SGXNET Announcement

AEM Holdings Ltd
(Registration No. 200006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 31 March 2016

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results		
		1Q2016 S$'000	1Q2015 S$'000	Change* %
Revenue		12,194	9,216	32.3%
Other income	A.1	81	466	-82.6%
		12,275	**9,682**	**26.8%**
Changes in inventories of finished goods and work-in-progress	A.2	2,557	2,160	18.4%
Raw materials and other consumables	A.2	(9,780)	(6,685)	-46.3%
Staff costs		(2,987)	(2,978)	-0.3%
Depreciation of property, plant and equipment		(217)	(251)	13.5%
Amortisation of intangible assets		(53)	(64)	17.2%
Other expenses	A.1	(1,437)	(1,628)	11.7%
Finance expenses		(6)	(4)	-50.0%
Profit before taxation		**352**	**232**	**51.7%**
Income tax expenses	A.1(e)	(111)	(3)	-3600.0%
Profit for the period		**241**	**229**	**5.2%**
Other comprehensive income				
Translation (loss)/gain relating to financial statements of foreign subsidiaries, net of tax		(424)	216	-296.3%
Effect of liquidation of dormant subsidiaries		15	-	NM
Other comprehensive (loss)/income for the period, net of tax		**(409)**	**216**	-289.4%
Total comprehensive (loss)/income for the period		**(168)**	**445**	**-137.8%**

** Increase/(Decrease) Earnings*
NM: Not Meaningful

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

Total comprehensive (loss)/ income attributable to:

Owners of the Company		(168)	445	-137.8%
Total comprehensive (loss)/income for the period		**(168)**	**445**	-137.8%

** Increase/(Decrease) Earnings*

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

A.1 Profit for the period is arrived at after crediting/(charging) the following items:

	Note	Quarterly Results		
		1Q2016 S$'000	1Q2015 S$'000	Change* %
Government grant income		63	-	NM
Interest income		7	12	-41.7%
Rental income	(a)	9	253	-96.4%
Exchange (loss) /gain, net	(b)	(258)	196	-231.6%
Allowance for doubtful debts provided		-	(2)	100.0%
Allowance for inventory obsolescence reversed	(c)	101	3	3266.7%
Loss on liquidation of a dormant subsidiary	(d)	(15)	-	NM
Loss on disposal of property, plant and equipment		(26)	-	NM

** Increase/(Decrease) Earnings*
NM: Not Meaningful

A.1(a) In 2Q2015, the lease for AEM building in Singapore expired. The Group took the opportunity to revise its rental arrangement and reduce its rented space and hence there was minimal surplus space to rent out.

A.1(b) The foreign exchange losses arose mainly due to the depreciation of United States dollar against the Singapore dollar and Malaysian Ringgit in 1Q2016 and from the translation of our working capital as at the end of the period at less preferential exchange rates.

A.1(c) In 1Q2016, there was a reversal of allowance for inventory obsolescence due to the utilisation of obsolete inventories.

A.1(d) The Group liquidated its wholly owned dormant Malaysian subsidiary, Microcircuit Technology (M) Sdn. Bhd. As a result of the liquidation, a disposal loss of S$15,000 was recognised.

A.1(e) The income tax expense was accrued for the profit made in 1Q2016.

A.2 Raw Material and Other Consumables

	Quarterly Results		
	1Q2016 S$'000	1Q2015 S$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding allowance fo inventory obsolescence	2,456	2,157	13.9%
Raw materials and consumables cost	(9,780)	(6,685)	-46.3%
Material cost before obsolescence	(7,324)	(4,528)	-61.7%
Allowance for inventory obsolescence reversed	101	3	3266.7%
Total	(7,223)	(4,525)	-59.6%

** Increase/(Decrease) Earnings*

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S$4.5 million in 1Q2015 to S$7.3 million in 1Q2016, representing an increase of 61.7%. The increase in raw materials and other consumables cost in 1Q2016 was higher than the revenue increase mainly due to higher proportion of equipment sales compared to spares and sale of kits.

