



**AEM HOLDINGS LIMITED**

# **GROWTH OF BUSINESS**

**AFTER CONSOLIDATION  
AND FOUNDATION BEING  
ESTABLISHED**

**ANNUAL REPORT 2016**



# VISION

Smart automation for the world

# 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

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## **GROWTH OF BUSINESS**

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

AEM Holdings Ltd ("AEM") aims to be a leading global provider of equipment systems solutions and manufacturing services.

AEM takes pride in providing innovative, engineering-focused solutions and developing strong partnerships with customers and associates to cater to their manufacturing needs through our global engineering service support network and innovative people. Currently, AEM has 3 manufacturing plants located in Singapore, Malaysia (Penang) and China (Suzhou). Through our network of sales offices, associates and distributors, we have a global market presence spanning Asia, Europe and the United States.



# CHAIRMAN'S STATEMENT

## Dear Shareholders,

I am pleased that our multi-year efforts have brought us initial success in 2016. Our focus on customer needs and engineering development, has resulted in the successful launch of our new high density modular test ("HDMT") generation semiconductor handling platform in 2016, which in turn brought significant commercial growth for our business. We achieved 7 quarters of year-on-year growth and an improvement of 49.8% year-on-year in our revenue to S\$70.1 million for our financial year ended 31 December 2016 ("FY2016").

Our success in 2016 stands on the foundation we laid in past years with investments in our engineering programmes at our Equipment Systems Solutions unit. In the second half of 2016, we moved into mass volume production for our test handlers with orders from our major customer. Our order book has more than tripled from S\$38.3 million as of 5 October 2016 to S\$130 million as of 1 March 2017. We believe that we are at the start of a multi-year implementation program at our major customer. This is a unique opportunity for our company and in order to execute well with our customers,

we will continue to invest to build up our engineering, quality, supply chain, and field services organisations. We will invest in our employees and we expect to compete for and win our customers' business everyday.

We are also mindful of the tremendous support and patience that our shareholders have shown over the years as we invested, and we would like to thank them. First on the list, we are proposing a bonus shares issue, subject to approval from SGX, on the basis of 1 bonus share for 2 existing shares. By doing so, we hope to increase our share capital base and also increase the trading liquidity of our shares.

Secondly, on the back of the overall performance in FY2016 and the favourable outlook for FY2017, we are proposing a higher final dividend for FY2016 at S\$0.013 per share. Taking into consideration the bonus issue, the final dividend would be S\$0.0195 per pre-bonus share, making total dividends for FY2016 to be S\$0.0245 per share, up 145% from S\$0.01 total dividend for FY2015.

Thirdly, with clear visibility of growth into the next few years, we intend to adopt a dividend policy to pay annual dividends, including interim dividends, of not less than 25% of profit after tax excluding non-recurring, one-off and exceptional items.

We at AEM are excited with our prospects in the coming years and I would like to thank our shareholders and customers for their patience and confidence in AEM. I would also like to thank our employees for their hard work and dedication in meeting our customers' needs, and ultimately bringing success for AEM.

**LOKE WAI SAN**  
*Non-Executive Chairman*



# CEO'S STATEMENT

## Dear Shareholders,

For the financial year ended 31 December 2016, our turnover rose by 49.8% year-on-year to S\$70.1 million. This was driven primarily by the sales of equipment, pans and kits in our Equipment Systems business segment. Last year, I said that our revenue was driven largely by sales of laboratory systems machines and that in FY2016, we will be delivering machines that will be used for production in the factories. I am pleased to report that in the second half of 2016, we moved into high volume manufacturing of these machines. This machine is the most recent platform of our high density modular test (HDMT) handlers. We believe that we are at the beginning of a multi-year implementation programme. The sales of these machines will drive multi-year recurring revenue in the future for pans, kits, spares and services.

To reflect more accurately our operational performance, the profit before tax excluding impairments, allowances for inventory obsolescence, reversal gains/losses and share of associate loss ("proforma PBT") for both FY2016 and FY2015 are compared. In line with the revenue growth, our proforma PBT improved 50.5%. In FY2015, there was a net tax credit of S\$1.8 million mainly due to a reversal of provision for tax payable of S\$2.6 million and the utilization of deferred tax assets of S\$1.0 million, while in FY2016 there was tax expense of S\$1.3 million. Hence, our profit after tax for FY2016 declined 19.5% to S\$4.7 million. Excluding the tax credit in FY2015 and impairments, allowances for inventory obsolescence, reversal gains/losses and share of associate loss ("proforma PBT") for both FY2016 and FY2015, our proforma profit after tax would have increased 47.7%.

2016 is our second consecutive profitable year since our net loss in FY2014. Our reorganisation efforts over the last few years have produced the desired results. More importantly, we are confident of a good performance in FY2017. In our full year results announcement on 23 February 2016, we had stated that we will be delivering a profit before tax of at least S\$6.5 million for the first half of FY2017. I said last year that 2015 was only a beginning. In the second half of FY2016, we kick into high gear and started to deliver the HDMT handlers in higher quantities. The strong demand for our products is evident in the increasing orders from our client towards the end of 2016. Our order book increased from S\$38.3 million as at 5 Oct 2016 to S\$66.7 million as at 7 Dec 2016, and subsequently to S\$130 million as at 28 February 2017.

The groundwork has been laid. To meet the increasing orders, we are currently expanding our manufacturing capacity. We continue to invest to build up our engineering, quality, supply chain and field services organisation to execute this multi-year

programme. At the same time, we continue to work closely with our major customer to develop the next generation test handlers and its collaterals.

To date, we have relied primarily on internal sources for our working capital needs. As our business continues to grow this year, we will look for other avenues to support our working capital needs.

I am pleased that our financial performance is reflected in our mission: "We advance by making our customers successful." This has proven to be a good success formula for AEM and we will continue to have collaborative long term active engagements with all our customers. As we get into another demanding year, we look forward to this growth platform to deliver values to all our stakeholders.

## CHARLES CHER LEW SIANG

*Executive Director and Chief Executive Officer*



# CORPORATE STRUCTURE



## MANUFACTURING FACILITIES

Country	Locations	Entities	Activities/Businesses
Singapore	Serangoon North	<ul style="list-style-type: none"> <li>• AEM Holdings Ltd (“AEH”)</li> <li>• AEM Singapore Pte. Ltd. (“ASG”)</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Headquarters</li> <li>• Equipment Systems Solutions</li> <li>• Precision Component Solutions</li> </ul>
Malaysia	Penang	<ul style="list-style-type: none"> <li>• AEM Microtronics (M) Sdn. Bhd. (“AMM”)</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment Systems Solutions</li> <li>• Precision Component Solutions</li> </ul>
China	Suzhou	<ul style="list-style-type: none"> <li>• AEM Microtronics (Suzhou) Co., Ltd. (“ASZ”)</li> </ul>	<ul style="list-style-type: none"> <li>• Equipment Systems Solutions</li> <li>• Precision Component Solutions</li> </ul>
USA	Arizona	<ul style="list-style-type: none"> <li>• AEM International (US) Ltd (“AIUS”)</li> </ul>	<ul style="list-style-type: none"> <li>• Field Service</li> </ul>
Vietnam	Ho Chi Minh	<ul style="list-style-type: none"> <li>• Representative Office of AEM Singapore Pte Ltd (“AVN”)</li> </ul>	<ul style="list-style-type: none"> <li>• Field Service</li> </ul>

## BOARD OF DIRECTORS

### LOKE WAI SAN

*Non-Executive Chairman  
and Non-Independent  
Director*



### CHARLES CHER LEW SIANG

*Executive Director and  
Chief Executive Officer*



**Position** : Non-Executive Chairman and Non-Independent Director  
Chairman of Remuneration Committee  
**Age** : 48  
**Qualifications** : Masters of Business Administration / University  
of Chicago  
Bachelor of Science in Electrical and Electronics  
Engineering / Lehigh University

Mr. Loke Wai San is a founder and Managing Director of a private equity fund adviser Novo Tellus Capital Partners. His expertise is in cross-border private equity investments in various sectors including semiconductors, IT, enterprise software, medical equipment, and manufacturing. From 2000 to 2010, he 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.

