

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 31 March 2015**

- 1. Financial Statements**
 - 1(a)(i) Consolidated Income Statement**
 - 1(a)(ii) Consolidated Comprehensive Income Statement**
 - 1(a)(iii) Explanatory Notes to Consolidated Income Statement**
 - 1(b)(i) Statement of Financial Position**
 - 1(b)(ii) Group Borrowings and Debt Securities**
 - 1(c) Consolidated Cash Flow Statement**
 - 1(d)(i) Statements of Changes in Equity**
 - 1(d)(ii) Changes in Share Capital**
 - 1(d)(iii) Share Options**
 - 1(d)(iv) Treasury Shares**
- 2. Statement on Audit**
- 3. Auditors' Report**
- 4. Accounting Policies**
- 5. Changes in Accounting Policies**
- 6. Earnings Per Share**
- 7. Net Asset Value Per Share**
- 8. Group Performance Review**
- 9. Prospect vs Actual Results**
- 10. Prospect - Business Outlook**
- 11. Dividends**
- 12. Statement on Dividends**
- 13. Interested Person Transactions**
- 14. Confirmation by the Board Pursuant to Rule 705(4) of the Listing Manual**

1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results		
		1Q2015 S\$'000	1Q2014 S\$'000	Change* %
Continuing operations				
Revenue		9,216	10,206	-9.7%
Other income	A.1	466	356	30.9%
		9,682	10,562	-8.3%
Changes in inventories of finished goods and work-in-progress	A.2	2,160	(1,703)	226.8%
Raw materials and other consumables	A.2	(6,685)	(4,417)	-51.3%
Staff costs		(2,978)	(2,482)	-20.0%
Depreciation of property, plant and equipment		(251)	(244)	-2.9%
Amortisation of intangible assets		(64)	(274)	76.6%
Other expenses		(1,628)	(1,457)	-11.7%
Finance expenses		(4)	(4)	0.0%
Profit/(loss) before taxation		232	(19)	1321.1%
Income tax expense		(3)	(74)	95.9%
Profit/(loss) after tax from continuing operations		229	(93)	NM
Discontinued operation:				
Loss from discontinued operation		-	(2,833)	100.0%
Profit/(loss) for the period		229	(2,926)	107.8%
Other comprehensive income				
Translation gain relating to financial statements of foreign subsidiaries, net of tax		216	87	148.3%
Other comprehensive income for the period, net of tax		216	87	148.3%
Total comprehensive profit/(loss) for the period		445	(2,839)	115.7%

* Increase/(Decrease) Earnings

1(a)(ii). Consolidated Comprehensive Income Statement

Total comprehensive gain/ (loss) attributable to:

Owners of the Company		445	(1,642)	127.1%
Non-controlling interests		-	(1,197)	100.0%
Total comprehensive profit/(loss) for the period		445	(2,839)	115.7%

* Increase/(Decrease) Earnings

1(a)(iii). Explanatory Notes to Consolidated Income Statement

A.1 Profit/(Loss) from the continuing operations is arrived at after crediting/(charging) the following items:

	Note	Quarterly Results		
		1Q2015 S\$'000	1Q2014 S\$'000	Change* %
Government grant income		-	46	-100.0%
Interest income		12	14	-14.3%
Rental income	(a)	253	294	-13.9%
Exchange gain, net	(b)	196	(33)	693.9%
Allowance for doubtful debts provided		(2)	-	NM
Allowance for inventory obsolescence reversed		3	-	NM

A.1(a) In 1Q2015, the decrease in rental income was mainly due to the expiry of our tenant's leases with the Company.

A.1(b) The foreign exchange gains in 1Q2015 arose mainly due to the appreciation of United States dollar against the Singapore dollar.

A.2 Raw Material and Other Consumables

	1Q2015 S\$'000	1Q2014 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress	2,157	(1,703)	226.7%
Raw materials and consumables cost	(6,685)	(4,417)	-51.3%
Net material cost before obsolescence	(4,528)	(6,120)	26.0%
Allowance for inventory obsolescence reversed	3	-	NM
Total	(4,525)	(6,120)	26.1%

A significant portion of our finished goods and work-in-progress costs comprised materials and consumables cost. Net raw materials and consumables cost, after taking into consideration changes in inventories and excluding provisions made for inventory obsolescence, decreased from S\$6.1 million in 1Q2014 to S\$4.5 million in 1Q2015, representing a reduction of 26.0%. The 26.0% reduction in materials and consumables cost was greater than the 9.7% reduction in revenue largely due to the booking of engineering and service revenues for new equipment development, which does not carry significant materials and consumables costs with it.

