



AEM HOLDINGS LTD.
(REGISTRATION NO. 200006417D)

Condensed Interim Financial Statements for the six months ended 30 June 2021

A. Condensed interim consolidated statement of profit or loss and other comprehensive income

		6 months ended 30 June 2021	6 months ended 30 June 2020	Change*
		S\$'000	S\$'000	%
	Note			
Revenue	4	192,251	273,699	-29.8%
Other income		1,658	3,183	-47.9%
Changes in inventories of finished goods and work-in-progress		6,822	43,755	-84.4%
Raw materials and other consumables		(113,710)	(210,187)	45.9%
Staff costs		(36,555)	(32,490)	-12.5%
Depreciation of property, plant and equipment		(1,410)	(1,082)	-30.3%
Depreciation of right-of-use assets		(2,222)	(2,285)	2.8%
Amortisation of intangible assets		(2,148)	(873)	-146.0%
Expense relating to low-value leases		(335)	(155)	-116.1%
Utilities and maintenance expenses		(1,824)	(836)	-118.2%
Legal and professional fees		(3,378)	(1,277)	-164.5%
Sales and marketing expenses		(1,710)	(3,818)	55.2%
Other expenses		(968)	(890)	-8.8%
Results from operating activities		36,471	66,744	-45.4%
Finance income		109	370	-70.5%
Finance costs		(867)	(95)	-812.6%
Net finance cost		(758)	275	-375.6%
Share of equity-accounted investee's (losses)/ profit (net of tax)		(203)	261	-177.8%
Profit before tax	6	35,510	67,280	-47.2%
Tax expenses	7	(5,814)	(11,996)	51.5%
Profit for the financial period, net of tax		29,696	55,284	-46.3%
Profit attributable to:				
Owners of the Company		29,528	55,284	-46.6%
Non-Controlling Interest		168	-	NM
		29,696	55,284	
Earnings per share for profit for the period attributable to the owners of the Company during the year:				
Basic (SGD in cent)		10.61	20.15	-47.4%
Diluted (SGD in cent)		10.52	20.13	-47.8%

Note:

*Increase/(Decrease) in Earnings

NM: Not Meaningful

**A. Condensed interim consolidated statement of profit or loss and other comprehensive income
(Cont'd)**

	6 months ended 30 June 2021 S\$'000	6 months ended 30 June 2020 S\$'000	Change* %
Profit for the financial period, net of tax	29,696	55,284	-46.3%
Other comprehensive income			
Item that is or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences	(422)	1,276	-133.1%
Share of foreign currency translation difference of equity-accounted investee	(81)	124	-165.3%
Total other comprehensive income for the period	(503)	1,400	-135.9%
Total comprehensive income	29,193	56,684	-48.5%
Total comprehensive income attributable to:			
Owners of the Company	29,030	56,684	-48.8%
Non-Controlling Interest	163	-	NM
	<u>29,193</u>	<u>56,684</u>	

Note:

*Increase/(Decrease) in Earnings

NM: Not Meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
		S\$'000	S\$'000	S\$'000	S\$'000
Assets					
Property, plant and equipment	11	26,130	8,127	28	29
Right-of-use assets		11,673	9,509	-	-
Intangible assets	10	95,384	46,646	-	-
Investment in subsidiaries		-	-	42,986	42,986
Investment in an associate		9,594	4,680	4,667	4,667
Other investments		2,551	-	-	-
Deferred tax assets		1,191	168	19	19
Non-current assets		146,523	69,130	47,700	47,701
Inventories	12	125,541	79,676	-	-
Contract cost		-	1,234	-	-
Trade and other receivables		79,657	47,571	26,001	9,316
Contract assets		844	3,123	-	-
Cash and cash equivalents		70,862	134,785	6,713	8,944
Current assets		276,904	266,389	32,714	18,260
Total assets		423,427	335,519	80,414	65,961
Equity					
Share capital	14	70,805	50,727	70,805	50,727
Reserves		(3,148)	(226)	4,151	6,570
Accumulated profit/ (losses)		179,377	160,929	(4,206)	(6,335)
Total equity attributable to owners of the Group		247,034	211,430	70,750	50,962
Liabilities					
Financial liabilities	13	60,452	6,310	-	-
Trade and other payables		2,266	3,050	1,088	2,581
Deferred tax liabilities		7,659	3,073	-	-
Provisions		-	871	-	-
Non-current liabilities		70,377	13,304	1,088	2,581
Financial liabilities	13	6,994	4,977	-	-
Trade and other payables		80,662	83,658	7,246	9,957
Contract liabilities		2,512	2,806	-	-
Current tax payable		13,530	17,854	1,330	2,461
Provisions		2,318	1,490	-	-
Current liabilities		106,016	110,785	8,576	12,418
Total liabilities		176,393	124,089	9,664	14,999
Total equity and liabilities		423,427	335,519	80,414	65,961