**Position** : Executive Director and Chief Executive Officer  
**Age** : 56  
**Qualification** : Bachelor of Science, Marketing and Management  
University of Oregon, USA

Mr. Cher Lew Siang, Charles, formerly the Group Chief Executive Officer of ASTI Holdings Ltd. and Chief Executive Officer of Advanced Systems Automation Ltd, has more than 25 years of global semiconductor and corporate management experience. His achievements in ASTI include successfully leading the Group in its regional trust and establishment of many strategic partnerships. In 1990, he spearheaded the development of ASTI's chip-taping operations, enabling the Group to expand into the design and manufacture of its own chip-taping equipment. Mr. Cher previously sat on the Board of ASTI Holdings Ltd.

## BOARD OF DIRECTORS

### BASIL CHAN

*Independent Director*



**Position** : Independent Director  
Chairman of Audit Committee

**Age** : 66

**Qualifications** : Bachelor of Science (Economics) Honours, major Business Administration, University of Wales  
Institute of Science and Technology, UK  
Member of the Institute of Chartered Accountants / England and Wales  
Member of ISCA  
Fellow Member of the Singapore Institute of Directors

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. 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 Yoma Strategic Holdings Ltd, Grand Banks Yachts Limited, Global Invacom Group Limited and Singapore eDevelopment Limited and. In the last 3 years, he previously sat on the Boards of Teledata (Singapore) Ltd and SBI Offshore Ltd.

### KEITH TOH

*Independent Director*



**Position** : Independent Director  
Chairman of Nominating Committee

**Age** : 42

**Qualification** : Bachelor of Science, Electrical Engineering / Stanford University USA  
Dean's Award for Academic Achievement

Keith is a private investor and the founder and owner of Boost, a US-based internet business. He is also a venture partner at Novo Tellus Capital Partners, a Singapore-based investment firm. Mr. Toh was formerly an investment principal at Francisco Partners, a leading global technology-focused private equity fund. At Francisco Partners, Keith focused on investments in global technology sectors including electronics manufacturing, semiconductors, enterprise software, internet platforms, and optical communications. Keith has held numerous board positions over the last decade for technology companies worldwide, and is currently a director of Source Photonics, an optical components manufacturer, of Aconex, a publicly listed enterprise software company, and of Aura Knifeworks, a private retail company. Previously Keith was a product lead at Trilog, an enterprise software company, and held research roles at Stanford University and the Singapore Ministry of Defence.





苏州爱模(苏州)有限公司

AEM BIOTECHNOLOGIES (SUZHOU) CO., LTD.



JALAN SEN...  
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# MANAGEMENT PROFILE

## CHOK YEAN HUNG

**Position** : Chief Operating Officer  
**Age** : 52  
**Qualifications** : Bachelor of Electrical & Electronics Engineering  
 (2nd Upper Honors) /  
 National University of Singapore

Mr. Chok has more than 27 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 Product and Test Engineer in Texas Instruments (S) Pte. Ltd (TI) in 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 to 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 patent with Texas Instruments, Dallas memory designers on 'A Method in Testing Semiconductor Devices'. He joined the Company on 1 January 2012.

## SOH WAI KONG

**Position** : Director – Finance & HR  
**Age** : 48  
**Qualifications** : Bachelor of Accountancy /  
 Nanyang Technological University  
 Chartered Accountants, Certified Internal Auditors

Mr. Soh has more than 23 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** : Director – Operations  
**Age** : 48  
**Qualifications** : Bachelor of Science /  
 National University of Singapore

Mr. Yeap has more than 23 years of management and operation experience in multiple industries, of which more than 19 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.

## GOH MENG KIANG

**Position** : General Manager – AEM Singapore  
**Age** : 55  
**Qualifications** : Bachelor of Electrical & Electronics Engineering /  
 National University of Singapore

Mr. Goh has more than 23 years of management and technical experience in the Semiconductor industries with companies such as ASE, EEMS and UTAC. He was a Vice President 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.

## SEAH BOON SENG

**Position** : Director – Business Management  
**Age** : 52  
**Qualifications** : Bachelor of Electrical and Electronics Engineering /  
 National University of Singapore

Mr. Seah has more than 27 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.

# 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 PLC (Programmable Logic Control), Sophisticated GUI and Reliable SECS/GEM compliance communication protocol. Our systems are deployed globally at world class Semiconductor, Solar Cells and Smartcard manufacturing facilities.

AEM strives to be an Innovative and Proactive Business Solutions Provider. 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 Modular Test Handlers, Wafer Handling Systems, Hot Spot Testers and Smartcard Backend 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.



# CORE BUSINESS

## PRECISION COMPONENT SOLUTIONS (PCS)

AEM specializes in high precision components and mechanical assemblies. We design, develop and manufacture precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.

We have state-of-the-art machines, consisting of 5 axis CNC, Turn Mill, EDM and Wire Cut machines that enable us to deliver a broad range of customized precision engineering solutions with metals as well as plastics (such as Vespel and Teflon). Our lead times are tailored to meet customers' requirements for both standard and customized products such as test sockets, device change kits, stiffeners, golden units, holding jigs, preventive maintenance kits and precision mechanical assembly modules.

Our integrated capability in the use of state-of-the-art measuring equipment and CNC machines have made us the preferred partner in supplying to some of the world's top companies. Measurement is done in our Quality Laboratories with the highest-end machinery and tools including CMM, Contact-less Measurement equipment and high definition profile projectors.

We are strategically located in Singapore, Malaysia (Penang) and China (Suzhou) to serve many global OEM customers. We focus on continuous training of our technical staff to equip them with skills to meet the current and future requirements in our dynamic industries.



