019	3,973
Discounting based on incremental borrowing rate at 2.99%*	(219)
Lease liabilities at 1 January 2019	<u>3,754</u>

* In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of housing for employees. Lease payments on short-term leases or leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(continued)*

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

(b) Summary of new accounting policies *(continued)*

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases for additional tenure. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

(c) Amounts recognised in the statement of financial position and profit or loss

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets land and Building (unaudited) S\$'000	Lease liabilities (unaudited) S\$'000
As at 1 January 2019	5,092	3,754
Depreciation expense	(506)	—
Interest expense	—	52
Payments	—	(507)
Accrued interest	—	(8)
Exchange differences	(18)	—
	4,568	3,291

3. OPERATING SEGMENT INFORMATION

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

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

3. OPERATING SEGMENT INFORMATION *(continued)*

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

Revenue breakdown by business segment

The following table sets out our revenue by business segment for the six months ended:

	For the six months ended 30 June			
	2019 (unaudited)		2018 (unaudited)	
	S\$'000	%	S\$'000	%
EMS	23,628	90.3	72,335	91.9
ODM	2,529	9.7	6,349	8.1
	26,157	100.0	78,684	100.0

Geographic information

The following table sets out our revenue by geographical locations during the six months 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 the period indicated:

	For the six months ended 30 June			
	2019 (unaudited)		2018 (unaudited)	
	S\$'000	%	S\$'000	%
Singapore	20,766	79.4	68,879	87.6
The United States	2,515	9.6	2,750	3.5
Mainland China	698	2.7	1,837	2.3
The Philippines	668	2.6	876	1.1
Japan	137	0.5	2,347	3.0
Other countries	1,373	5.2	1,995	2.5
	26,157	100.0	78,684	100.0

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Total revenue	
	For the six months ended 30 June				2019	2018
	2019	2018	2019	2018	2019	2018
	(unaudited)					
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Type of goods or services						
Sale of goods	23,356	72,118	2,529	6,349	25,885	78,467
Rendering of services	272	217	—	—	272	217
	23,628	72,335	2,529	6,349	26,157	78,684
Timing of transfer of goods or services						
At a point in time	23,628	72,335	2,529	6,349	26,157	78,684

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Other income		
Bank interest income	384	119
Government grant ^(a)	104	118
Service income	99	—
Rental income	73	—
Others	41	9
	701	246
Gains		
Foreign exchange differences, net	—	978
Gain on disposal of property, plant and equipment	—	30
	—	1,008
	701	1,254

- (a) The amount represents 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 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.

6. OTHER EXPENSE

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Foreign exchange differences, net	400	—

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	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Cost of inventories	17,052	54,321
Cost of services rendered	41	33
Depreciation of property, plant and equipment	755	875
Depreciation of right-of-use assets	506	—
Amortisation of prepaid land lease payments	—	17
Amortisation of intangible assets	117	74
Research and development expenses	714	1,747
Rental expenses	43	549
Listing expenses	—	2,265
Auditor's remuneration	119	23
Professional fees	117	120
Employee benefit expense (excluding directors' and chief executive's remuneration):		
— Wages and salaries	6,132	8,560
— Pension scheme contributions	960	1,345
Foreign exchange differences, net	400	(978)
(Reversal of)/provision for warranty	(17)	21
Write-back of impairment loss on trade receivables	(30)	—
Gain on disposal of property, plant and equipment	—	(30)
Allowance for/(write-back of) inventory obsolescence	155	(1,117)
Bank interest income	(384)	(119)

8. INCOME TAX EXPENSE

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the six months ended are:

	For the six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Current income tax	1	2,176
Over provision in respect of prior years	(114)	(420)
Income tax (credit)/expense recognised in profit or loss	(113)	1,756

9. DIVIDENDS

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Declared and paid during the period:		
Dividend on ordinary shares:		
– Special exempt (one-tier) dividend of S\$0.2 cents per share	1,717	—
Declared and to be paid subsequently to the reporting period:		
Dividend on ordinary shares:		
– Final exempt (one-tier) dividend for 2017: S\$7.3 cents per share	—	11,486
– Interim exempt (one-tier) dividend for 2018: S\$10.8 cents per share	—	16,914
	1,717	28,400

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the period attributable to the owners of the Company, and the weighted average number of ordinary shares of 858,671,324 and 629,351,324 shares in issue during the periods ended 30 June 2019 and 2018 respectively.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2019 and 2018.

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

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Earnings		
(Loss)/profit attributable to owners of the Company	(2,447)	5,176
	Number of shares As at 30 June	
	2019	2018
Shares		
Weighted average number of ordinary shares in issues	858,671,324	629,351,324
Earnings per share		
Basic and diluted (S\$)	(0.28 cents)	0.82 cents

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a consideration of approximately S\$351,000 (for the six months ended 30 June 2018: approximately S\$2,661,000), including construction in progress approximately nil (for the six months ended 30 June 2018: S\$952,000).

Property, plant and equipment with total cost approximately S\$123,000 (for the six months ended 30 June 2018: S\$346,000) which were fully depreciated was disposed during the six months ended 30 June 2019, which no gain/loss arising from disposal for the six months ended 30 June 2019 (for the six months ended 30 June 2018: a net gain on disposal of approximately S\$30,000).

