AEM HOLDINGS LIMITED

THE FUTURE IS NOW

ANNUAL REPORT 2019

VISION

To be a global leader offering application specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and AI markets.

MISSION

To be the partner that deeply understands our customers' automation needs and delivers solutions that exceed their expectations. We will accomplish this through active customer engagement and excellence in engineering and innovation.

CORE VALUES

- Commitment
- Customer Focus
- Teamwork
- Innovation
- Partnership
- Employee Focus
- Market Knowledge
- Global Reach

QUALITY POLICY

We shall be committed to continuous improvement and excellence in all that we do so as to provide products and services that satisfy our customers. We are committed to:

- Provide continuous training to all employees
- Focus at all times on customers' need
- Improve all work processes through quality consciousness
- Maintain and improve a systematic and documentation quality assurance system
- Achieve success through teamwork

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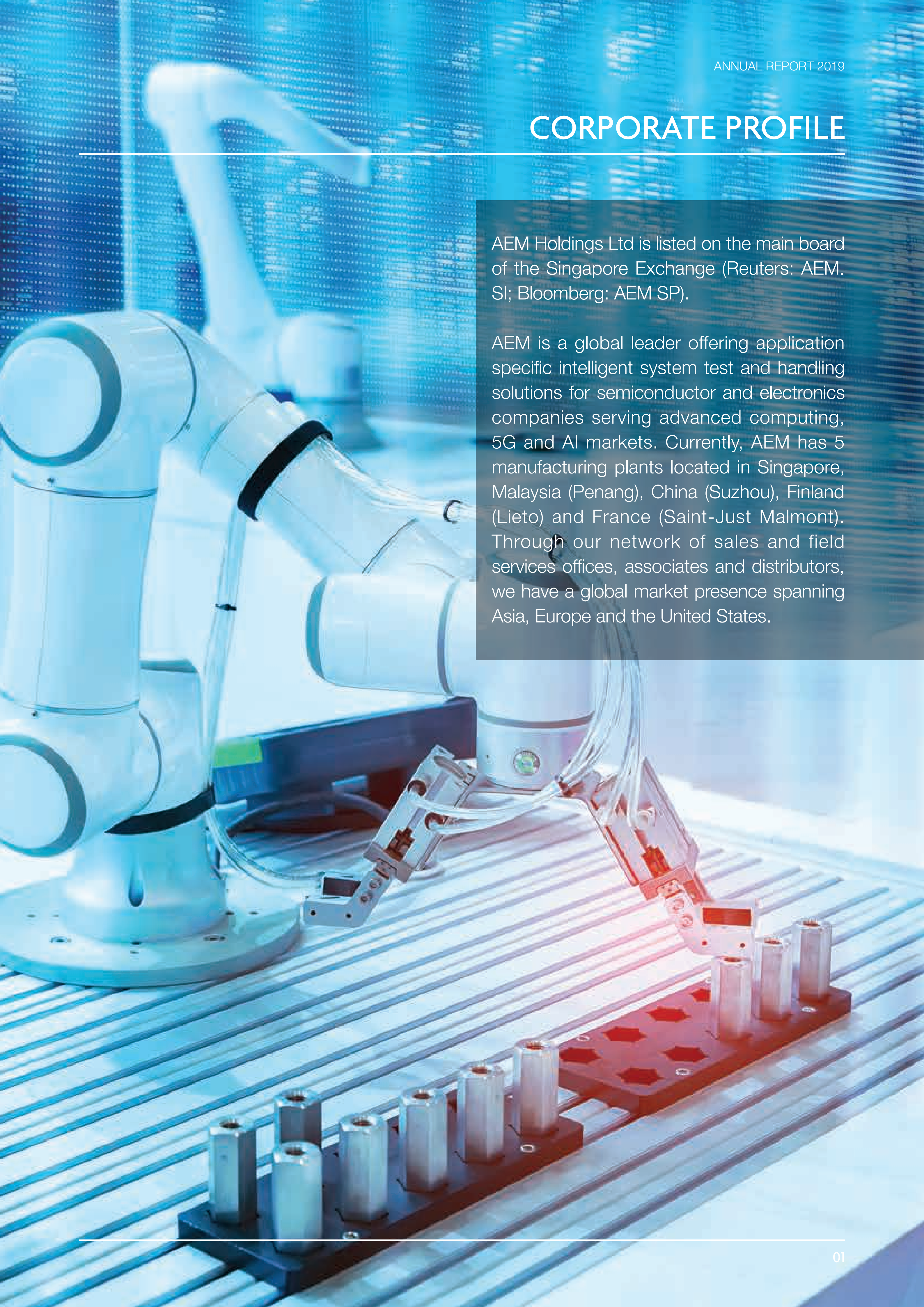
CORPORATE PROFILE



AEM Holdings Ltd is listed on the main board of the Singapore Exchange (Reuters: AEM.SI; Bloomberg: AEM SP).

AEM is a global leader offering application specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and AI markets. Currently, AEM has 5 manufacturing plants located in Singapore, Malaysia (Penang), China (Suzhou), Finland (Lieto) and France (Saint-Just Malmont). Through our network of sales and field services offices, associates and distributors, we have a global market presence spanning Asia, Europe and the United States.

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

It is now March 2020 that I am penning my statement for our FY2019 report. We have much to be proud of in terms of our achievements in 2019 where our team at AEM Holdings Ltd ("AEM") delivered record revenue, profits for FY2019, and bookings for FY2020. In 2019, our company also won recognition on multiple fronts from being named to Forbes Asia's 200 Best Under A Billion List, to winning the Most Transparent Company Award, Technology Category by the SIAS (Securities Investors Association Singapore) Investors' Choice Awards. These accolades speak to the enormous multi-year effort by the team at AEM to transform our company from niche equipment manufacturer to an emerging global leader in semiconductor and electronics test solutions.

You are probably reading this report in April 2020, and the world is probably in a much more uncertain place than it was in December 2019. The Covid-19 pandemic forced many countries into lockdown in 1Q20, and intense social distancing policies that were implemented have caused many industries and businesses to literally shut down overnight. The economic downturn will be felt by most and its impact will last for several quarters. I am confident that the world will emerge from this pandemic, and suspect that some forms of social distancing practices and work habits will be the new normal. Consequently, there will be winners and losers whenever new norms settle. We expect technology and its corresponding infrastructure for 5G, AI, IoT, cloud computing, etc. will enable many of these new business practices and processes. To that end, we are optimistic about our solutions that enable our customers to cost effectively test the myriad semiconductor chips and interconnects needed to deliver on such a future. We are confident that 2020 will continue to be a successful year for AEM but are mindful that change happens quickly, and that it may be difficult for many in our industry and society. We humbly celebrate our success with our employees and shareholders, and look to build on our long-term partnerships with our customers and suppliers.

A Record Year

AEM made several significant strategic steps to build up our capabilities in advanced testing solutions over the past few years, which placed AEM in an advantageous position to tap on the growth of system-level testing from wafer level to package level, panels and interconnects. In FY2019, as our key customer introduced new products based on advanced semiconductor nodes, the sales momentum for our HDMT units picked up, and we revised up our revenue guidance three times. The Group achieved record financial performance in FY2019, with revenue increasing by 23% year-on-year (y-o-y) to S$323.1 million, exceeding the latest revenue guidance of S$305 million to S$315 million. The FY2019 revenue was also the highest in AEM's operating history. Profit before tax and net profit both increased by over 50% y-o-y in FY2019, to S$63.7 million and S$52.8 million respectively. Fully diluted earnings per share for FY2019 was 19.38 Singapore cents, compared to 12.22 Singapore cents for FY2018.

The Group's cash and cash equivalents increased by 82.8% in FY2019 to S$107.7 million as at 31 December 2019. Net asset value per share was 49.8 Singapore cents as of 31 December 2019, compared to 33.3 Singapore cents as of 31 December 2018. Our strong balance sheet, with zero borrowing, gives us great financial flexibility for potential acquisitions and M&A, share buybacks, and dividends. For FY2019, the Group proposed a final dividend of 3.1 Singapore cents per share. Together with the interim dividend, the total dividend for the year is 5.1 Singapore cents per share.

Strengthened Leadership

To grow AEM's client base and expand our business globally, we strengthened our leadership team with several key senior-level hires. In April 2019, Lavi Alexander Lev joined our Board as a Non-Executive and Independent Director. In May 2019, Mark W. Yaeger joined AEM as President of AEM US and Senior Vice President of applications engineering. In June 2019, Pascal Pierra joined AEM as Senior Vice President of System Level Test and Inspection. These industry veterans bring with them in-depth knowledge, extensive experience, and global vision and network in chip testing and the

CHAIRMAN'S STATEMENT

electronics supply chain. On 1 January 2020, Chandran Nair joined AEM as Group President to lead our global efforts in sales, marketing, and R&D. Chandran comes with decades of experience in semiconductor test and automation, and a strong track record of successfully scaling new business units globally. At AEM we believe in having a long term vision and direction for the group, and one area that we put a significant emphasis on is succession planning. We want AEM's next generation of leaders to fit well in the company's culture and propel the company in its next growth phase. With that as a background I am pleased to update that Chandran will gradually take over the position of CEO from Yean Hung, and AEM will make the necessary announcements as and when required. Yean Hung has been instrumental in bringing AEM to its current pinnacle and we all at AEM will always be grateful to him for his years of contribution to the group.

I'm glad that these senior management members have enhanced our leadership in their respective roles at an opportune time, bringing momentum to AEM's transformation towards a global leader in providing advanced test solutions.

Growing Recognition

As our core competency in a highly promising market became more visible and understood, AEM has gained increased recognition among investors, industry associations and the general public. As AEM's market capitalization increased and trading liquidity improved, the Group's institutional shareholder base, their collective shareholding, and geographical spread continued to grow in FY2019.

In March 2020, AEM became a member of the SEMI Taiwan Testing Committee. As part of the global industry association serving the product design and manufacturing chain for the electronics industry, SEMI Taiwan Testing Committee serves as a formal working committee that provides business and networking opportunities among manufacturers and suppliers, with a goal to promote industry development. Being welcomed as a member of the SEMI Taiwan Testing Committee is an endorsement on AEM's industry-leading position by the most recognized industry association in one of the largest semiconductor testing markets in the world.

In FY2019, AEM also made it to the list to Forbes Asia's 200 Best Under A Billion List for the first time. Forbes' The Best Under A Billion List honours 200 leading public companies in the Asia Pacific region with top performance in profitability, financial strength, growth in sales and earnings per share and return on equity, among other factors. According to Forbes, "some of Asia's biggest success stories, such as Alibaba, were formerly on the Best Under A Billion list."

In July, AEM received the Singapore Business Review Listed Companies Award 2019 in the electronic manufacturing category. The annual award recognises companies with

CHAIRMAN'S STATEMENT

innovative projects and best practices with significant business impact. In September, AEM was awarded Winner of the Most Transparent Company Award, Technology Category, and Runner Up of the Singapore Corporate Governance Award in the SIAS (Securities Investors Association Singapore) Investors' Choice Awards 2019. These were endorsements on our commitment to top-notch corporate governance and transparency, which discipline our business conduct in a rapid growth and expansion phase and safeguard the long-term interest of our customers, employees, and shareholders.

Outlook

The World Semiconductor Trade Statistics organization projects annual global chip sales to increase by 5.9% in 2020 and 6.3% in 2021[1]. While the semiconductor industry recovers in size, it is also going through some disruptive, innovative changes with mission-critical applications in 5G, EV and AI. Advanced semiconductor packages will integrate multiple chips to extend functionality and performance, and the increased structural complexity requires testing to not only identify chip defects but also ensure compatibility and interconnection between components. This further emphasizes the demand for wafer and system-level testing, which provides enhanced functions for increased complexity, accuracy and efficiency.

In March 2020, we completed the 100% acquisition of Mu-TEST, a French company with a leading position in offering disruptive low-cost testers for medium and high-end integrated circuits based on Field Programmable Gate Arrays (FPGA). This highly customizable low-cost tester architecture will complement our existing Asynchronous Modular Parallel Smart (AMPS) offering to deliver complete SLT solutions, and enable us to combine both handling and testing capabilities to cater to the diverse needs of our customers in the semiconductor and electronics industries.

Appreciation

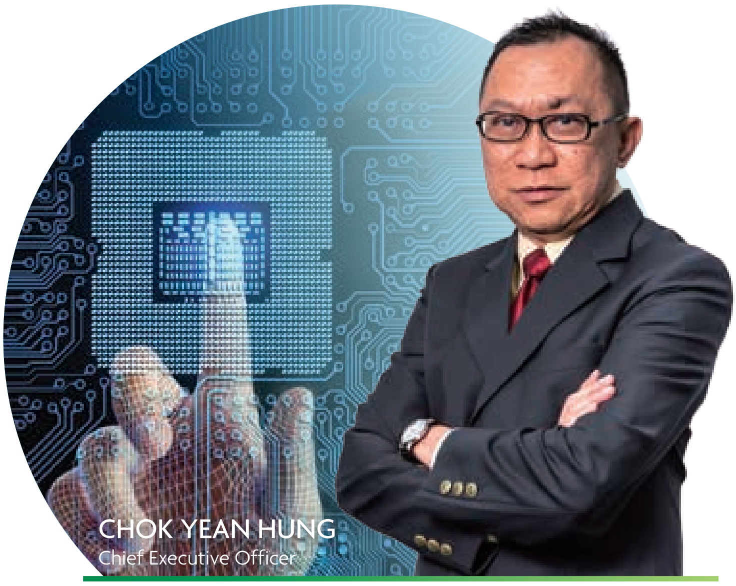
Our achievements in FY2019 have been validation and encouragement and marked some significant progress as we strengthen our foothold as a global leader in offering application-specific intelligent system test and handling solutions. AEM's growth is propelled by a formidable trend as advanced computing, 5G, and AI revolutionise our everyday lives, and I'm proud that with all at AEM, we are building a business of tomorrow.

I would like to thank our customers and suppliers for their continued support and thank our management team and employees for their dedication and commitment to innovation and excellence. Our board directors provided valuable advice that contributed to our success, and I look forward to continuing to work with them. To our shareholders, thank you for your trust and confidence in AEM, and we look forward to your continued support as we prepare for our next phase of growth.

Loke Wai San
Executive Chairman
31 March 2020

1 https://www.semiconductors.org/global-semiconductor-sales-increase-2-9-percent-month-to-month-in-october-annual-sales-projected-to-decrease-12-8-percent-in-2019/

CEO'S STATEMENT



Dear Shareholders,

It is my pleasure to present to you a detailed review of our financial performance and operational progress for the financial year 2019 ("**FY2019**"), and discuss our business outlook and plan for the financial year 2020 ("**FY2020**").

Financial and Operational Review

The Group achieved total revenue of S$323.1 million for FY2019, representing 23.2% growth compared to that of FY2018. It was also the highest revenue in AEM's operating history. By business segments, Equipment Systems Solutions ("ESS") business contributed S$307.9 million, or 95.3% of the Group's total revenue, an increase of 22.3% compared to that of FY2018. This was driven by new orders across all product lines and consumables. All other segments, namely Micro-Electro-Mechanical Systems ("MEMS"), System Level Test & Inspection ("SLT-I"), and Test and Measurement Solutions ("TMS") also recorded growth in sales in FY2019.

In FY2019, the Group generated operating cash flow of S$76.5 million, before taking into account working capital changes. The Group's net profit increased by 57.5% to S$52.8 million. The net profit margin increased from 12.8% for FY2018 to 16.3% for FY2019. Fully diluted earnings per share for FY2019 was 19.38 Singapore cents, compared to 12.22 Singapore cents for FY2018. The Group maintained a strong financial position with net cash of S$107.7 million and zero borrowing. With several years of solid growth, AEM has grown into a great shape financially for it to charter the transformation into an influential global leader in providing advanced testing solutions.

We put increased efforts in growing our customer base in FY2019, including working with various potential customers on our AMPS (Asynchronous Modular Parallel Smart) platform, MEMS Testing Solutions (provided by Afore), and TMS services. The TMS division has successfully installed a few systems for a key customer and has completed the development project on optical fibre cable-test equipment for 5G backhaul networks. On the AMPS and SLT-i" side, we have successfully installed some initial commercial systems for our first AMPS customer which is a memory related manufacturer. We also received additional equipment orders for delivery in 2020.

Outlook and Plan

According to the research conducted by VLSI Research, an independent research firm specialised in the semiconductor industry, and AEM, the total addressable market of System Level Test equipment and consumables is expected to grow by a CAGR of 21.6% from US$1.2 billion in 2019 to US$3.2 billion in 2024. Given our first-mover advantage in High-Density Modular Test (HDMT) Handlers, we are in a strong position to ride the market momentum as the HDMT platform is still in full commercial deployment. Our main customer accelerated its order placement for handlers and the consumables in FY2019. As the customer is still in the process of introducing new products based on more advanced semiconductor nodes, we expect the order momentum to sustain in FY2020, with continued requirement for pans, kits and spares over the lifetime of our tools and equipment. In addition, we will forge ahead with the ongoing development programs with our key customer for hybrid solutions with potential orders in 2020 and beyond.

As of 25 February 2020, AEM had received sales orders worth S$338 million for deliveries in FY2020. With the higher sales orders, we have revised our FY2020 revenue guidance upwards to be between S$360 million to S$380 million. We are budgeting capital expenditure to remain at about S$4 million to support engineering and business development needs for new customer programs. We have also started to scale up on floor space and headcount to cope with the prospective new orders.

With our TMS services, we look forward to working towards the expansion of the fibre cable test solutions for 5G backhaul networks with global customers and their suppliers. On the AMPS and SLT-I side, we will build up a partner network and the support structure in the ecosystem, with an immediate focus in the Asian and North American markets. We will continue to engage new semiconductor and memory customers for System Level Test and Intelligent Final Test.

CEO'S STATEMENT

Once our acquisition of Mu-TEST is completed, Mu-TEST's low-cost, FPGA (Field Programmable Gate Arrays)-based testers for medium and high-end integrated circuits will enable us to combine both handling and testing capabilities to cater to the diverse needs of our customers in the semiconductor and electronics industries.

We made remarkable progress in developing our unique capabilities in providing cost-effective and highly-efficient testing solutions over the past few years. With 5G, AV/EV, and AI applications driving highly complex chip integration and mission-critical performance, we believe that AEM's sophisticated system level test solutions will help our customers manage their test costs while delivering higher levels of test assurance.

On a cautious note, although we have not seen much impact from the spread of the coronavirus on our business so far as we reiterated our revenue guidance on 19 March 2020, the outbreak has started to cause some disruptions to many industries and dampened the economic outlook. We are monitoring the situation closely and have activated a business continuity plan across our operations and supply chain, working with our customers, suppliers, and employees to navigate through any disruption.

Conclusion

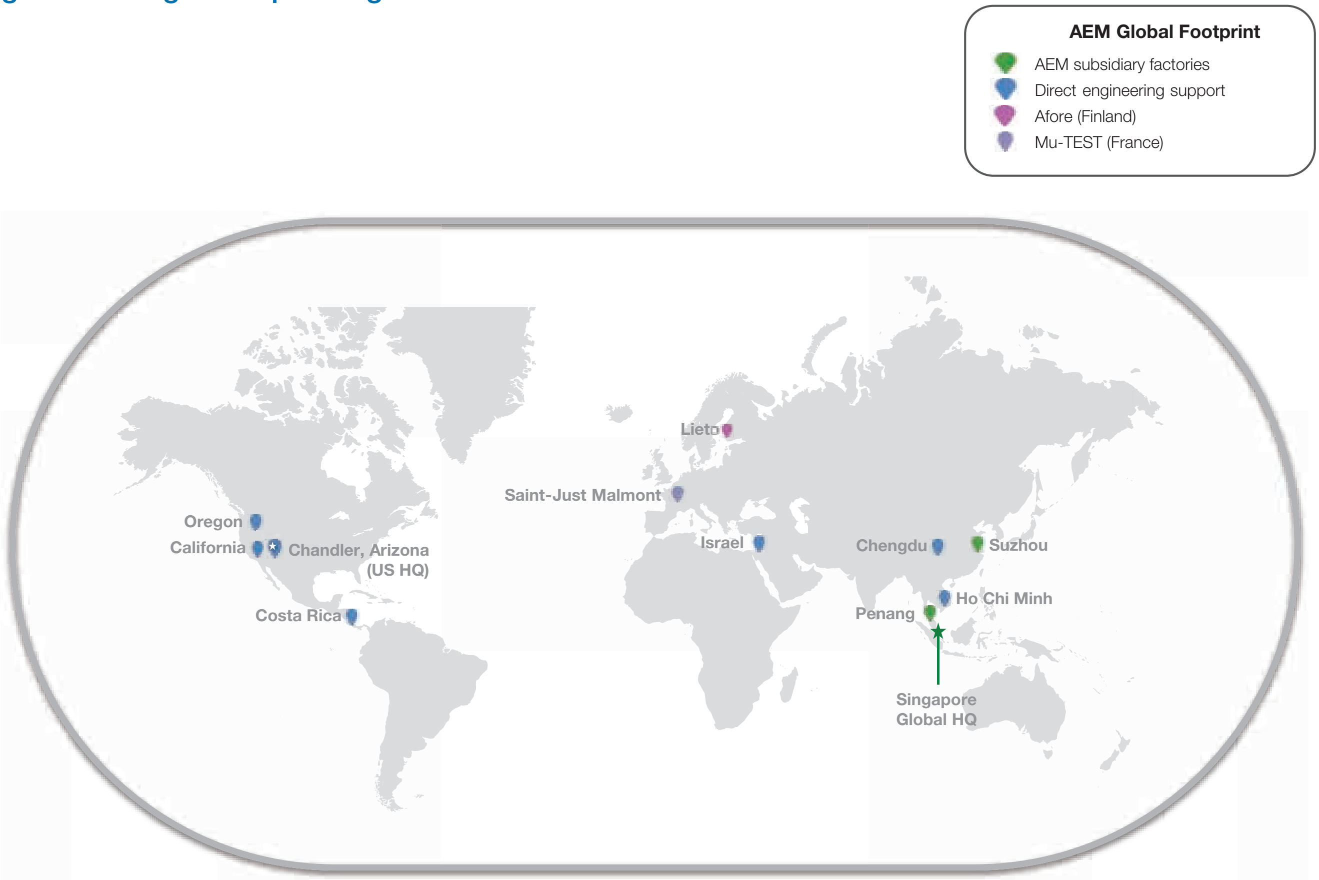
As my retirement is coming up on 30 June 2020, I would like to thank our shareholders again for your unwavering trust and support in AEM and our management team in the past few years. I started my journey in AEM in September 2011 through an investment made alongside Novo Tellus, and joined the management team in 2012. Over the years, I have worked closely with the team and witnessed AEM achieving one success after another in technological innovation, building up our capabilities, opening up new markets, growing our order book, and financial performance. These nine years have truly been a memorable journey with many proud moments, working with various stakeholders and team members to bring AEM to where it is today.

I have started working closely with Chandran since he joined AEM on 1 January 2020, and I am glad that AEM is able today to attract capable industry veterans such as Chandran and our other recent additional senior team members. I firmly believe that Chandran is the right person for this role to lead and propel the Group forward. I hope you all show the same support and encouragement to Chandran as you have shown me over the years. After my retirement, I am privileged and honoured to continue working with AEM as a board director and contribute my part wherever needed.

Chok Yean Hung
Group CEO
31 March 2020

GLOBAL FOOTPRINT

Global platform provides merger synergies through both growth and global operating efficiencies



MANUFACTURING FACILITIES AND FIELD ENGINEERING SERVICE SITES

Country	Locations	Entities	Activities/Businesses
Singapore	Serangoon North	– AEM Holdings Ltd ("AEH") – AEM Singapore Pte. Ltd. ("ASG") – IRIS Solution Pte Ltd ("IRS")	– Corporate Headquarters – Equipment Systems Solutions – System Level Test and Inspection – Network Test Solutions and Testers
Malaysia	Penang	– AEM Microtronics (M) Sdn. Bhd. ("AMM")	– Equipment Systems Solutions – Field Service
China	Chengdu, Suzhou	– AEM Microtronics (Suzhou) Co., Ltd. ("ASZ")	– Equipment Systems Solutions – Field Service
Finland	Lieto	– Afore Oy	– Micro-Electro-Mechanical Systems ("MEMS") test solutions
France	Saint-Just Malmont	– Mu-TEST[1]	– System Level Test and Inspection
USA	Chandler, Oregon, California	– AEM International (US) Ltd ("AIUS")	– Field Service
Vietnam	Ho Chi Minh	– Representative Office of AEM Singapore Pte Ltd ("AVN")	– Field Service

[1] Acquisition subsequent to year end in March 2020

BOARD OF DIRECTORS

LOKE WAI SAN

Executive Chairman and Director

Position	Executive Chairman and Director
Age	51
Qualifications	Masters of Business Administration/University of Chicago Bachelor of Science in Electrical and Electronics Engineering/ Lehigh University

Mr. Loke Wai San has been the Chairman of AEM since 2011. He is also the founder and CEO of private equity fund adviser Novo Tellus Capital Partners.

Mr. Loke brings over 26 years of global technology management and investment experience to AEM. Since 2011, Mr. Loke has worked with the management team at AEM to strengthen its relationship with its key customer through improving AEM's R&D, global product delivery and support capabilities. He has also provided leadership for AEM's acquisitions.

From 2000 to 2010, Mr. Loke was with Baring Private Equity Asia, where he was a Managing Director and head of Baring Asia's US office and subsequently co-head for Southeast Asia. Prior to joining Baring Asia, Mr. Loke was a Vice President at venture capital fund H&Q Asia Pacific from 1999 to 2000, a Senior Manager at management consulting firm AT Kearney from 1995 to 1999, and an R&D engineer with Motorola from 1991 to 1993. Mr. Loke was the former Chairman and President of the Singapore American Business Association in San Francisco. Mr. Loke is also an independent director on the Board of Sunningdale Tech Limited, a non-independent director at Procurri Corporation Ltd. and an independent director at Enterprise Singapore.

BASIL CHAN

Independent Director

Position	Independent Director Chairman of Audit & Risk Management Committee, Remuneration Committee Member of Nominating Committee
Age	69
Qualifications	Bachelor of Science (Economics) Honours, major Business Administration, University of Wales Institute of Science and Technology, UK Fellow Member of the Institute of Chartered Accountants/ England and Wales Fellow Chartered Accountant of Singapore Fellow Member of the Singapore Institute of Directors

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Limited. He was a Council Member and Board Director of the Singapore Institute of Directors ("SID") from 2002 to 2013 and is currently a member of SID's Audit Committee Chapter. He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code. He was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants of Singapore ("ICPAS") and was formerly a member of the Audit and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS"). He is currently the Deputy Chairman of the Corporate Governance Committee of ISCA. Mr. Chan has more than 35 years of audit, financial and general management experience having held senior financial positions in both private and listed companies. Mr. Chan is also an independent non-executive director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely Grand Banks Yachts Limited, Global Invacom Group Limited, Memories Group Limited, Broadway Industrial Group Limited and Nera Telecommunications Limited. In the last 4 years, he previously sat on the Boards of Singapore eDevelopment Limited, SBI Offshore Limited, and Yoma Strategic Holdings Limited.

BOARD OF DIRECTORS

LOH KIN WAH

Independent Director

Position	Independent Director
Age	65
Qualifications	Bachelor of Science, Chemical Engineering (Honours)/ University of Malaya, Kuala Lumpur Postgraduate certified diploma in accounting and finance/ ACCA, United Kingdom

Mr. Loh has extensive leadership experience in the semiconductor industry. He is currently Chairman of Synesys Technologies Holding Pte Ltd and of the Supervisory Board of AMS AG, Austria. Over the last 15 years, his appointments include a member of the Supervisory Board of BESI BV, Netherlands, Vice Chairman of Ampleon BV, Netherland, Executive Vice President, Global Sales and Marketing of NXP Semiconductors, Netherlands, President and CEO of Qimonda AG, Munich, Germany and the Executive Vice President, Communications Group of Infineon Technologies AG, Munich Germany. Mr. Loh has previously served in a variety of capacities at Siemens AG. While he was in charge of the production of Siemens Components Singapore, he was instrumental in setting up the production facilities in Batam, Indonesia and Wuxi, China.