C. Condensed interim statement of changes in equity

Group	Note	Attributable to owners of the Company						Non-Controlling Interest	Total equity	
		Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Currency translation reserve	Accumulated profits			Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			\$'000
At 1 January 2020		45,786	(2,632)	2,148	5,808	(2,356)	85,582	134,336	-	134,336
Total comprehensive income for the period										
Profit after tax		-	-	-	-	-	55,284	55,284	-	55,284
Other comprehensive income										
Foreign currency translation difference		-	-	-	-	1,276	-	1,276	-	1,276
Share of foreign currency translation difference of equity-accounted investee		-	-	-	-	124	-	124	-	124
Total comprehensive income		-	-	-	-	1,400	55,284	56,684	-	56,684
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners of the company										
Own shares acquired		-	(1,804)	-	-	-	-	(1,804)	-	(1,804)
Treasury shares reissued pursuant to settlement of deferred and contingent consideration		-	270	538	-	-	-	808	-	808
Issue of shares related to settlement of deferred and contingent consideration		881	-	(73)	-	-	-	808	-	808
Treasury shares reissued pursuant to share plans		-	1,546	1,493	(2,345)	-	-	694	-	694
Issue of shares related to share plans		1,859	-	-	-	-	-	1,859	-	1,859
Share-based payment transactions		-	487	224	295	-	-	1,006	-	1,006
Final dividend of 3.1 cent per share in respect of 2019		-	-	-	-	-	(8,508)	(8,508)	-	(8,508)
Total transactions with owners		2,740	499	2,182	(2,050)	-	(8,508)	(5,137)	-	(5,137)
At 30 June 2020		48,526	(2,133)	4,330	3,758	(956)	132,358	185,883	-	185,883
At 1 January 2021		50,727	(2,012)	5,442	3,288	(6,944)	160,929	211,430	-	211,430
Total comprehensive income for the period										
Profit after tax		-	-	-	-	-	29,528	29,528	168	29,696
Other comprehensive income										
Foreign currency translation difference		-	-	-	-	(417)	-	(417)	(5)	(422)
Share of foreign currency translation difference of equity-accounted investee		-	-	-	-	(81)	-	(81)	-	(81)
Total comprehensive income		-	-	-	-	(498)	29,528	29,030	163	29,193
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners of the company										
Own shares acquired		-	(2,465)	-	-	-	-	(2,465)	-	(2,465)
Issue of shares related to settlement of deferred and contingent consideration	13	1,640	-	-	-	-	-	1,640	-	1,640
Issue of shares related to business combination	13	16,964	-	-	-	-	-	16,964	-	16,964
Treasury shares reissued pursuant to share plans	13	-	982	(283)	(699)	-	-	-	-	-
Issue of shares related to share plans	13	1,474	-	-	-	-	-	1,474	-	1,474
Share-based payment transactions		-	-	-	46	-	-	46	-	46
Final dividend of 4.0 cent per share in respect of 2020		-	-	-	-	-	(11,248)	(11,248)	-	(11,248)
Total Contributions by and distributions to owners of the company		20,078	(1,483)	(283)	(653)	-	(11,248)	6,411	-	6,411
Changes in ownership interests in subsidiaries										
Acquisition of subsidiary with non-controlling interest		-	-	-	-	-	-	-	40,056	40,056
Acquisition of non-controlling interest without a change in control		-	-	-	-	(5)	168	163	(40,219)	(40,056)
Total Changes in ownership interests in subsidiaries		-	-	-	-	(5)	168	163	(163)	-
Total transactions with owners		20,078	(1,483)	(283)	(653)	(5)	(11,080)	6,574	(163)	6,411
At 30 June 2021		70,805	(3,495)	5,159	2,635	(7,447)	179,377	247,034	-	247,034

