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Kinergy Corporation Ltd.

精技集團有限公司*

(Incorporated in Singapore with limited liability)

(Stock Code: 3302)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The Board of Directors (the “**Board**”) of Kinergy Corporation Ltd. (the “**Company**”) hereby announces the interim results and the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2024, together with the comparative figures for the six months ended 30 June 2023.

SUMMARY

	For the six months ended		Change	Percentage Change
	30 June 2024	30 June 2023		
	(unaudited)	(unaudited)	(S\$’000)	
	(S\$’000)	(S\$’000)	(S\$’000)	
Revenue	51,523	44,336	7,187	16.2%
Profit/(Loss) for the period	2,894	(1,513)	4,407	NA
EBITDA ⁽¹⁾	7,965	2,182	5,783	265.0%
EBIT ⁽²⁾	5,489	(17)	5,506	NA

Note(s):

- (1): EBITDA is calculated using profit/(loss) for the period before income tax, depreciation, amortisation and interest expenses for the period.
- (2): EBIT is calculated using profit/loss for the period taking out the interest expense, tax expense and interest income for the period.

* For identification purpose only

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE

	<i>Notes</i>	2024 (unaudited) <i>S\$'000</i>	2023 (unaudited) <i>S\$'000</i>
Revenue	4	51,523	44,336
Cost of sales		<u>(46,703)</u>	<u>(40,824)</u>
Gross profit		4,820	3,512
Other income and gains	5	9,333	3,520
Sales and marketing expenses		(1,574)	(1,210)
General and administrative expenses		(6,820)	(5,487)
Finance costs		(472)	(488)
Share of results of associates		<u>(240)</u>	<u>(245)</u>
Profit/(Loss) before tax	6	5,047	(398)
Income tax expense	7	<u>(2,153)</u>	<u>(1,115)</u>
Profit/(Loss) for the period		<u>2,894</u>	<u>(1,513)</u>
Profit/(Loss) for the period attributable to:			
Owners of the Company		(257)	(1,837)
Non-controlling interests		<u>3,151</u>	<u>324</u>
		<u>2,894</u>	<u>(1,513)</u>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		789	(2,826)
<i>Item that will not be reclassified to profit or loss</i>			
Fair value changes on investment securities at fair value through other comprehensive income		<u>—</u>	<u>(5,387)</u>
Total comprehensive income for the period		<u>3,683</u>	<u>(9,726)</u>

	<i>Notes</i>	2024 (unaudited) S\$'000	2023 (unaudited) S\$'000
Total comprehensive income for the period attributable to:			
Owners of the Company		418	(9,574)
Non-controlling interests		3,265	(152)
		<u>3,683</u>	<u>(9,726)</u>
Loss per share attributable to owners of the Company:			
Basic and diluted (Singapore cents)	8	<u>(0.03)</u>	<u>(0.20)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2024 (unaudited) <i>S\$'000</i>	As at 31 December 2023 (audited) <i>S\$'000</i>
Non-current assets			
Property, plant and equipment		27,151	25,987
Right-of-use assets		5,188	5,771
Intangible assets		50	83
Investment securities	<i>10</i>	27,004	23,033
Investment in associates	<i>11</i>	15,804	16,562
Deferred tax assets		2,808	2,365
Advance payment for property, plant and Equipment		43	1,004
Total non-current assets		78,048	74,805
Current assets			
Inventories	<i>12</i>	46,118	46,079
Trade receivables	<i>13</i>	19,127	17,427
Prepayments, deposits and other receivables		11,759	2,921
Cash and cash equivalents	<i>14</i>	8,450	18,141
Total current assets		85,454	84,568
Current liabilities			
Trade payables	<i>15</i>	16,877	18,055
Other payables and accruals		8,473	8,132
Provision for warranty		40	71
Interest-bearing loans and borrowings	<i>16</i>	16,592	14,862
Income tax payable		2,245	55
Total current liabilities		44,227	41,175
Net current assets		41,227	43,393

		As at 30 June 2024 (unaudited) S\$'000	As at 31 December 2023 (audited) S\$'000
Non-current liabilities			
Interest-bearing loans and borrowings	16	4,994	6,030
Deferred tax liabilities		<u>2,872</u>	<u>2,613</u>
Total non-current liabilities		<u>7,866</u>	<u>8,643</u>
Net assets		<u>111,409</u>	<u>109,555</u>
Equity			
Share capital	17	91,293	91,293
Reserves		<u>3,745</u>	<u>3,327</u>
Equity attributable to:			
Owners of the Company		95,038	94,620
Non-controlling interests		<u>16,371</u>	<u>14,935</u>
Total equity		<u>111,409</u>	<u>109,555</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

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

The Company operates in Singapore and its subsidiaries operate in the PRC, the Philippines, Japan and Malaysia. We completed the acquisition of a factory in Melaka, Malaysia in April 2024.