ADRIAN CHAN PENGEE

Lead Independent Director

Position	Lead Independent Director and Chairman of Nominating Committee Member of Audit & Risk Management Committee and Remuneration Committee
Age	55
Qualifications	Bachelor of Laws (Honours) from National University of Singapore

Adrian Chan Pengee is Head of the Corporate Department and a Senior Partner at Lee & Lee. He is the Vice-Chairman of the Singapore Institute of Directors and a member of the Legal Service Commission and Singapore Management University's Enterprise Board. He is also a Board member of the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"). Mr. Chan serves on the Executive Council of the Association of Small and Medium Enterprises as its Honorary Secretary. In addition, the SGX has appointed him to its Catalist Advisory Panel to review Catalist Sponsor and Registered Professional applications.

He currently chairs the Corporate Law Advisory Panel at ACRA and co-chairs the Corporate Governance and Regulations Interest Group of the Singapore International Chamber of Commerce. He is a member of the Board of Shared Services for Charities Limited, which is a registered charity and an Institution of a Public Character, and the Institutional Review Board of the Singapore Polytechnic.

Mr. Chan is the Non-Executive Chairman of Hong Fok Corporation, the lead independent director of Yoma Strategic Holdings, Bowsprit Capital Corporation (the manager of First REIT) and Ascendas Funds Management (the manager of Ascendas REIT), and an independent director of Best World International, all of which are listed on the Singapore Stock Exchange. He also serves as a director on Astrea III Pte. Ltd., Astrea IV Pte. Ltd., Astrea V Pte. Ltd. and Azalea Asset Management, which are wholly-owned subsidiaries of Temasek.

BOARD OF DIRECTORS

JAMES TOH BAN LENG

Non-Executive,
Non-Independent Director

Position	Non-Executive, Non-Independent Director Member of Audit & Risk Management Committee, Remuneration Committee
Age	55
Qualifications	MBA from the Wharton School of the University of Pennsylvania Master's degree in Sustainable Building Design from the University of Nottingham Bachelor of Science degree in physics with electrical engineering from M.I.T.

James Toh is a co-founder and anchor investor of the Novo Tellus PE Fund 1 and Fund 2, which focuses on the buyouts of small/mid-cap technology and industrial companies. He is a founding director of the Funds' Singapore Registered Fund Management company, Novo Tellus Capital Partners Pte Ltd.

James started his career at management consulting firm Booz Allen & Hamilton (1989-90), in the firm's Singapore office, where he focused on Strategy consulting and Mergers and Acquisitions advisory work. He subsequently joined A.T. Kearney, another consulting firm, and worked on benchmarking and operational improvement assignments for technology clients in the USA, Malaysia, and Singapore.

Since 1996, James has been Managing Director of family office ACT Holdings Pte Ltd. ACT was started in 1969 to invest in several joint ventures with the Hitachi Group, in the consumer electronics sector. It was also the key Singapore local partner for Fujitec Elevator Corporation, which operated the largest elevator factory in South East Asia from 1974 to 2011.

Beginning in 1997, James built the ACT Group's Singapore property development division with numerous award-winning developments include the Gambier Court at Kim Yam Road, and Empire Lofts at Mosque Street, both of which won the URA Heritage Award. The ACT Group in Singapore is known for doing innovative residential developments, specializing in luxury landed properties, apartments and conservation projects. In the last twenty years, the group has completed over 20 developments in Singapore.

From 2010, James broadened the ACT group's real estate investment in the USA through its joint venture with Tribridge Residential, a leading multi-family residential manager and developer based in Atlanta, Georgia, USA. Via this platform, the group invests in apartment communities in fast-growing cities in Southeast USA, such as Charlotte, Nashville, Jacksonville, and Raleigh/Durham.

James also serves as President of the MIT Club of Singapore from 2015 till 2020. An active angel investor in the Singapore startup sector, James has also been instrumental in starting SUTD's annual 10K Challenge, a business plan competition to encourage student entrepreneurial activities. The annual competition held annually at the Singapore University of Technology and Design is currently planning its fifth edition in 2020.

LAVI ALEXANDER LEV

Independent Director

Position	Independent Director
Age	63
Qualifications	Bachelor of Science in Electrical Engineering from Technion – Israel Institute of Technology/Certified Professional Executive Coach

Mr. Lavi has 36 years of Silicon Valley and Asia experience. Throughout his professional career, he served as CEO, President, General Manager, and VP of R&D in the semiconductor chip design, Electronic Design Automation (EDA) software, test equipment, contract manufacturing, and 3D printing industries. Some of his achievements include the design of the first Pentium Microprocessor (Intel) and the first UltraSparc Microprocessor (Sun Microsystems); the development of the technology that powers the Nintendo and Sony video games consoles (Silicon Graphics); the business responsibility for the $1B EDA software of Cadence Design Systems; the 10x growth of the contract manufacturing business of Ultra Clean Technology (UCT) in Asia; and the deployment of Southeast Asia's largest 3D printing service bureau in Singapore. Most recently, Lavi was the President of UCT Asia. Prior to moving to Asia, Lavi was the CEO of Credence Systems (NASDAQ: XCRA).

Lavi has extensive Merger and Acquisition experience, executing over 20 deals in Asia, Europe, and the U.S. totaling over $2B. He is the author of 11 issued U.S. patents and numerous papers covering semiconductor, Internet, EDA software, and consumer electronics technologies. Lavi is also a certified professional coach, specializing in coaching senior executives. He is an advisory board member of the National Additive Manufacturing Innovation Cluster (NAMIC) and a member of the Singapore Institute of Directors.

MANAGEMENT PROFILE

CHOK YEAN HUNG

Position	Chief Executive Officer
Age	55
Qualifications	Bachelor of Electrical & Electronics Engineering (2nd Upper Honours)/National University of Singapore

Mr. Chok has more than 30 years of management and technical experience in the Semiconductor industry. He was a founding management team of Ellipsiz Test, EEMS Asia Pte. Ltd and United Test and Assembly Center Pte. Ltd (UTAC). He served as Senior Vice President of Operations at EEMS, overseeing both the Singapore and Suzhou sites. In UTAC, Mr. Chok was the Vice President of Test Operation from 1998 to 2004, managing Memory IC and Mix Signal ICs Test's manufacturing, engineering and development. Mr. Chok started his career as a Product and Test Engineer in Texas Instruments (S) Pte. Ltd (TI) in the year 1988 and eventually became a Product Engineering Manager. In 1998, he was elected as Senior Member of Technical Staff, of Texas Instruments Incorporation in recognition of his contributions. In the course of his career, Mr. Chok was awarded the Ministerial Citation for Excellence in Test Development from Singapore, National Science and Technology Board (NSTB) in 1997. He jointly holds a patent with Texas Instruments, Dallas memory designers on 'A Method in Testing Semiconductor Devices'. He joined the Company on 1 January 2012.

CHANDRAN NAIR

Position	Group President (Appointed 1 January 2020)
Age	51
Qualifications	Masters of Mathematics/Arizona State University

Mr. Nair has more than 30 years of management and technical experience in the Automated Test Equipment industry. He was the Vice President of APAC for National Instruments (NASDAQ, "NATI"), and most recently the President of the Robotics and Autonomous Systems Business at ST Engineering Land Systems. Mr. Nair started his career at National Instruments and played a leadership role in their successful commercialization and growth globally of their PXI Platform. He guided the early commercial success and helped establish PXI as an Industry standard through his engagement with the PXI Systems Alliance. Mr. Nair is currently the Board Member of Singapore Science Centre and the Advisory Board Member of Engineering Product Development of Singapore University of Technology and Design. He joined the Company on 1 January 2020.

MARK YAEGER

Position	Senior Vice President of Applications Engineering and President of AEM US
Age	54
Qualifications	Bachelor of Electrical Engineering/University of Missouri-Columbia

Mr. Yaeger has over 25 years of experience in sales, marketing and field operations in the semiconductor engineering industry. Prior to joining AEM, he worked as Vice President of Global Sales at R&D Altanova, a global leading provider of advanced test interface solutions for both wafer sort and final test applications. He also held several other senior positions at DCG Systems, SunEdison Semiconductor, LTX-Credence and Credence Systems earlier in his career. He joined the Company on 13 May 2019.

PASCAL PIERRA

Position	Senior Vice President and General Manager of System Level Test and Inspection
Age	50
Qualifications	Masters of Computer Science/Ecole Centrale de Marseille

Mr. Pierra has over 25 years of experience in the Semiconductor and Additive Manufacturing industries in Europe, USA and Asia.

He demonstrated an excellent leadership with strong drive for execution and results with a proven track record of significant revenue contribution and expansion to new markets.

His latest roles were Director of business development at UCT and later, General Manager of Optomec Asia Pacific Pte Ltd which specializes in Additive Manufacturing.

He joined the Company on 24 June 2019.

MANAGEMENT PROFILE

CHUA TAT MING

Position	Vice President – Engineering
Age	58
Qualifications	Bachelor of Mechanical & Production Engineering (Honors)/ Nanyang Technological University Master of Sciences Industrial & Systems Engineering/ National University of Singapore

Mr. Chua spent his entire career in the management of the life-cycle of product development. He started his career in Philips Domestic Appliances and then in Motorola Electronics as a senior R&D engineer. In the 18 years in Motorola, he designed a wide range of hand-held wireless devices. He was involved in Front End Pre-Development, Product Definition, Product Management, Product Design and New Product Introduction. In 2010, Mr. Chua joined Hi-P International as its VP R&D. He was based in Shanghai for 4 years and returned to Singapore in 2014 to lead its ODM business to develop wireless smart products. In 2000, he was inducted as Sciences Advisory Board Associate in Motorola, a recognition that Motorola awarded to the top 1.5% of its global engineers for the business impact he made in product development cycle time reduction. Mr. Chua is Project Management Profession (PMP) and a certified six sigma green belt holder. He holds a US patent and he is a member of the advisory committee of Ngee Ann Polytechnic's Mechanical Engineering Diploma Programme. He joined AEM on 13 November 2017.

GOH MENG KIANG

Position	Vice President – Operations
Age	58
Qualifications	Bachelor of Electrical & Electronics Engineering/National University of Singapore

Mr. Goh has more than 26 years of management and technical experience in the Semiconductor industries with companies such as ASE, EEMS and UTAC. He was a Vice President of Operations in ASE before joining AEM in March 2013. He is also a founding member for Ellipsiz Test Singapore Pte Ltd and EEMS Test Singapore Pte Ltd. Upon graduation, he joined Texas Instruments Singapore as a Product and Test Engineer for memory devices. Mr. Goh has 1 world-wide patent US5796246 for test methodologies with Texas Instruments. While in TI Singapore, Mr. Goh has taken on many roles. He was a Manager responsible for Military Products and also a Test Equipment Manager. From 1998 onwards Mr. Goh has been involved in many OSAT companies such as STATS (also known as Stats Chippac), UTAC, EEMS and ASE. He joined AEM on 18 March 2013.

SOH WAI KONG

Position	Vice President – Finance
Age	51
Qualifications	Bachelor of Accountancy/Nanyang Technological University Chartered Accountants, Certified Internal Auditors

Mr. Soh has more than 26 years of accounting, external and internal auditing, financial management experience in listed and multinational companies mainly in the manufacturing environment. He was previously Chief Financial Officer of Innovalues Limited and FerroChina Limited. He is responsible for the Group's financial reporting, costing, treasury, tax, IT, secretarial and human resources matters. He joined the Group on 1 June 2009.

YEAP KIAN YONG

Position	General Manager – AEM Singapore/Global Procurement Director
Age	51
Qualifications	Bachelor of Science/National University of Singapore

Mr. Yeap has more than 26 years of management and operation experience in multiple industries, of which more than 20 years is in Semiconductor industry. Mr. Yeap started his career as Production Supervisor with Wearnes Automation Pte Ltd in 1992 and thereafter joined Texas Instruments (S) Pte Ltd in 1993 and eventually became a Section Manager in 1997. He had made advancements in his career over the years to hold management positions in companies including Sonic Clean Pte Ltd and EEMS Suzhou Co., Ltd. He joined the Company on 6 August 2012.

SEAH BOON SENG

Position	Director – Business Management
Age	55
Qualifications	Bachelor of Electrical and Electronics Engineering/National University of Singapore

Mr. Seah has more than 30 years of management, business development, sales & marketing, customer service, program management, planning and quality experience in the multinational companies and OSAT (Outsourced Semiconductor Assembly and Test) Semiconductor industries. Mr. Seah started his career as QRA Engineer with Texas Instruments (S) Pte Ltd in 1989 and eventually became a Planning Manager in 1996. He left Texas Instruments in 1998 to join a new OSAT start-up, United Test and Assembly Center (S) Pte Ltd in 1998, as Program Manager and eventually became a Vice-President in 2005. He joined the Company on 15 June 2015.

MANAGEMENT PROFILE

MARK ALLEN DRURY

Position	Director – Field Operations
Age	47
Qualifications	A.S Degree in Electronics Engineering

Mr. Drury has more than 20 years of experience as a High- Tech Service, Project and Operations Director in a customer service management, product and project management roles. Supporting automated test and ultra-clean automated material handling equipment and small turn parts for the semiconductor and solar industry. He worked for PRI Automation from May 1996 to May 2001 where he held the position of Regional Service Manager and grew the service organization throughout SE Asia. PRI was amalgamated by Brooks Automation and Mark continued to support the expanding customer base and grew his role into the Regional Technical Support Manager for Asia. He created and developed a regional training university in Korea, creating new streams of service revenue. Mark Drury joined AEM on 11 August 2009. During his time with AEM he has successfully managed to reduce tool installation duration by more than 50%, with a major customer issuing him with a recognition award for this achievement. He has also developed customized service models that specifically cater to the specific needs of each individual site through the creation of the onsite service contracts.

HARSHANG NILESHKUMAR PANDYA

Position	General Manager – Test and Measurement Solutions
Age	48
Qualifications	Bachelors in Electronics Engineering/M.S. University, Vadodara, India Masters degree in Electrical Engineering/Indian Institute of Technology, Bombay

Mr. Harshang has over 20 years of experience in developing test and measurement solutions ranging from textile to telecom. After working on various engineering management and product planning roles at Agilent Technologies, Harshang co-founded and managed two startup companies focusing on innovative RF and optical test systems for testing network infrastructure. He joined AEM as the General Manager of Test and Measurement Solutions business unit on 25 September 2017 after AEM's acquisition of InspiRain Technologies, a company he co-founded. Harshang is an inventor for six US patents. He frequently writes articles related to RF testing of cables and components in industry magazines.

VESA HENTTONEN

Position	Chief Technical Officer
Age	55
Qualifications	Bachelors of Science in Engineering Masters degree in Mechanical Engineering/Lappeenranta University of Technology, Finland

Mr. Vesa has over 30 years of experience in R&D and MEMS testing. He is a pioneer and inventor in MEMS testing. Vesa co-founded Afore Oy in 1995 to offer MEMS test cells and test handlers, tailored equipment and R&D services for MEMS industry and testing services (clean laboratory facility). Before he founded Afore Oy, he was the main designer in the consulting engineering offices of Copercon Oy/Jaakko Pöyry Oy. Vesa has several patents pertaining to MEMS testing. Beside his engineering degree, he has studied economics and business in graduate level. Vesa has been the Managing Director since the establishment of Afore Oy and continued in this position after he joined AEM on 28 February 2018 after AEM's acquisition of Afore Oy.

ARI KUUKKALA

Position	General Manager, Mirco-Electro Mechanical Systems (MEMS) Test Solutions
Age	38
Qualifications	Bachelor of Science in Mechanical Engineering, Studies in Electronics Engineering/Turku University of Applied Sciences Leadership Programme – JOKO/Turku School of Economics

Mr. Ari Kuukkala has worked for Afore Oy for the past 14 years after completing his Engineering Thesis for the company. He started as a Mechanical Design Engineer and was involved in the development of all Afore Oy main products. He established the Afore Service Department and developed it to serve customers in their 24/7 production while also participating in equipment development. While working as the R&D and Technical Sales Manager, Ari was at the forefront taking Afore Oy towards the global market when the first system deliveries were sent abroad and EU-wide R&D consortium related projects were executed. As Sales Director he continued to grow the company's customer base outside Finland and create awareness of Afore Oy as a leading brand in Application Specific Probers. As the General Manager of MEMS (through Afore Oy), his main task is to ensure the growth of the business unit by securing existing global accounts and gaining new markets with new application areas.

CORE BUSINESS

EQUIPMENT SYSTEMS SOLUTIONS (ESS)

AEM specializes in providing customized system solutions to both mass volume manufacturers and new technology development laboratories. We are partners for our customers in product development from concept to mass production. Our equipment solutions involve integrating precise high-speed motion, innovative mechanical design, advanced programmable logic control, sophisticated graphical user interface design, and reliable compliance communication protocols. Our systems are deployed globally at world-class semiconductor, solar cells and storage media manufacturing facilities.

AEM strives to be an innovative and proactive business solutions partner. We promote early involvement and a partnership approach. As business partners, we invest our time and resources to support our customers in developmental programs and strive for excellence in program execution. Our solutions include high-density and modular test handlers, wafer handling systems and hot spot test handlers.

We have a dedicated team of business and technical professionals who strive to provide high-value solutions to our customers with quality and speed.

SYSTEM LEVEL TEST & INSPECTION (SLT-i)

The SLT-i business unit was officially established in 2018 to bridge the growing gap between actual user failure detection and standard ATE (Automated Test Equipment) coverage due to more complex IC designs and advanced packaging techniques. Our SLT solutions enable the testing of complex devices in their real end-user environment including extreme temperature ranges.

With our recent acquisition of Mu-TEST in March 2020, AEM is pushing the SLT boundaries to include enhanced SLT capabilities by providing test functionalities to our architecture. Integrating standard ATE coverage to SLT enables our customers to be innovative and to reduce their overall cost-of-test (COT). Mu-TEST offers cost efficient's FPGA (Field Programmable Gate Array) based ATE, which supports device characterization, wafer sort, final and system level test.

The DNA of AEM is to keep pushing the technology boundaries. In development is the future implementation of Knowledge-Based Testing™ using big data analytics. This concept to reduce test redundancies is a potential game-changer in the semiconductor test world as this methodology can be implemented across the process level (i.e. wafer probe to final test to burn-in to system level test).

CORE BUSINESS

MACHINE VISION SOLUTIONS THROUGH IRIS SOLUTION

Established in 2000, IRIS Solution engages in the research, development, and integration of advanced machine vision solutions to manufacturers in the electronics, semiconductor, medical, optical and MEMS devices manufacturing, robotics and logistics, precision parts and solar industries. Over many years, IRIS Solution has built up core competencies in:

- Development of software and algorithms for machine vision, image processing, product handling control;
- Optical and lighting design and assembly;
- Mechanical and electronic design and assembly; and
- AI and Machine Learning algorithms to expedite recognition training and to improve detection accuracies.

APPLICATION-SPECIFIC WAFER PROBERS AND MICRO-ELECTRO-MECHANICAL SYSTEMS TESTING SOLUTIONS THROUGH AFORE OY (MEMS)

AEM acquired Afore Oy in 2018. Afore Oy is a Finnish based test solutions provider for Micro-Electro-Mechanical Systems (MEMS) and special wafer probing needs. It offers test solutions from the R&D phase to high volume production and system-level testing which enable manufacturers to achieve the lowest cost-of-test, reduced time to market, effective process cycle, accurate stimulus and high production yields.

Afore Oy is recognized as the industry pioneer in wafer-level MEMS testing, having delivered its first MEMS test cells in 1998. Today, its innovative test solutions include wafer probes and test handlers with multi-stimulus and package options, as well as tri-temperature testing. It provides a range of test solutions for Wafer Level Chip Scale Packaged (WL-CSP) sensors, including the world's only commercial test system for WLCSP motion sensors. WL-CSP is a fast emerging package technology capable of driving smaller, cheaper, and more complex devices in the future.

The latest addition to the portfolio is Cryogenic Wafer Prober, developed with another partner in Finland, enabling Quantum Computing Community to take the next steps on quantum computer development.

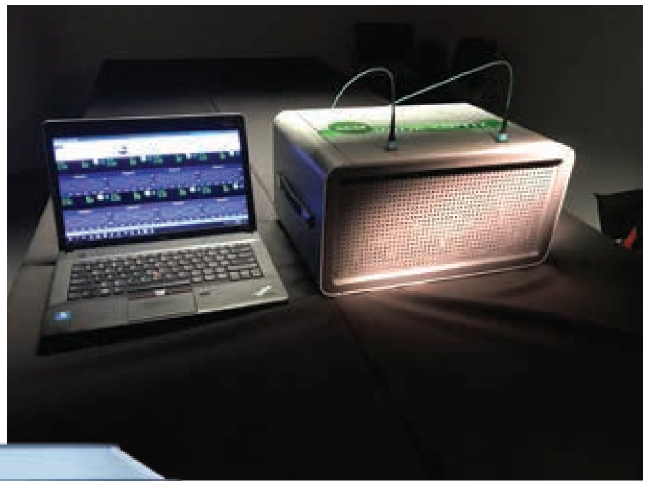
Afore is serving a large scale of sensors and special semiconductor manufacturers in the automotive, industrial and consumer electronics segments.

CORE BUSINESS

TEST AND MEASUREMENT SOLUTIONS (TMS)

AEM acquired Inspirain in 2017 and formed Test & Measurement business unit. It engages in the research, development, and production of advanced communications and industrial test solutions for cables, including ethernet and fiber cables.

Its portfolio of test solutions includes Vector Network Analyzers (VNA) and portable network cable testers; for testing, validating, certifying and troubleshooting of communication cables. The stand-alone device can also be incorporated into a production line or testing cell. Recent addition includes success development and roll out of portable testers to test Multi-Mode Fiber cables, which supports 5G infrastructure roll out.



FINANCIAL HIGHLIGHTS

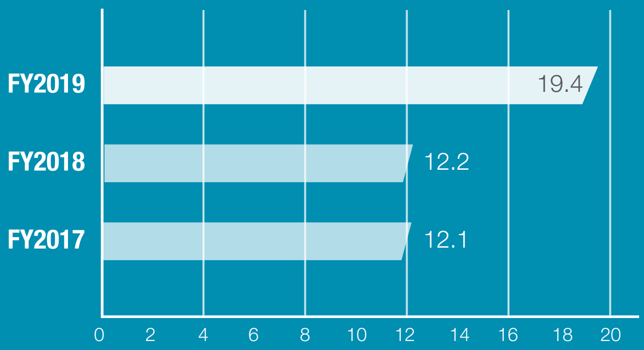
KEY PERFORMANCE SUMMARY

	FY2017 S$'000	FY2018 S$'000	FY2019 S$'000	FY19 vs FY18 Change
Revenue	**221,622**	**262,325**	**323,130**	**23.2%**
Materials, consumables and inventory changes, excluding stock obsolescence	(149,291)	(173,448)	(192,050)	-10.7%
Reversal of allowance/(Allowance) for stock obsolescence	692	226	(311)	237.6%
Staff costs	(25,338)	(32,521)	(47,423)	-45.8%
Depreciation and amortisation	(698)	(1,871)	(6,076)	-224.7%
Other expenses, net	(9,387)	(14,965)	(14,352)	4.1%
Finance income, net	36	260	356	36.9%
Total expenses net other income	**(183,986)**	**(222,319)**	**(259,856)**	**-16.9%**
Share of (loss)/profit of equity-accounted investee	(105)	(38)	461	NM
Profit before taxation	37,531	39,968	63,735	59.5%
Tax expenses	(5,347)	(6,475)	(10,972)	-69.5%
Profit for the year	**32,184**	**33,493**	**52,763**	**57.5%**

* *Increase/(Decrease) Earnings*
** *NM – not meaningful*

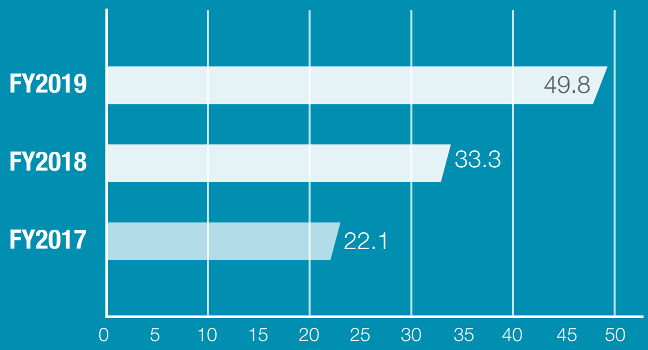
FINANCIAL HIGHLIGHTS

DILUTED EARNINGS PER SHARE
(in cents)

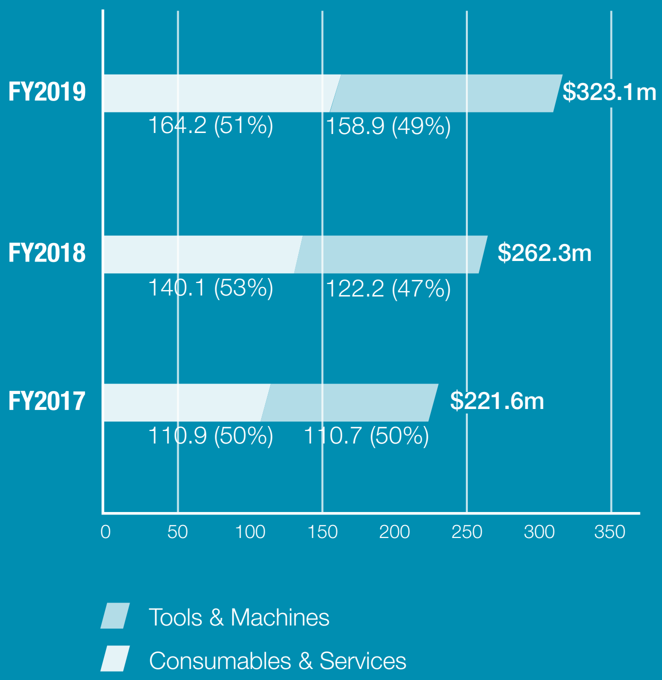


Note: The above EPS figures have been adjusted for effect of share options and performance shares granted but not issued.

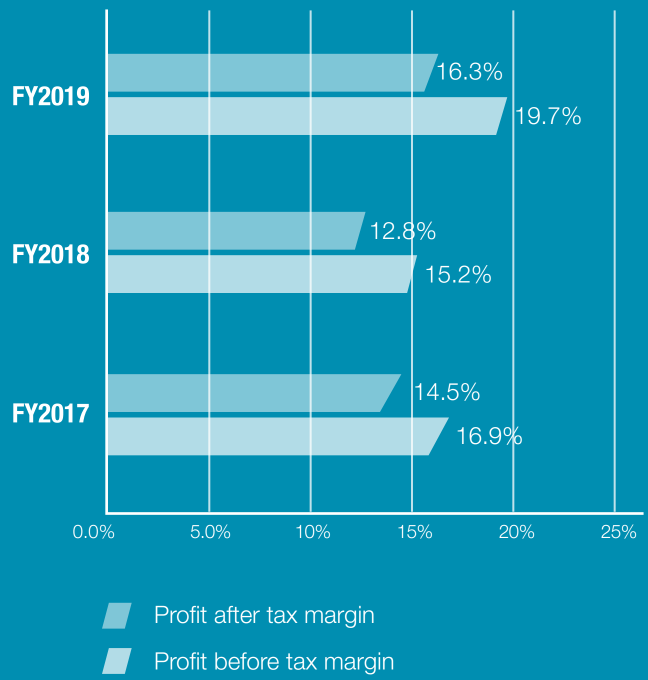
NET ASSET VALUE PER ORDINARY SHARE
(in cents)



REVENUE BY PRODUCT TYPE



MARGINS



FINANCIAL HIGHLIGHTS

FINANCIAL POSITION & CASHFLOW

Financial Position	31-Dec-17	31-Dec-18	31-Dec-19
	S$'000	S$'000	S$'000
Property, plant and equipment	3,623	5,725	**6,392**
Right-of-use assets[1]	–	–	**2,051**
Intangible assets and goodwill	3,449	17,717	**16,905**
Cash and cash equivalents	46,095	58,890	**107,676**
Current assets less current liabilities	47,191	65,112	**108,277**
Borrowings	–	156	**–**
Total equity	57,810	89,504	**134,336**
Net asset value per share (SG cents) [adjusted for bonus issue]	22.1	33.3	**49.8**

Cash Flow Statement	FY2017 S$'M	FY2018 S$'M	FY2019 S$'M
Net cash generated from operating activities	49.9	34.0	**67.7**
Net cash used in investing activities	-2.4	-13.2	**-2.8**
Net cash used in financing activities	-6.4	-9.2	**-15.2**
Net increase in cash	41.1	11.6	**49.7**
Cash & cash equivalents	46.1	58.9	**107.7**

[1] Right-of-use assets were recognised upon application of SFRS(I) 16 on 1 January 2019 using the modified retrospective approach

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

Listed on the main board of Singapore Exchange since 2000 (SGX:AWX), AEM is a global leader offering application-specific intelligent system test and handling solutions for semiconductors and electronics companies serving advanced computing, 5G, and AI markets. AEM has over 18 years of supplier relationship to one of the largest semiconductor companies globally for our customized back-end test handlers and provides world-class site engineering support globally in Asia, North America, Europe, Middle East, and Central America.