C. Condensed interim statement of changes in equity (Cont'd)

Company	Note	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Accumulated profits	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2020		45,786	(2,632)	1,998	5,808	(10,092)	40,868
Total comprehensive income for the period		-	-	-	-	21,372	21,372
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the company							
Own shares acquired		-	(1,804)	-	-	-	(1,804)
Treasury shares reissued pursuant to settlement of deferred and contingent consideration		-	270	538	-	-	808
Issue of shares related to settlement of deferred and contingent consideration		881	-	(73)	-	-	808
Treasury shares reissued pursuant to share plans		-	1,546	1,493	(2,345)	-	694
Issue of shares related to share plans		1,859	-	-	-	-	1,859
Share-based payment transactions		-	487	224	295	-	1,006
Final dividend of 3.1 cent per share in respect of 2019		-	-	-	-	(8,508)	(8,508)
Total transactions with owners		2,740	499	2,182	(2,050)	(8,508)	(5,137)
At 30 June 2020		48,526	(2,133)	4,180	3,758	2,772	57,103
At 1 January 2021		50,727	(2,012)	5,294	3,288	(6,335)	50,962
Total comprehensive income for the period		-	-	-	-	13,377	13,377
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the company							
Own shares acquired		-	(2,465)	-	-	-	(2,465)
Issue of shares related to settlement of deferred and contingent consideration	13	1,640	-	-	-	-	1,640
Issue of shares related to business combination	13	16,964	-	-	-	-	16,964
Treasury shares reissued pursuant to share plans	13	-	982	(283)	(699)	-	-
Issue of shares related to share plans	13	1,474	-	-	-	-	1,474
Share-based payment transactions		-	-	-	46	-	46
Final dividend of 4.0 cent per share in respect of 2020		-	-	-	-	(11,248)	(11,248)
Total transactions with owners		20,078	(1,483)	(283)	(653)	(11,248)	6,411
At 30 June 2021		70,805	(3,495)	5,011	2,635	(4,206)	70,750

D. Condensed interim consolidated statement of cashflow

		6 months ended 30 June 2021	6 months ended 30 June 2020
	Notes	S\$'000	S\$'000
Cash flows from operating activities			
Profit after tax		29,696	55,284
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		1,410	1,082
Depreciation of right-of-use assets		2,222	2,285
Amortisation of intangible assets	10	2,148	873
Allowance for stock obsolescence		23	-
Loss on disposal of property, plant and equipment		258	-
Net finance expense/(income)		758	(275)
Gain on disposal of an associate		(96)	-
Share of loss/(profit) from equity accounted investee, net of tax		203	(261)
Equity-settled share-based payment expenses		46	1,006
Remeasurement of deferred and contingent consideration		1,640	-
Tax expenses	7	5,814	11,996
		<u>44,122</u>	<u>71,990</u>
<i>Changes in:</i>			
Inventories		(13,500)	(43,945)
Contract costs		1,236	-
Trade and other receivables		(7,246)	(23,865)
Contract assets		2,253	1,554
Trade and other payables		(26,022)	44,497
Contract liabilities		(2,724)	(2,953)
Provisions		(162)	321
Cash from operating activities		(2,043)	47,599
Tax paid		(11,445)	(255)
Net cash from operating activities		<u>(13,488)</u>	<u>47,344</u>
Cash flows from investing activities			
Acquisition of intangible assets	10	(3,252)	(665)
Interest received		109	370
Proceeds from disposal of property, plant and equipment		273	-
Proceeds from disposal of associate		1,525	-
Acquisition of property, plant and equipment	11	(1,578)	(971)
Acquisition of other investment		(2,551)	-
Acquisition of associate		(5,036)	-
Acquisition of subsidiaries, net of cash acquired	15	(43,220)	(8,125)
Net cash used in investing activities		<u>(53,730)</u>	<u>(9,391)</u>
Cash flows from financing activities			
Interest paid		(580)	(79)
Repayment of borrowings		(464)	(850)
Payment of lease liabilities		(2,308)	(1,456)
Proceeds from borrowings		50,000	927
Repurchase of own shares		(2,465)	(1,804)
Proceeds from exercise of share options		1,474	2,553
Dividends paid	8	(11,248)	(8,508)
Acquisition of subsidiary's interests from the non-controlling interest		(30,917)	-
Net cash used in financing activities		<u>3,492</u>	<u>(9,217)</u>
Net increase in cash and cash equivalents		(63,726)	28,736
Cash and cash equivalents at beginning of period		134,785	107,676
Effect of exchange rate changes on balances held in foreign currencies		(197)	1,509
Cash and cash equivalents		<u>70,862</u>	<u>137,921</u>