# BUSINESS AND FINANCIAL REVIEW

## FINANCIAL HIGHLIGHTS

	FY2015 S\$'000	FY2016 S\$'000	Change*
<b>Revenue</b>	<b>46,797</b>	<b>70,123</b>	<b>49.8%</b>
Materials, consumables and inventory changes, excluding stock obsolescence	(25,592)	(44,585)	-74.2%
Staff costs	(11,815)	(13,562)	-14.8%
Depreciation and amortisation	(1,082)	(818)	24.4%
Other expenses net other income	(4,269)	(5,079)	-19.0%
<b>Total expenses net other income</b>	<b>(42,758)</b>	<b>(64,044)</b>	<b>-49.8%</b>
<b>Profit before impairment and tax</b>	<b>4,039</b>	<b>6,079</b>	<b>50.5%</b>
Impairment loss reversed/(loss) net	829	461	-44.4%
Share of loss of an associate	–	(449)	NM
<b>Profit before taxation</b>	<b>4,868</b>	<b>6,091</b>	<b>25.1%</b>
Tax credit/(expenses)	1,808	(1,325)	-173.3%
<b>Profit for the year</b>	<b>6,676</b>	<b>4,766</b>	<b>-28.6%</b>
Loss from discontinued operation	(894)	(109)	87.8%
<b>Profit for the year including discontinued operation</b>	<b>5,782</b>	<b>4,657</b>	<b>-19.5%</b>

\* Increase/(Decrease) Earnings

\*\* NM – not meaningful

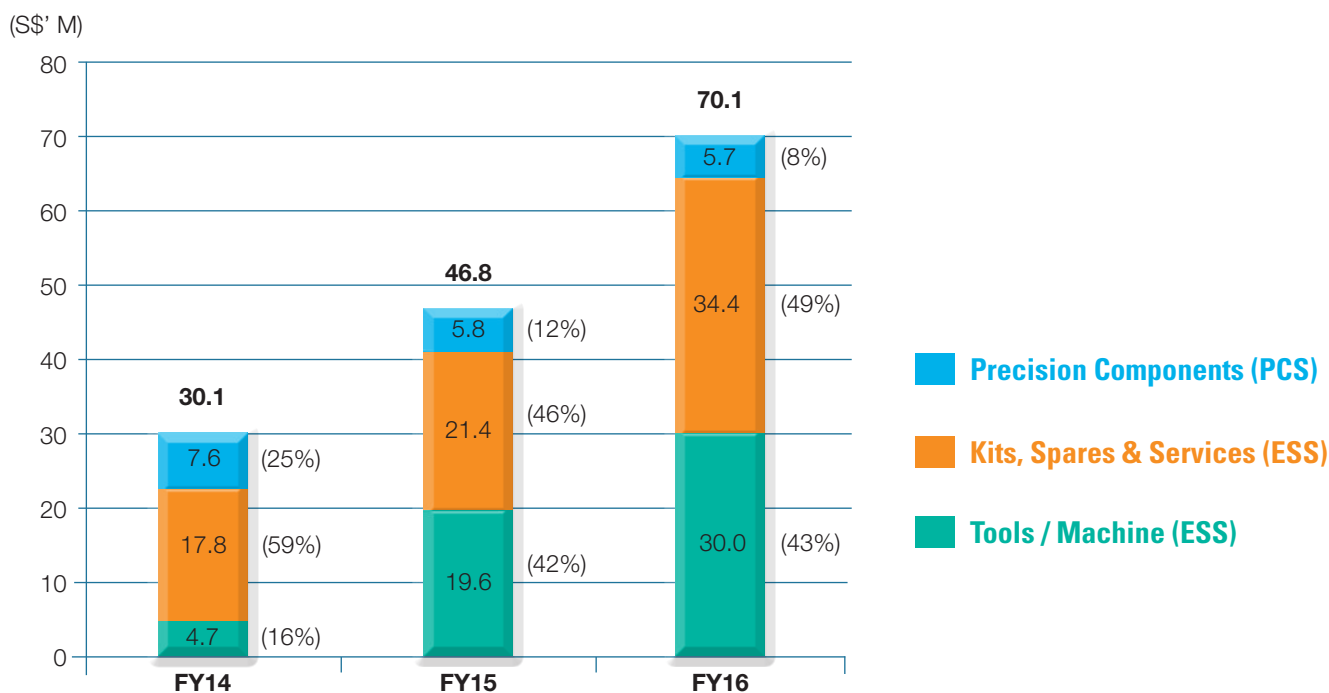
# BUSINESS AND FINANCIAL REVIEW

## FINANCIAL PERFORMANCE BY BUSINESS SEGMENT (CONTINUING OPERATIONS)

	REVENUE			PROFIT/(LOSS) BEFORE TAX		
	FY2015 S\$'000	FY2016 S\$'000	Change	FY2015 S\$'000	FY2016 S\$'000	Change
Total Equipments Systems (ESS)	41,030	64,436	57.0%	5,593	6,855	22.6%
Precision Components (PCS)	5,767	5,687	-1.4%	(725)	(315)	56.5%
Share of Associate	–	–	NM	–	(449)	NM
	46,797	70,123	49.8%	4,868	6,091	25.1%

The Group reported higher revenue from its Equipment Systems (“ESS”) business mainly due to higher equipment and kits sales. Sales from ESS increased by 57.0% from S\$41.0 million in FY2015 to S\$64.4 million in FY2016. Revenue from the Precision Components (“PCS”) business were lower by 1.4% from S\$5.8 million in FY2015 to S\$5.7 million in FY2016 due to reduced orders from customers. As a result of the above, the Group recorded a 49.8% increase in revenue from S\$46.8 million in FY2015 to S\$70.1 million in FY2016.

## REVENUE BY BUSINESS SEGMENT



**Note:–**

Revenue figures exclude discontinued substrate and plating operations.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S\$25.6 million in FY2015 to S\$44.6 million in FY2016, representing an increase of 74.2%. The increase in raw materials and other consumables cost in FY2016 was mainly due to the higher revenue and a shift in revenue mix towards sales of new equipment, which requires higher material costs compared to material costs used in kits sales.

Staff costs increased by 14.8% from S\$11.8 million in FY2015 to S\$13.6 million in FY2016 mainly due higher bonus provision made as well as higher headcount for the increased sales orders from customers.

Depreciation cost and amortisation of intangible assets decreased by 24.4% from S\$1.1 million in FY2015 to S\$818,000 in FY2016 mainly due to the lower carrying value of property, plant, equipment and intangible assets in FY2016.

Other expenses net other incomes increased by 19.0% from S\$4.3 million in FY2015 to S\$5.1 million in FY2016 mainly due to lower rental income of S\$278,000 in FY2016, exchange loss of S\$347,000 in FY2016 instead of exchange gain of S\$741,000 in FY2015 offset by lower rental expenses, sales and administrative expenses in FY2016.



# BUSINESS AND FINANCIAL REVIEW

The net impairment loss reversed of \$461,000 in FY2016 consists mainly of \$696,000 allowance for inventory obsolescence reversed, property, plant and equipment impairment loss reversed of \$213,000 offset loss on disposal of subsidiaries of \$463,000. The net impairment loss reversed of S\$829,000 in FY2015 consists mainly of reversal of sales rebates provision of \$2.0 million, property, plant and equipment impairment loss reversed for the vacant land and factory building in Malacca of \$597,000 offset by loss from liquidation of a dormant subsidiary of \$512,000, property, plant and equipment impairment loss allowance of \$213,000 and provision for slow moving inventory of S\$1.1 million.