OPERATIONS REVIEW

AEM's cost-effective and highly efficient testing solutions to our major customer has resulted in the growth in operating performance for the financial year ended 31 December 2019 ("FY2019"). AEM delivered on FY2019 guidance[1] and achieved 23.2% growth in revenue from S$262.3 million for the financial year ended 31 December 2018 ("FY2018") to S$323.1 million in FY2019. Profit before tax grew 59.5% from S$40.0 million to S$63.7 million in FY2019.

MERGER AND ACQUISITION

The Group has embarked on the global growth path to diversify its revenue stream after the completion of the acquisitions of Afore Oy and IRIS Solution Pte Ltd in March 2018. In December 2019, AEM signed a Share Purchase Agreement for the acquisition of 100% shareholding in Mu-TEST, a French company that provides full test solutions for medium and high-end integrated circuits. Mu-TEST is a pioneer in offering disruptive low-cost testers based on Field Programmable Gate Arrays that is highly complementary of AEMS's Asynchronous Modular Parallel Smart ("AMPS") offering to deliver complete System Level Test Solutions for the semiconductor and electronics industries. The acquisition was completed in March 2020.

FINANCIAL REVIEW

Revenue and net profit margin

We achieved revenue of S$323.1 million in FY2019, up 23.2% from FY2018. The increase was driven primarily by the growth in the Equipment Systems Solutions ("ESS") segment of the Group, resulting from the increase in orders from customers. Sales from ESS increased by 22.3% from S$251.9 million in FY2018 to S$307.9 million in FY2019 resulted mainly from the increase in sales for all product lines and consumables. Revenue from the SLT-i business was higher by 91.4% from S$2.6 million in FY2018 to S$4.9 million in FY2019 due to an increase in orders from existing customers. Revenue from both MEMS and TMS businesses was higher by 6.9% to S$7.4 million and 197.8% to S$2.9 million in FY2019 respectively.

Our net profit margin increased from 12.8% for FY2018 to 16.3% for FY2019 was primarily due to higher revenue despite the Group recording higher staff costs arising from the increase in bonus and share plans expense as well as additional headcount for business development and engineering project and higher expenses incurred for the remeasurement of contingent consideration.

Raw materials and consumables cost

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, increased from S$173.5 million in FY2018 to S$192.1 million in FY2019, representing an increase of 10.7%.

Staff cost

The total staff costs increased by 45.8% from S$32.5 million in FY2018 to S$47.4 million in FY2019 primarily due to higher staff bonus, share plans expense and higher staff salary from additional headcounts for business development and engineering projects.

Depreciation and amortisation

Depreciation increased by 282.4% from S$1.2 million in FY2018 to S$4.4 million in FY2019 primarily due to recognition of right-of-use assets (adoption of SFRS (I) 16 *Leases*) in FY2019. Amortisation of intangible assets was higher by S$935,000 from S$713,000 in FY2018 to S$1.6 million in FY2019 mainly due to higher carrying value of intangible assets resulting from the acquisition of subsidiaries.

Other expenses, net[2]

Our other expenses, net decreased by S$613,000 from S$15.0 million in FY2018 to S$14.4 million in FY2019 primarily due to (1) higher sales and marketing expenses by S$3.2 million to S$7.7 million in FY2019; (2) higher expenses

[1] The guidance that the Group provided to the market was to achieve revenue between S$305 million to S$315 million and incur capital expenditure of between S$3 million to S$4 million in FY2019.

[2] "Other expenses, net" is the aggregate amount of other income, expenses relating to low-value leases, utilities and maintenance expenses, legal and professional fees, sales and marketing expenses and other expenses as shown in the Consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

incurred for remeasurement of contingent consideration by S$1.2 million to S$2.4 million in FY2019; (3) higher utilities and maintenance expenses by S$373,000 to S$1.6 million in FY2019; (4) lower expense related to low-value leases (2018: operating lease expenses) by S$2.5 million to S$284,000 in FY2019; (5) lower foreign exchange loss by S$1.9 million to S$45,000 in FY2019; (6) S$562,000 relating to real property gain tax that was recorded in FY2018.

Profit for the year

As a result of the above, profit before tax grew 59.5% from S$40.0 million in FY2018 to S$63.7 million in FY2019. After taking into consideration the tax expense of $11.0 million in FY2019 and S$6.5 million in FY2018, profit after tax was S$52.8 million in FY2019 as compared to S$33.5 million in FY2018.

Property, plant and equipment

Our property, plant and equipment increased by S$667,000 to S$6.4 million as at 31 December 2019 primarily due to the acquisition of equipment and renovation and installation for the increase in production and office space.

Intangible assets and goodwill

The decrease in intangible assets and goodwill by S$812,000 to S$16.9 million was mainly due to amortisation cost in FY2019 was higher than the capitalisation of development costs and the purchase of software.

Inventories

The increase in inventories of S$30.0 million or 109.5% to S$57.5 million as at 31 December 2019 was mainly due to higher material purchases for the fulfilment of sales orders.

Trade and other receivables

Our trade and other receivables increased by S$10.0 million or 55.7% to S$28.0 million as at 31 December 2019 due to the increase in revenue of the Group in the fourth quarter of 2019.

Trade and other payables

Our trade and other payables increased by S$39.1 million or 115.0% to S$73.1 million as at 31 December 2019 mainly due to increased material purchases and operating expenses resulted from the increase in sales orders to be fulfilled.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents of the Group increased by S$48.8 million or 82.8% in FY2019 to S$107.7 million as at 31 December 2019 mainly due to higher generated operating cash flow of S$67.7 million offset by cash used for purchase of property, plant and equipment, purchase of intangible assets, dividend payments, lease payments and repurchase of treasury shares.

CAPITAL EXPENDITURE

During the year ended 31 December 2019, the Group's capital expenditure consists mainly of additions to equipment and renovation amounting to S$2.4 million, and capitalisation of development cost and purchase of computer software amounting to S$0.8 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, there were 527 (2018: 441) employees in the Group. Staff remuneration packages are determined by market conditions and bonuses are determined by the performance of the Company as well as of the individuals. The Group also provides other staff benefits including medical, dental and life insurance.

FINANCIAL RISK MANAGEMENT

Contingent liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of obligations to any third parties as at 31 December 2019.

Foreign Exchange Exposure

The Group's foreign currency transactions are mainly denominated in United States dollars ("US$"), Euro ("EUR"), Malaysian Ringgit ("MYR") and Renminbi ("RMB"). The Group has currency exposure resulting from sourcing for materials supplies mainly in US$ and S$ and having its main production operations in Singapore where the operating expenses are mainly in S$. The Group is therefore subject to foreign exchange rate translation and transaction risks. The Group's foreign exchange exposure is partly hedged by purchasing materials and services that are denominated in the functional currency.

MANAGEMENT DISCUSSION AND ANALYSIS

PURCHASES OF THE COMPANY'S LISTED SECURITIES

During the year, the Group purchased 1,700,000 (2018: 1,300,000) ordinary shares as treasury shares, reissued 1,286,666 (2018: 525,000) treasury shares under the Group's Performance Share Plan ("PSP"), reissued 333,000 (2018: 156,000) treasury shares for share options exercised and there were 800,000 (2018: Nil) treasury shares reissued for settlement of deferred and contingent consideration relating to business acquisition in 2017. As at 31 December 2019, the Company held 3,541,418 (2018: 4,261,084) ordinary shares as treasury shares.

PROPOSED FINAL DIVIDEND

The Board of Directors has recommended the payment of a final dividend of 3.1 cents per ordinary share for the year ended 31 December 2019. Including the interim dividend of 2.0 cents per ordinary share paid on 13 September 2019, the total dividend payout for FY2019 amounted to 5.1 cents per ordinary share. The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting to be held on 21 May 2020 at 3.00 pm. Upon shareholders' approval, the proposed final dividend will be paid on 12 June 2020 to shareholders, whose names shall appear on the register of members of the Company on 29 May 2020 before 5.00 pm.

FUTURE PROSPECTS

The Group has also been working with various potential customers on its AMPS platform, Micro-Electro-Mechanical Systems Testing Solutions ("MEMS") and Test and Measurement Solutions ("TMS") services, to grow its customer base. The TMS division has completed the development project on optical fibre cable-test equipment for 5G backhaul networks. It is currently working with several customers on initial orders. The System Level Test & Inspection ("SLT-I") division has successfully installed initial commercial systems for a memory manufacturer. The Group remains positive in the outlook of these business segments. As at 25 February 2020, the Group has received sales orders worth S$338 million for delivery in FY2020. With the sales orders received, the Group is revising its FY2020 revenue guidance upwards to be between S$360 million to S$380 million, and capital expenditure is expected to remain at about S$4 million to support engineering and business development needs for new customer programs.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

AEM Holdings Ltd ("AEM" or the "Company") is pleased to present the Company's annual Sustainability Report (the "Report") which covers the Group's performance of our operations in Singapore, where AEM is headquartered and the various subsidiaries from 1 January 2019 to 31 December 2019 (the "FY 2019' or 'reporting period"), with data from the previous years for comparison purposes.

The Report summarises AEM's key sustainability issues, our management approach as well as our related performance with respect to Environment, Social and Governance topics ("ESG") across the Company's operations. All information shown is for the Group's operations in Singapore, Malaysia, China, Finland, USA and Vietnam unless stated otherwise. The Company has chosen the Global Reporting Initiative[1] ("GRI") Standards as it is the most established international sustainability reporting standard. This Report is prepared in accordance with the GRI standards "Core" option. The Report incorporates the primary components of report content as set out by the SGX's "Comply or Explain" requirements on sustainability reporting under Listing Rules 711A and 711B.

AEM's material topics are identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. Detailed section reference with GRI Standards is found at GRI Index Page. The Sustainability Team has assessed that external assurance is not required as the Group has relied on our internal verifications for the accuracy of the Report.

MESSAGE FROM BOARD

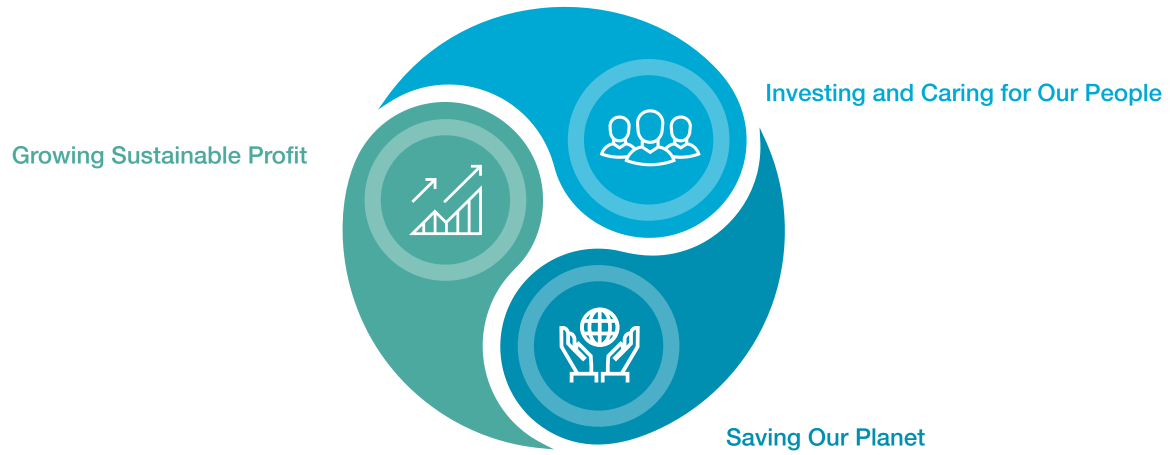
It is our pleasure to present AEM's Sustainability Report for FY2019. As we continue to grow our operations, we are conscious of the impact our business has on the community and environment. The Board together with the management pledges to incorporate sustainable practices into our processes and considers sustainability as vital to our Group's strategy and operations. Included in the Report are our long term and perpetual targets in relation to the material ESG factors that are linked to our business strategy and financial performance. In our sustainability report next year, we will report our achievements against our short term targets set out this year. We would like to take this opportunity to appreciate the ongoing support from our stakeholders and seek everyone's support in our goal of sustainable growth and development.

AEM'S COMMITMENT TO SUSTAINABILITY

AEM is committed to creating a sustainable long term growth while continuing to develop our people and making a positive change to our environment. We have established a Sustainability Team which is made up of employees from Quality Assurance, Human Resource, Facilities and Corporate departments. The Team is responsible for implementing and formalising sustainability policies and procedures, management processes and standards in respect of sustainability development. It also supports and provides adequate resources to functional units to perform the established sustainability processes and practices. The Team also assists the Board to determine the material economic, environmental and social aspects of the company and set quantitative and qualitative targets for the forthcoming year.

The Team reports to the Board of Directors of AEM which has the responsibility to provide overall direction for the Company's sustainability strategies and for the preparation of this Report.

Our sustainability strategy focuses on the three key pillars:



1 www.globalreporting.org

SUSTAINABILITY REPORT

KEY STAKEHOLDERS ENGAGEMENT

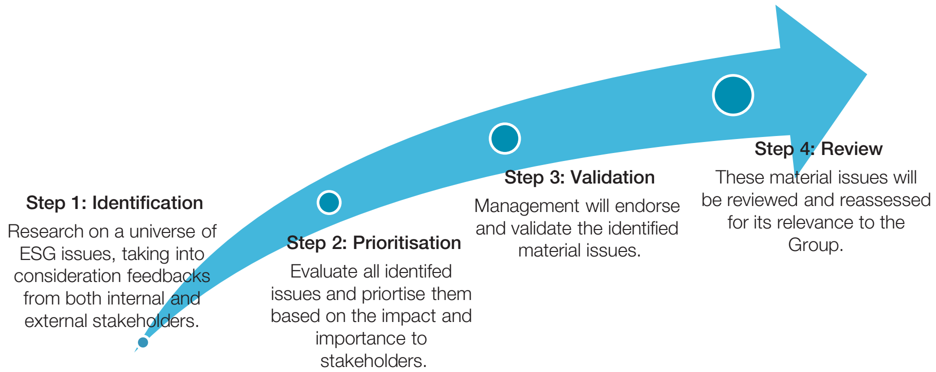
We engage with all of our stakeholder groups through a variety of channels to update them about AEM's developments and receive their feedback. We identify both internal and external stakeholders as groups that have an impact or have the potential to be impacted by our business, as well as external organisations that have expertise in aspects that we consider material. The feedback we receive from our stakeholders helps us to determine our material topics and identify our focus areas. AEM is committed to listening to our stakeholders, we welcome their views and feedback to us via this webpage: https://www.aem.com.sg/contact-us.

Stakeholders	Means of Engagement	Interests and Concerns	Our Response
Employees	• A quarterly staff communication session • Annual performance evaluation • Perception surveys • Social and team-building activities	• Career advancement • Benefits and remuneration • Health and safety • Kept updated on the latest strategic developments	• Engage employees with HR policies and promote fairness and a safe working environment. • Provide channels for staff to provide their feedback to the management to facilitate communication
Customers	• Scheduled and ad-hoc site visits, calls and reviews • Annual reports • Exhibitions and suppliers' days	• Engineering and development capability • Operating and financial performance	• Invest and improve talent resources and engineering capability • Seek to achieve excellent operating and financial performance
Communities	• Engagement in community services	• Social development	• Promote participation and engagement activities with the community
Government and regulatory bodies	• Keeping abreast with regulation changes • Scheduled and ad-hoc site visits and training	• Regulation compliance • Environmental impact	• Full regulatory compliance
Shareholders and investors	• Quarterly and annual reports, AGM, press releases and results briefing • Investor relations management	• Business continuity • Operating and financial performance • Material information dissemination and transparency	• Maintain excellent operating and financial performance • Transparent and timely dissemination of material information and development
Industry bodies	• Presentation at industry seminars and trade shows • Industry networking events	• Support from the Company and feedback on challenges that will affect the semiconductor industry	• Active membership and participation in industry forums and events

MATERIALITY REVIEW

AEM has conducted a materiality assessment session using a four-step approach based on the guidelines of GRI Materiality Standard and Principles, supported by background research on peers and industry trends. The Board has validated the material topics for this year's reporting and determined that the material topics identified last year remain relevant to its business and stakeholders.

Four-step materiality review approach:



Mapping of Material Matters to GRI Standards:

Material topics	GRI Guidelines	Sustainability Pillar
Corporate Governance	GRI 205: Anti-corruption	Sustainable Profits
Economic Performance	GRI 201: Economic Performance	Sustainable Profits
Employee Well-Being	GRI 403: Occupational Health and Safety GRI 404: Training and Education GRI 419: Socioeconomic Compliance	Our People
Diversity and Reduced Inequality	GRI 202: Market Presence GRI 405: Diversity and Equal Opportunity	Our People
Employment Benefits	GRI 401: Employment	Our People
Sustainable Supplier Management	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	Our Planet
Environmental footprint	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and Waste GRI 307: Environmental Compliance	Our Planet
Giving Back to the Community	GRI 413: Local Communities	Our Planet

SUSTAINABILITY REPORT

SUSTAINABILITY TARGETS

We set out the following targets for AEM across our three key sustainability strategies:

Material Topics	Perpetual Targets and 2020 Targets (when stated)	FY2019 Achievements
Growing Sustainable Profit		
Corporate Governance	Continue to uphold the highest standards of corporate governance and an effective enterprise risk management framework to enhance business resilience and agility. Continue to provide accurate and timely disclosure on the company, including financial situation, performance and governance structure. Continue to adhere to the Group's integrated approval of ethical practice, financial discipline, and management which drives accountability and long term value creation. Zero substantiated cases of corruption or legal compliance issue	Won Most Transparent Company Award, Technology – Winner Won Singapore Corporate Governance Award, Small Cap – Runner Up Provided timely quarterly and full-year results release. Updated frequently on financial targets and sales orders received. Regular Board and Board committee meetings as well as frequent engagements with management. Zero substantiated cases of corruption or legal compliance issue.
Economic Performance	Continue to provide innovative solutions through R&D. Continue to provide continuous product improvement to serve our customers better. Continue cost reduction engineering initiatives and "lean" operations to drive productivity improvements. Continue to encourage and incentivise employees to initiate and develop innovative ideas that can be patented. Increase economic value generation by at least 5% (2020 Target)	Achieved the financial targets as guided to investors with performance of S$323.1 million revenue. Considerable engineering development projects and revenue from customers which is a positive sign of customer satisfaction and close working relationship. Two new patents being granted during the year and staff involved were rewarded and recognised.

Material Topics	Perpetual Targets and 2020 Targets (when stated)	FY2019 Achievements
Investing and Caring for our People		
Employee Well-Being	Ensure zero fatalities with emphasis on work safety and healthy workforce through sports, social and health-related activities.	Zero fatalities rate. The Group organised various health & wellness and welfare programmes.
Diversity and Reduced Inequality	Encourage diversity in our workforce in terms of gender, race and age groups. Ensure whistleblowing procedures in place for employees and various stakeholders.	No incident of whistleblowing on employees related issues.
Talent Acquisition and Retention	Continue to reward and provide employees with competitive remuneration packages and welfare to attract and retain talents and staff. Maintain low turnover rate of below 1.5% a month (2020 Target).	A low turnover rate of 1.3% a month.There were in total 77 resignations during the year out of an average headcount of 488 staff.
Saving our Planet		
Community Involvement	Continue to engage with the community and develop more partnerships with charitable organisations to improve the welfare of our community.	The Company visited Lion Home at Bishan to engage and show our concern for the residents.
Environmental footprint	Maintain zero environmental issues and continue to improve energy consumption efficiency and emission intensity. Reduce energy emission intensity ratio by 10% (2020 Target).	Zero incident of environmental-related issues. Achieved a lower energy consumption rate per monetary unit of sales and emission intensity ratio.
Sustainable Supplier Management	100% of main contracted suppliers to be in line with AEM requirements.	100% of AEM's key fabrication suppliers screened and in line with AEM requirements.

GROWING SUSTAINABLE PROFIT

Corporate Governance *(GRI 205-1, 205-2, 205-3)*

AEM has adopted a Code of Business Conduct and Ethics ("The AEM Code") as a testimony of commitment to adhere to the highest standards of professionalism, integrity, and ethics. The AEM Code includes the Group's commitment to non-discrimination and proper conduct of business courtesies and relationships. AEM requires employees who are in or are potentially in a conflict of interest situation to report the matter to the Group. All employees of AEM are required to read, understand and agree to comply with the purposes and Provisions of The AEM Code through the Code of Conduct Acknowledgement on an annual basis.

AEM takes a strong stance against corruption and malpractice in the Group. This is reflected in our commitment to customers through our agreements with them. To achieve the highest standards of integrity and accountability within our internal structure, the Group developed a Procedures for Reporting Improprieties for employees to voice out serious concerns about the Group's activities and operations directly to the Group's Independent Directors. Employees are also assured of the anonymity and confidentiality which accompanies the report. The Policy has been circulated to all employees and there were no reports received through the whistleblowing mechanism in FY2019.

The Group has also established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit and Risk Management Committee (ARC) and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. Please refer to Note 26 of our Financial Statement.

SUSTAINABILITY REPORT

In addition, The Group has adopted our own internal best practice and compliance code to guide our officers and be compliant with SGX Listing Rule 1207(19) with regards to dealing in the Company's securities.

There have been no incidents of corruption and no public legal cases brought against the Group or our employees. We currently have no risk of corruption but we continue to be vigilant in ensuring our employees conduct themselves with the highest integrity.

Economic Performance *(GRI 201-1, GRI 201-4)*

AEM achieved revenue of S$323.1 million and profit after tax of S$52.8 million in FY2019. Both revenue and profit improved as compared to the previous year. AEM invested S$3.3 million and paid dividends of S$10.5 million in FY2019, resulting in S$51.9 million of economic value being created in FY2019, as compared to S$18.0m in FY2018.

As at 31 December 2019, AEM has a total R&D workforce of 140 engineers that provide innovative solutions to customers through various R&D programs. The number of engineers in the R&D department is higher by 30 as compared to 110 engineers last year. Please refer to "Diversity in the Workforce" for the breakdown of employees by department as at 31 December 2019.

In 2019, we have been granted 2 patents for Mixed Mode Vector Network Analyser and the method and system for measuring a propagation delay and transmittance of a device. The teams that were involved with the development of these inventions and innovations have been rewarded and recognised.

AEM had received cash subsidies of $181,000 from the government in 2019 to improve our operations and productivity. These grants include subsidies for operations cost, development costs and wage credit grants.

OUR PEOPLE

AEM is committed to create and uphold a respectful, harmonious, inclusive and equitable environment. Our policies promote and uphold human rights and the treatment of all employees with dignity and respect. We recruit dynamic individuals from various operating countries and is committed to their development and well-being. All employees will undergo regular performance and career development reviews.

Employee Well-Being

Workplace Health and Safety *(GRI 403-1, 403-2, 403-4, 403-6)*

AEM has in place programs to encourage a healthy workforce through sports, social and health-related education talks and activities. Our employees' welfare, insurance and benefits include body and dental checks as well as specific high-risk work-related check-ups.

AEM encourages bonding between staff, we have structured social and welfare programs which include festive celebrations, staff appreciation functions and activities such as team-building were organised for the employees.

AEM Teambuilding Day 2019 at Palawan Beach Sentosa


AEM Dinner 2019 at Hotel Jen Tanglin

AEM is committed to providing a safe working environment for our employees. We have health and safety policies, standards and practices and have a Safety Committee that actively reviews, monitors, improves and implements all work and environment safety-related measures. The Safety Committee is made up of 1 external consultant, 2 managers and 6 executives to ensure that the safety regulations of the company, as well as the safety regulations by the Ministry of Manpower, are adhered to.

AEM has a risk assessment framework and checklist which requires our workers and external vendors to assess and understand any potential safety-related issues before they begin work at our sites. In addition, we educate and train our employees through the incorporation of health and safety work practices into work instructions and work closely with external qualified safety consultants for advice and guidance on programs and initiatives to prevent work-related accidents and injury.

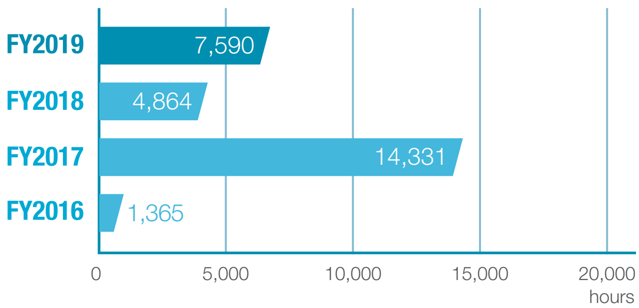
There was 1 recorded incident of minor injuries in FY2019 and we aim to maintain minimal incidents by continuing to observe stringent standards of safety in our operations.

Training and Education (GRI 404-1, 404-2, and 404-3)

AEM believes that our greatest assets are our people and that the technological and engineering skills and knowledge of our staff are the core of our success. Therefore, we invest in training, learning initiatives and development to expand our staff competencies. Apart from technical skills, we also organize business, leadership, train-the-trainer, finance, operational management and enterprise resource planning training for our management and staff.

In FY2019, each employee has 15.7 hours of training on average. The total number of training hours increased from 4,864 hours in FY2018 to 7,590 hours in FY2019, The increased training hours was mainly due to the increased in headcount especially in the manufacturing and engineering divisions and more training was conducted to train our staff and workers in skills, project management and software related. The training hours in FY2017 were higher than FY2018 mainly due to the training of workers to transfer knowledge and mass production manufacturing to our facilities in Penang.

TRAINING HOURS FOR THE YEAR



Social and Economic Laws and Regulations *(GRI 419-1)*

AEM adheres to labour standards which include freely chosen employment, avoidance of child labour, non-discrimination, open communication and conformance of working hours to local laws. Employees are required to avoid conflict of interest situation, uphold true and fair accounting and reporting, and comply with the Company's policies and delegated authorities.

AEM complies with all governmental laws and regulations in the social and economic areas. There are no instances of non-compliance in social or economic laws and regulations by AEM.

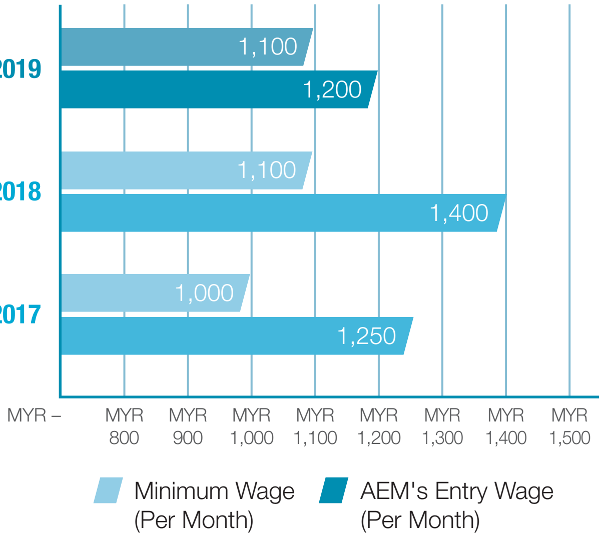
SUSTAINABILITY REPORT

Diversity and Reduced Inequality

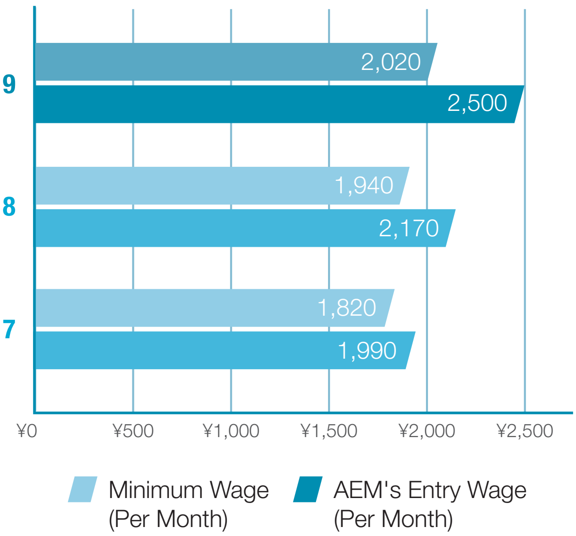
Employee Entry Wages *(GRI 202-1)*

AEM adheres to the minimum wage laws of the countries it is operating in (i.e. China, Malaysia, the United States and Vietnam). In FY2019, it paid higher entry wages than the minimum required to attract and retain employees. Information on AEM's entry wages in Singapore and Finland are excluded as there are no minimum wage regulation. Information on the entry wage of Vietnam has also been excluded as AEM only employs engineers instead of production workers.