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

AEM Holdings Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group). The principal activities of the Company are those relating to an investment holding company. The principal activities of the Group are design and manufacturing of semiconductor manufacturing equipment and related tooling parts.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgement and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 15 – identification of assets acquired and liabilities assumed in a business combination

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Note 12 – valuation of inventories
- Note 15 – measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired

3. Seasonal Operations

The Group's businesses are not affected significantly by seasonal factors during the financial period.

4. Segment and revenue information

In conjunction with the completion of several acquisitions in recent years and on-going integration of businesses, the company changed the way management monitors the performance of the business and determined that the following business segments are more reflective of the Group's operations for the purposes of performance assessment and resource allocation:

Test Cell Solutions
Instrumentation
Contract Manufacturing
Others

The change will be effective from 1 January 2021. The comparative year's information has been represented to align with the new segments.

4.1 Reportable Segments

\$'000	Test Cell Solutions	Instrumentation	Contract Manufacturing	Others	Total
1 January 2021 to 30 June 2021					
Total Segment Revenue	146,557	4,780	45,095	-	196,432
Inter-Segment Revenue	3,018	52	1,111	-	4,181
Revenue from external parties	143,539	4,728	43,984	-	192,251
Depreciation and amortisation	(2,950)	(908)	(492)	(1,430)	(5,780)
Finance income	106	-	3	-	109
Finance costs	(794)	(7)	(42)	(24)	(867)
Exchange (loss)/ gain, net	(332)	23	55	-	(254)
Segment profit/ (loss)	34,533	(604)	2,734	(950)	35,713
Share of equity-accounted investee's loss					(203)
Profit before tax					35,510
Tax expenses					(5,814)
Profit for the interim period					29,696
Expenditures for segment non-current assets					
Additions to property plant and equipment and intangible assets	900	3,491	209	230	4,830

\$'000	Test Cell Solutions	Instrumentation	Contract Manufacturing	Others	Total
As at 30 June 2021					
Segment assets	176,296	25,091	148,546	73,494	423,427
Segment liabilities	59,698	9,194	44,955	62,546	176,393

4.1 Reportable Segments (Cont'd)

\$'000	Test Cell Solutions	Instrumentation	Contract Manufacturing	Others	Total
1 January 2020 to 30 June 2020 (Restated)					
Total Segment Revenue	271,798	2,706	3,255	-	277,759
Inter- Segment Revenue	3,027	-	1,033	-	4,060
Revenue from external parties	268,771	2,706	2,222	-	273,699
Depreciation and amortisation	(3,009)	(340)	(156)	(735)	(4,240)
Finance income	368	1	1	-	370
Finance cost	(95)	-	-	-	(95)
Exchange (loss)/ gain, net	939	(1)	21	(1)	958
Segment profit/ (loss)	68,904	(1,508)	(143)	(234)	67,019
Share of equity-accounted investee's profit					261
Profit before tax					67,280
Tax expenses					(11,996)
Profit for the interim period					55,284
Expenditures for segment non-current assets					
Additions to property plant and equipment and intangible assets	1,143	44	18	431	1,636

\$'000	Test Cell Solutions	Instrumentation	Contract Manufacturing	Others	Total
As at 31 December 2020 (Restated)					
Segment assets	174,034	20,957	5,894	134,634	335,519
Segment liabilities	106,436	6,563	4,080	7,010	124,089

4.2 Disaggregation of Revenue

Set out below is an overview of the revenue of the Group as at 30 June 2021 and 30 June 2020:

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
\$'000	Total	Total
Type of goods or services:		
Sales of goods	181,339	257,364
Rendering of services	10,912	16,335
Total revenue	192,251	273,699
Timing of revenue recognition:		
At a point in time	181,899	261,056
Over time	10,352	12,643
Total revenue	192,251	273,699
Geographical information:		
Malaysia	50,402	70,618
USA	48,550	34,798
Costa Rica	37,002	17,957
Singapore	18,719	947
China	7,768	28,340
Vietnam	6,481	110,917
Other countries	23,329	10,122
Total revenue	192,251	273,699