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

(i) Basis of preparation

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2023.

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 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have an impact on the unaudited interim condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

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

- (i) EMS, which focuses primarily on manufacturing of complete machines, sub-systems and components, for original equipment manufacturers. Major products of the EMS division include complete machines such as dicing machines and lapping machines and sub-systems such as work-holders, sliders systems and magazine handlers.
- (ii) ODM, which is subdivided into the Automated Equipment Department and Precision Tooling Department, designs and manufactures the Group's own "Kinergy" brand proprietary automated equipment, precision tools and spare parts for use mainly in the semiconductor back-end equipment industry. Major products of the ODM division include equipment such as auto frame loaders, precision tools such as encapsulation moulds and dies and spare parts.
- (iii) Investment, which primarily engages in providing fund management services and conducting investment activities in equity securities and funds.

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

Revenue breakdown by business segments

The following table sets out our revenue by business segments for the six months ended 30 June 2024 and 2023:

	For the six months ended 30 June			
	2024		2023	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
EMS	47,347	91.9	36,298	81.9
ODM	3,194	6.2	6,784	15.3
Investment	982	1.9	1,254	2.8
	<u>51,523</u>	<u>100.0</u>	<u>44,336</u>	<u>100.0</u>

Geographical information

The following table sets out our revenue by geographical locations for the six months ended 30 June 2024 and 2023. It should be noted that the following breakdown is based on the location of our customers. Our customers, in particular multinational corporations, may elect to place purchase orders from various regional offices. The locations where our products are used may be different from where the customers locate.

	For the six months ended 30 June			
	2024		2023	
	(unaudited)		(unaudited)	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Singapore	22,402	43.5	24,490	55.2
Mainland China	7,250	14.1	6,899	15.6
The United States	12,031	23.4	3,734	8.4
The Philippines	1,456	2.8	3,648	8.2
Japan	1,625	3.2	2,530	5.7
Other countries	6,759	13.0	3,035	6.9
	<u>51,523</u>	<u>100.0</u>	<u>44,336</u>	<u>100.0</u>

4. REVENUE

Disaggregation of revenue

	EMS		ODM		Investment		Total revenue	
	For the six months ended 30 June							
	2024	2023	2024	2023	2024	2023	2024	2023
	(unaudited)							
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Type of goods or services								
Sale of goods	47,037	35,996	3,194	6,784	—	—	50,231	42,780
Rendering of services	310	302	—	—	982	1,254	1,292	1,556
	<u>47,347</u>	<u>36,298</u>	<u>3,194</u>	<u>6,784</u>	<u>982</u>	<u>1,254</u>	<u>51,523</u>	<u>44,336</u>
Timing of transfer of goods or services								
At a point in time	47,347	36,298	3,194	6,784	—	—	50,541	43,082
Over period of time	—	—	—	—	982	1,254	982	1,254
	<u>47,347</u>	<u>36,298</u>	<u>3,194</u>	<u>6,784</u>	<u>982</u>	<u>1,254</u>	<u>51,523</u>	<u>44,336</u>

5. OTHER INCOME AND GAINS

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Other income		
Bank interest income	30	107
Government grants ^(a)	97	194
Dividend income	69	36
Net fair value gain on investment securities at fair value through profit or loss	57	1,459
Others	70	282
	323	2,078
Gains		
Foreign exchange differences, net	510	393
Gain on disposal of investment securities	—	1,043
Gain on disposal of property, plant and equipment	—	6
Other investment income ^(b)	8,500	—
	9,010	1,442
	9,333	3,520

Notes:

- (a) The amount represents grants received from Singapore and the PRC government authorities under various support schemes which primarily aim to protect local citizens' employment status and encourage business development. There are no unfulfilled conditions and other contingencies relating to these grants.
- (b) The amount includes the carry income of S\$8.5 million arising from end-of-life of an investment fund managed by Shanghai GenLight.