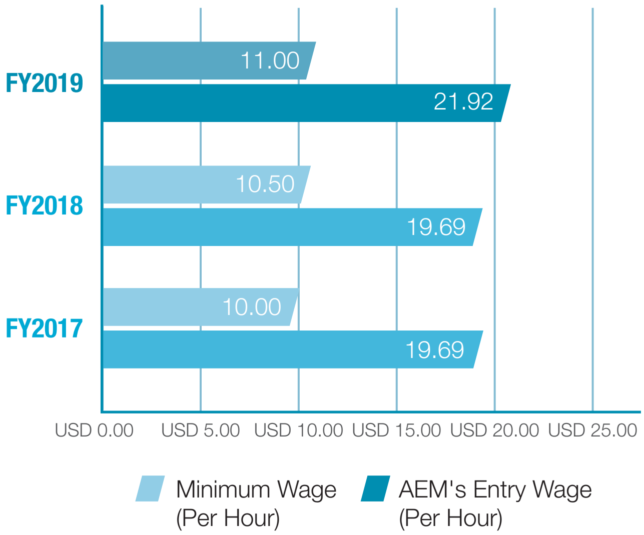
ENTRY WAGE COMPARISON (MALAYSIA)



ENTRY WAGE COMPARISON (CHINA)



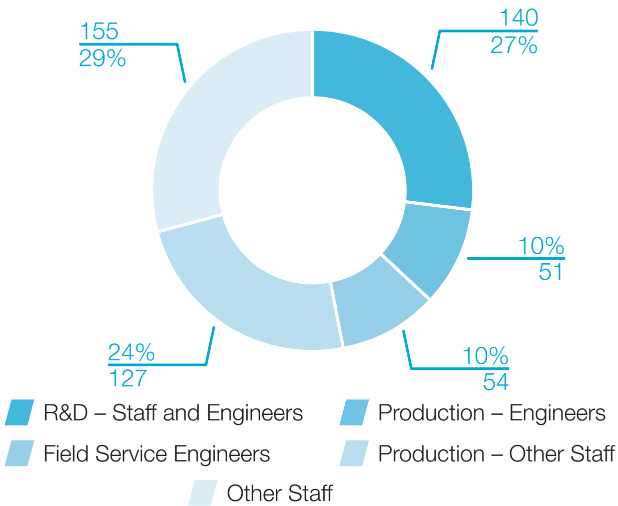
ENTRY WAGE COMPARISON (USA)



Diversity in the Workforce *(GRI 202-2, 401-1, 405-1)*

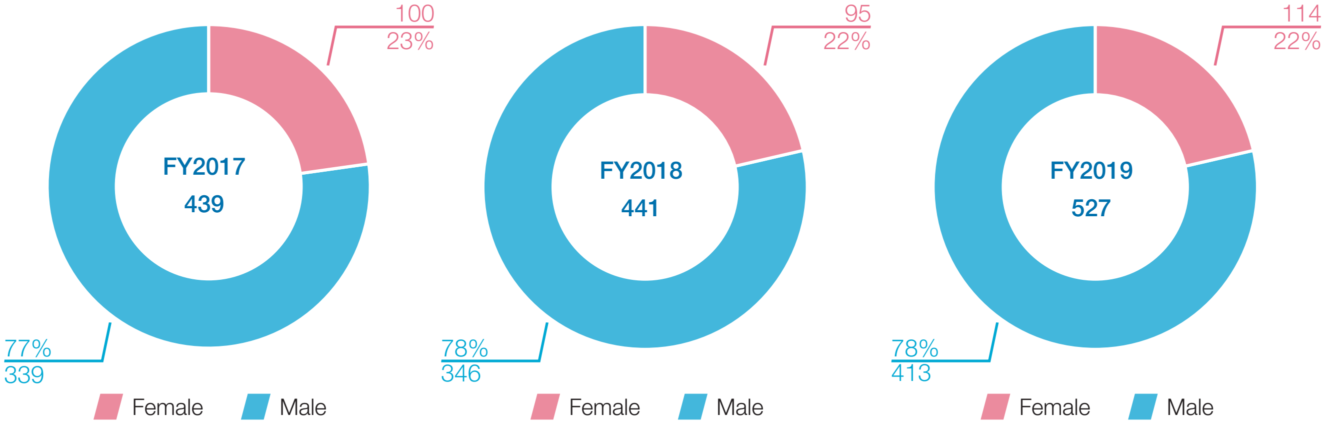
AEM embraces diversity and has employees from different backgrounds. We have representation from different nationalities, races and gender in our workplace. Embracing diversity allows our organisation to be more vibrant and innovative with different experiences and backgrounds that each employee offers. AEM practises non-discrimination and equal opportunities. Our new hires are employed based on merits and experiences and we seek to keep our turnover low by promoting employees' loyalty through benefits, safety and welfare. As at 31 December 2019, AEM's workforce consists of 527 employees which is an increase of 86 employees as compared to the previous year.

EMPLOYEES BY DEPARTMENT (DEC 2019)

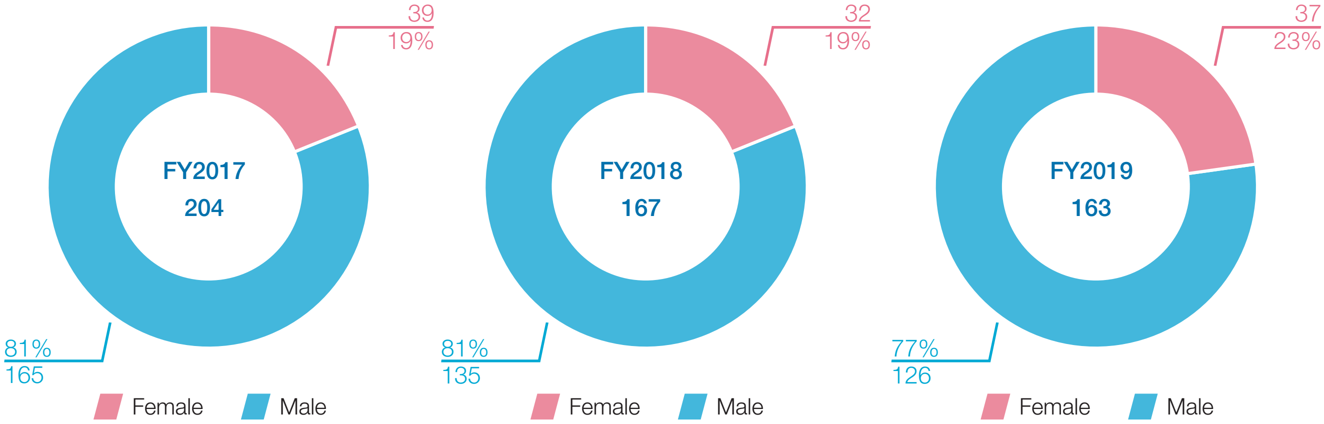


OUR WORKFORCE

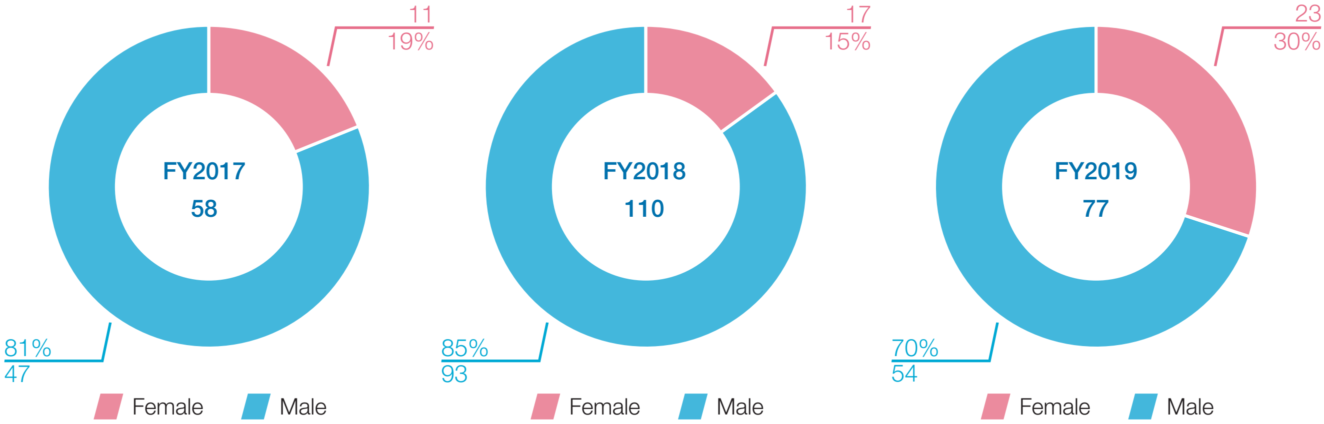
TOTAL WORKFORCE BY GENDER



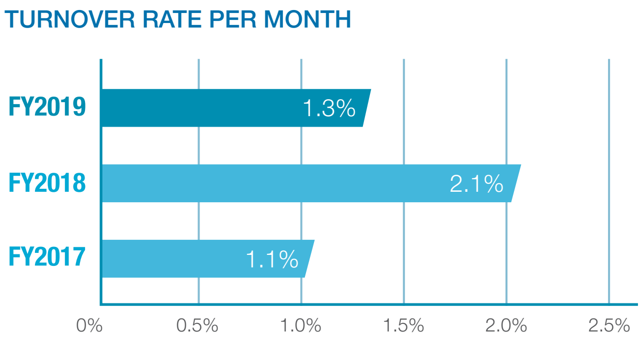
NEW HIRES BY GENDER



TURNOVER BY GENDER



SUSTAINABILITY REPORT



In addition, we hire our management from the local communities and the management team consists of various nationalities.

	Singapore	Malaysia	China	US	Finland	Total
Local	19	1	3	4	3	30
Foreigner	5	0	0	0	0	5
Total	24	1	3	4	3	35
% of local vs total	79%	100%	100%	100%	100%	86%

25 Years Long Service Award Recipient

Employment Benefits *(GRI 401-2, 401-3)*

Employees of AEM are entitled to a range of benefits including healthcare-related insurance and various types of paid leaves. We believe in management and staff retention through fair market compensation, incentives such as bonus, performance share, share option, invention related and other awards to encourage excellent performance and innovation within the Company. We also have other incentives in support of the government's pro-family policies and to be in compliance with Ministry of Manpower initiatives and regulations such as marriage, parental and childcare leave.

We value the loyalty and dedication of our long-serving staff. Long service award presentation ceremony is held yearly to recognise their contribution to the Company.

OUR PLANET

Sustainable Supplier Management *(GRI 308-1, 308-2, 414-1, 414-2)*

AEM collaborates and engages regularly with our suppliers at all stages of our purchasing process. We select our suppliers based on track record and assess them on their ability to complement our commitment to deliver high-quality products and services prior to inclusion as an approved vendor. Our regular assessments and reviews on our suppliers' performances include labour, environmental, health, safety and ethical standards and practices to ensure that they are in line with AEM's requirements.

In addition, AEM has an internal screening process where suppliers are screened for negative environmental and social impacts resulting from their business operations. This includes, amongst others, pollutions (land, air, water, and noise), biodiversity loss, global warming, land degradation, deforestation, incidents of child labour, violation involving rights of indigenous people, breaches of customer privacy and non-compliance with laws and regulations in the social and economic area.

All 8 key fabrication suppliers and 23 key standard part suppliers of AEM were screened and none were identified to have negative environmental or social impacts.

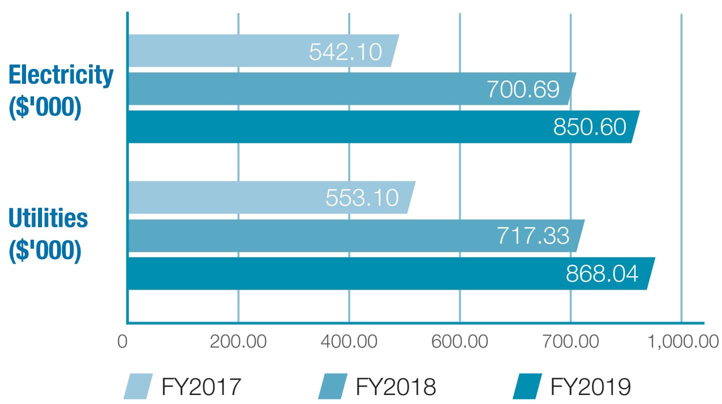
Environmental Footprint

Energy, Water and Waste Management Initiatives *(GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5, 305-7)*

AEM endeavours to reduce the consumption of energy in our business activities through efficient operations and minimization of wastages. We have taken steps to reduce our energy consumption and wastage to contribute to the environmental sustainability efforts. We have continuous energy-saving initiatives such as the use of equipment that is energy-efficient, replacing old inefficient equipment with new equipment, changing fluorescent tube lighting to LED lighting, encouraging staff to switch off light and air-conditioners upon leaving, and use of timer to cut-off power, light and air-conditioners.

As a result of AEM's efforts to reduce electricity consumption, our energy consumption in kWh increased only by 7.5% in 2019 despite the revenue has increased by 23.2%. The electricity cost however has increased by 21.0% due to higher energy consumption and average electricity rate in FY2019.

ELECTRICITY AND UTILITIES USAGE



SUSTAINABILITY REPORT

The manufacturing operations of AEM entail significant energy requirements. Hence, the efficient use of energy is essential to reduce greenhouse gas emissions for AEM.

Year	Actual Consumption (kWh)	Turnover (Revenue in millions, SGD)	Energy consumed per monetary unit of sales (kWh/$)
FY2016	3,030,000	70.1	0.043
FY2017	3,950,000	221.6	0.018
FY2018	4,400,000	262.3	0.017
FY2019	4,730,000	323.1	0.015

The following chart shows the energy emission intensity ratio for the sales of AEM.

Year	Total direct CO_2 or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO_2 or Carbon Equivalent Emissions (Metric Tons)	Turnover (Revenue in millions, SGD)	Emission Intensity ratio (MT/$'000)
FY2016	N.A.	2,255	70.1	0.032168
FY2017	N.A.	2,940	221.6	0.013261
FY2018	N.A.	3,111	262.3	0.011860
FY2019	N.A.	3,344	323.1	0.010349

Water Discharge *(GRI 306-1)*

AEM does not use any chemical that requires processing before it can be discharged to the drain. The compressors in AEM discharge water only.

Environmental Laws and Regulations *(GRI 307-1)*

AEM has been in compliance with environmental protection and management regulations. Our policy defines and guides our strategy and manufacturing processes to reduce pollution, waste, hazardous substances and noise. Our employees are educated and trained on our environment control plan based on certain work instructions and are required to maintain records for this purpose. Material suppliers are also required to meet our EMS requirements for the materials and services that they supply to us. Every year, we engaged qualified vendors to perform audits and tests. AEM complies with all National Environment Agency's (NEA) environmental laws and regulations. There are no fines or non-compliance by AEM for the past 10 years.

Giving Back to the Community *(GRI 413-1)*

AEM strives to be a socially responsible company by engaging and giving back to the Singapore community. We encourage all our employees to give through community services and/or donations. Annually, we will organise corporate social responsibility activities for our employees to participate in.

This year we visited the Lions Home for the Elders, a Voluntary Welfare Organisation that actively promotes and employs best practices in providing services and programmes for the aging community.

During our visit, we provided companionship to the residents through various activities such as "Make your own Popiah Session" where the residents have the opportunity to unleash their creativity in making their own Popiah for snacks during tea break. We also organised simple song and dance performances to liven up the home, bringing joy and laughter to the residents.

It was a meaningful experience in engaging with the residents, and we are extremely honoured when one of the residents took over the microphone to sing us a song as a form of appreciation to us.

SUSTAINABILITY REPORT

SGX FIVE PRIMARY COMPONENTS INDEX

S/N	Primary Component	Section Reference
1	Material Topics	• Corporate Governance • Economic Performance • Employee Well-Being • Diversity and Reduced Inequality • Employment Benefits • Sustainable Supplier Management • Environmental Footprint • Giving Back to the Community
2	Policies, Practices and Performance	• AEM's Commitment to Sustainability • Sustainability Targets • Key Stakeholders Engagement • Materiality Review
3	Board Statement	Message from Board
4	Targets	Sustainability Targets
5	Framework	About This Report

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosure Content	Annual Report Section Reference
102-1	Name of the organization	Corporate Profile
102-2	Activities, brands, products, and services	Global Footprint, Core Business
102-3	Location of headquarters	Corporate Profile
102-4	Location of operations	Global Footprint
102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Global Footprint
102-7	Scale of the organisation	Global Footprint
102-8	Information on employees and other workers	Our People
102-9	Supply chain	Core Business
102-10	Significant changes to the organization and its supply chain	CEO's Statement, Business and Financial Review
102-11	Precautionary principle or approach	Business and Financial Review
102-12	External initiatives	Business and Financial Review
102-13	Membership of associations	Board of Directors, Management Profile
102-14	Statement from senior decision-maker	Chairman's Statement, CEO's Statement

SUSTAINABILITY REPORT

GRI Standards	Disclosure Content	Annual Report Section Reference
102-15	Key impacts, risks, and opportunities	Chairman's Statement, CEO's Statement, Giving Back to the Community, AEM's Commitment to Sustainability
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance
102-18	Governance structure	Global Footprint
102-40	List of stakeholder groups	Key Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Key Stakeholder Engagement
102-43	Approach to stakeholder engagement	Key Stakeholder Engagement
102-44	Key topics and concerns raised	Key Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements
102-46	Defining report content and topic boundaries	Materiality Review
102-47	List of material topics	Materiality Review
102-48	Restatements of information	NA
102-49	Changes in reporting	NA
102-50	Reporting period	About This Report
102-51	Date of most recent report	About This Report
102-52	Reporting cycle	About This Report
102-53	Contact point for questions regarding the report	Contacts
102-54	Claims of reporting in accordance with the GRI Standards	About This Report
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	About This Report

SUSTAINABILITY REPORT

GRI INDICATORS

Indicator	Annual Report Section Reference	Annual Report Section Reference
201-1	Direct economic value generated and distributed	Business and Financial Review
201-4	Financial assistance received from government	Business and Financial Review, Economic Topics
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Employee Entry Wages
202-2	Proportion of senior management hired from the local community	Diversity in the Workforce
205-1	Operations assessed for risks related to corruption	Corporate Governance
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance
302-1	Energy consumption within the organisation	Environmental Footprint
302-3	Energy intensity	Environmental Footprint
302-4	Reduction of energy consumption	Environmental Footprint
305-1	Direct (scope 1) GHG emissions	Environmental Footprint
305-2	Energy Indirect Greenhouse Gas Emissions (Scope 2)	Environmental Footprint
305-4	Greenhouse Gas Emissions Intensity	Environmental Footprint
305-5	Reduction in GHG emissions	Environmental Footprint
305-7	Nitrogen oxides (NOX), sulfoxides (SOX), and other significant air emissions	Environmental Footprint
306-1	Water discharged by quality & destination	Environmental Footprint
307-1	Non-compliance with environmental laws and regulations	Environmental Footprint
308-1	Percentage of new suppliers that were screened using environmental criteria	Sustainable Supplier Management
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Supplier Management
401-1	New employee hires and employee turnover	Diversity in the Workforce
401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Employment Benefits
401-3	Parental leave	Employment Benefits
403-1	Workers representation in formal joint managements-worker health and safety committees	Workplace Health and Safety
403-2	Injury and incidents	Workplace Health and Safety

SUSTAINABILITY REPORT

Indicator	Annual Report Section Reference	Annual Report Section Reference
403-4	Health & safety topics covered in formal agreements with trade union	Workplace Health and Safety
403-6	Promotion of worker health	Workplace Health and Safety
404-1	Average hours of training per employee	Our People
404-2	Programs for upgrading employee skills and transition assistance programs	Training and Education
404-3	Percentage of employees receiving regular performance and career development reviews	Training and Education
405-1	Diversity of governance bodies and employees	Diversity in the Workforce
413-1	Operations with local community engagement, impact assessments, and development programs	Giving Back to the Community
414-1	New suppliers screened using social criteria	Sustainable Supplier Management
414-2	Negative social impacts in the supply chain and actions taken	Sustainable Supplier Management
419-1	Non-compliance with laws and regulations in the social and economic area	Social and Economic Laws and Regulations

CONTACTS

Please contact the following personnel for any information or queries relating to the Sustainability Report:

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AEM Holdings Ltd
Investor Relations Director
Email: investor.relations@aem.com.sg

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loke Wai San
Executive Chairman & Director

Basil Chan
Independent Director

Adrian Chan Pengee
Lead Independent Director

Loh Kin Wah
Independent Director

James Toh Ban Leng
Non-Executive Director

Lavi Alexander Lev
Independent Director

CHIEF EXECUTIVE OFFICER

Chok Yean Hung

AUDIT & RISK MANAGEMENT COMMITTEE

Basil Chan *(Chairman)*
Adrian Chan Pengee
James Toh Ban Leng

REMUNERATION COMMITTEE

Basil Chan *(Chairman)*
Adrian Chan Pengee
James Toh Ban Leng

NOMINATING COMMITTEE

Adrian Chan Pengee *(Chairman)*
Basil Chan
Loke Wai San

JOINT COMPANY SECRETARIES

Soh Wai Kong
Kevin Cho Form Po

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Singapore 048623

AUDITORS

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Hong Leong Building
Singapore 048581

Audit Partner-in-charge
Tan Khai Boon
Since Financial Year 2016

PRINCIPAL BANKERS

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200 Jalan Sultan
#01-02 Textile Centre
Singapore 199018

Overseas-Chinese Banking Corporation Limited
65 Chulia Street OCBC Centre
Singapore 049513

FINANCIAL CONTENTS

CORPORATE GOVERNANCE

The Board of Directors ("**Board**") of AEM Holdings Limited (the "**Company**" or together with its subsidiaries, the "**Group**") are committed to ensuring a high standard of corporate governance which is essential to ensure greater transparency and protection of shareholders' interests. This statement outlines the main corporate governance practices that were in place during the year. Any deviation from complying with and adhering to the principles and guidelines of the Code of Corporate Governance ("**Code**") issued in August 2018, the reason has been provided.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 – The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provisions of the Code		*Group's Corporate Governance practices*
1.1	*Directors are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.*	The current Board of the Company has six directors which comprises of an Executive Chairman, a Non-Executive Director and four non-executive independent directors ("Independent Directors"). The principal functions of the Board are as follows: – provide entrepreneurial leadership, and set strategic objectives, which include appropriate focus on value creation, innovation and sustainability; – ensure that the necessary resources are in place for the Company to meet its strategic objectives; – establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance; – constructively challenge Management and review its performance; – instil an ethical corporate culture and ensure that the company's values, standards, policies and practices are consistent with the culture; and – ensure transparency and accountability to key stakeholder groups. All directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

CORPORATE GOVERNANCE

The Board has clear policies and procedures for dealing with conflicts of interest. Where a director faces a conflict of interest, the director will disclose this and recuse himself from meetings and decisions involving the issue. The Company has established procedures for all interested persons transactions to be reviewed and approved by the Audit and Risk Management Committee and that these transactions are conducted on an arm's length basis.

The Board also deliberates and makes decisions on material acquisitions and disposals of investments and assets, corporate restructuring, funding, dividend payments and other matters such as those that may involve a conflict of interest.

Every year, employees are required to submit an AEM Code of Business Conduct and Ethics Declaration Form acknowledging a high standard of business conduct and ethics have been upheld. The AEM Code of business conduct and ethics can be found on the Company's website at https://www.aem.com.sg/.

The Group's business is effectively managed by the Board and properly conducted by Management and the Board ensures that proper observance of corporate governance practices, which includes setting of code of conduct and ethics, appropriate tone-from-the-top and desired organisational culture, and ensure proper accountability within the Group. The Board has put in place a code of ethics and conduct for the Board.

1.2 *Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. The induction, training and development provided to new and existing directors are disclosed in the Company's annual report.*

Prior to the directors' appointment, they had undergone an orientation of the Group's business, including onsite visits and meetings with Management to familiarise themselves with the Group's business, director's duties and governance practices.

The Company is responsible for arranging and funding the training of directors. The directors are provided with updates on the relevant laws, financial reporting standards, Listing Rules of the SGX-ST, codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors (SID), Singapore Exchange Limited, business and financial institutions, and consultants.

CORPORATE GOVERNANCE

In 2019, directors were provided with training and briefing sessions in areas such as the latest Financial Reporting Standards developments that are relevant to the Company's financial statements, SGX Corporate Governance disclosure study conducted by KPMG and Financial Reporting Surveillance update by SGX and ACRA. Mr. Lavi Lev who was appointed as a director of the Company on 1 April 2019 had attended remuneration and nominating committee essentials courses conducted by SID.

1.3 *The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring Board approval are disclosed in the Company's annual report.*

The Group has in place detailed guidelines that set forth all the matters reserved for the Board's decision and which provide Management with clear directions on the matters that require the prior approval of the Board, such as financial authorization limits for operating and capital expenditure and other matters that fall outside the annually approved budgets, the drawing down or obtaining of credit lines and the acquisition and disposal of material assets and investments.

1.4 *Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the Company's annual report.*

To efficiently discharge its responsibilities, the Board has established several board committees, namely the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee (collectively "Board Committees"). These Board Committees are given specific responsibilities and are empowered to deal with matters within the limits of the authority set out in the terms of reference of their appointments. They assist the Board operationally without the Board losing authority over major issues.

1.5 *Directors attend and actively participate in Board and Board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the Company's annual report. Directors with multiple Board representations ensure that sufficient time and attention are given to the affairs of each Company.*

The Board conducts regular scheduled meetings during the year and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require. The number of scheduled meetings held by the Board and Board Committees during the year were:

- Board 5
- Audit and Risk Management Committee 4
- Remuneration Committee 4
- Nominating Committee 1

Please refer to Table 1 – Attendance at Board and Board Committee Meetings. The meeting schedule for the Board and each of the Board Committees is firmed up before the end of each financial year for the next year so that all directors can arrange their schedules accordingly. If directors are unable to attend any meeting, valid reasons are required to be provided. If any director's attendance falls below 75%, his performance shall be critically reviewed by the Nominating Committee.

1.6 *Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.*

Directors are regularly updated by Management on developments within the Group. The Board is provided with timely and adequate information, prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval.

1.7 *Directors have separate and independent access to Management, the Company secretary, and external advisers (where necessary) at the Company's expense. The appointment and removal of the Company secretary is a decision of the Board as a whole.*

The Board has separate and independent access to Management and the Joint Company Secretaries at all times. The Joint Company Secretaries are present at the Board meetings of the Company whenever such meetings are held in order to ensure that established procedures and applicable rules and regulations are complied with. The appointment and removal of the Joint Company Secretaries are decisions taken by the Board as a whole.

The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfill and discharge their duties and responsibilities as directors.

Board Composition and Guidance

Principle 2 – The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provisions of the Code

2.1 *An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.*

2.2 *Independent directors make up a majority of the Board where the Chairman is not independent.*

Group's Corporate Governance practices

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs.

A majority of the Board with four members are Independent Directors. Mr. Basil Chan, Mr. Adrian Chan, Mr. Loh Kin Wah and Mr. Lavi Alexander Lev are considered to be independent as they have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interest of the Company. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the directors.