Revenue contribution from a single region is disclosed separately when it exceeds 5% of the Group's revenue respectively.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	Note	Group		Company	
		30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
Financial Assets					
Cash and bank balances		70,862	134,785	6,713	8,944
Trade and other receivables (financial assets)		76,049	45,642	25,791	9,024
Financial liabilities and trade and other payables					
Financial liabilities	12	67,446	11,287	-	-
Trade and other payables (financial liabilities)		69,179	64,349	8,020	7,821

6. Profit before tax

6.1 Significant items

	Group	
	6 months ended 30 June S\$'000	6 months ended 30 June S\$'000
Income		
Finance income	109	370
Exchange gain, net	-	958
Gain on disposal of an associate	96	-
Expenses		
Finance expenses	(593)	(95)
Exchange loss, net	(254)	-
Depreciation and amortisation	(5,780)	(4,240)
Loss on disposal of property, plant and equipment	(258)	-
Allowance for stock obsolescence	(23)	-

6.2 Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Tax expenses

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended 30 June 2021 S\$'000	6 months ended 30 June 2020 S\$'000
Current income tax expense	(5,969)	(12,139)
Deferred income tax expense relating to origination and reversal of temporary differences	155	143
	(5,814)	(11,996)

8. Dividends

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	S\$'000	S\$'000
Ordinary dividends paid:		
Final dividend of 3.1 cent per share in respect of 2019	-	8,508
Final dividend of 4.0 cent per share in respect of 2020	11,248	-
	<u>11,248</u>	<u>8,508</u>
Dividend per share (net of tax)	4.0	3.1

9. Net asset value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share	87.6 cents	76.7 cents	25.1 cents	18.5 cents

10. Intangible assets

	Group						
	Goodwill	Technology	Customer relationships	Computer software	Development costs	Other	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 31 December 2020							
Cost	29,250	10,626	3,452	5,265	4,549	396	53,538
Accumulated amortisation	-	(1,269)	(714)	(4,138)	(743)	(28)	(6,892)
Carrying amounts	<u>29,250</u>	<u>9,357</u>	<u>2,738</u>	<u>1,127</u>	<u>3,806</u>	<u>368</u>	<u>46,646</u>
6 months ended 30 June 2021							
Opening carrying amounts	29,250	9,357	2,738	1,127	3,806	368	46,646
Additions	-	-	-	2,202	922	128	3,252
Acquisition through business combination	37,270	-	10,407	-	-	-	47,677
Amortisation charge for the period	-	(896)	(202)	(473)	(565)	(12)	(2,148)
Translation adjustment	-	-	-	3	(45)	(1)	(43)
Closing carrying amounts	<u>66,520</u>	<u>8,461</u>	<u>12,943</u>	<u>2,859</u>	<u>4,118</u>	<u>483</u>	<u>95,384</u>
At 30 June 2021							
Cost	66,520	10,626	13,859	7,466	5,425	523	104,419
Accumulated amortisation	-	(2,165)	(916)	(4,607)	(1,307)	(40)	(9,035)
Carrying amounts	<u>66,520</u>	<u>8,461</u>	<u>12,943</u>	<u>2,859</u>	<u>4,118</u>	<u>483</u>	<u>95,384</u>
	Company						
	Computer software						
	S\$'000						
At 31 December 2020							
Cost	1,190						
Accumulated amortisation	1,190						
Carrying amounts	<u>-</u>						
At 30 June 2021							
Cost	1,190						
Accumulated amortisation	1,190						
Carrying amounts	<u>-</u>						

10.1 Goodwill impairment

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	Group	
	30 June 2021	31 December 2020
	S\$'000	S\$'000
Test Cell Solutions	19,189	19,189
Instrumentation	10,061	10,061
Contract Manufacturing	37,270	-
	<u>66,520</u>	<u>29,250</u>

Test Cell Solutions

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

Instrumentation

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

Contract Manufacturing

Goodwill was recognised from the acquisition of a subsidiary group during the period as the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. The key assumptions to determine the fair values are described in note 14.

At 30 June 2021, management performed an impairment assessment on the goodwill arising from the acquisition of the new subsidiary group. In ascertaining the recoverable amount, management is of the view that the total consideration amounting to \$99,705,000 was representative of the fair value less costs to sell, adjusted for any changes in value arising from factors since acquisition, given that there were no significant change in the fair value.