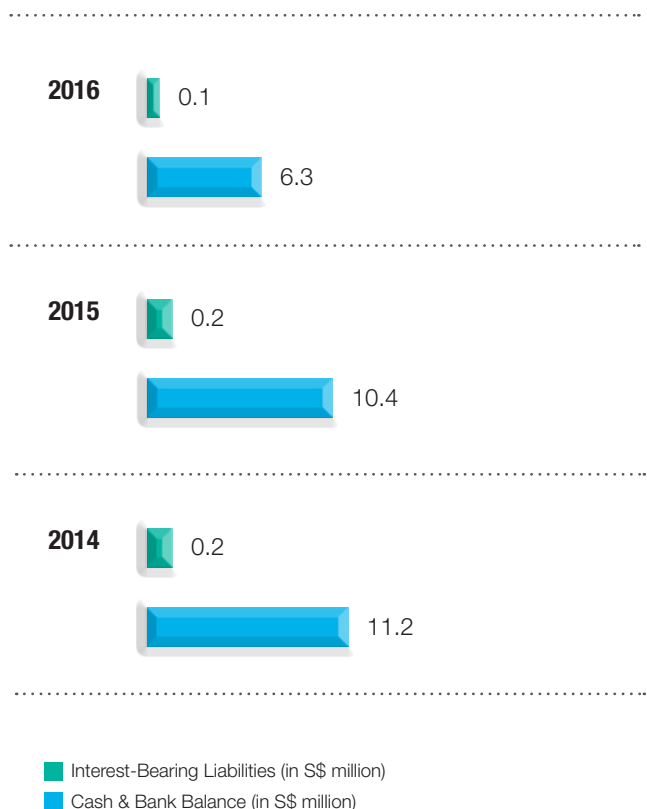
The share of loss of an associate of S\$449,000 in FY2016 was mainly due to the financing and professional expenses incurred by Novoflex Pte Ltd in the acquisition of Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd during the year and the higher depreciation and amortisation costs arising from the higher fair value of Novoflex's assets at the acquisition date.

In FY2016, as a result of the recorded profit, income tax expense of S\$1.3 million was provided. In FY2015, the Company claimed for certain tax incentives which were previously pending for review by the tax authority. Upon closure of the review, the provision and tax refund of S\$2,591,000 has been recognized as tax credit. An utilization of deferred tax asset of S\$783,000 has been recorded as a result of the likely utilization of capital allowance brought forward to offset the tax liability on the profit of the Company. As a result of the reversal of provision for tax payable and net utilisation of the deferred tax, a net tax credit of S\$1,808,000 was presented.

As a result of the above, proforma profit before tax excluding net gain impairment, allowance, reversal gain and share of associate loss increased 50.5% from S\$4.0 million in FY2015 to S\$6.1 million in FY2016. Proforma profit after tax excluding the net gain in impairment, allowance, reversal gain, income tax credit and share of associate loss of S\$2.6 million in FY2015 and net gain of S\$12,000 in FY2016, profit after tax would have increased by 47.7% from S\$3.1 million in FY2015 to S\$4.6 million in FY2016.

## FINANCIAL POSITION AND CASH FLOW

As at 31 December 2016, the Group had a cash balance of S\$6.3 million compared to its financial liabilities of S\$85,000. The reduction in cash and bank balances was mainly due to payments made for trade and material purchases as a result of the increase in sales orders to be fulfilled over the next few quarters in FY2017 as well as for the acquisition of an associate.

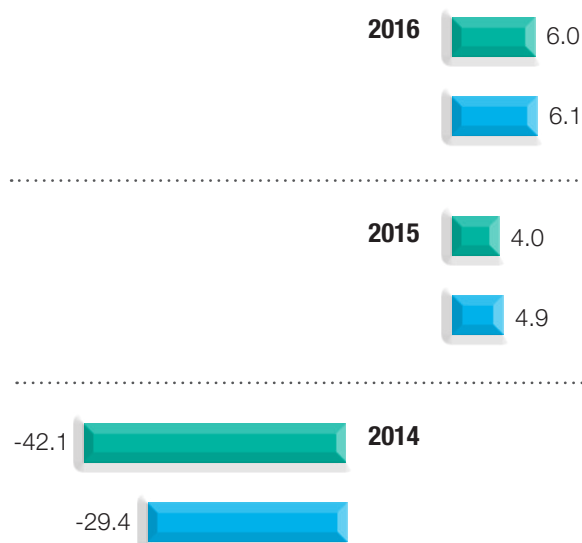




### Cash Flow Statement

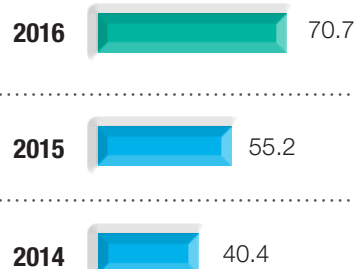
	2014	2015	2016
	S\$'M	S\$'M	S\$'M
Cash used in operating activities	-8.2	-1.6	-1.7
Cash (used in)/from investing activities	-4.5	0.9	-1.1
Cash (used in)/from financing activities	1.6	-0.4	-1.5
Net decrease in cash	-11.1	-1.1	-4.3
Cash & cash equivalents	11.2	10.4	6.3

### PROFIT/(LOSS) BEFORE TAX (in S\$ million)

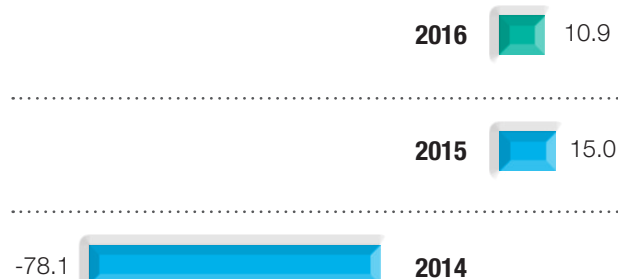


■ Profit/(loss) Before Tax (in S\$ million) (including discontinued operations)  
■ Profit/(loss) Before Tax (in S\$ million) (continuing operations)

### NET ASSET VALUE PER ORDINARY SHARE (in cents)



### DILUTED EARNINGS PER SHARE (in cents)



## CORPORATE SOCIAL RESPONSIBILITY



### CORPORATE SOCIAL RESPONSIBILITY – 2016

In 2016, we visited Willing Hearts, a non-profit organisation wholly runs by volunteers located at Jalan Ubi. The mission of Willing Hearts is “To provide daily meals and other support services to the underprivileged, the needy, and other marginalized members in Singapore, and to assist and guide them towards rehabilitating and reinstating themselves as useful members of our society.”

Our employees had the opportunity to roll up their sleeves to assist in the kitchen operation of Willing Hearts where it prepares, cooks and distributes about 5,000 daily meals to over 40 locations island wide for 365 days a year. Some of the works our employees performed included getting ready the required vegetables and cleaning up the kitchen and utensils.

It was indeed a meaningful trip where we could contribute some efforts towards the mission of Willing Hearts in taking care of the needy.



# CORPORATE GOVERNANCE

The directors of AEM Holdings Ltd are committed to complying with and adhering to the principles and guidelines of the Code of Corporate Governance (Code) issued in May 2012 and have specified in this statement any deviation from the Code so as to ensure greater transparency and protection of shareholders' interests. This statement outlines the main corporate governance practices that were in place during the year.