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2.3	*Non-executive directors make up a majority of the Board.*	The Non-Executive Director and Independent Directors have at least 4 regular meetings with Management to keep abreast of the Group's business, financial performance and strategy plans. The Non-Executive Director and Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels, and had open discussions with Management. Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. The Non-Executive Director and Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management.
2.4	*The Board and Board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid group think and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.*	The Board comprises directors who have broad and complementary skills that combine to serve AEM's global business objectives and governance standards. The directors have qualifications, experience and knowledge in fields including technology, law, accounting, finance, mergers and acquisitions, management and the global semiconductor industry. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Company. The Company has a Board diversity policy that takes into consideration criteria such as qualification, age, gender, experience and knowledge in various fields and relevant industry. The Board considers candidates based on qualifications and required contribution to AEM's business and governance and then also with regard to achieving diversity. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity. Between equally qualified candidates, the Board is strongly inclined to select the candidate that best adds diversity. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity. The Board recognises the importance and value of gender diversity in the composition of the Board. There is currently no female Board director and the Board will work towards achieving this in the future.
2.5	*Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.*	The Independent Directors meet regularly without the presence of Management to ensure that Board matters can be effectively discussed independently from Management as and when necessary. The outcome or suggestion arising from such meetings will be provided to the Executive Chairman.

Executive Chairman and Chief Executive Officer ("CEO")

Principle 3 – There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions of the Code		*Group's Corporate Governance practices*
3.1	*The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.*	The roles of the Executive Chairman and CEO are separate and held by two unrelated individuals and the division of responsibilities between them is clearly established in writing and agreed by the Board. Service contracts or letter of appointments stating the duties and responsibilities of the Executive Chairman and CEO have been entered into between the Company and them. The Board has put in place a Terms of Reference of the Executive Chairman, Chief Executive Officer and Lead Independent Director. It clearly spelt out their key roles and responsibilities.
3.2	The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.	The Executive Chairman oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and Management. The Joint Company Secretaries, in consultation with the Executive Chairman, schedule and prepare the agenda for Board meetings. Management staff who have prepared the board papers or who may provide additional insights are invited to present the papers or attend the Board meetings. The Executive Chairman is responsible for ensuring that the Board engages the CEO and his Management team in constructive discussion and implementation of the Group's business strategies, corporate governance policies, corporate strategies, financial objectives and directions for the Group and for ensuring the Board's effectiveness on all aspects of its role, to facilitate and ensuring effective contribution from all the directors and encourage constructive relations between the executive and non-executive directors, the Board and Management and to realise a common vision for the Group. The CEO leads the development of the Group's business and operational strategies, oversees the implementation of the Group's long and short term plans in accordance with its strategies, ensures the Group is properly organized and staffed, assesses and monitors the principal risks of the Group and ensures effective internal controls and risk management systems are in place.

CORPORATE GOVERNANCE

3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.	Mr. Adrian Chan is the Lead Independent Director of the Company. He plays a facilitative role within the Board, and where necessary, he may facilitate communication between the Board and shareholders or other stakeholders of the Company. The Company communicated clearly to the shareholders and other stakeholders on how Mr. Adrian Chan can be contacted and hence providing a channel to Independent Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

Board Membership

Principle 4 – The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions of the Code	*Group's Corporate Governance practices*
4.1 The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:	The Company believes Board renewal to be an on-going process and is required to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business. The Nominating Committee ("NC") is responsible for the identification and selection of new directors.
(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;	The Board understands the importance of succession planning as being an important part of corporate governance. Board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory. The NC also reviews succession and development plans for key management personnel in line with the Company's succession planning policy, which will be subsequently approved by the Board.
(b) the process and criteria for evaluation of the performance of the Board, its Board committees and directors;	The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The NC evaluates the Board's effectiveness as a whole, Board Committees and the contribution of each director to the effectiveness of the Board. The Board has adopted a system of evaluating the effectiveness of the Board's, Board Committees' and individual director's performance, through principally a self-assessment process.

CORPORATE GOVERNANCE

(c) *the review of training and professional development programmes for the Board and its directors; and*	The NC reviews the skill, training and professional development needs and programs for the Board and its directors regularly to ensure that the directors possess the required skills and knowledge to function as an effective Board.
(d) *the appointment and re-appointment of directors (including alternate directors, if any)*	The process for the selection and appointment of all new directors is spearheaded by the NC. When an existing director chooses to retire or the need for the appointment of a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate skills, expertise and experience for the appointment as new director and if necessary conduct external searches for an appropriate candidate with relevant skills or industry experience. The NC interviews each prospective candidate with appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and commitment required and makes recommendations to the Board for approval and adoption. The role of NC also includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence, contribution and performance. The Constitution of the Company currently requires one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting ("AGM"). All directors of the Company, including the Executive Chairman (or an equivalent office), shall retire from office at least once every three years. The Constitution of the Company also provides that a newly appointed director must retire and submit himself for re-election at the next annual general meeting following his appointment. Thereafter, he is subject to be re-elected at least once every three years. A director who is due for retirement, shall abstain from voting on any resolution in respect of this re-nomination as a director.

CORPORATE GOVERNANCE

4.2	*The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.*	The NC comprises three directors, a majority of whom are non-executive and independent. The Chairman is the Lead Independent Director and is not directly associated with a substantial shareholder of the Company. The current members of the NC comprise the following: • Adrian Chan Pengee (NC Chairman and Lead Independent Director), • Basil Chan, and • Loke Wai San
4.3	*The Company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.*	Please refer to Principle 4.1(d) above.
4.4	*The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the Company discloses the relationships and its reasons in its annual report.*	The NC determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. Directors are required to disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any. Each Independent Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2019. The NC has reviewed and is satisfied with the independence of the Independent Directors. Currently, the Company does not have any alternate director.

CORPORATE GOVERNANCE

The NC and Board have also reviewed the independence of Mr. Basil Chan and Mr. Adrian Chan with particular regard to the Guideline 2.1 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years. In addition, a self and peer review assessments have been conducted by all the Board members on Mr. Basil Chan and Mr. Adrian Chan. Based on the assessments and review, the NC is satisfied that Mr. Basil Chan and Mr. Adrian Chan continue to serve effectively as Independent Directors of the Company. In arriving at this view, the NC and Board considered the following factors:

a) The need to ensure both continuity and renewal on the board, as reflected in the current balance of directorship tenures;
b) The complementary mix of skills contributed by the directors on the Company's board; and
c) The ability to continue to act as Independent Directors and their records of independent directorship at the Company during their tenures.

4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the Company. The Company discloses in its annual report the listed Company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

A formal letter stating the duties and responsibilities of the director is given upon the appointment of the director to join the Board and an orientation program to better understand director's duties and the Company's business is also conducted.

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the directors of the Company so that sufficient time and attention can be given to the affairs of the Company.

CORPORATE GOVERNANCE

Board Performance

Principle 5 – The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board committees and individual directors.

Provisions of the Code		*Group's Corporate Governance practices*
5.1	*The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board committee separately, as well as the contribution by the Chairman and each individual director to the Board.*	The NC periodically reviews the Board's performance and its ability to steer the Group in the right direction. It has adopted a system of evaluating the effectiveness of the Board and Board Committees as well as individual director's performance, through principally a self-assessment process on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company. The completed evaluation forms were submitted to a Joint Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board, Board Committees and individual directors. Following the review, the Board is of the view that the Board and Board Committees' operate effectively and each director is contributing to the overall effectiveness of the Board.
5.2	*The Company discloses in its annual report how the assessments of the Board, its Board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its directors.*	The NC evaluates the individual directors' performance through a process that would enable the members of the NC to assess the contribution of each individual to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at the Board and various Board Committees meetings. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where appropriate, the NC will consider such engagement.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6 – The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions of the Code	*Group's Corporate Governance practices*
6.1 The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on: *(a) a framework of remuneration for the Board and key management personnel; and* *(b) the specific remuneration packages for each director as well as for the key management personnel.*	The Company believes in adopting a formal and transparent procedure for determining the remuneration of the directors and Management so as to ensure that the level of remuneration is appropriate to attract, retain and motivate the directors and Management to run the Group successfully. The RC comprises three Non-Executive Directors of whom two are independent. The current members of the RC comprise the following: • Basil Chan (RC Chairman), • Adrian Chan Pengee, and • James Toh Ban Leng
6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.	
6.3 The RC considers all aspects of remuneration, including termination terms, to ensure they are fair. *6.4 The Company discloses the engagement of any remuneration consultants and their independence in the company's annual report.*	The Remuneration Committee ("RC") is principally responsible for overseeing, reviewing and recommending to the Board: (i) the remuneration framework for directors and key management personnel, taking into consideration and benchmarking against the pay and employment conditions within the industry and with comparable companies; with a goal to motivate, recruit and retain employees and that the remuneration framework, the salary structure and package offered to Executive Directors and key management provide a fair system and avoid rewarding poor performance. The RC has direct access to the Company's head of Human Resources should they have any queries on human resources matters. As and when required, the RC and the Company may engage independent consultants for diversified views and specific expertise to ensure that the remuneration and welfare packages for employees are competitive and sufficient to ensure that the interests of the employees and Company are taken care of. During the year, the Company engaged Carrots Consulting Pte Ltd to perform a review on the remuneration package of the senior management and Non-Executive Directors;

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(ii) any incentive scheme, the selection of employees to include and the amount of share option to be granted under the employee share option scheme and performance share scheme; and

(iii) to review the Group's obligations in the event of the termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. No director is involved in any discussion relating to his own compensation and the terms and conditions of service and the review of his performance. There were no termination, retirement and post-employment benefits granted to directors, the CEO and the top five key management personnel.

Level and Mix of Remuneration

Principle 7 – The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions of the Code	*Group's Corporate Governance practices*
7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.	The Company adopts a remuneration policy for all staff comprising fixed and variable components. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus, performance shares or share options that is linked to the Group and each individual's performance and value creation for the Company's stakeholders. The grant of performance shares and share options promotes ownership, accountability and long-term success of the Company. The RC carries out annual reviews of the remuneration packages of the directors and the key management personnel, with regards to their contributions as well as the financial performance conditions, which included targets for sales and operating profit before tax of the Group, have been achieved during the year.

7.2	*The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.*	The RC takes into account the industry norms and standards, the contribution in terms of effort, time spent and responsibilities of each director when determining the remuneration packages of the Non-Executive Directors. In FY2019, the Non-Executive Directors were paid a basic yearly retainer fee of S$50,000 for their appointment as members of the Board. The Chairman of the Audit and Risk Committee was paid S$20,000 while the Chairmen of Nominating Committee and Remuneration Committee were paid S$6,000. The members of the Audit and Risk Committee were paid S$10,000 while the members of Nominating Committee and Remuneration Committee were paid S$3,000. The Lead Independent Director was paid S$6,000.
7.3	*Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.*	The remuneration framework for fixing directors' fee and the key management personnel remuneration adopted by the Company takes into consideration the need to pay competitively to attract, retain and motivate the Non-Executive Directors and the Management staff. In addition, the Independent Directors are not overly-compensated to the extent that their independence may be compromised. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at annual general meetings. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel as the Executive Director(s) and key management personnel owe a fiduciary duty to the Company. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the Executive Director(s) and senior management in case of such breach of fiduciary duties will be available.

CORPORATE GOVERNANCE

Disclosure on Remuneration

Principle 8 – The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions of the Code		*Group's Corporate Governance practices*
8.1	*The Company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.*	Please refer to Principle 7.1 to 7.3. The Board has, on review, decided to disclose the remuneration of the Executive Chairman, CEO and the top five key management personnel in remuneration bands of S$250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialized industry, potential for poaching of staff and other disadvantages that this might bring. The remuneration bands and breakdown of the gross remuneration of the directors of the Company in percentage terms or absolute amount for the year ending 31 December 2019 are set out in Table 2 Directors and CEO Remuneration Breakdown. The remuneration bands and breakdown of the gross remuneration (inclusive of the value of performance shares) of the directors and CEO of the Company (in percentage terms or absolute amount) and unit of share options for the year ending 31 December 2019 are disclosed in Table 3 Key Management Personnel Remuneration Breakdown.
8.2	*The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.*	There is no employee who is immediate family member of any of the directors, CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year.

8.3 *The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. It also discloses details of employee share schemes.*

The Executive Director is not entitled to receive director's fees and the Non-Executive Directors received only directors' fees and shares grant during the year.

During the year ending 31 December 2019, the Company issued share options under the AEM Holdings Share Option Scheme and performance shares under the Performance Share Plan to directors and employees of the Company. The number of share options granted was 3,414,638 on 15 January 2019 for financial performance of 2018 and 5,224,000 on 7 October 2019 for financial performance of 2019 and to award the services rendered by the Executive Chairman and CEO from 2019 to 2021. The number of performance shares granted was 1,286,666 on 15 January 2019 for financial performance of 2018, 1,301,000 on 7 October 2019 for the execution of the transformational roadmap in respect of a 3 financial year performance period from 2019 to 2021 and 1,160,000 on 21 January 2020 for financial performance of 2019.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Control

Principle 9 – The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provisions of the Code

Group's Corporate Governance practices

9.1 *The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.*

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes Management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks.

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A framework has been established and the Board continues through the ARC and Management, to improve and, enhance it on a continuing basis. The system of operational, financial, compliance and information technology internal controls established by the Company provides reasonable, but not absolute, assurance that the Company's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The following sets out an overview of the key risks faced by the Company, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

(i) Compliance risk

The Group operates in Singapore, Malaysia, China and Finland and is therefore exposed to changes in government regulations and any unfavourable political development which may limit the realisation of business opportunities and investments in these countries. In addition, the Group's business operations are exposed to economic uncertainties that affect the global economy and international capital markets. Although such risks are beyond the Company's control, the Board and Management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

(ii) Operational risk

The Group's operating risk is managed at each operating unit and monitored at the Group level. The operating risks of the Group include loss of skilled and key staff, product quality problems, lack of material supplies, loss of physical assets, customer concentration, safety and health issues. As operational risk cannot be eliminated completely, the Group balances between the cost of the risks occurring and the cost of managing the risks. The Group maintains insurance coverage on its property, plant and equipment and assets to minimize the risk of losses arising from natural calamity, accident, fire and theft. The Group has established operating systems and procedures to govern its business operations, which are subject to close supervision by managers. The Group has a few business divisions operating in different locations, thereby providing diversification from over-reliance on a particular product, business or customer.

(iii) Financial risk

The Group's financial risks include credit, foreign exchange, interest rate, liquidity and derivative financial instrument risk. The management objectives and policies on these risks are included in the Notes to the Financial Statements of the Annual Report.

(iv) Investment risk

Investments, major acquisitions and disposals are undertaken only after extensive due diligence and risk/benefit analyses. Such investments, acquisitions and disposals must be in line with the Group's strategies. All investment proposals must be evaluated and must meet the minimum hurdle rate determined by the Group. All investments, major acquisitions and disposals are tabled and recommended for the Board's approval.

(v) Information technology (IT) risk

IT risk includes breakdown, disruption, viruses, scams and malicious attacks on its infrastructure, application systems, hardware and network. The Group has in place the necessary and up-to-date IT controls, maintenance and monitoring methodologies. A structured way of implementing and testing new software and applications is adopted to ensure requirements and specifications are met. Appropriate measures are put in place to safeguard against data security and loss of information so as to ensure business continuity.

CORPORATE GOVERNANCE

9.2 The Board requires and discloses in the company's annual report that it has received assurance from:

(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has received assurance from the Chief Executive Officer and the VP of Finance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

In addition, the Chief Executive Officer and VP of Finance have given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

The risk management and internal control procedures for financial, operational, compliance and information technology and their effectiveness and adequacy are reviewed by the ARC and the Board and updated regularly to reflect changes in market conditions and the activities of the Group.

Based on the work carried out by the internal auditors, the reviews undertaken by the external auditors and representations made by the Management to the Board that internal controls are in place, the Board is of the opinion (with the concurrence of the ARC) that there are adequate and effective internal controls and risk management systems in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and Information Technology Risks.

Audit Committee

Principle 10 – The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provisions of the Code

10.1 The duties of the AC include:

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;

Group's Corporate Governance practices

The Audit and Risk Management Committee ("ARC") performs the following main functions:

– reviews and approves the audit plans, independence, effectiveness, scope of work, remuneration and terms of engagement of the internal and external auditors and adequacy and effectiveness of internal and external auditors.
– reviews the effectiveness of the internal controls, risk management systems, findings of the internal and external auditors and the response and follow-up actions from Management.

(c) *reviewing the assurance from the CEO and the CFO on the financial records and financial statements;*

(d) *making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;*

(e) *reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and*

(f) *reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.*

– reviews the quarterly and full year announcements and the financial statements of the Group and of the Company, Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.
– reviews the requirements for approval and disclosure of interested person transactions.
– nominates the external auditors for appointment or re-appointment and reviews the level of audit fees, cost effectiveness of the audit and the independence and objectivity of the external auditors.
– investigates any matters reported to the ARC about improprieties in matters of financial reporting or other matters within its terms of reference.
– reviews and approves the corporate governance and control policies of the Group.
– advise the Board on the Company's overall risk tolerance and strategy.
– oversee and advise the Board on the current risk exposures and future risk strategy of the Company.
– keep under review the Company's overall risk assessment processes and review the assurance provided by the CEO and VP of Finance that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Company's operations and finances.
– review disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and VP of Finance or other KMP, and concurrences received from the ARC.

The role of the ARC in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements. The ARC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

CORPORATE GOVERNANCE

The ARC has conducted an annual review of the amount of non-audit services provided by the external auditors to be satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. A breakdown of the fees in total for audit and non-audit services is set out in the notes to the financial statement. In addition, the ARC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARC is satisfied that the external auditors are able to meet their audit obligations and has recommended the re-appointment of the external auditors at the forthcoming annual general meeting of the Company.

The Company has put in place a Whistle-Blowing policy and guideline, endorsed by the ARC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the Board of directors through the Joint Company Secretaries. It has a well defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law. Details of the Whistle-Blowing policy and arrangements have been made available to all employees of the Group and listed on the Company's website for ease of reference by various stakeholders for raising concerns.

The ARC is given full access to Management and receives its full cooperation. The ARC has full discretion to invite any director or executive officer to attend its meetings. It has full access to records, resources and personnel to enable it to discharge its functions properly.

For the financial year ending 31 December 2019, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the SGX-ST in relation to the appointment of the auditing firms.

10.2 *The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.*

The ARC comprises three members, all non-executive, and a majority of its members are independent including the Chairman. These members are suitably qualified and possess relevant accounting and/or related financial management expertise or experience for the effective discharge of their responsibilities as members of the ARC.

CORPORATE GOVERNANCE

		The current members of the ARC comprise the following: • Basil Chan (ARC Chairman), • Adrian Chan Pengee, and • James Toh Ban Leng
10.3	*The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.*	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the ARC.
10.4	*The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.*	The Company outsources its internal audit function to an independent third party firm, Protiviti Inc. and the internal auditors report primarily to the ARC. The ARC meets with the internal auditors to review the internal audit proposals before approving the appointment based on the suggested work scope, the experience and qualification of the auditors in-charge of the assignment such as member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an international professional association for internal auditors which has its headquarters in the United States and the fees as proposed. The ARC reviews the independence, adequacy and effectiveness of the internal audit function yearly. The ARC is satisfied that the internal auditor is independent and effective, and the internal auditor is adequately resourced and has the appropriate standing within the Company. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC.
10.5	*The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.*	The ARC meets with the internal and external auditors without the presence of Management at least once a year in order to have free and unfiltered access to information it may require. Following discussions with Management, external and internal auditors, the ARC has determined that the following areas are the key risks of misstatement of the Group's financial statements:

CORPORATE GOVERNANCE

Significant matters	How the ARC reviewed these matters and what decisions were made
Valuation of inventories – (S$57.5 million)	The ARC recognises that the Group manufactures highly customised tools and consumables based on both committed orders and estimated future demands. To assess and ascertain that the carrying values of the inventories are not materially misstated, the ARC reviewed the accuracy in the inventory count, costing methodologies adopted by the Group, the ageing of the various classes of inventories and obtained assurance from the Management that detailed impairment testing had been undertaken using appropriate methodologies and assumptions. As a result of the above procedures, the ARC was satisfied that correct accounting treatment had been adopted and consistently applied in the inventories valuation to ensure the accuracy of reported inventories.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11 – The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions of the Code	*Group's Corporate Governance practices*
11.1 The Company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	The Group encourages active shareholder participation at the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the newspapers and posted onto the SGXNET. Shareholders are encouraged to attend the general meetings to ensure high level of accountability, to put forth any questions they may have on the motions to be debated and decided upon and to stay informed of the Group's strategic goals and business update.
11.2 The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's website.

11.3	*All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the Company's annual report.*	The Executive Chairman, directors and the Chairmen of the various Board Committees of the Company will be available to answer questions from the shareholders present during the general meetings. The External Auditors are also invited to attend the Annual General Meeting and will assist the directors in addressing relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the External Auditors' report. The responses from the Board and Management during the Annual General Meeting or Extraordinary General Meeting, and such minutes are available on the Company's corporate website as soon as practicable.
11.4	*The Company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.*	If any shareholder is unable to attend the meetings, the Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. The Company is still in the process of reviewing to allow voting in absentia and by electronic mails so as to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.
11.5	*The Company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.*	One of the Joint Company Secretaries prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available on the Company's corporate website as soon as practicable.
11.6	*The Company has a dividend policy and communicates it to shareholders.*	The Company has established and announced a policy on payment of dividends of not less than 25% of the Company's consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors. The Board of directors has proposed a final tax exempt (one-tier) dividend of 3.1 cents per ordinary share for the financial year ending 31 December 2019. Including the interim dividend of 2.0 cents per ordinary share paid on 13 September 2019, the total dividend payout for FY2019 amounted to 5.1 cents (FY2018: 3.4 cents) per ordinary share.

CORPORATE GOVERNANCE

Engagement with Shareholders

Principle 12 – The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions of the Code	*Group's Corporate Governance practices*
12.1 The Company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.	The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNET and where appropriate also directly to Shareholders, analysts, the media and its employees. The announcements of the Group's results and material developments are released through SGXNET to the SGX's and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practise selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company shall make the same disclosure publicly as promptly as possible. The Board provides the shareholders a balanced and clear assessment of the Group's performance, financial position and prospects on a quarterly basis. The Company releases unaudited results for the first three quarters to shareholders no later than 45 days from the end of the quarter with accompanied press release on its website and SGXNET. Briefings for analysts, with a PowerPoint presentation, are held in conjunction with the release of all results with the presence of the Executive Chairman, CEO and VP of Finance to answer the relevant questions which analysts may have. The PowerPoint presentation and briefing for analysts are also posted on its website and SGXNET. The Company is committed to disclosing all relevant information as much as possible in a timely, fair and transparent manner as well as to hearing and addressing its stakeholders' concerns.
12.2 The Company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Group encourages feedback, views and participation of its shareholders at all general meetings and such feedback and views can be posted to investor.relations@aem.com.sg, or visit investor centre on the Company's website https://www.aem.com.sg/investor-center.
12.3 The Company's investor relations policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.	The Company has put in place an Investor Relations policy to enhance effective communications and engagements with its investors and shareholders.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13 – The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions of the Code	*Group's Corporate Governance practices*
13.1 The Company has arrangements in place to identify and engage with its material stakeholder Groups and to manage its relationships with such Groups.	Stakeholder relations are important for the sustainable growth of the Company's business and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders. The Company engages its stakeholders regularly through the following channels to understand and address their needs and expectations.
13.2 The Company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	The Company has put in place a Stakeholder Engagement policy to enhance effective communications and engagements with its material stakeholders. More details of the Stakeholders Engagement policy can be found on the corporate website at https://www.aem.com.sg/.
13.3 The Company maintains a current corporate website to communicate and engage with stakeholders.	The Company maintains a corporate website https://www.aem.com.sg/to communicate to the public about its latest developments.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings In Securities

The Company has adopted its own internal compliance code of best practice on securities transaction to guide its officers with regard to dealings in securities of the Company while in possession of price-sensitive information and which prohibits its officers from dealing in securities of the Company during the relevant blackout periods of 2 weeks for quarterly and 1 month for yearly results prior to the announcement of the Group's results. Directors, key management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Directors and employees are prohibited under the internal compliance code and Securities and Futures Act from communicating, or causing to be communicated, directly or indirectly, unpublished material price sensitive information to another person for the latter to trade in the securities of the Company. Officers are informed not to deal in the Company's shares on short-term considerations. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's Securities.

Material Contracts

Except as disclosed on SGXNET or herein for the financial year, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of the CEO, directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

Interested Person Transactions ("IPT")

The Company has established Interested Person Transactions policy and procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC and that these transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. Currently, there is no shareholders' mandate for interested person transaction pursuant to Rule 920 of the Listing Manual of SGX-ST.

The details of the IPT during the financial year are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	Common Directors	S$233,000	Not applicable

Notes:
Novo Tellus is a company controlled by Mr. Loke Wai San, the Executive Chairman of the Company and Mr. James Toh Ban Leng, a director of the Company.

The IPT of S$233,000 for FY2019 comprised professional fee of S$160,000 paid by the Company to Novo Tellus for advisory services in upgrading of software capabilities, merger and acquisition activities of the Group and the Group's share of the consultancy service fee of S$73,000 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

Table 1 – Attendance at Board and Board Committee Meetings

The attendance of the directors at the scheduled Board and Board Committees meetings during the year is as follows:

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San (Executive Chairman)	5	5	NA	NA	NA	NA	1	1
Adrian Chan Pengee	5	4	4	4	4	4	1	1
Basil Chan	5	5	4	4	4	4	1	1
James Toh Ban Leng	5	4	4	4	4	4	NA	NA
Loh Kin Wah	5	5	NA	NA	NA	NA	NA	NA
Lavi Alexander Lev *	4	4	NA	NA	NA	NA	NA	NA

* Mr. Lavi Alexander Lev became a director of the Company on 1 April 2019

CORPORATE GOVERNANCE

The meeting schedule for the Board and each of the Board Committees is firmed up before the end of each financial year for the next year so that all directors can arrange their schedules accordingly. If directors are unable to attend any meeting, valid reasons are required to be provided. If any director's attendance falls below 75%, his performance shall be critically reviewed by the Nominating Committee.

Table 2 – Directors and CEO Remuneration Breakdown

The remuneration bands and breakdown of the gross remuneration of the directors and CEO of the Company in percentage terms or absolute amount for the performance year 2019 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total	Share Options** (unit)
	%	%	%	%	%	%	
Director (executive)							
S$1,750,000 to S$2,000,000							
Loke Wai San	–	27	56	17	–	100	2,472,000
Directors (non-executive)	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**	
Adrian Chan Pengee	75,000	–	–	52,000	–	127,000	–
Basil Chan	79,000	–	–	52,000	–	131,000	–
James Toh Ban Leng	63,000	–	–	52,000	–	115,000	–
Lavi Alexander Lev*	37,500	–	–	52,000	–	89,500	–
Loh Kin Wah	50,000	–	–	52,000	–	102,000	–
	%	%	%	%	%	%	
Chief Executive Officer							
S$1,000,000 to S$1,250,000							
Chok Yean Hung	–	30	55	15	–	100	1,352,000

* Mr. Lavi Alexander Lev became a director of the Company on 1 April 2019

** The share options awarded to Mr. Loke Wai San and Mr. Chok Yean Hung on 7 October 2019 are for their services from 2019 to 2021 and shall vest one third annually over 3 years.