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to S\$1,578,000 (30 June 2020: S\$971,000) and disposed of assets amounting to \$531,000 (30 June 2020: Nil).

12. Inventories

	Group	
	30 June 2021	31 December 2020
	S\$'000	S\$'000
Raw materials	65,680	29,637
Work-in-progress	48,649	45,056
Finished goods	10,607	4,363
Goods in transit	605	620
Total	125,541	79,676

Stock obsolescence is estimated based on future customer demands. Inventories have been reduced by \$23,000 (1H2020: Nil) as a result of the write-down to net realisable value. The write-downs are included in "changes in inventories of finished goods and work-in-progress" within the condensed interim consolidated statement of profit or loss.

13. Financial liabilities

	Group	
	30 June 2021	31 December 2020
	S\$'000	S\$'000
Amount repayable within one year or on demand		
Lease liabilities	2,580	3,434
Unsecured bank loan	4,414	1,543
	6,994	4,977
Amount repayable after one year		
Lease liabilities	9,276	5,985
Unsecured bank loan	51,176	325
	60,452	6,310
Total	67,446	11,287

14. Share capital

	Group					
	Total Issued Shares		Total Treasury Shares		Total Issued Less Treasury Shares	
	Number of shares '000	Amount S\$'000	Number of shares '000	Amount S\$'000	Number of shares '000	Amount S\$'000
Fully paid ordinary shares, with no par value:						
At 1 January 2020	273,308	45,786	3,541	2,632	269,767	43,154
Purchase of treasury shares	-	-	1,378	2,864	(1,378)	(2,864)
Issue of shares under Performance Share Plan	-	-	(1,593)	(1,407)	1,593	1,407
Share options exercised	2,456	1,859	(1,657)	(1,807)	4,113	3,666
Issue of shares related to deferred and contingent consideration	836	2,248	(364)	(270)	1,200	2,518
Issue of shares related to business combination	263	834	-	-	263	834
At 31 December 2020 & 1 January 2021	276,863	50,727	1,305	2,012	275,558	48,715
Purchase of treasury shares	-	-	695	2,465	(695)	(2,465)
Issue of shares under Performance Share Plan	-	-	(637)	(982)	637	982
Share options exercised	1,314	1,474	-	-	1,314	1,474
Issue of shares related to deferred and contingent consideration	400	1,640	-	-	400	1,640
Issue of shares related to business combination	4,779	16,964	-	-	4,779	16,964
At 30 June 2021	283,356	70,805	1,363	3,495	281,993	67,310

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2021 and 31 December 2020.

15. Acquisition of subsidiary

On 19 March 2021, the Group acquired a controlling stake of CEI Limited, a reputable contract manufacturer of Printed Circuit Board Assembly (PCBA), Wire-Harness & Interconnect systems, Box Build and Equipment Manufacturing. The acquisition is expected to add end-to-end customization and delivery capability, and driving synergy and efficiency of the Group.

The Group incurred acquisition related cost of \$1,209,000 on legal fees, due diligence costs, transaction advisory fees and other professional fees for the above acquisition, of which \$1,200,000 was recognised in FY2020 as the expenses were incurred. These costs have been included in "legal and professional fees" within the condensed consolidated statement of profit or loss.

	Consideration transferred
	S\$'000
	<hr/>
Equity shares issued	7,825
Cash consideration paid	51,824
Total consideration	<hr/> 59,649 <hr/>
	 Net cash outflow
	S\$'000
	<hr/>
Cash consideration paid	51,824
Cash in acquired company	(8,604)
Total net cash outflow	<hr/> 43,220 <hr/>

15. Acquisition of subsidiary (Cont'd)

	Fair value
<u>Assets and liabilities recognised as a result of the acquisition</u>	<u>S\$'000</u>
Cash and cash equivalent	8,604
Property, plant and equipment	18,384
Right of use assets	3,229
Intangible assets	10,407
Interest in associates	1,429
Inventories	32,466
Trade and other receivables	24,840
Deferred Revenue	64
Trade and other payables	(22,289)
Contract liabilities	(2,506)
Financial liabilities	(7,338)
Deferred tax liabilities	(3,717)
Provision for income tax	(1,138)
Net identifiable assets acquired	<u>62,435</u>

Acquisition of non-controlling interest (NCI)

Subsequent to obtaining controlling stake on 19 March 2021, the Group continued to acquire the remaining non-controlling interest. As of 30 June 2021, the Group acquired 100% of the issued share capital in CEI Limited.