## BOARD MATTERS

### The Board's Conduct of Affairs

*Principle 1 – Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board comprises four members whose principal functions are as follows:

- Formulate corporate strategies, financial objectives and directions for the Group
- Ensure an adequate system of internal controls, risk management and financial reporting and compliance processes
- Oversee the proper conduct of the Group's business
- Assume responsibility for corporate governance

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.

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 assets and investments.

The directors are provided with updates on the relevant laws and regulations to enable them to make informed decisions. Our new directors undergo an orientation program to better understand director's duties and our business and governance practices. A formal letter stating the duties and responsibilities of the director shall be given upon the appointment of the director to join the Board. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, Singapore Exchange Limited, business and financial institutions, and consultants.

In 2016, 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 SGX and ACRA's Financial Reporting Surveillance programme. A director of the Company attended a course on SGX Sustainability Reporting Requirements briefing conducted by SGX.

To efficiently discharge its responsibilities, the Board has established several Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. These 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, as explained further below. They assist the Board operationally without the Board losing authority over major issues.

# CORPORATE GOVERNANCE

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 4
- Audit Committee 7
- Remuneration Committee 1
- Nominating Committee 1

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

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance
Loke Wai San (Chairman)	4	4	7	7	1	1	1	1
Basil Chan	4	4	7	7	1	1	1	1
Keith Toh Hsiang-Wen	4	4	7	7	1	1	1	1
Charles Cher Lew Siang	4	4	NA	NA	NA	NA	NA	NA

Non-executive directors meet regularly without the presence of Management to ensure that board matters can be effectively discussed independently from management as necessary.

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 NC.

## Board Composition and Guidance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs. Our current Board comprises four directors, of whom three members of the Board are non-executive. All the non-executive directors, with the exception of Mr Loke Wai San, are independent. Mr Loke is non-independent as he is the Director of New Earth Group which manages Novo Tellus PE Fund 1, L.P., the sole member of Orion Phoenix which is a substantial shareholder of the Company. Mr Basil Chan and Mr. Keith Toh 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. The independent directors meet regularly without the presence of Management to discuss issues relating to the Company.

# CORPORATE GOVERNANCE

The Company also believes in having a diversity of expertise from its non-executive and independent directors to provide a balanced view. Our Board members bring with them diverse expertise in areas of accounting, finance, business, management and strategic planning. Their areas of expertise are detailed in their profiles included in the Annual Report.

## **Chairman and Chief Executive Officer (“CEO”)**

*Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The roles of the 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 Chairman and CEO have been entered into between the Company and them.

The 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 Company Secretary, in consultation with the Chairman, schedules and prepares 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 Chairman is independent of Management and 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.

The Board is of the opinion that there is no requirement for a lead independent director at this moment since two out of four of the Board members are independent directors and the Chairman of the Board is non-executive.

## **BOARD MEMBERSHIP**

*Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

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. The NC comprises three directors, all of whom are non-executive, and a majority of whom are independent. The Chairman is an independent director and is not directly associated with a substantial shareholder of the Company. The current members of the NC comprise the following:

- Keith Toh Hsiang-Wen (NC Chairman),
- Basil Chan, and
- Loke Wai San

# CORPORATE GOVERNANCE

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC evaluates the Board's effectiveness as a whole and the contribution of each director to the effectiveness of the Board. It also 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. The NC has reviewed, as a routine matter, the candidacy of Mr. Basil Chan with particular regard to the Guideline 2.4 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years. After discussion, the NC is satisfied that Mr. Basil Chan continues to serve effectively as an independent director of the Company. In arriving at this view, the NC 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) Mr. Chan's ability to continue acting as an independent director and his record of independent directorship at the Company during his tenure.

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. The NC has decided to implement a higher standard of independence as compared to that prescribed by the Code as it requires the independent directors to be independent from all substantial shareholders and not merely 10% shareholders.

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 nominated and makes recommendations to the Board for approval and adoption.

The role of NC 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 Managing Director (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.

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 FY2016. The NC has reviewed and is satisfied with the independence of the independent directors. Currently, the Company does not have any alternate director.

The details of the Board members' directorship including the year of initial appointment and election are set out on pages 5 to 6 of this Annual Report.

# CORPORATE GOVERNANCE

## Board Performance

*Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of 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's performance as a whole, 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.

When it comes to evaluating the Chairman and individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution by the Chairman and each individual director 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.

## Access to Information

*Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to 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. The Board also has separate and independent access to the Management and the Company Secretary at all times. The Board receives periodic financial statements, budgets and forecasts from Management to enable them to keep track of the Group's financial performance. All material variances between budgets and actual results are being explained.

The Company Secretary is 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 Company Secretary 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.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

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 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. When required, the RC is empowered to engage expert advice in discharging its responsibilities, at the Company's expense;

# CORPORATE GOVERNANCE

- (ii) any incentive scheme, the selection of employees to include and the amount of stock 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.

The RC comprises three non-executive directors of whom two are independent. The current members of the RC comprise the following:

- Loke Wai San (RC Chairman),
- Basil Chan, and
- Keith Toh Hsiang-Wen

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.

## **Level and Mix of Remuneration**

*Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.*

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 stock options that is linked to the Group and each individual's performance.

The Remuneration Committee carries out annual reviews of the remuneration packages of the directors and the Management, with regards to their contributions as well as the financial and commercial needs of the Group.

The Remuneration Committee takes into account the industry norms and standards, the Group's performance as well as the contribution and performance of each director when determining the remuneration packages of the directors.

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and the time that are required, the responsibilities of the independent directors and the need to pay competitive fees to attract, retain and motivate the independent directors. The independent directors are not over-compensated to the extent 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. On 27 February 2017, the non-executive and independent directors were being granted performance shares and share options as a result of the positive financial performance being achieved by the Company for FY2016.

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 senior management 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 9: Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The remuneration bands and breakdown in percentage terms of the gross remuneration of the directors of the Company for the year ended 31 December 2016 are set out below:

	<b>Directors' Fees</b>	<b>Fixed Salary</b>	<b>Variable Bonus</b>	<b>Performance Shares</b>	<b>Other Fee/ Allowances</b>	<b>Total</b>
	%	%	%	%	%	%
<b>Directors</b>						
<b>S\$500,000 to S\$750,000</b>						
Charles Cher Lew Siang	–	67	33	–	–	100
	S\$	S\$	S\$	S\$	S\$	S\$
<b>Below S\$250,000</b>						
Loke Wai San *	94,000	–	–	–	96,000	190,000
Keith Toh Hsiang-Wen	69,000	–	–	–	–	69,000
Basil Chan	76,000	–	–	–	–	76,000

\* The director's and other fees for Mr Loke Wai San were paid to his employer, Novo Tellus Capital Partners.

The Board has, on review, decided to disclose the remuneration of the CEO and the top five key management personnel in remuneration bands of \$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 specialised industry, potential for poaching of staff and other disadvantages that this might bring.

The sole executive director is not entitled to receive director's fees and the independent directors received only directors' fees during the year.