Table 3 – Key Management Personnel Remuneration Breakdown

The remuneration bands of the Company's top 5 key management personnel (who are not directors or CEO of the Company) are disclosed below and the total remuneration paid to the top 5 key management personnel was S$2,884,000:

Name of personnel	Salaries (%)	Bonus (%)	Other Allowances (%)	Share Benefits (%)	Total (%)
$500,001 to $750,000					
Chua Tat Ming	36%	44%	3%	17%	100%
Goh Meng Kiang	33%	46%	3%	18%	100%
Mark Yaeger	37%	49%	0%	14%	100%
Pascal Pierra	28%	53%	5%	14%	100%
Yeap Kian Yong	30%	47%	3%	20%	100%

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the financial statements set out on pages 81 to 156 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Loke Wai San	
Basil Chan	
Adrian Chan Pengee	
James Toh Ban Leng	
Loh Kin Wah	
Levi Lav Alexander	(Appointed on 20 March 2019)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants or share options in the Company (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
AEM Holdings Ltd		
Loke Wai San		
– ordinary shares, fully paid (direct interest)	5,380,644	5,713,977
– share options to subscribe for ordinary shares at:		
– S$0.89 per share between 16 January 2020 to 14 January 2029	–	880,000
– S$1.142 per share between 8 October 2020 to 6 October 2029	–	2,472,000

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
AEM Holdings Ltd		
Basil Chan		
– ordinary shares, fully paid (direct interest)	180,000	180,000
Adrian Chan Pengee		
– ordinary shares, fully paid (direct interest)	60,000	60,000
James Toh Ban Leng		
– ordinary shares, fully paid (direct interest)	13,806,620	13,806,620
– ordinary shares, fully paid (deemed interest)	7,196,772	7,196,772
Loh Kin Wah		
– ordinary shares, fully paid (direct interest)	500,000	500,000

By virtue of Section 7 of the Act,

- James Toh Ban Leng is deemed to have interests in the Company through his shareholding in A.C.T. Holdings Pte Ltd at the beginning and at the end of the financial year; and
- Loke Wai San, Basil Chan, Adrian Chan Pengee, James Toh Ban Leng and Loh Kin Wah are deemed to have interests in other subsidiaries of the Company, all of which are wholly-owned, at the beginning and at the end of the financial year.

On 16 January 2020 and 17 January 2020, James Toh Ban Leng disposed 400,000 and 206,600 ordinary shares respectively.

On 21 January 2020, Basil Chan, Adrian Chan Pengee, James Toh Ban Leng, Loh Kin Wah and Lavi Lev Alexander were each granted 25,000 performance shares.

Except for the disposal of ordinary shares and performance shares granted to the above-mentioned directors, there were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Except as disclosed under the "Equity Compensation" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Equity compensation

Share options

The AEM Holdings Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng

Other information regarding the Scheme is set out below:

(i) The exercise price of the options shall be at up to a maximum discount of 20% to the market price, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

(ii) An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.

(iii) There are 2 types of options that may be granted by the Company, namely, (a) Market Price Options and (b) Discount Price Options.

(iv) Discount Price Options are exercisable at any time after the second anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

Market Price Options are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

(v) The new shares issued by the Company upon the exercise of the options shall rank in full for all dividends or other distributions declared or recommended in respect of the then existing shares and shall in all other respects rank *pari passu* with other existing shares of the Company.

(vi) All options are settled by physical delivery of shares.

At the end of the financial year, details of the options granted under the Scheme to subscribe for ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share (S$)	Outstanding at 1 January 2019	Granted	Exercised	Forfeited/ expired	Outstanding at 31 December 2019	Exercise Period
27/2/2017	0.196*	540,000	–	(81,000)	–	459,000	28/2/2018-26/2/2027
23/8/2017	0.627**	380,000	–	(252,000)	–	128,000	24/8/2018-22/8/2027
15/1/2019	0.890	–	3,414,638	–	–	3,414,638	16/1/2020-14/1/2029
7/10/2019	1.142	–	2,674,667	–	–	2,674,667	8/10/2020-6/10/2029
7/10/2019	1.142	–	1,274,667	–	–	1,274,667	8/10/2021-6/10/2029
7/10/2019	1.142	–	1,274,666	–	–	1,274,666	8/10/2022-6/10/2029
		920,000	**8,638,638**	**(333,000)**	**–**	**9,225,638**	

* Prices and number of options adjusted for the bonus shares issues on 18 April 2017 and 4 June 2018.

** Prices and number of options adjusted for the bonus shares issue on 4 June 2018.

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors and employees of the Company under the Scheme are as follows:

	Number of options to subscribe for ordinary shares				
	Options granted for financial year ended 31 December 2019	Aggregate options granted since the commencement to 31 December 2019+	Aggregate options exercised since the commencement to 31 December 2019	Aggregate options forfeited since the commencement to 31 December 2019	Aggregate options outstanding at 31 December 2019
Directors					
Loke Wai San	3,352,000	3,453,250	(101,250)	–	3,352,000
Basil Chan	–	20,250	(20,250)	–	–
Others					
Company	2,546,638	3,755,307	(749,669)	–	3,005,638
Subsidiaries	2,740,000	3,638,500	(745,500)	(25,000)	2,868,000
Total	**8,638,638**	**10,867,307**	**(1,616,669)**	**(25,000)**	**9,225,638**

+ Where options were outstanding on date of bonus shares issues on 18 April 2017 and 4 June 2018, the number of options granted was adjusted for the corresponding effect of the bonus shares issues.

DIRECTORS' STATEMENT

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and other than a former director of the Company, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Except as disclosed above, since the commencement of the scheme, no options have been granted to directors and employees of the holding company or its related corporations under the Scheme.

No options have been granted at a discount.

There were 8,638,638 (2018: Nil) options granted to the directors and employees under the Scheme during the financial year. The Company granted 3,414,638 options on 15 January 2019 and 5,224,000 options on 7 October 2019 to the directors and employees under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.

Performance share plan

The AEM Performance Share Plan 2008 (PSP 2008) of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 29 April 2008 to attract, recruit, retain and encourage higher performance goals and recognise achievements. PSP 2008 was terminated and replaced by the AEM Performance Share Plan 2017 (PSP 2017) which was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017.

PSP 2008 and PSP 2017 (collectively, PSPs) are administered by the Remuneration Committee. Under the PSPs, the Company has the flexibility to grant time-based or performance-based awards to participants. Both time-based and performance-based awards may be granted to the same Participant simultaneously. Participants will be allotted fully paid shares after the satisfactory completion of time-based service conditions or the achievement of performance targets. No minimum vesting periods are prescribed under the PSP and awards may also be granted for past performance where the participant has performed well and/or made a significant contribution to the Company.

Details of performance shares awarded and released (allotted) under the PSPs are as follows:

Participants	**Shares awards granted & released during the year**	**Aggregate shares awards granted & released at end of the year**
Under PSP 2008		
Directors and key executives	–	5,059,529
Under PSP 2017		
Directors and key executives	2,587,666	3,182,666

DIRECTORS' STATEMENT

Details of performance shares granted to directors under PSP 2017 are as follows:

	Shares granted in 2019	Aggregate shares granted since commencement of PSP 2017 to the end of 2019
Loke Wai San	1,174,333	1,349,333
Basil Chan	–	20,000
Adrian Chan Pengee	–	15,000

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee during the year and at the date of this statement are:

- Basil Chan (Chairman), non-executive independent director
- James Toh Ban Leng, non-executive director
- Adrian Chan Pengee, non-executive independent director

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the Singapore Exchange (SGX) Listing Manual and the Code of Corporate Governance.

The Audit and Risk Management Committee held four meetings since the last directors' statement. In performing its functions, the Audit and Risk Management Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and Risk Management Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

DIRECTORS' STATEMENT

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Loke Wai San
Director

Basil Chan
Director

31 March 2020

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AEM Holdings Ltd (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 81 to 156.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *'Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Valuation of inventories
(Refer to note 10 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Inventories constitute a significant portion of the Group's total assets. They are measured at the lower of cost and net realisable value.

The Group manufactures highly customised inventories that are sold to customers based on both committed orders and estimated future demands. These inventories have low resale values.

This is a key audit focus area due to the estimation uncertainty in determining the level of provision required to write down slow-moving, excess and obsolete inventory items.</td><td>We reviewed the ageing profile of the inventories to identify any slow-moving inventories.

Where available, we reviewed supporting documentation relating to future sales to determine the proportion of inventories which were backed by confirmed purchase orders.

We also inspected sales invoices to assess whether the inventory is being sold at a higher value than the carrying value.</td></tr>
<tr><td colspan="2">Findings

The assumptions and estimates applied by the Group in determining the provision for inventory obsolescence was balanced.</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Khai Boon.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	**6,392**	5,725	**31**	21
Right-of-use assets	5	**2,051**	–	**–**	–
Intangible assets	6	**16,905**	17,717	**–**	–
Investments in subsidiaries	7	**–**	–	**26,781**	26,578
Investment in an associate	9	**4,572**	4,153	**4,667**	4,667
Deferred tax assets	17	**54**	57	**19**	–
Non-current assets		**29,974**	27,652	**31,498**	31,266
Inventories	10	**57,479**	27,433	**–**	–
Contract cost	20	**–**	788	**–**	–
Trade and other receivables	11	**27,976**	17,965	**10,692**	7,111
Contract assets	20	**4,856**	3,702	**–**	–
Cash and cash equivalents	12	**107,676**	58,890	**7,862**	950
Current assets		**197,987**	108,778	**18,554**	8,061
Total assets		**227,961**	136,430	**50,052**	39,327
Equity					
Share capital	13	**45,786**	45,786	**45,786**	45,786
Reserves	14	**2,968**	95	**5,174**	1,188
Accumulated profits/(losses)		**85,582**	43,623	**(10,092)**	(13,678)
Total equity attributable to owners of the Group		**134,336**	89,504	**40,868**	33,296
Liabilities					
Financial liabilities	15	**527**	49	**–**	–
Trade and other payables	16	**1,565**	907	**1,565**	907
Deferred tax liabilities	17	**1,823**	1,878	**–**	–
Provisions	18	**–**	426	**–**	–
Non-current liabilities		**3,915**	3,260	**1,565**	907
Financial liabilities	15	**1,681**	210	**–**	–
Trade and other payables	16	**71,563**	33,094	**6,260**	3,812
Contract liabilities	20	**3,688**	2,607	**–**	–
Current tax payable		**11,607**	7,284	**1,359**	1,312
Provisions	18	**1,171**	471	**–**	–
Current liabilities		**89,710**	43,666	**7,619**	5,124
Total liabilities		**93,625**	46,926	**9,184**	6,031
Total equity and liabilities		**227,961**	136,430	**50,052**	39,327

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Revenue	20	**323,130**	262,325
Other income		**177**	367
Changes in inventories of finished goods and work-in-progress		**18,588**	(7,150)
Raw materials and other consumables		**(210,949)**	(166,072)
Staff costs		**(47,423)**	(32,521)
Depreciation of property, plant and equipment		**(1,689)**	(1,158)
Depreciation of right-of-use assets		**(2,739)**	–
Amortisation of intangible assets		**(1,648)**	(713)
Expense relating to low-value leases (2018: Operating lease expenses)		**(284)**	(2,775)
Utilities and maintenance expenses		**(1,551)**	(1,178)
Legal and professional fees		**(2,000)**	(2,086)
Sales and marketing expenses		**(7,678)**	(4,430)
Other expenses		**(3,016)**	(4,863)
Results from operating activities		**62,918**	39,746
Finance income		**516**	300
Finance costs		**(160)**	(40)
Net finance income	21	**356**	260
Share of equity-accounted investee's profit/(losses) (net of tax)	9	**461**	(38)
Profit before tax		**63,735**	39,968
Tax expense	22	**(10,972)**	(6,475)
Profit for the year		**52,763**	33,493
Profit attributable to:			
Owners of the Company		**52,763**	33,493
Profit for the year	23	**52,763**	33,493
Earnings per share	24		
Basic earnings per share		**19.48 cents**	12.26 cents
Diluted earnings per share		**19.38 cents**	12.22 cents
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**(1,068)**	1,379
Share of foreign currency translation difference of equity-accounted investee		**(42)**	58
Other comprehensive income for the year, net of tax		**(1,110)**	1,437
Total comprehensive income for the year		**51,653**	34,930
Total comprehensive income attributable to:			
Owners of the Company		**51,653**	34,930
Total comprehensive income for the year		**51,653**	34,930

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 1 January 2018	39,737	(2,173)	1,146	3,232	(2,683)	18,551	57,810
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	33,493	33,493
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	1,379	–	1,379
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	58	–	58
Total comprehensive income for the year	–	–	–	–	1,437	33,493	34,930
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,176)	–	–	–	–	(1,176)
Issue of shares related to business combination	5,518	–	(1,022)	–	–	–	4,496
Issue of shares pursuant to share plans	531	–	–	–	–	–	531
Treasury shares reissued pursuant to share plans	–	1,018	1,376	(2,296)	–	–	98
Share-based payment transactions (Note 19)	–	–	–	1,236	–	–	1,236
Final dividend of 6.5 cent** per share in respect of 2017	–	–	–	–	–	(4,385)	(4,385)
Interim dividend of 1.5 cent*** per share in respect of 2018	–	–	–	–	–	(4,036)	(4,036)
Total transactions with owners	6,049	(158)	354	(1,060)	–	(8,421)	(3,236)
At 31 December 2018	45,786	(2,331)	1,500	2,172	(1,246)	43,623	89,504

** Dividends declared on 26 February 2018 prior to bonus issue on 4 June 2018. Amounts not adjusted for bonus issue.

*** Dividends declared on 31 July 2018 subsequent to bonus issue on 4 June 2018.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 31 December 2018	45,786	(2,331)	1,500	2,172	(1,246)	43,623	89,504
Adjustment on initial application of SFRS(I)16 (net of tax)*	–	–	–	–	–	(254)	(254)
Adjusted balance at 1 January 2019	45,786	(2,331)	1,500	2,172	(1,246)	43,369	89,250
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	52,763	52,763
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	(1,068)	–	(1,068)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(42)	–	(42)
Total comprehensive income for the year	–	–	–	–	(1,110)	52,763	51,653
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,688)	–	–	–	–	(1,688)
Treasury shares reissued on settlement of deferred and contingent consideration	–	450	210	–	–	–	660
Treasury shares reissued pursuant to share plans	–	937	438	(1,201)	–	–	174
Share-based payment transactions (Note 19)	–	–	–	4,837	–	–	4,837
Final dividend of 1.9 cent per share in respect of 2018	–	–	–	–	–	(5,142)	(5,142)
Interim dividend of 2.0 cent per share in respect of 2019	–	–	–	–	–	(5,408)	(5,408)
Total transactions with owners	–	(301)	648	3,636	–	(10,550)	(6,567)
At 31 December 2019	45,786	(2,632)	2,148	5,808	(2,356)	85,582	134,336

* See note 2.5. The Group applied SFRS(I) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of applying SFRS(I) 16 is recognised in accumulated profits at the date of initial application.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit for the year		**52,763**	33,493
Adjustments for:			
Depreciation of property, plant and equipment		**1,689**	1,158
Depreciation of right-of-use assets		**2,739**	–
Amortisation of intangible assets		**1,648**	713
Allowance/(reversal of allowance) for stock obsolescence		**311**	(226)
(Gain)/loss on disposal of property, plant and equipment		**(23)**	18
Net finance income		**(356)**	(260)
Share of (profit)/loss of equity-accounted investee, net of tax		**(461)**	38
Equity-settled share-based payment expenses		**4,837**	1,236
Remeasurement of deferred and contingent consideration		**2,411**	1,250
Tax expense		**10,972**	6,475
		76,530	43,895
Changes in:			
Inventories		**(30,825)**	10,713
Contract costs		**785**	(772)
Trade and other receivables		**(10,300)**	7,006
Contract assets		**(1,292)**	(3,647)
Trade and other payables		**38,017**	(19,147)
Contract liabilities		**1,128**	1,002
Provisions		**256**	197
Cash generated from operating activities		**74,299**	39,247
Tax paid		**(6,648)**	(5,157)
Net cash from operating activities		**67,651**	34,090
Cash flows from investing activities			
Acquisition of intangible assets		**(873)**	(1,868)
Interest received		**516**	300
Proceeds from disposal of property, plant and equipment		**23**	4
Acquisition of property, plant and equipment		**(2,436)**	(2,858)
Payment of deferred consideration relating to acquisition of subsidiary in prior year		**–**	(500)
Acquisition of subsidiaries, net of cash acquired	8	**–**	(8,318)
Net cash used in investing activities		**(2,770)**	(13,240)
Cash flows from financing activities			
Interest paid		**(129)**	(33)
Repayment of borrowings		**(157)**	(263)
Payment of lease liabilities (2018: Repayment of finance lease liabilities)		**(2,868)**	(8)
Repurchase of own shares		**(1,688)**	(1,176)
Proceeds from exercise of share options		**174**	629
Dividends paid		**(10,533)**	(8,372)
Net cash used in financing activities		**(15,201)**	(9,223)
Net increase in cash and cash equivalents		**49,680**	11,627
Cash and cash equivalents at 1 January		**58,890**	46,095
Effect of exchange rate fluctuations on cash held		**(894)**	1,168
Cash and cash equivalents at 31 December	12	**107,676**	58,890

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2020.

1 DOMICILE AND ACTIVITIES

AEM Holdings Ltd (the Company) is incorporated in Singapore and has its registered office at 52 Serangoon North Avenue 4, Singapore 555853.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

The principal activities of the Company are those relating to an investment holding company. The principal activities of the subsidiaries are set out in note 7 to the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (SGD), which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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 8 – identification of assets acquired and liabilities assumed in a business combination
- Note 20 – revenue recognition: whether revenue is recognised over time or at a point in time

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 financial year are included in the following notes:

- Note 6 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts
- Note 8 – measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired
- Note 10 – valuation of inventories

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair value (Continued)

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – impairment of intangible assets and goodwill
- Note 8 – acquisition of subsidiaries
- Note 19 – share-based payment
- Note 28 – financial risk management

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations did not have a material effect on the financial statements.

SFRS(I) 16 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated profits at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e.it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

SFRS(I) 16 Leases (Continued)

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases leasehold property and production equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right of use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the applicable incremental borrowing rates at the date of initial application.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases, previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies (Continued)

SFRS(I) 16 Leases (Continued)

As a lessee (Continued)

Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of production equipment. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

Impact on transition

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated profits. The impact on transition is summarised below.

	1 January 2019 $'000
Right-of-use assets	3,390
Lease liabilities	(3,644)
Accumulated profits	254

* For the impact of SFRS(I) 16 on profit or loss for the period, see note 5 and 15. For the impact of SFRS(I) 16 on segment information, see note 27. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see note 3.7.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is 3.63%.

	1 January 2019 $'000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's consolidated financial statements	3,176
Discounted using the incremental borrowing rate at 1 January 2019	2,752
• Extension options reasonably certain to be exercised	892
Lease liabilities recognised at 1 January 2019	3,644

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

The accounting policies have been applied consistently by Group entities. Certain comparative amounts have been re-presented as a result of a change in the Group's reportable segments (see note 27).

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the date of acquisition as the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in "other expenses" within profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in "other expenses" within profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities using monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Motor vehicles	5 to 10 years
Furniture and fittings	3 to 10 years
Renovation and installation	3 to 10 years
Computers	3 years
Plant and equipment	3 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill (Continued)

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date the asset is available for use.

The estimated useful lives for the current and comparative years are as follows:

Technology	15 – 20 years
Customer relationships	10 years
Computer software	3 years
Capitalised development costs	4 years

Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets (Continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise lease liabilities (2018: finance lease liabilities), loans and borrowings and trade and other payables (excluding employee benefits, deferred and contingent consideration arising from acquisition of a subsidiary measured at FVTPL).

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable equity reserve.

(vii) Financial guarantee contracts

Financial guarantee contracts are regarded as insurance contracts under which the Group accepts significant insurance risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event. Provisions are recognised when it is probable that the guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

3.6 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets and contract assets (Continued)

Simplified approach

The Group applies the simplified approach to measure loss allowances at an amount equal to lifetime ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts (FGC). Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) ***Non-derivative financial assets and contract assets*** (Continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowance for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets (Continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.7 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

Policy applicable from 1 January 2019 (Continued)

As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (Continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of items segregated for specific projects and equipment are assigned using specific identification of their individual costs. All other inventories are determined using the weighted average cost formula.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Site restoration

In accordance with the applicable terms and conditions in the lease agreement, a provision for site restoration in respect of the leased premises, and the related expenses, were recognised at the date of inception of the lease.

3.10 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Tax (Continued)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.11 Revenue recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition (Continued)

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

3.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Finance income and finance costs

Finance income comprises interest income on funds invested that is recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise unwinding of the discount on provision for site restoration and interest expense on borrowings and leases which are recognised in profit or loss using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

The weighted average number of ordinary shares outstanding during the year and for all years presented are adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The Group is still in the process of assessing the impact of the following new SFRS(I)s, interpretations and amendments to SFRS(I)s on the consolidated financial statements.

- *Amendments to References to conceptual framework in SFRS(I) standards*
- *Definition of business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and 1-8)
- SFRS(I) 17 *Insurance Contracts*

4 PROPERTY, PLANT AND EQUIPMENT

Group	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost						
At 1 January 2018	54	420	5,892	1,886	8,170	16,422
Acquisitions through business combinations (note 8)	31	–	19	–	301	351
Additions	64	114	1,545	603	532	2,858
Disposals	–	(8)	(33)	(9)	(7)	(57)
Translation adjustment	(5)	9	167	40	55	266
At 31 December 2018	144	535	7,590	2,520	9,051	19,840
Additions	–	42	862	219	1,313	2,436
Disposals	–	–	–	(2)	(133)	(135)
Translation adjustment	(2)	(5)	(76)	(21)	(111)	(215)
At 31 December 2019	**142**	**572**	**8,376**	**2,716**	**10,120**	**21,926**
Accumulated depreciation and impairment losses						
At 1 January 2018	35	312	4,792	1,264	6,396	12,799
Depreciation charge for the year	20	24	390	352	372	1,158
Disposals	–	(3)	(24)	–	(8)	(35)
Translation adjustment	(1)	(13)	136	22	49	193
At 31 December 2018	54	320	5,294	1,638	6,809	14,115
Depreciation charge for the year	20	33	596	468	572	1,689
Disposals	–	–	–	(2)	(133)	(135)
Translation adjustment	(1)	(3)	(49)	(14)	(68)	(135)
At 31 December 2019	**73**	**350**	**5,841**	**2,090**	**7,180**	**15,534**
Carrying amounts						
At 1 January 2018	19	108	1,100	622	1,774	3,623
At 31 December 2018	90	215	2,296	882	2,242	5,725
At 31 December 2019	**69**	**222**	**2,535**	**626**	**2,940**	**6,392**

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost				
At 1 January 2018	67	318	16	401
Additions	–	14	–	14
Disposal	(33)	–	(8)	(41)
At 31 December 2018	34	332	8	374
Additions	–	7	13	20
At 31 December 2019	**34**	**339**	**21**	**394**
Accumulated depreciation				
At 1 January 2018	49	311	7	367
Depreciation charge for the year	7	6	1	14
Disposal	(23)	(1)	(4)	(28)
At 31 December 2018	33	316	4	353
Depreciation charge for the year	1	7	2	10
At 31 December 2019	**34**	**323**	**6**	**363**
Carrying amounts				
At 1 January 2018	18	7	9	34
At 31 December 2018	1	16	4	21
At 31 December 2019	**–**	**16**	**15**	**31**

5 RIGHT-OF-USE ASSETS

Information about leases for which the Group is a lessee is presented below.

	Leasehold property 2019 $'000
Balance at 1 January	**3,390**
Depreciation charge for the year	**(2,739)**
Additions to right-of-use assets	**1,400**
Balance at 31 December	**2,051**

Right-of-use assets relates to leasehold property recognised on adoption of SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS

Group	Goodwill $'000	Technology $'000	Customer relationships $'000	Computer software $'000	Development costs $'000	Other $'000	Total $'000
Cost							
At 1 January 2018	1,230	1,819	–	2,706	–	–	5,755
Acquisitions through business combination (note 8)	4,764	6,011	2,300	–	–	6	13,081
Additions	–	–	–	1,393	475	–	1,868
Translation adjustment	–	–	–	56	–	(1)	55
At 31 December 2018	5,994	7,830	2,300	4,155	475	5	20,759
Additions	–	–	–	315	515	43	873
Translation adjustment	(12)	(18)	(3)	(19)	(2)	–	(54)
At 31 December 2019	**5,982**	**7,812**	**2,297**	**4,451**	**988**	**48**	**21,578**
Accumulated amortisation							
At 1 January 2018	–	20	–	2,286	–	–	2,306
Amortisation charge for the year	–	187	198	325	1	2	713
Translation adjustment	–	–	–	24	(1)	–	23
At 31 December 2018	–	207	198	2,635	–	2	3,042
Amortisation charge for the year	–	616	300	697	29	6	1,648
Translation adjustment	–	(10)	(2)	(6)	1	–	(17)
At 31 December 2019	**–**	**813**	**496**	**3,326**	**30**	**8**	**4,673**
Carrying amounts							
At 1 January 2018	1,230	1,799	–	420	–	–	3,449
At 31 December 2018	5,994	7,623	2,102	1,520	475	3	17,717
At 31 December 2019	**5,982**	**6,999**	**1,801**	**1,125**	**958**	**40**	**16,905**

6 INTANGIBLE ASSETS (CONTINUED)

Company	Computer software $'000
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	1,190
Accumulated amortisation	
At 1 January 2018, 31 December 2018 and 31 December 2019	1,190
Carrying amounts	
At 1 January 2018, 31 December 2018 and 31 December 2019	–

Impairment testing for CGUs containing Goodwill

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

	Group 2019 $'000	Group 2018 $'000
Equipment systems solutions		
• Micro-Electro-Mechanical Systems (MEMS) testing solutions	**4,364**	4,376
• Machine vision solutions	**388**	388
• Test and measurement solutions (TMS)	**1,230**	1,230
	5,982	5,994

MEMS testing 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.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

Group	2019 %
Pre-tax discount rate	**12.2**
Terminal value growth rate	**2.7**
Revenue growth rate (compounded annual growth rate)	**25.0**

6 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGUs containing Goodwill (Continued)

MEMS testing solutions (Continued)

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted-average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years.

In 2019, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $9,448,000 and no impairment was recorded.

The recoverable amount as at 31 December 2018 was determined based on the fair value at acquisition date as the CGU was newly acquired in February 2018 and the fair value of the acquisition was deemed to approximate the fair value as at 31 December 2018. As the recoverable amount was equal to the carrying amount of the CGU, no impairment was recorded.

For 2019, no sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

Test and measurement 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.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

Group	2019 %	2018 %
Pre-tax discount rate	**14.6**	10.0
Terminal value growth rate	**2.2**	0.0
Revenue growth rate (compounded annual growth rate)	**49.0**	14.0

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted-average cost of capital.

6 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGUs containing Goodwill (Continued)

Test and measurement solutions (Continued)

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $3,793,000 (2018: $13,310,000) and no impairment was recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

7 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted equity shares, at cost	**27,067**	26,864
Allowance for impairment	**(286)**	(286)
	26,781	26,578

The Group carried out a review of the recoverable amounts of its investments in subsidiaries based on the performance of the subsidiaries, including the investments in Afore and InspiRain which relates to the MEMS and TMS segments respectively (see note 6). The recoverable amount estimated based on value in use, exceeded the carrying value of these investments. Based on the assessment, no impairment loss was recognised for the investments in subsidiaries in 2019 (2018: nil).

Impairment losses of $286,000 pertains to an inactive subsidiary that remained inactive during the year. Hence, no reversal of impairment was necessary.

7 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2019 %	2018 %
AEM Singapore Pte. Ltd.[1*]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	**100**	100
AEM Microtronics (M) Sdn. Bhd.[2]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	**100**	100
AEM Microtronics (Suzhou) Co., Ltd.[3]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	**100**	100
AEM China (S) Pte. Ltd.[4]	Inactive	Singapore	**100**	100
AEM International (US) Ltd.	Engineering services	United States of America	**100**	100
Tianjin Ever Technologies Co., Ltd.	Inactive	People's Republic of China	**100**	100
InspiRain Technologies Pte. Ltd.[1]	Inactive	Singapore	**100**	100
Afore Oy[2]	Micro-Electro-Mechanical Systems test solutions provider	Finland	**100**	100[+]
IRIS Solution Pte. Ltd.[1]	Research, development, and integration of advance machine vision solutions to manufacturers	Singapore	**100**	100[+]

KPMG Singapore is the auditor of the significant subsidiary and all Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Listing Manual of the Singapore Exchange if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

1 Audited by KPMG Singapore
2 Audited by other member firms of KPMG International
3 Audited by Suzhou Deheng Certified Public Accountants
4 Inactive and audit is not required
* Significant subsidiary as defined under the SGX Listing Manual
+ In February and March 2018, the Group acquired Afore Oy and IRIS Solution Pte Ltd respectively.

8 ACQUISITION OF SUBSIDIARIES

There were no acquisitions in 2019.

Acquisitions in 2018

On 28 February 2018 and 2 March 2018, the Group acquired 100% of the shares and voting interests in Afore Oy ("Afore") and IRIS Solution Pte Ltd ("Iris"), obtaining control of Afore and Iris respectively.