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited)
	<i>S\$'000</i>	<i>S\$'000</i>
Cost of inventories	32,009	27,939
Depreciation of property, plant and equipment	1,676	1,444
Depreciation of right-of-use assets	767	592
Amortisation of intangible assets	33	55
Research and development expenses	1,418	1,024
Short-term leases	150	239
Auditor's remuneration	179	164
Professional fees	187	180
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
— Wages and salaries	12,620	10,308
— Pension scheme contributions	1,712	1,663
Addition of provision for warranty	17	—
Foreign exchange differences, net	(510)	(393)
Government grants	(97)	(194)
Gain on disposal of property, plant and equipment	—	(6)
Allowance for inventory obsolescence	131	31
Bank interest income	(30)	(107)
	<u>(30)</u>	<u>(107)</u>

7. INCOME TAX EXPENSE

The major components of income tax expense for the six months ended 30 June 2024 and 2023 are as follows:

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Current income taxation	2,137	1,106
Under provision in respect of previous years	<u>16</u>	<u>9</u>
Income tax expense	<u><u>2,153</u></u>	<u><u>1,115</u></u>

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for six months attributable to owners of the Company, and the weighted average number of ordinary shares of 920,393,394 shares in issue during the periods ended 30 June 2024 and 2023.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2024 and 2023 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods ended 30 June 2024 and 2023.

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

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Loss		
Loss for the period attributable to owners of the Company	<u>(257)</u>	<u>(1,837)</u>
	As at 30 June	
	2024	2023
Number of shares		
Weighted average number of ordinary shares	<u>920,393,394</u>	<u>920,393,394</u>
Loss per share attributable to owners of the Company		
Basic and diluted (Singapore cents)	<u>(0.03)</u>	<u>(0.20)</u>

9. DIVIDENDS

	For the six months ended	
	30 June	
	2024	2023
	(unaudited)	(unaudited)
	S\$'000	S\$'000
Declared and paid during the reporting period:		
<i>Dividend on ordinary shares:</i>		
— Final exempt (one-tier) dividend for 2022: 0.15 Singapore cents per share	<u>—</u>	<u>1,381</u>
Proposed but not recognised as a liability		
<i>Dividend on ordinary shares:</i>		
— Interim exempt (one-tier) dividend for 2024: Nil	<u>—</u>	<u>—</u>

10. INVESTMENT SECURITIES

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
At fair value through profit or loss		
— Non-quoted equity investments	25,084	20,589
— Quoted equity investments	1,920	2,444
	<u>27,004</u>	<u>23,033</u>

11. INVESTMENT IN ASSOCIATES

The Group's investment in associates are summarised below:

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
Nantong Intelligent Fund	10,524	11,201
Nanyang Fund	4,906	4,911
Liteleaf Pte Ltd.	374	450
	<u>15,804</u>	<u>16,562</u>

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

Name of associate	Place of incorporation/ operation	Principal activities	Percentage of ownership interest attributable to the Group	
			30 June 2024	31 December 2023
<i>Held through the Company</i>				
Liteleaf Pte Ltd.	Singapore	Manufacture of farm equipment and farm operation	8%	8%
<i>Held through the subsidiaries of the Company:</i>				
Nantong Intelligent Fund	The PRC	Private equity investment	20%	20%
Nanyang Fund	The PRC	Private equity investment	20%	20%

12. INVENTORIES

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
Raw materials	34,575	32,737
Work-in-progress	4,325	5,004
Finished goods	7,218	8,338
Total inventories at lower of cost and net realisable value	46,118	46,079

13. TRADE RECEIVABLES

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

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
Neither past due nor impaired	15,781	14,130
Past due but not impaired:		
— 0 to 30 days	2,313	1,414
— 31 to 60 days	222	630
— 61 to 90 days	409	779
— Over 90 days	402	474
	<u>19,127</u>	<u>17,427</u>

14. CASH AND CASH EQUIVALENTS

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
Cash and bank balances	8,436	18,126
Short-term deposits	14	15
	<u>8,450</u>	<u>18,141</u>