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

	Goodwill
	<u>S\$'000</u>
Consideration transferred	59,649
Non-Controlling interest	40,056
Fair value of identifiable net assets	(62,435)
Goodwill	<u>37,270</u>

The goodwill is attributable to CEI Limited's strong market position, profitability and synergies.

Fair values measured on a provisional basis

The fair value of the assets acquired above has been determined provisionally pending completion of an independent valuation. A provisional amount has been recognised and the Group will continue to review the valuation during the measurement period.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

16. Acquisition of associated company

On 18 March 2021, the Group acquired 26.59% of the outstanding share capital of ATECO Inc., a South Korean company that specialises in the design and development of memory test handler solutions targeted at the memory market, for a consideration of US\$3,800,000 or S\$5,036,000.

As part of the investment, the Group has been granted the rights to acquire further shares of ATECO Inc., which together with the acquired 26.59%, will constitute up to 65% of the total outstanding share capital of ATECO Inc. on a fully diluted basis.

17. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

On 6 July 2021, CEI Limited was delisted from the Official List of the Singapore Exchange Securities Trading Limited.

Other Information

1. Review

The condensed consolidated statements of financial position of AEM Holdings Ltd. and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Analysis of Consolidated Income Statement

The Group's 1H2021 revenue of S\$192.3 million vs 1H2020 of S\$273.7 million. In 1H 2020, new products were launched. The 29.8% decrease in revenue represents a normalisation after the ramping up of demand on equipment and consumables by the Group's key customer in FY2020.

Raw materials and consumables cost, taking into consideration changes in inventories of finished goods and work-in-progress, decreased from S\$166.4 million in 1H2020 to S\$106.9 million in 1H2021, representing a decrease of 35.8%. The decrease in raw materials and consumables cost in 1H2021 is higher than the decrease in revenue mainly due to the favourable change in product mix.

Other income decreased from S\$3.2 million in 1H2020 to S\$1.7 million in 1H2021 mainly due to more government grants received in 1H2020 relating to wage support to employers during circuit breaker phase of the Covid-19 pandemic.

Staff costs increased 12.5% in 1H2021 as compared to 1H2020 mainly due to increase in headcount as a result of acquisition of various subsidiaries post 1H2020.

Depreciation of property, plant and equipment increased from S\$1.1 million in 1H2020 to S\$1.4 million in 1H2021 mainly due to inclusion of CEI Limited with effect from 19 March 2021.

Amortisation of intangible assets increased 146.0% from S\$0.9 million in 1H2020 to S\$2.1 million in 1H2021 due to expenditure for technology, customer relationships, computer software and development costs and acquisition of various subsidiaries post 1H2020.

Utilities and maintenance expenses increased 118.2% from S\$0.8 million in 1H2020 to S\$1.8 million in 1H2021 due to inclusion of CEI Limited with effect from 19 March 2021.

Legal and professional fees increased 164.5% from S\$1.3 million in 1H2020 to S\$3.4 million in 1H2021 mainly due to higher legal consultation fees and other professional fees incurred.

Sales and marketing expenses decreased 55.2% from S\$3.8 million in 1H2020 to S\$1.7 million in 1H2021 mainly due to lower warranties, delivery and packaging, exhibition cost and travelling expenses in 1H2021.

After taking into consideration the above and tax expenses of S\$5.8 million in 1H2021, profit after tax decreased 46.3% from S\$55.3 million in 1H2020 to S\$29.7 million in 1H2021.

Analysis of Statements of Financial Position

Several items on the Statements of Financial Position, including property, plant and equipment, right-of-use assets, intangible assets, inventories, and trade and other receivables increased arising from the financial consolidation from the acquisition of CEI Limited in March 2021.

In 1H2021, the Group generated operating cash flow of S\$44.1 million, before taking into account working capital changes.

Cash and cash equivalents were at S\$70.9 million as at 30 June 2021 as compared to S\$134.8 million as at 31 December 2020, largely due to (i) acquisition of a subsidiary, an associate and other investment (totaling S\$81.7 million) (ii) dividends payout of S\$11.2 million and (iii) net cash used in operating activities of S\$13.5 million, partially funded by external borrowing of S\$50.0 million.