1(b)(i). Statement of Financial Position

	Note	Group		Company	
		31-Mar-15 S\$'000	31-Dec-14 S\$'000	31-Mar-15 S\$'000	31-Dec-14 S\$'000
Non-current assets					
Property, plant and equipment		6,032	6,163	52	61
Intangible assets		335	381	76	89
Subsidiaries		-	-	10,194	10,194
Deferred tax asset	B.1	1,854	1,796	328	328
		8,222	8,340	10,650	10,672
Current assets					
Inventories	B.2	11,488	9,057	-	-
Trade and other receivables	B.3	9,114	7,482	5,128	4,374
Cash and bank equivalents	B.4	7,674	11,152	2,214	3,328
		28,275	27,691	7,342	7,702
Total assets		36,497	36,031	17,992	18,374
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	39,737	39,737	39,737	39,737
Other reserves	1(d)(i)	(21,591)	(13,868)	(24,986)	(461)
Accumulated profits/(losses)	1(d)(i)	229	(7,942)	(189)	(24,525)
	1(d)(i)	18,375	17,927	14,562	14,751
Non-current liabilities					
Financial liabilities	1(b)(ii)	156	-	-	-
Deferred tax liabilities		48	49	-	-
		204	49	-	-
Current liabilities					
Trade and other payables	B.5	14,571	15,490	3,349	3,542
Financial liabilities	1(b)(ii)	194	202	-	-
Current tax payable	B.6	2,933	2,164	81	81
Provisions		220	199	-	-
		17,918	18,055	3,430	3,623
Total liabilities		18,122	18,104	3,430	3,623
Total equity and liabilities		36,497	36,031	17,992	18,374

B.1 The increase in deferred tax asset was mainly due to the appreciation of United States dollar against the Singapore dollar.

B.2 The increase in inventory was mainly due to the increase in material purchases to cater for the anticipated increase in requirements.

B.3 Trade and other receivables increased mainly due to the increase in sales comparing 1Q2015 and 4Q2014.

B.4 Cash and bank equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales comparing 1Q2015 and 4Q2014.

B.5 The reduction in trade and other payables was mainly due to payments made to trade suppliers, offset by the receipt of S\$1.0 million advance payment from customers for equipment orders.

B.6 The increase was mainly due to the refund of an over payment of tax for one of the Company's subsidiary. The refund was recorded in tax provision as the subsidiary is still in the process of finalising its tax computation with the tax authority.

1(b)(ii). Group Borrowings and Debt Securities

	31-Mar-15 S\$'000	31-Dec-14 S\$'000
Amount repayable in one year or less, or on demand		
- Secured bank loan	108	202
- Secured finance lease liabilities	86	-
	194	202
Amount repayable after one year		
- Secured finance lease liabilities	156	-
	156	-
Total	350	202

The bank loan is secured by corporate guarantee from AEM Holdings Ltd and a fixed and floating charge on the trade receivables of a subsidiary of the Company. The finance lease liabilities are secured by corporate guarantee from AEM Holdings Ltd and fixed charge on the equipment being financed.

1(c). Consolidated Cash Flow Statement

	Note	1Q2015 S\$'000	1Q2014 S\$'000
Operating activities			
Profit before tax from continuing operations		229	(19)
Loss before tax from discontinued operations		-	(2,833)
Profit/(Loss) before tax		229	(2,852)
Adjustments for:			
Depreciation and amortisation		315	1,250
Allowance made for inventories obsolescence		(3)	-
Allowance made for doubtful debts and bad debts written off		2	1
Interest income		(9)	(13)
Interest expense		4	12
Provision made for warranties		20	11
Performance shares expense		-	255
Operating profit/(loss) before working capital changes		558	(1,336)
Changes in working capital:			
Inventories		(2,022)	1,790
Trade and other receivables		(1,374)	(1,930)
Trade and other payables		(1,313)	(3,996)
Cash used in operations		(4,151)	(5,472)
Income taxes refunded/(paid)		565	(850)
Cash flows used in operating activities		(3,586)	(6,322)
Investing activities			
Interest income		9	13
Purchase of property, plant and equipment		(91)	(2,316)
Acquisition of intangible assets		(8)	(1,036)
Cash flows used in investing activities		(90)	(3,339)

1(c). Consolidated Cash Flow Statement (Cont'd)

	Note	1Q2015 S\$'000	1Q2014 S\$'000
Financing activities			
Interest expense		(4)	(12)
Proceeds from subsidiary's shares issuance		-	1,321
Proceeds from/(Repayment of) financial liabilities		143	(254)
Purchase of treasury shares		-	(36)
Cash flows from financing activities		139	1,019
Net decrease in cash and cash equivalents		(3,537)	(8,642)
Cash and cash equivalents at beginning of period		11,152	22,370
Effect of exchange rate changes on balances held in foreign currencies		58	(90)
Cash and cash equivalents at end of period		7,673	13,638

Explanatory Notes on Cash Flow Statement

Cash and bank equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales comparing 1Q2015 and 4Q2014.