15. TRADE PAYABLES

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

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
— 0 to 30 days	7,288	6,869
— 31 to 60 days	3,782	3,555
— 61 to 90 days	2,970	2,642
— Over 90 days	2,837	4,989
	<u>16,877</u>	<u>18,055</u>

16. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
Lease liabilities	4,325	4,881
2% unsecured bank loan of S\$5,000,000	1,500	2,132
2.5% unsecured bank loan of S\$5,000,000	2,075	2,578
1.67% unsecured bank loan of S\$2,800,000	2,860	408
6.09% secured bank loan	964	—
Unsecured bank trade financing	8,819	10,294
Bank overdrafts	1,043	599
	<u>21,586</u>	<u>20,892</u>
Repayable details as follows:		
— within a period of not exceeding one year	16,592	14,862
— within a period of more than one year but not exceeding two years	2,655	2,360
— within a period of more than two years but not exceeding five years	2,339	3,670
	<u>21,586</u>	<u>20,892</u>

17. SHARE CAPITAL

	Number of shares	Amount S\$'000
Issued and fully paid ordinary shares ^(a) :		
As at 31 December 2023 (audited), 1 January 2024 and 30 June 2024 (unaudited)	<u>920,393,394</u>	<u>91,293</u>

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. OVERVIEW

Established in Singapore in 1988, we are a major contract manufacturer specialising in the manufacture of equipment, machines, sub-systems, precision tools, spare parts and components mainly in the SPE industry, with in-house production facilities located in Singapore, the PRC, the Philippines and Malaysia. Further, we completed the acquisition of a factory in Melaka, Malaysia in April 2024. The Group is mainly engaged in three reportable business segments, namely (i) electronics manufacturing services (EMS), (ii) original design manufacturing (ODM), and (iii) investment. Our EMS division focuses primarily on manufacturing of sub-system, complete machines and components, for original design manufacturers and the provision of post-warranty period maintenance and commissioning services to our customers. Our ODM division focuses primarily on designs and manufacturing automated equipment, precision tools and spare parts under our own “Kinergy” brand for use in the semiconductor back-end equipment industry. Our investment division focuses primarily on providing fund management services and conducting investment activities in equity securities and funds.

The Group’s revenue mainly derived from the EMS division, which accounted for approximately 91.9% of our total revenue for the six months ended 30 June 2024. ODM and investment divisions accounted for approximately 6.2% and 1.9% of our total revenue for the six months ended 30 June 2024, respectively.

2. BUSINESS REVIEW AND PROSPECT

The expected greater demand for SPE in the semiconductor industry did not materialise. The macroeconomics have not changed and continue to cause woes to the semiconductor industry. The upcoming United States Presidential election in November 2024 will add another dollop of economic uncertainty to the world economic conditions.

A brief summary of the three business units of the group is outlined below:

— EMS Division

Our total revenue from the EMS Division for the six months ended 30 June 2024 increased by approximately 30.4% compared to the corresponding period in 2023, which was mainly attributable to orders from new customers which are mainly Wafer Fabrication Equipment (WFE) manufacturers.

— **ODM Division**

Our total revenue from the ODM Division for the six months ended 30 June 2024 decreased by approximately 52.9% mainly due to decreased customer demand. ODM assembly and test business typically has a three to six months lapse in business recovery compared to the wafer fabrication sector. Consequently, the outlook for ODM business in the near term is challenging.

A new line of automated equipment that is showing promise is the automated farming equipment which our ODM Division has designed for one of our associated companies and is gaining market acceptance. We expect the revenue stream to commence next year.

— **Investment Division**

Our total revenue from investment division for the six months ended 30 June 2024 decreased by approximately 21.7% compared to the corresponding period in 2023 mainly due to end-of-life of a fund under management by Shanghai GenLight which led to a reduction in management fees. The closure of this fund yielded a carry income of approximately S\$8.5 million recorded in this financial period under review and reported under other income and gains. The fund management company is in the process of setting up two new funds which will yield fees from the later part of this year.

3. FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June		
	2024	2023	Percentage change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	47,347	36,298	30.4%
ODM	3,194	6,784	-52.9%
Investment	982	1,254	-21.7%
	<u>51,523</u>	<u>44,336</u>	<u>16.2%</u>

The Group's revenue increased by approximately S\$7.2 million or 16.2% from approximately S\$44.3 million for the six months ended 30 June 2023 to approximately S\$51.5 million for the six months ended 30 June 2024.