12. INVESTMENT SECURITIES

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
At fair value through other comprehensive income		
– Unquoted equity investment (non-current)	1,384	1,384

The Group entered into an agreement with Towa Corporation, Japan incorporated company to form a company named Towa (Nantong) Co., Ltd. Towa (Nantong) Co., Ltd was incorporated in the PRC. The Group and Towa Corporation shall subscribe for 10% and 90% of the registered share capital of Towa (Nantong) Co., Ltd, respectively. The registered share capital of Towa (Nantong) Co., Ltd is US\$30,000,000 of which the Company shall contribute US\$3,000,000. As at 30 June 2019, the Group has paid US\$1,000,000 (equivalent to S\$1,384,000).

The Group has elected to measure the unquoted equity investment at fair value through other comprehensive income due to the Group's intention to hold these equity instruments for long-term appreciation. The fair value of the unquoted equity investment is determined by reference to the price of transaction.

13. INVENTORIES

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Raw materials	12,008	13,980
Work in progress	14,257	10,728
Finished goods	2,962	5,322
	29,227	30,030

During the six months ended 30 June 2019, the Group made allowance for inventory obsolescence of S\$154,000 (30 June 2018: write-back of inventory obsolescence of S\$1,117,000).

14. TRADE RECEIVABLES

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
– 0 to 30 days	11,606	8,435
– 31 – to 60 days	787	7,079
– 61 – to 90 days	122	2,000
– Over 90 days	805	929
	13,320	18,443

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Advance to suppliers	1,154	1,024
Deposits	382	436
Other receivables	35	80
Prepaid Goods and Services Tax (“GST”)/Value-added tax (“VAT”)	342	297
Prepayments	282	216
Bills of exchange ¹⁾	499	–
	2,694	2,053

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

16. CASH AND CASH EQUIVALENTS

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Cash and bank balances	11,236	18,464
Short-term deposits	27,544	25,245
	38,780	43,709
Denominated in Renminbi	11,817	3,685
Denominated in United States Dollar	16,877	18,001
Denominated in Singapore Dollar	9,950	11,137
Denominated in Hong Kong Dollar	53	10,208
Denominated in other currencies	83	678
	38,780	43,709

17. TRADE PAYABLES

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
— 0 to 30 days	6,321	6,754
— 31 to 60 days	2,365	2,474
— 61 to 90 days	773	2,362
— Over 90 days	1,059	3,325
	10,518	14,915

18. OTHER PAYABLES AND ACCRUALS

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Accruals	1,408	2,412
Advances from customers	1,238	453
Other payables	447	751
	3,093	3,616

19. PROVISIONS FOR WARRANTY

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
At 1 January	178	82
(Reversal)/addition	(17)	160
Amounts utilised	(109)	(62)
Exchange differences	—	(2)
	52	178

20. DEFERRED TAX LIABILITIES

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
At 1 January	546	1,100
Charged to the statement of profit or loss	(316)	(554)
	230	546

21. SHARE CAPITAL

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

	Number of Shares in issue	Share Capital S\$'000
Issued and fully paid ordinary shares ⁽¹⁾ :		
At 1 January 2018	157,337,831	40,879
Share split ⁽²⁾	472,013,493	—
Ordinary shares issued pursuant to the initial public offering ⁽³⁾	210,000,000	42,555
Ordinary shares issued pursuant to over-allotment exercised ⁽⁴⁾	19,320,000	3,938
Share issuance expense	—	(2,382)
	<hr/>	<hr/>
As at 31 December 2018, 1 January 2019 and 30 June 2019 (unaudited)	858,671,324	84,990
	<hr/> <hr/>	<hr/> <hr/>

- (1) All issued shares are fully paid ordinary shares with no par value.
- (2) On 20 June 2018, the Company completed the share split of every one (1) ordinary share in the capital of the company into four (4) ordinary shares.
- (3) On 18 July 2018, the Company issued 210,000,000 ordinary shares at S\$0.20 (or equivalent with HK\$1.17) in connection with the initial public offering.
- (4) On 9 August 2018, additional 19,320,000 over-allotment were exercised and correspondingly the Company issued 19,320,000 new ordinary shares.

22. RELATED PARTY TRANSACTIONS

a) Compensation of key management personnel

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Short-term employee benefits	1,264	847
Defined contribution benefits	51	54
Other short-term benefits	5	5
	<hr/>	<hr/>
	1,320	906
	<hr/> <hr/>	<hr/> <hr/>
Directors of the Company	554	150
Other key management personnel	766	756
	<hr/>	<hr/>
	1,320	906
	<hr/> <hr/>	<hr/> <hr/>

22. RELATED PARTY TRANSACTIONS *(continued)***b) Sales and purchase of goods and services**

	For the six months ended 30 June	
	2019 (unaudited) S\$'000	2018 (unaudited) S\$'000
Service income	99	—
Rental income	73	—
	172	—

23. FINANCIAL INSTRUMENTS BY CATEGORY

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

	30 June 2019 (unaudited) S\$'000	31 December 2018 (audited) S\$'000
Financial assets		
Trade receivables	13,320	18,443
Financial assets included in deposits and other receivables	916	516
Cash and cash equivalents	38,780	43,709
	53,016	62,668
Financial liabilities		
Trade payables	10,518	14,915
Financial liabilities included in other payables and accruals	1,855	3,163
Lease liabilities	3,291	—
	15,664	18,078

24. 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:

As at 31 December 2018 and 30 June 2019	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	
Available-for-sale investments:				
Financial assets at fair value through other comprehensive income				
– Unquoted equity instrument	–	–	1,384	1,384

There were no transfers of fair value measurements into or out of level 3 for the financial assets during the year ended 31 December 2018 and the six months ended 30 June 2019.

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.

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 19 August 2019.