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

	Note	Group		Company	
		31-Mar-16 S$'000	31-Dec-15 S$'000	31-Mar-16 S$'000	31-Dec-15 S$'000
Non-current assets					
Property, plant and equipment	B.1	2,033	3,236	46	51
Intangible assets		159	217	24	37
Subsidiaries		-	-	10,194	10,194
Deferred tax asset	B.2	969	1,115	328	328
		3,161	**4,568**	**10,592**	**10,610**
Current assets					
Assets held for sale	B.1	3,724	2,551	-	-
Inventories	B.3	10,840	8,896	-	-
Trade and other receivables	B.4	11,096	10,375	4,566	3,809
Cash and cash equivalents	B.5	6,972	10,363	3,094	3,680
		32,632	**32,185**	**7,660**	**7,489**
Total assets		**35,793**	**36,753**	**18,252**	**18,099**
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)	(13,589)	(13,075)	(364)	(259)
Accumulated losses	1(d)(i)	(1,919)	(2,160)	(22,623)	(22,711)
Total equity		**24,229**	**24,502**	**16,750**	**16,767**
Non-current liabilities					
Financial liabilities	1(b)(ii)	71	76	-	-
Deferred tax liabilities		45	43	-	-
		116	**119**	**-**	**-**
Current liabilities					
Trade and other payables	B.6	10,736	11,383	1,421	1,251
Financial liabilities	1(b)(ii)	80	86	-	-
Current tax payable		433	453	81	81
Provisions		199	210	-	-
		11,448	**12,132**	**1,502**	**1,332**
Total liabilities		**11,564**	**12,251**	**1,502**	**1,332**
Total equity and liabilities		**35,793**	**36,753**	**18,252**	**18,099**

B.1 In 1Q2016, the Group entered into an agreement to dispose of its plating line and business as well as properties in Malacca. These assets were classified as Assets Held For Sale as the sales have yet to be completed as at 31 March 2016.

B.2 The decrease in deferred tax asset was mainly due to the expected utilisation as a result of the profit made in 1Q2016.

B.3 The increase in inventories is mainly due to inventory builds for fulfilment of sales orders over the next few quarters.

B.4 Trade and other receivables increased mainly due to receivables brought forward from 4Q2015.

B.5 Cash and cash equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales orders to be fulfilled over the next few quarters.

B.6

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

	31-Mar-16 S$'000	31-Dec-15 S$'000
Amount repayable in one year or less, or on demand		
- Secured finance lease liabilities	80	86
Amount repayable after one year		
- Secured finance lease liabilities	71	76
Total	**151**	**162**

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	1Q2016 S$'000	1Q2015 S$'000
Operating activities			
Profit for the period		241	229
Adjustments for:			
Depreciation and amortisation		270	315
Loss on disposal of property, plant and equipment		26	-
Loss on liquidation of a subsidiary		15	-
Reversal of allowance for inventories obsolescence		(101)	(3)
Allowance for doubtful debts and bad debts written off		-	2
Interest income		(7)	(12)
Interest expense		6	4
Provision made for warranties		-	20
Tax expense		111	3
Operating profit before working capital changes		**561**	**558**
Changes in working capital:			
Inventories		(2,359)	(2,022)
Trade and other receivables		(1,272)	(1,374)
Trade and other payables		(209)	(1,313)
Cash used in operations		**(3,279)**	**(4,151)**
Tax recovered		-	562
Net cash used in operating activities		**(3,279)**	**(3,589)**
Investing activities			
Interest income		7	9
Purchase of property, plant and equipment		(151)	(91)
Acquisition of intangible assets		-	(8)
Net cash used in investing activities		**(144)**	**(90)**
Financing activities			
Interest expense		(6)	(4)
Proceeds from financial liabilities		-	143
Purchase of treasury shares		(106)	-
Repayment of finance lease liabilities		(11)	-
Net cash (used in)/ from financing activities		**(123)**	**139**
Net decrease in cash and cash equivalents		**(3,546)**	**(3,540)**
Cash and cash equivalents at beginning of period		10,363	11,152
Effect of exchange rate changes on balances held in foreign currencies		155	58
Cash and cash equivalents at end of period		**6,972**	**7,670**

Explanatory Notes on Cash Flow Statement

Cash and cash equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales comparing 1Q2016 and 1Q2015 and inventory builds for fulfilment of sales orders over the next few quarters.