The increase was primarily attributable to orders from new customers which are mainly Wafer Fabrication Equipment (WFE) manufacturers of approximately 30.4%.

Cost of sales

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

	For the six months ended 30 June		
	2024	2023	Percentage change
	<i>S\$'000</i>	<i>S\$'000</i>	
EMS	43,239	34,744	24.5%
ODM	3,464	6,080	-43.0%
Investment	—	—	N/A
	<u>46,703</u>	<u>40,824</u>	<u>14.4%</u>

The Group's cost of sales increased by approximately S\$5.9 million or 14.4% from approximately S\$40.8 million for the six months ended 30 June 2023 to approximately S\$46.7 million for the six months ended 30 June 2024. The increase was mainly attributable to the increase in revenue from our EMS division.

Gross profit and gross profit margin

As a result of the changes in the revenue and cost of sales above, our gross profit increased by approximately S\$1.3 million or 37.1% from approximately S\$3.5 million for the six months ended 30 June 2023 to approximately S\$4.8 million for the six months ended 30 June 2024.

Our gross profit margin increased by approximately 1.5% from approximately 7.9% for the six months ended 30 June 2023 to approximately 9.4% for the six months ended 30 June 2024.

Other income and gains

Our other income and gains increased by approximately S\$5.8 million or 165.1% from approximately S\$3.5 million for the six months ended 30 June 2023 to approximately S\$9.3 million for the six months ended 30 June 2024. The increase was mainly due to carry income of approximately S\$8.5 million arising from end-of-life of an investment fund managed by Shanghai GenLight; this was partially offset by decrease in (i) net fair value of investment securities of approximately S\$1.4 million; (ii) non-recurring of gain on disposal of investment of approximately S\$1.0 million; and (iii) others of approximately S\$0.3 million.

Sales and marketing expenses

Our sales and marketing expenses increased by approximately S\$0.4 million or 33.3% from approximately S\$1.2 million for the six months ended 30 June 2023 to approximately S\$1.6 million for the six months ended 30 June 2024. This was mainly due to the increase in sales commission from our EMS division arising from higher revenue for the six months ended 30 June 2024.

General and administration expenses

Our general and administration expenses increased by approximately S\$1.3 million or 23.6% from approximately S\$5.5 million for the six months ended 30 June 2023 to approximately S\$6.8 million for the six months ended 30 June 2024. The increase was mainly due to the higher staff expenses and research and development cost of approximately S\$0.4 million and S\$0.4 million, respectively.

Finance costs

Comparing to the six months ended 30 June 2023, there is no significant fluctuation in finance costs during the six months ended 30 June 2024.

Profit/(Loss) before tax

Our profit before tax for the six months ended 30 June 2024 was approximately S\$5.0 million as compared to loss before tax of approximately S\$0.4 million for the six months ended 30 June 2023. Such increase was mainly due to increase in gross profit and carry income, which was partially offset by an increase in general and administrative costs.

Income tax expense

Our income tax expense increased by approximately S\$1.1 million from approximately S\$1.1 million for the six months ended 30 June 2023 to approximately S\$2.2 million for the six months ended 30 June 2024. The increase was mainly due to higher profit in investment segment for the six months ended 30 June 2024.

Profit/(Loss) for the period

As a result of the above, the Group recorded a net profit after tax of approximately S\$2.9 million for the six months ended 30 June 2024 as compared to net loss after tax of approximately S\$1.5 million for the six months ended 30 June 2023, mainly due to increase in gross profit and carry income, which was partially offset by an increase in general and administrative costs.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2024, the Group had cash and cash equivalents of approximately S\$8.5 million. The Board is of the opinion that the financial position of the Group is 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	
	2024	2023
	S\$'000	S\$'000
Net cash flow used in operating activities	(2,787)	(2,176)
Net cash flow (used in)/generated from investing activities	(5,036)	5,844
Net cash flow used in financing activities	(1,849)	(3,341)
Net (decrease)/increase in cash and cash equivalents	(9,672)	327
Cash and cash equivalents at 1 January	18,141	20,098
Effect of exchange rate changes on cash and cash equivalents	(19)	(681)
Cash and cash equivalents at 30 June	<u>8,450</u>	<u>19,744</u>