During the year, 326,954 (2015: nil) share options have been granted to a director and some employees under the AEM Holdings Share Option Scheme. In 2016, no (2015: 3,124,000) performance share was granted to the Management of the Company under the Performance Share Plan (the shares granted and the number of shares as stated were before 10 for 1 share consolidation exercise in May 2015). In 2016, an equity-settled share-based payment expense of S\$500,000 was provided for the performance shares grant of 597,129 shares as announced on 27 February 2017. Other than these, no other director was granted any performance shares under the Performance Share Plan during the year.

# CORPORATE GOVERNANCE

## Key Management and Remuneration Policy

The remuneration bands of our top 5 key management personnel (who are not directors of the Company) are disclosed below:

Name of personnel	Salaries (%)	Bonuses (%)	Other Allowances (%)	Total (%)
<b>\$250,000 to \$500,000</b>				
Chok Yean Hung	76%	21%	3%	100%
<b>Below \$250,000</b>				
Soh Wai Kong	78%	13%	9%	100%
Goh Meng Kiang	75%	15%	10%	100%
Yeap Kian Yong	76%	14%	10%	100%
Seah Boon Seng	78%	9%	13%	100%

In view of the sensitive and confidential nature of the information and the potential for poaching of our management staff, the Board is of the opinion that it is in the best interests of the Company not to disclose the total remuneration paid to the top 5 key management personnel in the Annual Report. There are no employees who are immediate family members of any of the directors or the CEO and whose remuneration exceeds \$50,000 during the year.

There were no termination, retirement and post-employment benefits granted to directors, the CEO and the top five key management personnel.

## ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.*

One of the Board's principal duties is to protect and enhance the long-term value and returns to the Shareholders. This accountability to the Shareholders is demonstrated through the presentation of its periodic financial statements and timely announcements on significant corporate developments and activities so that the Shareholders can have a balanced and understandable assessment of the Group's financial position and prospects.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements. In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the Shareholders in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

All directors and executive officers of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

# CORPORATE GOVERNANCE

## Risk Management and Internal Controls

*Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' investments and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

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.

The risk management and control procedures are reviewed by the AC and the Board and updated regularly to reflect changes in market conditions and the activities of the Group. The Board has received assurance from the Chief Executive Officer and the Finance Director 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. Based on the work carried out by the internal auditors, the reviews undertaken by the external auditors, representations made by management to the Board and existing management controls that are in place, the Board is of the opinion (with the concurrence of the AC) that there are adequate and effective internal controls in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and Information Technology Risks.

A framework has been established and the Board continues through the AC 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 and China and is therefore exposed to changes in government regulations and any unfavourable political development which may limit the realization 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.

# CORPORATE GOVERNANCE

(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.

## **Audit Committee**

*Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The Audit Committee ("AC") 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 AC.

The current members of the AC comprise the following:

- Basil Chan (AC Chairman),
- Keith Toh Hsiang-Wen, and
- Loke Wai San

The AC performs the following main functions:

- Reviews and approves the audit plans and scope of work of the internal and external auditors.
- Reviews the effectiveness of the internal controls, findings of the internal and external auditors and the response and follow-up actions from Management.
- Reviews the quarterly and full year announcements and the financial statements of the Group and of the Company, the 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 persons 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.

# CORPORATE GOVERNANCE

- Investigates any matters reported to the Committee 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.

The AC is given full access to Management and receives its full cooperation. The AC 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.

The AC has conducted an annual review of the volume of non-audit services provided by the external auditors to satisfy it 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 AC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The AC 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.

For the financial year ended 31 December 2016, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to the appointment of our auditors.

The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Group.

## Internal Audit

*Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Company outsources its internal audit function to an independent third party firm, Protiviti Inc. and the internal auditors report primarily to the AC. The AC approves the appointment, evaluation and fees of the internal audit firm. The AC reviews the adequacy and effectiveness of the internal audit function yearly. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC 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.

## Shareholder Rights

*Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

The Company's corporate governance practices promote a fair and equitable treatment to all Shareholders. The Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET and its corporate website, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable Shareholders to make informed decisions.

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcements via SGX-ST as well as through reports/circulars sent to all shareholders. They are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

# CORPORATE GOVERNANCE

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as “relevant intermediary” to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

## **COMMUNICATION WITH SHAREHOLDERS**

*Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote a regular, effective and fair communication with 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 Board provides the Shareholders a balanced and clear assessment of the Group’s performance, financial position and prospects on a quarterly basis.

All Shareholders receive a copy of our Annual Report and the notices of the Annual General Meeting and any Extraordinary General Meeting.

The Company 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](mailto:investor.relations@aem.com.sg) or at the Company’s website.

## **Conduct of Shareholder Meetings**

*Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.*

The Board encourages active shareholder participation at the general meetings of the Company. The Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group’s strategic goals and business update. 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.

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.

The Chairman, directors and the Chairmen of the various 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 Company Secretary 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 to Shareholders upon their request.

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.

# CORPORATE GOVERNANCE

## DEALINGS IN SECURITIES

The Company has adopted its own internal compliance code 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. Staff are discouraged from dealing 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.

## INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. There were no interested person transactions for the financial year ended 31 December 2016.

## DIVIDEND POLICY

The Company has adopted a dividend policy of paying annual dividends, including interim 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 dividend for FY2016 at S\$0.013 per share and together with an interim dividend of S\$0.005, making total dividends for FY2016 to be S\$0.018 per share.

# 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 2016.

In our opinion:

- (a) the financial statements set out on pages FS38 to FS92 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 2016 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; 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  
Charles Cher Lew Siang  
Keith Toh Hsiang-Wen

## 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 infant children) in shares, debentures, warrants or share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

<b>Name of director and corporation in which interests are held</b>	<b>Holdings at beginning of the year</b>	<b>Holdings at end of the year</b>
<b><u>AEM Holdings Ltd</u></b>		
<b>Charles Cher Lew Siang</b>		
– ordinary shares, fully paid (direct interest)	275,500	275,500

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 or at the end of the financial year.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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 13 April 2015. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Loke Wai San (Chairman)
- Basil Chan
- Keith Toh Hsiang Wen

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 immediately preceding the date of grant of the option or its nominal value, whichever is higher. 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 third 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) 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.
- (v) 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.

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

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.

There were no options granted to the directors and employees under the Scheme during the financial year.

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.

# DIRECTORS' STATEMENT

## *Performance share plan*

The performance share plan (the Plan) 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.

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.

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

<b>Participants</b>	<b>Shares awards granted &amp; released during the year</b>	<b>Aggregate shares awards granted &amp; released at end of the year</b>
Other key executives	–	4,462,400

## **Audit committee**

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

- Basil Chan (Chairman), non-executive director
- Keith Toh Hsiang Wen, non-executive director
- Loke Wai San

The Audit Committee performs the functions specified in section 201B of the Act, the SGX Listing Manual of the Singapore Exchange Limited and the Code of Corporate Governance.

The Audit Committee held four meetings since the last directors' statement. In performing its functions, the Audit 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 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 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 Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

# DIRECTORS' STATEMENT

The Audit 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.