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	Currency translation reserve S$'000	Retained earnings S$'000	Total attributable to shareholders 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	Capital reserve S$'000	Share compensation reserve S$'000	Currency translation reserve S$'000	Retained earnings S$'000	Total attributable to shareholders S$'000	Total Equity S$'000
Group								
As at 1 Jan 2016	**39,737**	**(489)**	**214**	**230**	**(13,030)**	**(2,160)**	**24,502**	**24,502**
Changes in equity for the period								
Own shares acquired	-	(105)	-	-	-	-	(105)	(105)
Disposal of dormant subsidiaries	-	-	-	-	15	-	15	15
Total comprehensive (loss)/income	-	-	-	-	(424)*	241	(183)	(183)
As at 31 Mar 2016	**39,737**	**(594)**	**214**	**230**	**(13,439)**	**(1,919)**	**24,229**	**24,229**

** The net exchange difference arose mainly from translation of subsidiaries' USD-denominated net assets and liabilities.*

	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**

	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 2016	**39,737**	**(489)**	**230**	**(22,711)**	**16,767**
Changes in equity for the period					
Own shares acquired	-	(105)	-	-	(105)
Total comprehensive gain	-	-	-	88	88
As at 31 Mar 2016	**39,737**	**(594)**	**230**	**(22,623)**	**16,750**

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

	As at 31-Mar-16		As at 31-Dec-15		As at 31-Mar-15	
	No. of shares	S$'000	No. of shares	S$'000	No. of shares	S$'000
Issued and fully paid						
At 1 January	45,112,629	39,737	45,112,676	39,737	45,112,676	39,737
Total issued shares	**45,112,629**	**39,737**	**45,112,676**	**39,737**	**45,112,676**	**39,737**
Less treasury shares balance	(1,101,500)	(594)	(752,100)	(489)	(765,000)	(691)
Total issued shares less treasury shares reserve at end of period	**44,011,129**	**39,143**	**44,360,576**	**39,248**	**44,347,676**	**39,046**

	As at 31-Mar-16		As at 31-Dec-15		As at 31-Mar-15	
	No. of shares	S$'000	No. of shares	S$'000	No. of shares	S$'000
Treasury shares						
At 1 January	(752,100)	(489)	(765,000)	(691)	(765,000)	(691)
Less purchase of own shares	(349,400)	(105)	(299,500)	(81)	-	-
Issue of treasury shares to management under Performance Share Plan	-	-	312,400	283	-	-
Treasury shares balance at end of period	**(1,101,500)**	**(594)**	**(752,100)**	**(489)**	**(765,000)**	**(691)**

1(d)(iii). Share Options

Nil

1(d)(iv). Treasury Shares

As at 31 March 2016, the treasury shares balance was 1,101,500 (31 December 2015: 752,100). The total number of issued ordinary shares excluding treasury shares at the end of the period was 44,011,129 (31 December 2015: 44,360,576).

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

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 2015.

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.

A number of new standards, amendments to standards and interpretations are effective for annual period beginning after 1 January 2016. None of these is expected to have a significant effect on the Group's financial statements, except for FRS 115 "Revenue from contracts with customers", "FRS 109 "Financial Instruments" and "IFRS 16 Leases" which are mandatory for adoption by the Group on 1 January 2018, 1 January 2018 and 1 January 2019 respectively.

6. Earnings Per Share

Earnings per ordinary share for the period for continuing operations based on net profit attributable

	Group	
	1Q2016	1Q2015
(i) EPS based on weighted average number of ordinary shares in issue	0.55 cents	0.52 cents
Weighted average number of shares in issue	44,011,129	44,347,676
(ii) EPS based on a fully diluted basis	0.55 cents	0.52 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	44,011,129	44,347,676

7. Net Asset Value Per Share

	Group		Company	
	31-Mar-16	31-Dec-15	31-Mar-16	31-Dec-15
Net asset value per share	55.1 cents	55.2 cents	38.1 cents	37.8 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 44,011,129 ordinary shares as at 31 March 2016 (31 December 2015: 44,360,576 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results		
	1Q2016 S$'000	1Q2015 S$'000	Change %
Equipment Systems (ESS)	10,686	7,401	44.4%
Precision Components (PCS)	1,464	1,623	-9.8%
Other Sales & Services (Others)	44	192	-77.1%
Overall	12,194	9,216	32.3%

The Group reported higher sales from its Equipment Systems ("ESS") business mainly due to higher sales to a key customer. Sales for ESS were higher by 44.4% increasing from S$7.4 million in 1Q2015 to S$10.7 million in 1Q2016.