Net cash flow used in operating activities

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

For the six months ended 30 June 2024, the Group's net cash used in operating activities was approximately S\$2.8 million, primarily reflected in: (i) increase in trade and other receivables of approximately S\$10.5 million; (ii) decrease in trade and other payables and

accruals of approximately S\$0.8 million; (iii) increase in inventories of approximately S\$0.2 million and (iv) tax paid of approximately S\$0.1 million, which were partially offset by cash generated from operating income before investing in working capital of approximately S\$8.8 million.

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

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

For the six months ended 30 June 2024, the Group's net cash flow used in investing activities was approximately S\$5.0 million, which was primarily used in (i) the purchase of property, plant and equipment of approximately S\$2.8 million; and (ii) addition of financial instruments of approximately S\$5.8 million; and was partially offset by (i) the proceeds from sale of financial instruments of approximately S\$2.6 million; and (ii) decrease in advance payment for property, plant and equipment of approximately S\$1.0 million.

Net cash flow used in financing activities

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

For the six months ended 30 June 2024, the Group's net cash flow used in financing activities was approximately S\$1.8 million, mainly used in: (i) repayment of bank loan of approximately S\$11.1 million; (ii) dividend paid to non-controlling interest of approximately S\$1.8 million; (iii) payment of lease liabilities of approximately S\$0.7 million; and (iv) payment of interests from bank loan and lease liabilities of approximately S\$0.5 million, and was partially offset by net proceeds of bank loans of approximately S\$12.3 million.

NET CURRENT ASSETS

The Group's net current asset decreased by approximately S\$2.2 million from approximately S\$43.4 million as at 31 December 2023 to approximately S\$41.2 million as at 30 June 2024. The decrease was primarily due to: (i) increase in current portion of interest-bearing loans and borrowings of approximately S\$1.7 million; (ii) decrease in cash and cash equivalents of approximately S\$9.7 million; and (iii) increase in tax payable of approximately S\$2.2 million. This was partially offset by (i) the increase in trade receivables and prepayments, deposits and other receivables of approximately S\$10.5 million; and (ii) the decrease in trade and other payables and accruals of approximately S\$0.9 million.

CAPITAL EXPENDITURE

The Group's capital expenditure consisted of purchase cost relating to property, plant and equipment. For the six months ended 30 June 2024, the Group's capital expenditure amounted to approximately S\$2.8 million for the acquisition of property, plant and equipment. The Group funded such capital expenditure with internal resource.

Capital and investment commitments

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

As at 30 June 2024, the Group's capital and investment expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	30 June 2024 <i>S\$'000</i>
Contracted, but not provided for:	
Property, plant and equipment	448
Investment securities	<u>6,865</u>
	<u><u>7,313</u></u>

Investment securities

The balance of approximately S\$6.9 million pertains to the remaining investment commitments of the Group in contributing to private equity funds.

INDEBTEDNESS

Bank loan and other borrowings

As at 30 June 2024 the Group has outstanding balances from interest-bearing loans and borrowings of approximately S\$21.6 million (31 December 2023: approximately S\$20.9 million).

Contingent liabilities

As at 30 June 2024, the Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Net debt to equity ratio

Net debt to equity ratio equals total interest-bearing loans and borrowings net of cash and cash equivalents at the end of the period divided by total equity at the end of the period. Net debt to equity ratio as at 30 June 2024 was approximately 0.12 (31 December 2023: 0.03).