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

In the financial guidance announcement dated 3 May 2021, the Group stated it expects to achieve a revenue in the range of S\$460 million to S\$520 million with heavier weighing in 2H2021.

For 1H2021, the Group has achieved a revenue of S\$192.3 million.

4. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

The Group maintains its FY2021 revenue guidance of S\$460 million to S\$520 million based on the business outlook. After an exceptional year in 2020, with the Group's key customer ramping up demand on equipment and consumables throughout that year, the lower demand of our older generation equipment in 1H2021 was in line with expectation due to migration to our next generation tools in the later part of the second half of 2021. We expect a strong uptake in 2H2021 through 2022 as our next generation tools are phased into our customer's High Volume Manufacturing sites globally. These new tools that are being delivered in 2H2021 and through 2022 are highly differentiated tools for the high-performance computing segment.

The ongoing supply chain disruptions experienced by many companies in the industry continues to be a challenge for order fulfilment. The Group is working with its suppliers to secure the parts and components to meet its shipment plans.

CEI, which forms a significant component of the Contract Manufacturing segment of the Group continues to serve customers from a diverse range of market segments. These include analytical instruments, medical equipment, semi-conductor equipment, oil and gas industries, aviation and displays for industrial applications.

The Group will continue to strategically expand its presence and further establish its leadership in the industry through both development of in-house technological capabilities as well as through mergers and acquisitions. AEM will continue to capitalize on global trends such as 5G, edge computing, AI, and vehicle electrification, along with increase in heterogenous packaging to deliver highly differentiated test solutions to increase its market share globally.

The Group continues to remain cautiously optimistic about its business and strives to capture new business opportunities as we navigate through these uncertain and volatile times.

5. Dividend information

5a. Current Financial Period Reported on

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

Name of Dividend	Proposed Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	2.6 cents per ordinary share
Tax Rate	Tax Exempt (1-tier)

The Directors are pleased to declare a tax exempt one-tier cash dividend of 2.6 cents per share (2020: tax exempt one-tier cash dividend of 5.0 cents per share) in respect of the half year ended 30 June 2021. The interim dividend will be paid to shareholders on 24 September 2021.

5. Dividend information (Cont'd)

5b. Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Proposed Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	5.0 cents per ordinary share
Tax Rate	Tax Exempt (1-tier)

5c. Date payable

Payment will be made on 24 September 2021.

5d. Book Closure Date

Date on which Registrable Transfers received by the company will be registered before entitlements to the dividend are determined: 10 September 2021, 5:00pm

6. Interested person transactions

No interested persons transactions ("IPT") were conducted under the Company's IPT mandate for the year ended 30 June 2021.

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	1H2021	1H2020
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	84,000	156,000
Mr. Loke Wai San	30,000	-
NT SPV 13	1,409,000	-
NT Thor Holdings Pte Ltd ("NT Thor")	2,567,000	-
	4,090,000	156,000

Novo Tellus is a company controlled by Mr. Loke Wai San, the Non-Executive Chairman of the Company and Mr. James Toh Ban Leng, a Director of the Company. The IPT of S\$84,000 (1H2020: S\$156,000) for 1H2021 comprised (i) professional fee of S\$60,000 (1H2020: S\$120,000) paid by the Company to Novo Tellus for advisory services in upgrading of software capabilities, merger and acquisition activities of the Group and (ii) the Group's share of the consultancy service fee of S\$24,000 (1H2020: S\$36,000) paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus. The IPT of S\$30,000 (1H2020: Nil) for 1H2021 comprised consultancy services paid by the Company to Mr. Loke Wai San. NT SPV 13 is a company indirectly controlled by Mr. Loke Wai San and Mr. James Toh Ban Leng. The IPT of S\$1,409,000 (1H2020: Nil) for 1H2021 comprised subscription of 3,796,507 shares in Novoflex Pte Ltd by NT SPV 13. NT Thor is a company indirectly controlled by Mr. Loke Wai San and Mr. Toh James Toh Ban Leng. The IPT of S\$2,567,000 (1H:2020) for 1H2021 comprised subscription of 1,912,500 shares in NT Thor Holdings Pte Ltd by a subsidiary of the Company.

7. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2021 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chandran Nair
Chief Executive Officer

5 August 2021