Sales from the Precision Components ("PCS") business were lower by 9.8%, decreasing from S$1.6 million in 1Q2015 to S$1.5 million in 1Q2016. The lower sales were mainly due to reduced orders from the semiconductor industry.

Other Sales & Services ("Others") reported 77.1% reduction in revenue, which decreased from S$192,000 in 1Q2015 to S$44,000 in 1Q2016 as the Group is in the process of transferring its plating business and equipment to the buyer.

As a result of the above, the Group recorded a 32.3% increase in its total revenue, which rose from S$9.2 million in 1Q2015 to S$12.2 million in 1Q2016.

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance for inventory obsolescence, increased from S$4.5 million in 1Q2015 to S$7.3 million in 1Q2016, representing an increase of 61.7%. The increase in raw materials and other consumables cost in 1Q2016 was higher than the revenue increase mainly due to higher proportion of equipment sales compared to sale of kits and spares.

Depreciation cost decreased by 13.5% from S$251,000 in 1Q2015 to S$217,000 in 1Q2016 mainly due to lower property, plant and equipment carrying value in 1Q2016.

Amortisation of intangible assets was lower by 11.7%, decreasing from S$64,000 in 1Q2015 to S$53,000 in 1Q2016 mainly due to lower intangible assets carrying value in 1Q2016.

The net decrease in other expenses by 11.7% from S$1.6 million in 1Q2015 to S$1.4 million in 1Q2016 was mainly due to lower office rental costs as the Group reduced its rental space. The lower general expenses was however offset by foreign exchange losses incurred in 1Q2016 of S$258,000 due to the weakening of United States Dollar against Singapore dollar and Malaysian Ringgit.
As a result of the above, profit before tax in 1Q2016 was S$352,000 compared to a profit before tax of S$232,000 in 1Q2015. After taking into consideration tax expense of S$111,000 in 1Q2016., profit after tax in 1Q2016 was S$241,000 compared to a profit after tax of S$229,000 in 1Q2015.

Analysis of Statement of Financial Position
As at 31 March 2016, the Group had a cash balance of S$7.0 million compared to its financial liabilities of S$151,000.

The higher volume of trade purchases due to the increased sales has led to the reduction in cash and bank balances.

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

In our 4Q2015 results announcement, we stated "On our prospects for the first quarter and FY2016, we expect that we will continue to operate profitably" .The Group was profitable for 1Q2016 and the profit after tax was S$241,000.

10. Business Outlook

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

Supported by its growing equipment business, the Group continues to operate profitably with an 5.2% increase in net profit after tax, which rose from S$229,000 in 1Q2015 to S$241,000 in 1Q2016. Revenue was also higher this quarter, increasing 32.3% from S$9.2 million in 1Q FY2015 to $12.2 million at the close of the quarter under review.

On 18 March 2016, we announced an order book of S$24.5 million as at 15 March 2016. This will contribute positively to our business in the second quarter as demand for our equipment business grows. We will continue to align ourselves to focus our resources strategically in our core areas.

We are confident about our prospects in the second quarter and expect that our business will continue to operate profitably. Nonetheless, we will still maintain our cautious approach in view of the prevailing global weak economic conditions.

11. Dividends

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	0.5 cent per ordinary share
Tax Rate	Tax Exempt One-Tier

(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

Payment will be made on 22 July 2016

(d) Books closure date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 11 July 2016 for the preparation of the proposed dividend. Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, Intertrust Singapore Corporate Services Pte. Ltd., at 3 Anson Road #27-01, Springleaf Tower Singapore 079909, up to 5.00 p.m. on 8 July 2016 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 8 July 2016 will be entitled to the proposed dividend.

12. Statement on Dividends

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

Not applicable.

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 2016, to be false or misleading in any material respect.

15. Confirmation by the Directors and Officers Pursuant to Rule 720(1) of the Listing Manual

The Group has procured undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Charles Cher Lew Siang
Chief Executive Officer
28 April 2016