Gearing ratio

Gearing ratio equals total debt divided by total equity at the end of the period. Total debt includes bank loans and lease liabilities. Gearing ratio of the Group as at 30 June 2024 was approximately 0.19 (31 December 2023: 0.19).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have other concrete plans for material investments as at 30 June 2024.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 17 May 2024 (after trading hours), the Company, Shanghai GenLight, Nantong Angel Master Investment Fund (Limited Partnership)* (南通天使引導投資基金(有限合夥)), Nantong Kechuang Investment Group Company Limited* (南通科創投資集團有限公司), Nantong Nengda Xinxing Industry Master Fund Partnership (Limited Partnership)* (南通能達新興產業母基金合夥企業(有限合夥)) and Nantong Guangguan Zhihe Enterprise Management Partnership (Limited Partnership)* (南通光冠智合企業管理合夥企業(有限合夥)) entered into a fund partnership agreement for the establishment and management of Nantong GenLight Venture Capital Fund Partnership (Limited Partnership)* (南通光朴創業投資基金合夥企業(有限合夥)) (the “**Fund**”), a limited partnership established in the PRC pursuant to the said agreement, with initial proposed size of RMB100 million (equivalent to approximately HK\$110 million). The proposed capital commitment of the Company is RMB30 million (equivalent to approximately HK\$33 million), representing 30% of the total committed capital contribution of the Fund.

The Fund will principally invest in start-up enterprises in emerging industries such as semiconductors, new energy (including hydrogen energy), new materials and advanced manufacturing, in the PRC.

* For identification purpose only

As at the date of this announcement, the Company has not received a notice to contribute capital yet.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

FOREIGN EXCHANGE RISK MANAGEMENT

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

PLEDGE OF ASSETS

As at 30 June 2024, other than the mortgage of deposit and a factory for bank facilities by subsidiaries in Malaysia, the Group did not pledge any other assets.

HUMAN RESOURCES

As at 30 June 2024, the Group had 779 employees. The employees benefit expense incurred during the six months ended 30 June 2024 was approximately S\$16.2 million. As required by the applicable laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments. The Group's remuneration policy rewards employees and directors based on individual performance, demonstrated capabilities, involvement, market comparable information and the performance of the Group. The Group improves the professional skills and management level of its employees through internal and external training. To ensure that the Group attracts and retains competent staff, remuneration packages are reviewed on a regular basis. Performance bonuses are offered to qualified employees based on individual and the Group's performance. Besides offering competitive remuneration packages, the Company adopted a share option scheme on 27 June 2018 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 labour disputes during the six months ended 30 June 2024.

DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

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

The Company has complied with all the code provisions set out in Part 2 of Appendix C1 to the Listing Rules during the six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors and relevant employees.

Upon specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during six months ended 30 June 2024.

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 (including sale of treasury shares) during the six months ended 30 June 2024.

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 2024 and this announcement have been reviewed by the audit committee of the Company, comprising solely the independent non-executive Directors of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (<http://www.KinergyCorp.com>). The interim report for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be made available on the same websites in due course.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CEL”	China Everbright Limited (中國光大控股有限公司), a company incorporated in Hong Kong on 25 August 1972, whose shares are listed on the Stock Exchange (stock code: 165), and a Shareholder holding approximately 28.58% issued Shares
“China” or “PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Company”	Kinergy Corporation Ltd. (精技集團有限公司*), a limited liability company incorporated in Singapore, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3302)
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

* For identification purpose only

“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules
“Nantong Intelligent Fund”	Nantong CEL Intelligent Manufacturing Equity Investment Fund Partnership (Limited Partnership)* (南通光控智造股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Nanyang Fund”	Nanyang Kinergy Equity Investment Fund Partnership (Limited Partnership)* (南陽精技股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“ODM”	Original Design Manufacturing
“RMB”	Renminbi, the lawful currency of the PRC
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Shanghai GenLight”	Shanghai GenLight Capital Management Co. Ltd.* 上海光朴創業投資管理有限公司 (formerly known as Shanghai CEL Puyan Equity Investment Management Limited* (上海光控浦燕股權投資管理有限公司), a limited liability company established in the PRC on 6 July 2015 and owned as to approximately 51.03% by the Company and ultimately and beneficially owned as to approximately 48.97% by CEL as at the date of this announcement
“Share(s)”	ordinary shares(s) in the 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

* For identification purpose only

“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“the United States”	the United States of America
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 16 August 2024

As at the date of this announcement, the executive Directors are Mr. Lim Kuak Choi Leslie, Mr. Du Xiaotang, Mr. Lim Khin Mann and Mr. Tay Kim Kah; the non-executive Directors are Mr. Loh Kin Wah (Chairman) and Mr. Fan Zhirong; and the independent non-executive Directors are Mr. Hoon Chee Wai, Dr. Senerath Wickramanayaka Mudiyansele Sunil Wickramanayaka and Dr. Ang Peng Huat.