1(d)(i). Statements of Changes in Equity

	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Merger reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders S\$'000	Non-Controlling Interest S\$'000	Total Equity S\$'000
Group										
As at 1 Jan 2014	39,737	(910)	214	230	139	(15,270)	26,661	50,801	14,331	65,132
Changes in equity for the period										
Own shares acquired	-	(36)	-	-	-	-	-	(36)	-	(36)
Performance Share Plan shares issuance	-	255	-	-	-	-	-	255	-	255
Acquisition of shares in subsidiary	-	-	-	-	-	-	-	-	1,321	1,321
Total comprehensive income/(loss)	-	-	-	-	-	87 *	(1,729)	(1,642)	(1,197)	(2,839)
As at 31 Mar 2014	39,737	(691)	214	230	139	(15,183)	24,932	49,378	14,455	63,833

	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Merger reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders S\$'000	Non-Controlling Interest S\$'000	Total Equity S\$'000
Group										
As at 1 Jan 2015	39,737	(691)	214	230	-	(13,621)	(7,942)	17,927	-	17,927
Changes in equity for the period										
Total comprehensive income	-	-	-	-	-	216	229	445	-	445
As at 31 Mar 2015	39,737	(691)	214	230	-	(13,405)	(7,713)	18,375	-	18,375

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders of the Company S\$'000
Company					
As at 1 Jan 2014	39,737	(910)	230	7,949	47,006
Changes in equity for the period					
Own shares acquired	-	(36)	-	-	(36)
Performance Shares Plan shares issuance	-	255	-	-	255
Total comprehensive loss	-	-	-	(122)	(122)
As at 31 Mar 2014	39,737	(691)	230	7,827	47,103

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total attributable to shareholders of the Company S\$'000
Company					
As at 1 Jan 2015	39,737	(691)	230	(24,525)	14,751
Changes in equity for the period					
Total comprehensive loss	-	-	-	(189)	(189)
As at 31 Mar 2015	39,737	(691)	230	(24,714)	14,562

1(d)(ii). Changes in Share Capital

	As at 31-Mar-15		As at 31-Dec-14		As at 30-Mar-14	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid						
At 1 January	451,126,760	39,737	451,126,760	39,737	451,126,760	39,737
Less treasury shares balance	(7,650,000)	(691)	(7,650,000)	(691)	(7,650,000)	(691)
Total issued shares less treasury shares reserve at end of period	443,476,760	39,046	443,476,760	39,046	443,476,760	39,046

	As at 31-Mar-15		As at 31-Dec-14		As at 30-Mar-14	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(7,650,000)	(691)	(10,000,000)	(910)	(10,000,000)	(910)
Less purchase of own shares	-	-	(450,000)	(36)	(450,000)	(36)
Issue of treasury shares to management under Performance Share Plan	-	-	2,800,000	255	2,800,000	255
Treasury shares balance at end of period	(7,650,000)	(691)	(7,650,000)	(691)	(7,650,000)	(691)

1(d)(iii). Share Options

Nil

1(d)(iv). Treasury Shares

As at 31 March 2015, the treasury shares balance was 7,650,000 (31 December 2014: 7,650,000). The total number of issued ordinary shares excluding treasury shares at the end of the period was 443,476,760 (31 December 2014: 443,476,760).

There was no sale, transfer or cancellation of treasury shares during the period.

2. Statement on Audit

Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3. Auditors' Report

Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Accounting Policies

Whether the same accounting policies and methods of computations as in the issuer's most recently audited annual financial statements have been applied

Other than the adoption of the new and revised Financial Reporting Standards (FRSs) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2014.

5. Changes in Accounting Policies

If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group and the Company have reviewed the applicable new and revised Financial Reporting Standards (FRSs) and the Interpretations of FRSs that became effective for accounting periods beginning 1 January 2015.

The adoption of these new and revised FRSs does not have a material impact on the Group financial statements.