Taking control of both Afore and Iris enables the Group to enhances its product range and services that the Group can offer to semiconductors and industrial sections. The acquisitions are expected to yield significant business synergies for the Group.

For the ten months ended 31 December 2018, Afore contributed revenue of $6,916,000 and profit of $462,000 to the Group's results and Iris contributed revenue of $1,329,000 and net profit of $534,000 to the Group's results.

If the acquisitions had occurred on 1 January 2018, management estimates that the consolidated revenue would have been $262,546,000 and net profit of $32,971,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration:

		Acquisition of:		
	Note	**Afore**	**Iris**	**Total**
		$'000	**$'000**	**$'000**
Equity shares issued (867,000* ordinary shares)	13	4,496	–	4,496
Cash		8,107	576	8,683
Total consideration		12,603	576	13,179

Equity shares issued

The weighted average fair value of ordinary shares issued of $5.19* per share was based on the listed share price of the Company at 28 February 2018 adjusted for sale restriction moratorium.

* Shares were issued prior to the bonus issue on 4 June 2018 and amounts are not adjusted for the bonus issue. See note 13.

Cash

As at 31 December 2018, $76,000 relating to the acquisition of Iris is unpaid and included in other payables. The amount was paid in 2019.

8 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2018 (Continued)

Acquisition-related costs

The Group incurred acquisition-related costs of $772,000 on legal fees and due diligence costs. These costs have been included in 'legal and professional fees' within the statement of comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	Acquisition of: Afore $'000	Iris $'000	Total $'000
Property, plant and equipment	4	332	19	351
Intangible assets	6	8,223	94	8,317
Cash		304	61	365
Inventories		1,360	–	1,360
Trade and other receivables		956	99	1,055
Net deferred tax liabilities	17	(1,581)	(16)	(1,597)
Trade and other payables		(848)	–	(848)
Tax payables		–	(69)	(69)
Financial liabilities		(519)	–	(519)
Total identifiable net assets		8,227	188	8,415

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
Intangible assets	
• Technology	*Relief-from-royalty method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents or trademarks being owned.
• Customer contracts	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

The trade receivables comprise gross contractual amounts of $1,055,000, all of which are expected to be collectible.

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8 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2018 (Continued)

Measurement of fair values (Continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Acquisition of: Afore $'000	Iris $'000	Total $'000
Total consideration	12,603	576	13,179
Fair value of identifiable net assets	(8,227)	(188)	(8,415)
Goodwill	4,376	388	4,764

The goodwill is attributable mainly to skills and technical talent of the work force and synergies expected to be achieved from integrating the companies into the Group's existing business.

None of the goodwill recognised is expected to be deductible for tax purposes.

9 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted shares	**4,572**	4,153	**4,667**	4,667

Details of associate are as follows:

Name of associate	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group 2019 %	2018 %
Novoflex Pte Ltd[1] ("Novoflex")	Investment holding company with full control of Smartflex Technology Pte Ltd, a leading outsourced assembly & test company for smart card modules used in banking and Smartflex Innovation Pte Ltd, a company that has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking	Singapore	**21.2**	21.2

1 Audited by Ernst & Young Singapore

9 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following summarises the financial information of the Group's associate based on Novoflex's consolidated financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	2019 $'000	2018 $'000
Revenue	**54,873**	56,765
Profit/(loss) after tax	**2,176**	(181)
Total comprehensive profit/(loss)	**2,176**	(181)
Attributable to investee's shareholders	**2,176**	(181)
Non-current assets	**22,124**	18,208
Current assets	**35,168**	25,819
Non-current liabilities	**(7,187)**	(2,262)
Current liabilities	**(28,529)**	(22,166)
Net assets	**21,576**	19,599
Attributable to investee's shareholders	**21,576**	19,599

	2019 $'000	2018 $'000
Group's interest in net assets of investee at beginning of the year	**4,153**	4,133
Group's share of:		
– profit/(loss) after tax	**461**	(38)
Total comprehensive income	**461**	(38)
Translation adjustment	**(42)**	58
Carrying amount of interest in investee at end of the year	**4,572**	4,153

10 INVENTORIES

	Group	
	2019 $'000	2018 $'000
Raw materials	**17,892**	6,434
Work-in-progress	**34,348**	18,567
Finished goods	**4,699**	2,213
Goods in-transit	**540**	219
	57,479	27,433

Stock obsolescence is estimated based on future customer demands. Inventories have been reduced by $311,000 (2018: reversal of inventories previously written-down of $226,000) as a result of the write-down to net realisable value. The write-downs and reversals are included in "changes in inventories of finished goods and work-in-progress" within the statement of comprehensive income.

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11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	**23,531**	15,957	**–**	–
Other receivables	**2,789**	868	**–**	209
Amounts due from subsidiaries:				
– trade	**–**	–	**2,786**	3,471
– non-trade	**–**	–	**7,441**	3,347
Deposits	**1,122**	954	**63**	64
	27,442	17,779	**10,290**	7,091
Prepayments	**534**	186	**402**	20
	27,976	17,965	**10,692**	7,111

Amounts due from subsidiaries

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The ECL for these amounts is disclosed in note 28.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 28.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	**100,889**	54,779	**7,862**	950
Fixed deposits with banks	**6,787**	4,111	**–**	–
Cash and cash equivalents	**107,676**	58,890	**7,862**	950

As at 31 December 2019, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.06% (2018: 0.07%). Interest rates are repriced monthly.

13 SHARE CAPITAL

	Number of shares			
	Share capital		Treasury shares	
	2019	2018	2019	2018
	'000	'000	'000	'000
Company				
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**273,308**	66,784	**(4,261)**	(1,267)
Purchase of treasury shares	**–**	–	**(1,700)**	(1,300)
Bonus share issue	**–**	204,981*	**–**	(2,375)
Issue of treasury shares to management under Performance Share Plan	**–**	–	**1,287**	525
Exercise of share options	**–**	676	**333**	156
Issued in business combination	**–**	867	**–**	–
Issued for settlement of deferred and contingent consideration	**–**	–	**800**	–
At 31 December	**273,308**	273,308	**(3,541)**	(4,261)

* On 4 June 2018, the Group completed a bonus share issue of 3 additional shares for every 1 ordinary shares held.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the year, there were no ordinary shares (2018: 676,000) issued out of the ordinary shares for share options exercised. In 2018, 867,000 ordinary shares were issued out of ordinary shares as a result of the acquisition of Afore Oy (see note 8).

During the year, the Company purchased 1,700,000 (2018: 1,300,000) of its own ordinary shares from the open market and as at the end of 31 December 2019, the treasury shares balance was 3,541,000 (2018: 4,261,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 269,767,000 (2018: 269,047,000).

Treasury shares

During the year, 1,287,000 (2018: 525,000) shares were issued out of the treasury shares under the Performance Share Plan, 333,000 (2018: 156,000) shares were issued out of the treasury shares for share options exercised and 800,000 shares (2018: nil) were issued out of the treasury shares for settlement of deferred and contingent consideration relating to acquisition of InspiRain in 2017. In 2018, 2,375,000 shares were allotted to treasury shares due to the bonus share issue on 4 June 2018.

13 SHARE CAPITAL (CONTINUED)

Capital management

The Board's policy is to build and maintain a strong capital base so as to maintain investor and financing banks' confidence and at the same time be able to leverage on the capital to provide the Group with the funds to fund its expansion and growth.

The Group also monitors the level of dividends to be paid to ordinary shareholders. The Group's objective is to pay out regular dividends to the shareholders based on the level of the Group's profitability and cash flows and the Company's share price performance.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

14 RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Reserve for own shares	**(2,632)**	(2,331)	**(2,632)**	(2,331)
Other reserves	**2,148**	1,500	**1,998**	1,347
Share compensation reserve	**5,808**	2,172	**5,808**	2,172
Currency translation reserve	**(2,356)**	(1,246)	**–**	–
	2,968	95	**5,174**	1,188

Reserve for own shares

Reserve for own shares comprises the cost of the Company's shares held by the Group.

Other reserves

Other reserves comprises accumulated profits transferred by a foreign subsidiary as required by local legislations which can only be distributed upon approval by the relevant authorities and surplus of own shares reissued.

Share compensation reserve

Share compensation reserve comprises the value of employee services received from equity-settled share-based performance bonus.

Currency translation reserve

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company.

15 FINANCIAL LIABILITIES

	Group 2019 $'000	Group 2018 $'000
Non-current liabilities		
Lease liabilities (2018: finance lease liabilities)	**527**	49
Current liabilities		
Lease liabilities (2018: finance lease liabilities)	**1,681**	54
Secured bank loan	**–**	156
	1,681	210
Total financial liabilities	**2,208**	259
Maturity of liabilities:		
Within 1 year	**1,681**	210
After 1 year but within 5 years	**527**	49
	2,208	259

As at 31 December 2018, the finance lease liabilities were secured by a fixed charge on the equipment being financed and the secured bank loans of the Group were secured over property, plant and equipment and inventories with carrying amounts of $1,399,000.

Lease liabilities

As at 31 December 2019, the lease liabilities include office leases and production equipment. The production equipment leases are secured by a fixed charge on the equipment being financed.

The Group leases office and warehouse facilities. Lease payments are renegotiated every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The total cash outflow for leases recognised in the statement of cash flows is $2,984,000.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000	2018 Face value $'000	2018 Carrying amount $'000
Group						
Secured Loan	2.50%	2019	**–**	**–**	157	156
Lease liabilities	3.23% – 6.78%	2019 – 2021	**2,274**	**2,208**	103	103
			2,274	**2,208**	260	259

The Company does not have any borrowings as at 31 December 2019.

15 FINANCIAL LIABILITIES (CONTINUED)

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 28.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2018	–	7	7
Changes from financing cash flows			
Interest paid	(33)	*	(33)
Repayment of borrowings	(263)	–	(263)
Repayment of finance lease liabilities	–	(8)	(8)
Total changes from financing cash flows	(296)	(8)	(304)
Changes arising from obtaining control of subsidiaries	417	102	519
The effect of changes in foreign exchange rates	2	2	4
Liability-related			
Interest expense	33	*	33
Total liability-related other changes	33	*	33
Balance at 31 December 2018	156	103	259
Balance at 1 January 2019	156	103	259
Adjustment on initial application of SFRS(I) 16^	–	3,644	3,644
Restated balance at 1 January 2019	**156**	**3,747**	**3,903**
Changes from financing cash flows			
Interest paid	**(13)**	**(116)**	**(129)**
Repayment of borrowings	**(157)**	**–**	**(157)**
Payment of lease liabilities (2018: finance lease liabilities)	**–**	**(2,868)**	**(2,868)**
Total changes from financing cash flows	**(170)**	**(2,984)**	**(3,154)**
The effect of changes in foreign exchange rates	**1**	**7**	**8**
Liability-related			
Additions	**–**	**1,322**	**1,322**
Interest expense	**13**	**116**	**129**
Total liability-related other changes	**13**	**1,438**	**1,451**
Balance at 31 December 2019	**–**	**2,208**	**2,208**

* Less than $1,000
^ See note 2.5

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	**52,507**	21,383	**–**	–
Amount due to subsidiaries (non-trade)	**–**	–	**59**	380
Accrued operating expenses	**1,728**	3,696	**456**	797
Other payables	**5,808**	3,563	**4,842**	2,915
	60,043	28,642	**5,357**	4,092
Employee benefits	**13,085**	5,359	**2,468**	627
	73,128	34,001	**7,825**	4,719
Current	**71,563**	33,094	**6,260**	3,812
Non-current	**1,565**	907	**1,565**	907
	73,128	34,001	**7,825**	4,719

As at 31 December 2018, accrued operating expenses include a provision for sales rebate of $71,000. The amount was paid in 2019.

Other payables include deferred and contingent consideration relating to the acquisition of subsidiaries of $3,967,000 (2018: $2,292,000) at the Group and Company level.

The deferred and contingent consideration mainly relates to the acquisition of InspiRain Technologies Pte. Ltd. (InspiRain) in 2017, comprising:

- Deferred cash consideration of $500,000 payable in 2018 and 300,000* shares in tranches of 100,000* shares each over the next three years from 2018 to 2020; and
- Contingent consideration of 400,000* shares in tranches of 100,000* shares each over the next four years from 2018 to 2021 if agreed performance targets are met. Performance targets were revenue exceeding the annual target of between $1,000,000 to $4,000,000 and gross profit margin of at least 30%. In 2018, InspiRain secured a contract with a customer and achieved its 2018 target and the fair value of the contingent consideration was remeasured and $1,250,000 was recognised based on the revised forecast of the TMS segment. In 2019, TMS achieved the annual target for 2019 and the first tranche of the contingent consideration pertaining to achieved targets for 2018 was settled. The Group assessed the performance of the TMS segment and believes that the targets will continue to be achieved.

* Number of shares not adjusted for bonus issue on 4 June 2018.

16 TRADE AND OTHER PAYABLES (CONTINUED)

Deferred consideration

The deferred cash consideration of $500,000 was paid in 2018 and the first tranche of deferred share payments pertaining to 2018 with a carrying amount of $330,000 were settled in 2019.

At 31 December 2019, the remaining two tranches of deferred consideration has a carrying amount of $1,594,000 (2018: three tranches with carrying amount of $966,000) which represents its fair value at reporting date.

Contingent consideration

The first tranche of contingent share payments pertaining to 2018 with a carrying amount of $330,000 were settled in 2019.

At 31 December 2019, the remaining three tranches of contingent consideration has a carrying amount of $2,373,000 (2018: four tranches with carrying amount of $1,250,000) which represents its fair value at reporting date.

Amounts due to subsidiaries

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

Measurement of fair values

The basis of measurement of the fair value of deferred and contingent consideration are disclosed in note 28.

Market and liquidity risks

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 28.

Outstanding balances with related parties are unsecured.

17 DEFERRED TAX

Movements in deferred tax (assets)/liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 January 2018 $'000	Recognised in profit or loss (Note 22) $'000	Acquired in business combination (Note 8) $'000	Translation adjustment $'000	At 31 December 2018 $'000	Recognised in profit or loss (Note 22) $'000	Translation adjustment $'000	At 31 December 2019 $'000
Group								
Deferred tax liabilities								
Property, plant and equipment	35	(7)	–	(3)	25	562	(5)	**582**
Trade and other payables	(21)	(15)	–	2	(34)	34	–	**–**
Intangible assets	309	(84)	1,661	–	1,886	(240)	3	**1,649**
Right-of-use assets	–	–	–	–	–	360	(2)	**358**
Others	(14)	15	–	–	1	–	–	**1**
	309	(91)	1,661	(1)	1,878	716	(4)	**2,590**
Deferred tax assets								
Property, plant and equipment	171	191	(64)	9	307	(345)	–	**(38)**
Provisions	(171)	(186)	–	(7)	(364)	43	(1)	**(322)**
Trade and other payables	–	–	–	–	–	(71)	1	**(70)**
Lease liabilities	–	–	–	–	–	(394)	3	**(391)**
	–	5	(64)	2	(57)	(767)	3	**(821)**
Company								
Deferred tax assets								
Property, plant and equipment	4	(1)	–	–	3	(1)	–	**2**
Deferred tax liabilities								
Provisions	(4)	1	–	–	(3)	(18)	–	**(21)**

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17 DEFERRED TAX (CONTINUED)

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Deferred tax liabilities	**1,823**	1,878	**–**	–
Deferred tax assets	**(54)**	(57)	**(19)**	–

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

18 PROVISIONS

Group	Warranties $'000	Site restoration $'000
At 1 January 2018	395	277
Provisions made	328	132
Translation adjustment	11	10
Provisions utilised	(263)	–
Unwind of discount	–	7
At 31 December 2018	471	426
Provisions made	589	22
Translation adjustment	(6)	(5)
Provisions utilised	(357)	–
Unwind of discount	–	31
At 31 December 2019	**697**	**474**

	Group	
	2019	2018
	$'000	$'000
Non-current	**–**	426
Current	**1,171**	471
	1,171	897

18 PROVISIONS (CONTINUED)

Company	Site restoration $'000
At 1 January 2018	18
Provisions reversed	(18)
At 31 December 2018	–

The provision for warranties, on equipment sold, is based on estimates made from historical warranty data associated with similar products and services.

Provision for restoration costs is made in respect of the Group's obligation to carry out the reinstatement work to restore the leased premises to its original condition prior to vacating the premises at the end of the lease term in 2020.

19 SHARE-BASED PAYMENT

Description of the share-based payment arrangements

At 31 December 2019, the Group has the following share-based payment arrangements:

Employee share options (equity-settled)

The AEM Holdings Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng

Other information regarding the Scheme is set out below:

(i) The exercise price of the options shall be at up to a maximum discount of 20% to the market price, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

(ii) An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.

19 SHARE-BASED PAYMENT (CONTINUED)

Description of the share-based payment arrangements (Continued)

Employee share options (equity-settled) (Continued)

(iii) There are 2 types of options that may be granted by the Company, namely, (a) Market Price Options and (b) Discount Price Options.

(iv) Discount Price Options are exercisable at any time after the second anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

Market Price Options are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

(v) The new shares issued by the Company upon the exercise of the options shall rank in full for all dividends or other distributions declared or recommended in respect of the then existing shares and shall in all other respects rank pari passu with other existing shares of the Company.

(vi) All options are settled by physical delivery of shares.

Performance Share Plan (equity-settled)

The AEM Performance Share Plan 2017 (the Plan) of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017 to attract, recruit, retain and encourage higher performance goals and recognise achievements.

The Plan is administered by the Company's Remuneration Committee. Under the Plan, the Company has the flexibility to grant time-based or performance-based awards to participants. Both time-based and performance-based awards may be granted to the same participant simultaneously. Participants will be allotted fully paid shares after the satisfactory completion of time-based service conditions or the achievement of performance targets. No minimum vesting periods are prescribed under the Plan and awards may also be granted for past performance where the participant has performed well and/or made a significant contribution to the Company.

19 SHARE-BASED PAYMENT (CONTINUED)

Measurement of fair values

Employee share options (equity-settled)

The fair value of the employee share options has been measured using the Option Valuation Model. Service and non-market performance conditions attached to the arrangements were applied in the valuation of the options. The inputs used in the measurement of the fair values at grant date of the share options were as follows:

Grant Date	7 Oct 19	15 Jan 19	23 Aug 17	27 Feb 17
Fair value at grant date	**$0.354-$0.423**	**$0.260-$0.320**	$0.148-$0.180	$0.038-$0.045
Share price at grant date	**$1.140**	**$0.900**	$0.635**	$0.198**
Exercise price	**$1.142**	**$0.890**	$0.627**	$0.196**
Expected volatility (weighted average)	**52%**	**50%**	40%	40%
Expected life (years)	**3-5**	**3-5**	3-5	3-5
Expected dividends	**0.0265**	**0.0200**	0.0245	0.0245
Risk-free interest rate (based on government bonds)	**1.574-1.561**	**1.930-2.000**	1.490-1.680	1.386-1.693

** Prices were adjusted for the bonus share issue in June 2018 (see note 13).

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

During the year, the Group recognised $1,937,000 (2018: $78,000) expenses for share options granted.

Performance Share Plan (equity-settled)

The weighted average fair value of the shares was $1.17 (2018: $0.90) per share, based on the closing share price of the Company at the reporting date (2018: closing share price of the Company at the reporting date).

During the year, the Group recognised $2,900,000 for the first tranche, 433,667 of 1,301,000 performance shares granted on 7 October 2019 subsequent to the achievement of the first year target over the three-year performance period from 2019 to 2021 and 1,160,000 performance shares granted on 21 January 2020 for the performance year 2019 to certain key management personnel.

For the corresponding period in 2018, the Group recognised $1,158,000 for 1,287,000 performance shares granted on 15 January 2019 for the performance year 2018 to certain key management personnel.

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19 SHARE-BASED PAYMENT (CONTINUED)

Reconciliation of outstanding share options

Movements in the number of share options and their related weighted average exercise prices are as follows:

	Weighted average exercise price 2019 $	No. of options 2019 '000	Weighted average exercise price 2018 $	No. of options 2018 '000
Outstanding at 1 January	**0.374**	**920**	1.031	945
Granted during the year	**1.042**	**8,639**	–	–
Adjustment for bonus issue*	**–**	**–**	–	807
Exercised during the year	**0.522**	**(333)**	0.755	(832)
Forfeited during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.994**	**9,226**	0.374	920
Exercisable at 31 December	**0.291**	**587**	0.374	920

* Amounts adjusted for the bonus share issue completed in June 2018 (see note 13).

The options outstanding at 31 December 2019 have an exercise price in the range of $0.196 to $1.142 (2018: $0.196 to $0.627) and a weighted-average contractual life of 9.3 years (2018: 8.6 years).

	Group 2019 $'000	Group 2018 $'000
Share compensation reserve		
At 1 January	**2,172**	3,232
Shares options granted	**1,937**	78
Settlement of share-based payment transactions	**(1,201)**	(2,296)
Share-based payment transactions	**2,900**	1,158
	5,808	2,172

20 REVENUE

Group	Group 2019 $'000	Group 2018 $'000
Revenue from contracts with customers		
• Sale of goods	**300,376**	249,188
• Services	**22,754**	13,137
	323,130	262,325

20 REVENUE (CONTINUED)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sale of goods

Nature of goods	Machines, equipment and components
When revenue is recognised	***Machines, equipment and components, excluding prototype machines*** Revenue from the sale of machines, equipment and components are recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. ***Prototype machines*** The Group has assessed that revenue from the sale of prototype machines qualify for over time revenue recognition as the prototype machines are highly customised and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	***Machines, equipment and components, excluding prototype machines*** Payment is due 30 days upon delivery of the goods to the customers. ***Prototype machines*** Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value for the achievement exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.
Obligations for warranties	All products come with warranty terms of two years, under which customers are able to return and replace any defective products. The Group reviews its estimate of warranties and records a provision for its obligations for warranties (see note 18).

20 REVENUE (CONTINUED)

Sale of goods (Continued)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. As at 31 December 2019, there are no costs (2018: $788,000) incurred to fulfil a contract that was capitalised.

Services

Nature of services	Field service support and non-recurring engineering services
When revenue is recognised	Revenue is recognised over time as services are being rendered. Where applicable the Group applies the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the Group has a right to consideration from the customers in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.
Significant payment terms	Invoices are issued once services are provided on a monthly or quarterly basis and due within 30 days of invoice date.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is disclosed in note 27 with the Group's reportable segments. The following table disaggregates revenue by the timing of revenue recognition.

	Group	
	2019	**2018**
	$'000	**$'000**
Timing of revenue recognition		
Products transferred at a point in time	**294,451**	240,336
Products and services transferred over time	**28,679**	21,989
	323,130	262,325

20 REVENUE (CONTINUED)

Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

	Group	
	2019	**2018**
	$'000	**$'000**
Contract assets	**4,856**	3,702
Contract liabilities	**(3,688)**	(2,607)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on prototype machines. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advanced consideration received from customers for sale of machines.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**2,607**	–
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**(3,688)**	(2,607)
Contract asset reclassified to trade receivables	**(3,702)**	–	**–**	–
Recognition of revenue, net of receivables recognised	**4,856**	3,702	**–**	–

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20 REVENUE (CONTINUED)

Transaction price allocated to the remaining performance obligations

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date was $2,274,000 (2018: $1,797,000) which is expected to be recognised in 2020 (2018: 2019).

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

21 NET FINANCE INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Interest income on fixed deposits	**260**	135
Other interest income	**256**	165
Finance income	**516**	300
Interest expense on lease liabilities (2018: finance lease liabilities)	**(116)**	*
Interest expense on secured bank loan	**(1)**	(33)
Interest expense on bank overdraft	**(12)**	–
Unwind of discount on site restoration provision	**(31)**	(7)
Finance costs	**(160)**	(40)
Net finance income	**356**	260

* Less than $1,000

22 TAX EXPENSE

	Group 2019 $'000	Group 2018 $'000
Current tax expense		
Current year	**11,298**	6,790
Overprovision in prior years	**(275)**	(229)
	11,023	6,561
Deferred tax expense		
Origination and reversal of temporary differences	**(51)**	(79)
Overprovision in prior years	–	(7)
	(51)	(86)
Total tax expense	**10,972**	6,475
Reconciliation of effective tax rate		
Profit before tax	**63,735**	39,968
Income tax using Singapore tax rate of 17%	**10,835**	6,795
Effect of different tax rates in other countries	**53**	33
Effect of results from equity-accounted investee presented net of tax	**(220)**	6
Tax exempt income	**(39)**	(1)
Tax incentives	**(914)**	(877)
Expenses not deductible for tax purposes	**1,495**	818
Overprovision in prior years	**(275)**	(236)
Change in unrecognised temporary differences	**7**	11
Current year losses for which no deferred tax asset was recognised	**90**	–
Others	**(60)**	(74)
	10,972	6,475

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	2019 $'000	2018 $'000
Audit fees paid/payable to:		
– auditors of the Company	**220**	268
– other auditors	**45**	11
Non-audit fees paid/payable to auditors of the Company	**29**	60
Allowance/(reversal of allowance) for stock obsolescence	**311**	(226)
Contributions to defined contribution plans included in staff costs	**2,550**	1,972
Directors' fees	**305**	250
Equity-settled share-based payment expenses	**4,837**	1,236
Remeasurement of deferred and contingent consideration (see note 16)	**2,411**	1,250
Net foreign exchange loss	**45**	1,941
(Gain)/loss on disposal of property, plant and equipment	**(23)**	18
Provision made for:		
– Site restoration	**22**	132
– Warranties	**589**	328
Research and development costs included in staff costs, materials, overheads and depreciation expense	**8,164**	4,914

24 EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2019 $'000	2018 $'000
Basic and diluted earnings per share has been based on:		
Profit attributable to ordinary shareholders	**52,763**	33,493

24 EARNINGS PER SHARE (CONTINUED)

Weighted-average number of ordinary shares

	Group	
	2019	**2018**
	'000	**'000**
Issued ordinary shares at 1 January (excluding treasury shares)	**269,047**	65,517
Bonus share issue	**–**	204,981
Issue of new ordinary shares	**–**	1,543
Effect of performance shares issued	**1,137**	460
Effect of share options exercised	**147**	41
Effect of shares issued for settlement of deferred and contingent consideration	**671**	–
Effect of deferred consideration to be issued	**800**	1,200
Effect of own shares held	**(972)**	(522)
Weighted-average number of ordinary shares (basic) during the year	**270,830**	273,220

Weighted-average number of ordinary shares (diluted)

	Group	
	2019	**2018**
	'000	**'000**
Weighted-average number of ordinary shares (basic)	**270,830**	273,220
Effect of share options on issue	**1,054**	920
Effect of performance shares granted but not issued	**433**	–
Weighted-average number of ordinary shares (diluted) during the year	**272,317**	274,140

At 31 December 2019, 400,000 (2018: 400,000) shares relating to the contingent consideration for the acquisition of InspiRain were excluded from the diluted weighted-average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

25 COMMITMENTS

There are no other commitments that were not disclosed elsewhere.

Comparative information under SFRS(I) 1-17

At 31 December 2018, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2018
	$'000
Payable:	
– Within 1 year	2,540
– After 1 year but within 5 years	636
	3,176

Included in the above is the lease of a leasehold property for a period of 5 years, commencing from 4 April 2015. The lease will expire on 3 April 2020.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the financial statements, there were the following transactions with related parties:

	Group	
	2019	**2018**
	$'000	**$'000**
Advisory fee paid to a private equity firm of which two directors are shareholders and partners	**233**	353

Key management personnel compensation

Key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and the senior management team of the Company are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term employee benefits	**10,091**	4,850
Share-based payment	**2,123**	857
Post-employment benefits	**401**	326
	12,615	6,033

27 SEGMENT INFORMATION

Segment information is presented based on the information reviewed by chief operating decision makers ("CODM") for performance assessment and resource allocation.

The Group's reportable segments are as follows:

- Equipment systems solutions (ESS)

  Providing customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories.

- System Level Test & Inspection (SLT-i)

  Providing solutions that bridge the growing gap between user applications and standard ATE coverage with complex IC designs and advanced packaging techniques. It enables testing complex devices in their real end-user environment including extreme temperature range.