## AUDITORS

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

On behalf of the Board of Directors

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**Loke Wai San**

*Director*

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**Charles Cher Lew Siang**

*Director*

29 March 2017

# 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 2016, the consolidated statement of profit or loss and other 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 FS38 to FS92.

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 Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2016, 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 (ACRA) *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.

Valuation of inventories (\$17,443,000) (Refer to Note 9 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
Inventories constitute a significant portion of the Group's total assets. They are measured at the lower of cost and net realisable value.	We reviewed the ageing profile of the inventories to identify any slow-moving inventories.
The Group manufactures highly customised inventories that are only sold to key customers based on both committed orders and estimated future demands. These inventories have low resale values.	Where available, we reviewed supporting documentation relating to future sales to determine the proportion of inventories which were backed by confirmed purchase orders.
This is a key audit focus area due to the inherent uncertainty in estimating the level of provision required to write down slow-moving, excess and obsolete inventory items.	We also inspected sales invoices to assess whether the inventory is being sold at a higher value than the cost.
<i>Findings</i>	
The judgement applied by the Group in determining the provision for inventory obsolescence was determined to be balanced.	

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY AEM HOLDINGS LTD

Accounting for acquisition of an associate (\$4,499,000) (Refer to Note 7 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year, the Group invested in Smartflex Technology Pte Ltd and Smartflex Technology Pte Ltd through the acquisition in the investment holding company, Novoflex Pte Ltd. Novoflex Pte Ltd is audited by another public accounting firm.</p> <p>Judgement is required in determining the classification of the acquisition. A subsidiary is consolidated into the Group's financial statements, whereas an associate is equity-accounted for. An inappropriate classification can have a material effect on the financial statements.</p> <p>As Novoflex Pte Ltd is an investment holding company, fair value adjustments arise mainly from the acquisition of Smartflex Technology Pte Ltd and Smartflex Innovation Pte Ltd. There is inherent uncertainty involved in the estimation used by Novoflex Pte Ltd in allocating the overall purchase price to the different assets and liabilities that make up the acquisition.</p>	<p>We examined legal and contractual documents to determine if the classification of the acquisition as an associate was appropriate.</p> <p>We reviewed component auditor's evaluation of the competence and objectivity of the external valuers.</p> <p>We used our own valuation specialist to review component auditor's assessment on the reasonableness of purchase price allocation prepared by external valuers. We compared the methodologies and key assumptions used in deriving the allocated values to generally accepted market practices and market data.</p> <p>We also considered the adequacy of disclosure for this acquisition.</p>
<i>Findings</i>	
<p>The judgement applied by the Group in determining whether the acquisition is a subsidiary or an associate was balanced. Estimates used in allocating the purchase price to assets and liabilities acquired were fair. We also found the disclosure of significant acquisition to be appropriate.</p>	
Accounting for divestment of investments (Refer to Note 6 to the financial statements)	
<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group entered into an agreement to dispose the plating business subject to certain condition precedents.</p> <p>Assessment of the date when control is lost requires an assessment of how the conditions are met, evidences of which cannot be reliably gathered from representations made to us and are not normally identifiable through documentary proof with external parties, and hence is a key area of focus for our audit.</p>	<p>We reviewed legal and contractual documents and inspected correspondences to understand how the conditions to the sale were met to determine the date when control is lost.</p>
<i>Findings</i>	
<p>The judgement applied by the Group in determining the date when control is lost was balanced.</p>	

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY AEM HOLDINGS LTD

## *Other Information*

Management is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon, which we obtained prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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 FRSs, 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 control 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.

# INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY AEM HOLDINGS LTD

- 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.

## 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

29 March 2017

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Assets</b>					
Property, plant and equipment	4	2,226	3,236	40	51
Intangible assets	5	65	217	1	37
Investments in subsidiaries	6	–	–	10,194	10,194
Investment in an associate	7	4,499	–	4,667	–
Deferred tax assets	16	76	1,115	4	328
<b>Non-current assets</b>		<b>6,866</b>	<b>4,568</b>	<b>14,906</b>	<b>10,610</b>
Assets held for sale	8	–	2,551	–	–
Inventories	9	17,443	8,896	–	–
Trade and other receivables	10	17,777	10,375	3,758	3,809
Cash and cash equivalents	11	6,310	10,363	914	3,680
<b>Current assets</b>		<b>41,530</b>	<b>32,185</b>	<b>4,672</b>	<b>7,489</b>
<b>Total assets</b>		<b>48,396</b>	<b>36,753</b>	<b>19,578</b>	<b>18,099</b>
<b>Equity</b>					
Share capital	12	39,737	39,737	39,737	39,737
Reserves	13	(11,348)	(13,075)	(505)	(259)
Accumulated profits/(losses)		1,839	(2,160)	(20,831)	(22,711)
<b>Total equity attributable to owners of the Group</b>		<b>30,228</b>	<b>24,502</b>	<b>18,401</b>	<b>16,767</b>
<b>Liabilities</b>					
Financial liabilities	14	7	86	–	–
Deferred tax liabilities	16	42	43	–	–
Provisions	17	280	261	17	16
<b>Non-current liabilities</b>		<b>329</b>	<b>390</b>	<b>17</b>	<b>16</b>
Financial liabilities	14	78	76	–	–
Trade and other payables	15	16,713	11,122	1,149	1,235
Current tax payable		805	453	11	81
Provisions	17	243	210	–	–
<b>Current liabilities</b>		<b>17,839</b>	<b>11,861</b>	<b>1,160</b>	<b>1,316</b>
<b>Total liabilities</b>		<b>18,168</b>	<b>12,251</b>	<b>1,177</b>	<b>1,332</b>
<b>Total equity and liabilities</b>		<b>48,396</b>	<b>36,753</b>	<b>19,578</b>	<b>18,099</b>

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



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000 Restated*
<b>Continuing operations</b>			
Revenue	19	70,123	46,797
Other income		253	3,818
Changes in inventories of finished goods and work-in-progress		7,644	(1,220)
Raw materials and other consumables		(51,533)	(25,449)
Staff costs		(13,562)	(11,815)
Depreciation of property, plant and equipment		(665)	(825)
Amortisation of intangible assets		(153)	(257)
Other expenses		(5,562)	(6,212)
<b>Results from operating activities</b>		<b>6,545</b>	<b>4,837</b>
Finance income		16	58
Finance costs		(21)	(27)
<b>Net finance (costs)/income</b>	20	<b>(5)</b>	<b>31</b>
Share of equity-accounted investee's losses (net of tax)	7	(449)	–
<b>Profit before tax</b>	21	<b>6,091</b>	<b>4,868</b>
Tax (expense)/credit	22	(1,325)	1,808
<b>Profit from continuing operations</b>		<b>4,766</b>	<b>6,676</b>
<b>Discontinued operation</b>			
Loss from discontinued operation (net of tax)	29	(109)	(894)
<b>Profit for the year</b>		<b>4,657</b>	<b>5,782</b>
<b>Profit attributable to:</b>			
Owners of the Company		4,657	5,782
<b>Profit for the year</b>		<b>4,657</b>	<b>5,782</b>
<b>Earnings per share</b>			
Basic earnings per share	23	10.68 cents	12.99 cents
Diluted earnings per share		10.63 cents	12.99 cents
<b>Earnings per share – Continuing operations</b>			
Basic earnings per share	23	10.93 cents	15.00 cents
Diluted earnings per share		10.88 cents	15.00 cents
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation difference		893	493
Share of foreign currency translation difference of equity-accounted investee		281	–
Effect of disposal/liquidation of subsidiaries, reclassified to profit or loss		852	98
<b>Other comprehensive income for the year, net of tax</b>		<b>2,026</b>	<b>591</b>
<b>Total comprehensive income for the year</b>		<b>6,683</b>	<b>6,373</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		6,683	6,373
<b>Total comprehensive income for the year</b>		<b>6,683</b>	<b>6,373</b>