6. Earnings Per Share

Earnings per ordinary share for the period for continuing operations based on net profit attributable to shareholders after deducting any provision for preference dividends

	Group	
	1Q2015	1Q2014
(i) EPS based on weighted average number of ordinary shares in issue	0.05 cents	-0.02 cents
Weighted average number of shares in issue	443,476,760	441,159,738
(ii) EPS based on a fully diluted basis	0.05 cents	-0.02 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	443,476,760	441,159,738

7. Net Asset Value Per Share

	Group		Company	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
Net asset value per share	4.1 cents	4.0 cents	3.3 cents	3.3 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 443,476,760 ordinary shares as at 31 March 2015 (31 December 2014: 443,476,760 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results		
	1Q2015	1Q2014	Change
	S\$'000	S\$'000	%
Equipment Systems (ESS)	7,383	8,099	-8.8%
Precision Components (PCS)	1,623	1,916	-15.3%
Plating & Other Services (PLT)	210	191	10.0%
Overall	9,216	10,206	-9.7%

The Group reported lower sales from its Equipment Systems ("ESS") business as revenues decreased 8.8% from S\$8.1 million in 1Q2014 to S\$7.4 million in 1Q2015. The softer ESS revenue performance in recent quarters has been driven principally by a transition by our major customer away from a previous generation ESS platform towards a significantly more capable next generation AEM platform. During this period of transition, commercial orders have been soft as AEM has partnered with our key customer to complete successful prototypes of our next generation platform and ready it for full commercial production this year.

Sales from the Precision Components ("PCS") business declined from S\$1.9 million in 1Q2014 to S\$1.6 million in 1Q2015, representing a reduction of 15.3%.

Plating and Other Services reported revenue increase of 10.0% as revenue rose from S\$191,000 in 1Q2014 to S\$210,000 in 1Q2015 mainly due to increase in demand for its services.

As a result, the Group's total revenue of S\$9.2 million in 1Q2015, was 9.7% lower compared to the total revenue of S\$10.2 million reported in 1Q2014.

Net raw materials and consumables cost, after taking into consideration changes in inventories and excluding provisions made for inventory obsolescence, decreased from S\$6.1 million in 1Q2014 to S\$4.5 million in 1Q2015, representing a reduction of 26.1%. The 26.0% reduction in materials and consumables cost was greater than the 9.7% reduction in revenue largely due to the booking of engineering and service revenues for new equipment development, which does not carry significant materials and consumables costs with it.

Staff costs increased by 20.0% from S\$2.5 million in 1Q2014 to S\$3.0 million in 1Q2015. This was mainly due to more staff being employed to strengthen the engineering and field service team in the ESS business.

Depreciation cost declined by 5.3% from S\$265,000 in 1Q2014 to S\$251,000 in 1Q2015 mainly due to the lower average carrying amount of property, plant and equipment.

Amortisation of intangible assets reduced from S\$274,000 in 1Q2014 to S\$64,000 in 1Q2015 as a result of the write off of intangible assets for capitalised development cost in 4Q2014.

Other expenses increased 14.2% from S\$1.4 million in 1Q2014 to S\$1.6 million in 1Q2015 mainly due to higher travel expenses to perform overseas equipment installation in 1Q2015 and the engagement of short term contract consultants in engineering and program management.

As a result of the above, profit before tax in 1Q2015 was S\$232,000 compared to S\$48,000 in 1Q2014. After taking into consideration tax expense of S\$3,000 in 1Q2015, profit after tax was S\$229,000 compared to a loss after tax in 1Q2014 of S\$26,000 from continuing operations. The loss after tax in 1Q2014 was \$2.9million from both continuing and discontinued operations.

Analysis of Statement of Financial Position

As at 31 March 2015, the Group had a cash balance of S\$7.7 million compared to its financial liabilities of S\$350,000.

The increase in working capital at AEM during 1Q2015 reflects purchases of raw materials and increases in inventory ahead of commercial deliveries for our next-generation platform in the coming quarters of 2015.

9. Prospect vs Actual Results

Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Company had stated in its 4Q2014 financial results announcement that it expected to report a profit in 1Q2015. The Company recorded a profit after tax of S\$229,000 in 1Q2015.

10. Business Outlook

Commentary of significant trends and competitive conditions of the industry and any known factors or events that may affect the Group

AEM refined its strategic focus in FY2014 by divesting MCT and concentrating resources on its core equipment and services business.

FY 2015 marks an exciting year for AEM as we look forward to bringing our next generation ESS platform to market. We have been pleased with progress made in 4Q 2014 and 1Q2015 on our new platform as it has passed through successful prototyping and is being readied for commercial release mid-year.

Our major customer has retained their interest and commitment in our next-generation platform, and we look forward to reporting growth in the ESS business as our platform reaches the market.

Although we face challenging macro-economic headwinds from the slowdown in the Asian economies, we believe that the strength of our product platforms will enable us to deliver improving business performance over the course of this year.

11. Dividends

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

(c) Date payable

NA

(d) Books closure date

NA

12. Statement on Dividends

If no dividend has been declared (recommended), a statement to that effect

No dividend has been declared.

13. Interested Person Transactions

If no IPT mandate has been obtained, a statement to that effect

No IPT mandate has been obtained.

14. Confirmation by the Board Pursuant to Rule 705(4) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the period ended 31 March 2015, to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Charles Cher Lew Siang
Chief Executive Officer
27 April 2015