27 SEGMENT INFORMATION (CONTINUED)

- Micro-Electro-Mechanical Systems (MEMS)

  Provides test solutions for Micro-Electro-Mechanical Systems and special wafer probing needs ranging from the R&D phase to high volume production and system-level testing which enables manufacturers to achieve the lowest cost-of-test, reduced time to market, effective process cycle, accurate stimulus, and high production yields.

- Test and Measurement Solutions (TMS)

  Engages in the research, development, and production of advanced communications and industrial test solutions.

- Others

  Non allocated, dormant companies and other activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on mutually agreed terms.

During the year, due to an increase in operating activities of other segments, there was a change in the monitoring of the Group's reportable segments by CODM. Comparative amounts have been represented to conform to the current reportable segments.

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27 SEGMENT INFORMATION (CONTINUED)

Information about reportable segments:

	ESS $'000	SLT-i $'000	MEMS $'000	TMS $'000	Others $'000	Total $'000
2019						
Revenue	**307,932**	**4,889**	**7,394**	**2,915**	**–**	**323,130**
Depreciation and amortisation	**(4,700)**	**(273)**	**(913)**	**(190)**	**–**	**(6,076)**
Finance income	**515**	**1**	**–**	**–**	**–**	**516**
Finance costs	**(147)**	**–**	**(13)**	**–**	**–**	**(160)**
Tax expense	**(11,242)**	**(399)**	**200**	**469**	**–**	**(10,972)**
Share of gain of equity-accounted investee	**–**	**–**	**–**	**–**	**461**	**461**
Profit/(loss) for the year	**57,305**	**467**	**(843)**	**(2,216)**	**(1,950)**	**52,763**
Reportable segment assets	**191,325**	**4,346**	**9,266**	**2,449**	**20,575**	**227,961**
Reportable segment liabilities	**81,413**	**2,123**	**7,503**	**554**	**2,032**	**93,625**
Other segment information						
Equity-accounted investee	**–**	**–**	**–**	**–**	**4,572**	**4,572**
Expenditure for non-current assets	**2,431**	**24**	**836**	**18**	**–**	**3,309**
Other material non-cash items:						
• Allowance made for stock obsolescence	**(311)**	**–**	**–**	**–**	**–**	**(311)**
• Remeasurement of deferred and contingent consideration in relation to the acquisition of InspiRain	**–**	**–**	**–**	**(2,411)**	**–**	**(2,411)**

	ESS $'000	SLT-i $'000	MEMS $'000	TMS $'000	Others $'000	Total $'000
2018						
Revenue	251,876	2,554	6,916	979	–	262,325
Depreciation and amortisation	(1,357)	(52)	(322)	(140)	–	(1,871)
Finance income	297	3	–	–	–	300
Finance costs	(19)	–	(21)	–	–	(40)
Tax expense	(6,891)	167	(20)	269	–	(6,475)
Share of loss of equity-accounted investee	–	–	–	–	(38)	(38)
Profit/(loss) for the year	36,301	(614)	340	(1,246)	(1,288)	33,493
Reportable segment assets	104,561	4,029	6,862	994	19,984	136,430
Reportable segment liabilities	39,125	888	4,525	195	2,193	46,926
Other segment information						
Equity-accounted investee	–	–	–	–	4,153	4,153
Expenditure for non-current assets	4,289	341	–	80	–	4,710
Other material non-cash items:						
• Reversal of allowance made for stock obsolescence	226	–	–	–	–	226
• Remeasurement of contingent consideration in relation to the acquisition of InspiRain	–	–	–	(1,250)	–	(1,250)

27 SEGMENT INFORMATION (CONTINUED)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2019		2018	
	Revenue $'000	Non-current assets $'000	Revenue $'000	Non-current assets $'000
Singapore	**2,759**	**19,191**	3,626	17,960
Finland	**2,741**	**8,868**	5,271	8,676
Malaysia	**102,124**	**1,588**	90,121	768
China	**49,847**	**323**	71,712	240
USA	**68,093**	**4**	37,518	8
Vietnam	**80,087**	**–**	51,457	–
Costa Rica	**6,208**	**–**	–	–
Israel	**3,683**	**–**	1,180	–
Japan	**2,937**	**–**	538	–
United Kingdom	**1,713**	**–**	225	–
Other countries	**2,938**	**–**	677	–
	323,130	**29,974**	262,325	27,652

Major customers

Revenue from one customer of the Group's ESS segment represents approximately $303,246,000 (2018: $246,541,000) of the Group's total revenues.

28 FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with regulated banks.

Trade and other receivables (excluding deposits and prepayments) and contract assets

The Group's most significant customer has been transacting with the Group for many years, and none of the customer's balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including industry, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

At the reporting date, the Group's most significant customer accounted for 85% (2018: 76%) of total trade receivables of the Group. There is no other concentration of credit risk at the Group level. There is no concentration of customers' credit risk at the Company level.

The following table provides information about the exposure to credit risk for trade and other receivables (excluding deposits and prepayments) and contract assets:

Group

	Gross and net carrying amount	
	2019	**2018**
	$'000	**$'000**
Trade receivables	**23,531**	15,957
Other receivables	**2,789**	868
Contract assets	**4,856**	3,702
	31,176	20,527

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Trade and other receivables (excluding deposits and prepayments) and contract assets (Continued)

There was no impairment loss recognised on trade and other receivables and contract assets in 2019 and 2018 as the amount of ECL on these balances is insignificant.

	Credit impaired	Gross $'000	Loss allowance $'000	Net carrying amount $'000
Company				
31 December 2019				
Amounts due from subsidiaries:				
• Trade	No	**2,786**	**–**	**2,786**
• Trade	Yes	**126**	**(126)**	**–**
• Non-trade	No	**7,441**	**–**	**7,441**
• Non-trade	Yes	**1,294**	**(1,294)**	**–**
		11,647	**(1,420)**	**10,227**
31 December 2018				
Other receivables	No	209	–	209
Amounts due from subsidiaries:				
• Trade	No	3,471	–	3,471
• Trade	Yes	126	(126)	–
• Non-trade	No	3,347	–	3,347
• Non-trade	Yes	1,195	(1,195)	–
		8,348	(1,321)	7,027

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Movements in allowance for impairment in respect of amounts due from subsidiaries

The movement in the allowance for impairment in respect of amounts due from subsidiaries during the year was as follows.

	2019 $'000	2018 $'000
Company		
Balance at 1 January	**1,321**	1,321
Impairment loss recognised	**99**	–
Balance at 31 December	**1,420**	1,321

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $7,441,000 (2018: $3,347,000). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. Other than credit-impaired balances, the amount of the allowance on the remaining balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $107,676,000 and $7,862,000, respectively at 31 December 2019 (2018: $58,890,000 and $950,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Baa1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured using the general expected loss approach where loss allowance equal to 12-month expected credit losses. An ECL rate is calculated for based on probabilities of default and loss given default. Probabilities of default are based on historical data supplied by Standards and Poor's for each credit rating. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000
Group				
31 December 2019				
Lease liabilities	**2,208**	**(2,274)**	**(1,737)**	**(537)**
Trade and other payables#	**60,043**	**(60,043)**	**(58,478)**	**(1,565)**
	62,251	**(62,317)**	**(60,215)**	**(2,102)**
31 December 2018				
Finance lease liabilities	103	(103)	(54)	(49)
Trade and other payables#	28,472	(28,472)	(27,565)	(907)
Secured loan	156	(157)	(157)	–
	28,731	(28,732)	(27,776)	(956)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 1 to 5 years $'000
Company				
31 December 2019				
Trade and other payables#	**5,357**	**(5,357)**	**(3,792)**	**(1,565)**
31 December 2018				
Trade and other payables#	3,982	(3,982)	(3,075)	(907)

Excludes tax recoverables of $nil and $nil (2018: $170,000 and $110,000) at the Group and Company level respectively.

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk

(a) *Foreign currency risk of reporting subsidiaries*

The functional currency of the Group's key operating subsidiary is the US dollar (USD) as the sales revenues are mostly denominated in the US dollar. This subsidiary accounts for a substantial proportion of the Group's revenue and has transactional currency exposures arising from materials purchases and local operating overheads that are denominated in currencies other than US dollar. The primary currency giving rise to this exposure is mainly the Singapore dollar.

Exposure to foreign currency transaction risk is monitored on an on-going basis and the Group endeavours to manage its exposure through adjustments of its products selling prices and natural hedges by sourcing supplies in the same functional currency. Currencies other than the US dollar are bought as and when required.

Foreign currency translation exposure arises when the monetary assets and liabilities of the key operating subsidiary denominated in currencies other than the US dollar at the reporting date are retranslated to the US dollar functional currency at the exchange rate at the reporting date. The currency with the primary translation risk is the Singapore dollar for the US dollar functional currency subsidiary.

The Group seeks to minimise the foreign currency translation impact through natural hedges in its statement of financial position and by structuring the debts and purchases in US dollar to neutralise and minimise the amount of the foreign currency balances.

(b) *Foreign currency risk of the Group and Company*

The Group's and Company's primary exposure to foreign currency risks are as follows:

	2019		2018	
	SGD	USD	SGD	USD
	$'000	$'000	$'000	$'000
Group				
Trade and other receivables	**2,914**	**73**	658	136
Cash and cash equivalents	**2,223**	**532**	15,701	438
Trade and other payables	**(21,146)**	**(71)**	(8,420)	(11)
	(16,009)	**534**	7,939	563
Company				
Cash and cash equivalents	**–**	**45**	–	92

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

(b) *Foreign currency risk of the Group and Company* (Continued)

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Group Profit or loss		Company Profit or loss	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
SGD	**1,601**	(794)	**–**	–
USD	**(53)**	(56)	**(5)**	(9)

A 10% weakening of the Group's major functional currencies against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(c) *Translation risk arising from reporting of Group consolidated results in SGD*

The Group reports its consolidated results in SGD. The assets and liabilities of the operations, denominated in foreign currencies, are translated to Singapore dollars at exchange rates prevailing at the reporting date. Exchange differences arising on such translation are recognised directly in equity. The currencies giving rise to this risk are primarily the US dollar and secondarily the Malaysian Ringgit (MYR) and Chinese Renminbi (RMB). The Group does not hedge its foreign currency consolidation translation exposure.

The Group's exposure to foreign currency translation risk was as follows:

	Group	
Net assets	2019 $'000	2018 $'000
USD	**105,673**	67,297
MYR	**2,550**	1,938
RMB	**2,052**	1,282
EUR	**6,607**	5,156

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

(c) *Translation risk arising from reporting of Group consolidated results in SGD* (Continued)

Sensitivity analysis

A 10% strengthening of the Singapore Dollar against the following currencies at the reporting date would decrease net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	Group	
	2019	**2018**
	$'000	**$'000**
USD (10% strengthening)	(10,567)	(6,730)
MYR (10% strengthening)	(255)	(194)
RMB (10% strengthening)	(205)	(128)
EUR (10% strengthening)	(661)	(516)

Interest rate risk

The Group and Company does not have any financial instruments with variable interest rates as at 31 December 2019 (2018: nil). Hence, interest rate risk is insignificant for the Group and Company.

Accounting classification and fair values

Other than deferred and contingent consideration that is classified as mandatorily at FVTPL and measured at fair value, all of the Group's and Company's financial assets and financial liabilities are classified as financial assets measured at amortised cost and other financial liabilities at amortised cost respectively.

Other than the measurement of the fair value of deferred and contingent consideration as described below, the carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values (Continued)

Measurement of fair value

Deferred consideration

Deferred consideration of $1,594,000 (2018: $966,000) is measured at fair value (Level 1) based on the Company's share price as at the reporting date.

Contingent consideration

Contingent consideration of $2,373,000 (2018: $1,250,000) is measured at fair value (Level 3). The following table shows the valuation technique used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company Contingent consideration	*Discounted cash flow:* The fair value is estimated considering (i) quoted prices for the Group's listed securities and (ii) the probability of achieving targets for the remaining years based on the present value of expected future cash flows from the test and measurement solutions segment, discounted using a risk-adjusted discount rate	• Expected cash flows • Probability of achieving targets *See note 6*	The estimated fair value would decrease if the expected cash flows were lower, resulting in the targets not achieved

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**'000**	**'000**
At 1 January	**1,250**	–	**1,250**	–
Payment of shares consideration	**(330)**	–	**(330)**	–
Remeasurement of contingent consideration	**1,453**	1,250	**1,453**	1,250
At 31 December	**2,373**	1,250	**2,373**	1,250

29 OFFSETTING FINANCIAL INSTRUMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's statements of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statements of financial position.

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements:

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments presented in the statement of financial position $'000
Company			
31 December 2019			
Financial assets			
Amounts due from subsidiaries:			
– trade	**2,786**	**–**	**2,786**
– non-trade	**7,441**	**–**	**7,441**
Total	**10,227**	**–**	**10,227**
Financial liabilities			
Amount due to subsidiaries (non-trade)	**59**	**–**	**59**

29 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments presented in the statement of financial position $'000
Company			
31 December 2018			
Financial assets			
Amounts due from subsidiaries:			
– trade	3,471	–	3,471
– non-trade	3,347	–	3,347
Total	6,818	–	6,818
Financial liabilities			
Amount due to subsidiaries (non-trade)	380	–	380

There are no financial assets and liabilities that are offset in the Group's statement of financial position; or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- amounts due from subsidiaries – amortised cost
- amounts due to subsidiaries – amortised cost

The amounts in the above tables that are offset in the statements of financial position are measured on the same basis.

30 SUBSEQUENT EVENTS

(a) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of 3.1 cents per share for the year. The total amount of dividends expected to be paid is $8,363,000. The dividend will be paid on 12 June 2020 upon approval.

(b) On 22 January 2020, the Board of Directors announced the grants of 1,160,000 shares under the Performance Share Plan. The corresponding employee expenses have been recognised in 2019. The share price on the date of grant was $2.08.

(c) On 20 March 2020, the Group completed the acquisition of 100% of the shares and voting interest in Mu-TEST, a privately-owned company based in France, for an aggregate consideration of €7,525,000 (approximately $11,357,000). The consideration comprises of cash consideration of €4,890,000 (approximately $7,380,000) upon completion of the Acquisition, a one-year holdback of €914,000 (approximately $1,379,000) and a three-year performance earnout of €1,722,000 (approximately $2,599,000) by way of cash or the Company's ordinary shares.

Mu-TEST is a semiconductor test solutions provider in the automated test equipment (ATE) industry, delivering high specification low cost ATE solutions to the semiconductor integrated circuit market, helping customers to reduce their overall cost of test. The Group intends to leverage on Mu-TEST's technology and expertise in providing highly customizable and low-cost testing solutions to expand the Group's range of solutions in both handling and testing capabilities.

The Group is in the process of carrying out the purchase price allocation exercise to ascertain the fair values of the net assets acquired.

(d) On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact these events will have on the Group's financial position, results of operations or cash flows in the future.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	29	0.70	1,440	0.00
100 – 1,000	413	10.03	258,696	0.10
1,001 – 10,000	2,284	55.45	11,917,238	4.40
10,001 – 1,000,000	1,368	33.21	64,006,598	23.63
1,000,001 AND ABOVE	25	0.61	194,682,868	71.87
TOTAL	**4,119**	**100.00**	**270,866,840**	**100.00**

Number of issued shares	:	273,307,820
Number of issued shares (excluding treasury shares)	:	270,866,840
Number/Percentage of Treasury Shares	:	2,440,980 (0.893%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 27 March 2020, approximately 77.05% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is compiled with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	45,207,881	16.69
2	CITIBANK NOMINEES SINGAPORE PTE LTD	26,392,248	9.74
3	BPSS NOMINEES SINGAPORE (PTE.) LTD.	20,364,300	7.52
4	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	15,451,496	5.70
5	TOH BAN LENG JAMES	13,525,020	4.99
6	HSBC (SINGAPORE) NOMINEES PTE LTD	9,664,946	3.57
7	RAFFLES NOMINEES (PTE.) LIMITED	8,018,791	2.96
8	A C T HOLDINGS PTE LTD	7,196,772	2.66
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,649,200	2.45
10	LOKE WAI SAN	5,633,977	2.08
11	DB NOMINEES (SINGAPORE) PTE LTD	4,015,300	1.48
12	PHILLIP SECURITIES PTE LTD	3,831,380	1.41
13	UOB KAY HIAN PRIVATE LIMITED	3,601,900	1.33
14	OCBC SECURITIES PRIVATE LIMITED	3,030,580	1.12
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,806,200	1.04
16	DBSN SERVICES PTE. LTD.	2,805,100	1.04
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,757,658	1.02
18	VESA HENTTONEN	2,338,480	0.86
19	CHEE SWEE HENG	2,000,000	0.74
20	ONG ENG BOON	1,860,000	0.69
	TOTAL	**187,151,229**	**69.09**

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Direct Interest	%	Deemed Interest	%
James Toh Ban Leng(1)	13,525,020	4.99	7,196,772	2.66
Aberdeen Asset Management PLC(2)	–	–	18,299,500	6.76
Aberdeen Standard Investments (Asia) Limited(2)	–	–	18,299,500	6.76
Standard Life Aberdeen PLC(2)	–	–	18,299,500	6.76
Mitsubishi UFJ Financial Group, Inc.(3)	–	–	15,014,437	5.54
Morgan Stanley Asia (Singapore) Securities Pte Ltd(4)	–	–	14,885,037	5.50

(1) The deemed interest arises as Mr. James Toh Ban Leng is a shareholder of A.C.T. Holdings Pte Ltd which owns 7,196,772 shares in the Company.

(2) Aberdeen Asset Management PLC ("AAM") is the parent company of its subsidiaries who act as the investment managers for various clients/funds and have the power to exercise, or control the exercise of, a right to vote attached to the securities and has the power to dispose of, or control the disposal of, the securities. The registered holder(s) of the securities is the client's or fund's custodian. AAM is the wholly-owned subsidiary of Standard Life Aberdeen PLC and the parent company of Aberdeen Standard Investment (Asia) Limited.

(3) Mitsubishi UFJ Financial Group, Inc. is holding more than 20% interest in shares of Morgan Stanley Asia (Singapore) Securities Pte Ltd.

(4) Controlling interest in the body corporate which is interested in such shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2020 Annual General Meeting of the Company will be held at Suntec Singapore Convention & Exhibition Centre, Level 3 Summit 1, 1 Raffles Boulevard Suntec City, Singapore 039593 on Thursday, 21 May 2020 at 3:00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2019 with the Auditors' Report thereon. Resolution 1

2. To declare a final exempt (one-tier) dividend of 3.10 cents per ordinary share for the year ended 31 December 2019. Resolution 2

3. To re-elect the following Director retiring pursuant to the Company's Constitution: Resolution 3

   Mr. Basil Chan (Regulation 109)

   Note: Mr. Basil Chan shall, upon re-election as a Director of the Company, remain as the Chairman of the Audit & Risk Committee and Remuneration Committee and as a member of the Nominating Committee. Mr. Basil Chan shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect the following Director retiring pursuant to the Company's Constitution: Resolution 4

   Mr. Adrian Chan Pengee (Regulation 109)

   Note: Mr. Adrian Chan Pengee shall upon re-election as a Director of the Company remain as Lead Independent Director, Chairman of the Nominating Committee and as a member of the Audit & Risk Committee and Remuneration Committee. Mr. Adrian Chan Pengee shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To approve the Directors' fees of S$422,000 (2019: S$305,000) for the financial year ending 31 December 2020, payable quarterly in arrears. Resolution 5

6. To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 6

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

7. **Proposed Share Issue Mandate** Resolution 7

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (A) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares;

(C) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(D) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held whichever is earlier."

[See Explanatory Note (i)]

NOTICE OF ANNUAL GENERAL MEETING

8. **Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017** Resolution 8

"That:

(a) approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the AEM Holdings Employee Share Option Scheme 2014 and/or grant awards in accordance with the provisions of the AEM Performance Share Plan 2017; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to issue and allot shares in the capital of the Company as may be required to be issued and allotted, in connection with or pursuant to the exercise of the options granted under the AEM Holdings Employee Share Option Scheme 2014 and/or the vesting of awards under the AEM Performance Share Plan 2017;

provided that the aggregate number of shares to be issued and allotted pursuant to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan 2017 shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time."

[See Explanatory Note (ii)]

9. **Share Purchase Mandate Renewal** Resolution 9

"That:

(a) for the purposes of the Companies Act of Singapore, Chapter 50 (the "**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire fully paid issued ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:–

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may from the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) if effected otherwise than on the SGX-ST or, as the case may be, other Exchange in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:–

  (i) the date on which the next annual general meeting of the Company is held; or

  (ii) the date by which the next annual general meeting of the Company is required by law to be held; and

(c) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

In this Resolution:

"Maximum Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company as at the date of the passing of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, one hundred and five per centum (105%) of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per centum (110%) of the Average Closing Price of the Shares.

where:–

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to-be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five day period; and

NOTICE OF ANNUAL GENERAL MEETING

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off market purchase."

[See Explanatory Note (iii)]

10. To transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Notes:

(i) The proposed Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 10% may be issued other than on a pro-rata basis to shareholders.

(ii) The proposed Resolution 8 above, if passed, will empower the Directors to take certain actions relating to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan 2017. Directors may exercise their power to issue and allot shares in the Company pursuant to the exercise of options under the AEM Holdings Employee Share Option Scheme 2014 or the vesting of the awards under the AEM Performance Share Plan 2017, provided that the aggregate number of shares to be issued and allotted shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

(iii) The proposed Resolution 9 above, if passed, will empower the Directors of the Company from the date of above Meeting until the date of the next AGM, or the date by which the next AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Resolution at a Maximum Price (as defined in Resolution 9 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 9 above) is set out in the Letter to Shareholders dated 15 April 2020.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF RECORD DATE AND DISTRIBUTION PAYMENT DATE

As stated in the Notice of Record Date and Distribution Payment Date set out in the Company's announcement dated 25 February 2020, the Company wishes to notify shareholders that the Register of Members and Share Transfer Books of AEM Holdings Ltd. (the "**Company**") will be closed on 29 May 2020 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of 3.10 cents per ordinary share in respect of the financial year ended 31 December 2019 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the 2020 AGM, will be paid on 12 June 2020.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5:00 p.m. on 29 May 2020 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5:00 p.m. on 29 May 2020 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final Dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order of the Board

Soh Wai Kong
Joint Company Secretary

Date: 15 April 2020

Notes:

a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not less than 72 hours before the meeting.

d) A proxy need not be a member of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MEASURES TO MINIMISE RISK OF COVID-19

In order to minimise the risk of community spread of COVID-19, the following steps will be taken for Shareholders and others attending the AGM:

1. All persons attending the AGM will be required to undergo a temperature check and make a health declaration;

2. Any person who has recent travel history to affected countries listed by the Ministry of Health, irrespective of nationality, will not be permitted to attend the AGM;

3. Any person who has fever or exhibits flu-like symptoms will not be permitted to attend the AGM; and

4. If the situation remains at DORSCON Orange or higher, there will be no food served at the AGM.

Shareholders are advised to arrive at the AGM venue early given that the above-mentioned measures may cause delay in the registration process.

In view of the COVID-19 situation, we wish to advise Shareholders that it is not essential for you to attend the AGM in person. Shareholders should refrain from attending the AGM under the present circumstances as long as the DORSCON level remains at Orange, or higher.

To vote on any or all of the resolutions at the AGM, you are encouraged to send in your votes in advance by proxy. You may appoint the Chairman as your proxy. The proxy form is attached to the Notice of AGM.

If you have any questions in relation to any item of the Agenda of the AGM, you may send them in advance via email to our Investor Relations team at investor.relations@aem.com.sg.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate up to the day of the AGM.

We will post updates on our corporate website at www.aem.com.sg.

The Company seeks the understanding and cooperation of all Shareholders.

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ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following additional information on Mr. Basil Chan and Mr. Adrian Chan Pengee, all of whom are seeking re-appointment as Directors at 2020 Annual General Meeting is set out below:

	Mr. Basil Chan	**Mr. Adrian Chan Pengee**
Date of Appointment	8 March 2006	1 October 2017
Date of Last Re-Appointment	26 April 2018	26 April 2018
Age	69	55
Country of Principal Residence	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Basil Chan as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Adrian Chan Pengee as Director of the Company.
Whether the appointment is executive, and if so the area of responsibility	Non-Executive	Non-Executive
Job Title	ARC Chairman RC Chairman NC Member	Lead Independent Director NC Chairman ARC Member RC Member
Professional Qualifications	Bachelor of Science (Economics) Honours, major Business Administration, University of Wales Institute of Science and Technology, UK Fellow Member of the Institute of Chartered Accountants/England and Wales Fellow Chartered Accountant of Singapore Fellow Member of the Singapore Institute of Directors	Bachelor of Laws (Honours) from National University of Singapore

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	Mr. Basil Chan	Mr. Adrian Chan Pengee
Working Experience and occupation(s) in the past 10 years	• Founder and Managing Director of MBE Corporate Advisory Pte Ltd • Member of SID's Audit Committee Chapter • Member of the Corporate Governance Committee in 2001 • Deputy Chairman of the Corporate Governance and Risk Management Committee of ISCA	• Head of Corporate Department & Senior Partner at Lee & Lee Advocates & Solicitors
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 205,000 ordinary shares in listed issuer Deemed Interest: NIL	Direct Interest: 85,000 ordinary shares in listed issuer Deemed Interest: NIL
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years)	• Singapore eDevelopment Limited • SBI Offshore Limited • Yoma Strategic Holdings Limited	• UPP Holdings Limited • Isetan (Singapore) Limited • AEM Holdings Limited • Biosensors International Group, Ltd. • Nobel Design Holdings Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	Mr. Basil Chan	Mr. Adrian Chan Pengee
Present	• Founder and Managing Director of MBE Corporate Advisory Pte Limited • Member of SID's Audit Committee Chapter • Deputy Chairman of the Corporate Governance and Risk Management Committee of ISCA • Grand Banks Yachts Limited • Global Invacom Group Limited • Memories Group Limited • Broadway Industrial Group Limited • Nera Telecommunications Limited	• Head of Corporate Department & Senior Partner at Lee & Lee Advocates & Solicitors • Vice-Chairman of SID • Member of Legal Service Commission • Council Member of The Law Society of Singapore • Shared Services for Charities Limited • Member of SGX Catalist Advisory Panel • Member of Singapore Management University Enterprise Board • Board member of the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") • Honorary Secretary of the Executive Council of the Association of SMEs • Hong Fok Corporation Limited • Yoma Strategic Holdings Limited • Bowsprit Capital Corporation • Ascendas Funds Management (S) Limited • Best World International Limited • Azalea Asset Management Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

		Mr. Basil Chan	Mr. Adrian Chan Pengee
Information required pursuant to Listing Rule 704(7)			
a	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c	Whether there is any unsatisfied judgment against him?	No	No
d	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

		Mr. Basil Chan	Mr. Adrian Chan Pengee
e	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

		Mr. Basil Chan	Mr. Adrian Chan Pengee
j	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

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AEM HOLDINGS LTD.
Company Registration No: 200006417D
(Incorporated in the Republic of Singapore)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy ordinary shares in the capital of the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

PROXY FORM

I/We ____

NRIC/Passport No./Registration No. ______________________________

of ____

being a member/members of AEM HOLDINGS LTD. (the "**Company**"), hereby appoint

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2020 Annual General Meeting of the Company to be held at Suntec Singapore Convention & Exhibition Centre, Level 3 Summit 1, 1 Raffles Boulevard Suntec City, Singapore 039593 on Thursday, 21 May 2020 at 3:00 p.m. and at any adjournment thereof.

[Please indicate your vote "For", "Against" or "Abstained" with a tick [✓] within the box provided.]

No.	Resolutions	For	Against	Abstained
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2019			
2	Approval of Final Dividend			
3	Re-election of Mr. Basil Chan as Director			
4	Re-election of Mr. Adrian Chan Pengee as Director			
5	Approval of Directors' fees for the year ending 31 December 2020			
6	Re-appointment of KPMG LLP as Auditors			
7	Proposed Share Issue Mandate			
8	Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017			
9	Share Purchase Mandate Renewal			

Dated this ________ day of ___________________ 2020

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you. (in both the Register of Members and the Depository Register.

2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:

   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

   (iii) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not less than 72 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. The Company shall not be responsible to confirm not be liable for the rejection of any incomplete or invalid proxy instrument. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member(s) accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2020.

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AEM HOLDINGS LIMITED

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www.aem.com.sg
Registration No. 200006417D