\* See note 29

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

<b>Group</b>	Share capital \$'000	Reserve for own shares \$'000	Capital reserve \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Merger reserve \$'000	Accumulated (losses)/ profits \$'000	Total equity \$'000
At 1 January 2015	39,737	(691)	214	230	(13,621)	–	(7,942)	17,927
<b>Total comprehensive income for the year</b>								
Profit for the year	–	–	–	–	–	–	5,782	5,782
<b>Other comprehensive income</b>								
Foreign currency translation difference	–	–	–	–	493	–	–	493
Effect of liquidation of dormant subsidiaries	–	–	–	–	98	–	–	98
<b>Total comprehensive income for the year</b>	–	–	–	–	591	–	5,782	6,373
<b>Transactions with owners, recognised directly in equity</b>								
<b>Contributions by and distributions to owners of the Company</b>								
Own shares acquired	–	(81)	–	–	–	–	–	(81)
Share-based payment transactions (Note 18)	–	283	–	–	–	–	–	283
<b>Total transactions with owners</b>	–	202	–	–	–	–	–	202
<b>At 31 December 2015</b>	<b>39,737</b>	<b>(489)</b>	<b>214</b>	<b>230</b>	<b>(13,030)</b>	<b>–</b>	<b>(2,160)</b>	<b>24,502</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

Group	Share capital \$'000	Reserve for own shares \$'000	Capital reserve \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Merger reserve \$'000	Accumulated (losses)/ profits \$'000	Total equity \$'000
At 1 January 2016	39,737	(489)	214	230	(13,030)	-	(2,160)	24,502
<b>Total comprehensive income for the year</b>								
Profit for the year	-	-	-	-	-	-	4,657	4,657
<b>Other comprehensive income</b>								
Foreign currency translation difference	-	-	-	-	893	-	-	893
Share of foreign currency translation difference of equity-accounted investee	-	-	-	-	281	-	-	281
Effect of disposal/liquidation of subsidiaries	-	-	(53)	-	852	-	-	799
<b>Total comprehensive income for the year</b>	<u>39,737</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>2,026</u>	<u>-</u>	<u>4,657</u>	<u>6,630</u>
<b>Transactions with owners, recognised directly in equity</b>								
<b>Contributions by and distributions to owners of the Company</b>								
Own shares acquired	-	(775)	-	-	-	-	-	(775)
Issue of shares options	-	-	-	29	-	-	-	29
Share-based payment transactions (Note 18)	-	-	-	500	-	-	-	500
Final dividend of 1 cent per share in respect of 2015	-	-	-	-	-	-	(658)	(658)
<b>Total transactions with owners</b>	<u>-</u>	<u>(775)</u>	<u>-</u>	<u>529</u>	<u>-</u>	<u>-</u>	<u>(658)</u>	<u>(904)</u>
<b>At 31 December 2016</b>	<u>39,737</u>	<u>(1,264)</u>	<u>161</u>	<u>759</u>	<u>(11,004)</u>	<u>-</u>	<u>1,839</u>	<u>30,228</u>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		4,657	5,782
Adjustments for:			
Provision for impairment loss on trade and other receivables		–	79
(Reversal of)/provision for impairment loss on property, plant and equipment		(213)	213
Depreciation of property, plant and equipment		702	1,005
Reversal of impairment loss on assets held for sale		–	(597)
Amortisation of intangible assets		153	257
(Reversal of)/allowance made for stock obsolescence		(801)	1,077
Reversal of provision for sales rebates		–	(2,034)
Loss/(gain) on disposal of property, plant and equipment		8	(12)
(Gain)/loss on liquidation of a subsidiary		(15)	512
Loss on disposal of subsidiaries		463	–
Net finance costs/(income)		5	(31)
Share of equity-accounted investee's losses, net of tax		449	–
Equity-settled share-based payment expenses		529	283
Provision made/(reversed) for warranties		29	(4)
Tax expense/(credit)		1,325	(1,808)
		<b>7,291</b>	<b>4,722</b>
Changes in working capital:			
Inventories		(7,271)	(337)
Trade and other receivables		(6,979)	(5,044)
Trade and other payables		5,290	(1,553)
Cash used in operating activities		(1,669)	(2,212)
Tax refunded		5	650
<b>Net cash used in operating activities</b>		<b>(1,664)</b>	<b>(1,562)</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(4)	(79)
Interest received		16	58
Proceeds from disposal of property, plant and equipment		25	119
Acquisition of property, plant and equipment		(605)	(603)
Disposal of a subsidiary, net of cash disposed		2,740	–
Disposal of discontinued operation, net of cash disposed	29	1,351	–
Acquisition of equity-accounted investee	7	(4,667)	–
Loan repaid by a former subsidiary		–	1,417
<b>Net cash (used in)/from investing activities</b>		<b>(1,144)</b>	<b>912</b>
<b>Cash flows from financing activities</b>			
Interest paid		(7)	(14)
Repayment of finance lease liabilities		(90)	(84)
Repayment of bank loans		–	(211)
Repurchase of own shares		(775)	(81)
Dividends paid		(658)	–
<b>Net cash used in financing activities</b>		<b>(1,530)</b>	<b>(390)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,338)</b>	<b>(1,040)</b>
Cash and cash equivalents at 1 January		10,363	11,152
Effect of exchange rate fluctuations on cash held		285	251
<b>Cash and cash equivalents at 31 December</b>	11	<b>6,310</b>	<b>10,363</b>

# NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 March 2017.

## 1 DOMICILE AND ACTIVITIES

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

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 6 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group).

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities as described 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 has 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 FRSs 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – measurement of recoverable amount of property, plant and equipment
- Note 7 – classification of investment and measurement of provisional fair value of the identifiable assets and liabilities for the associate acquired
- Note 9 – valuation of inventories
- Note 10 – recoverability of trade receivables
- Note 29 – determination of the date when control is lost for discontinued operation

# NOTES TO THE FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION (CONT'D)

### 2.4 Use of estimates and judgements (Cont'd)

#### ***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 might be categorised in 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.

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

- Note 4 – property, plant and equipment
- Note 18 – share-based payment
- Note 27 – financial risk management

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

### 3.1 Basis of consolidation

#### ***Business combinations***

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in 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 is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (Cont'd)

#### ***Business combinations (Cont'd)***

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.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

#### ***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. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### ***Loss of control***

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

#### ***Investments in associates and joint ventures (equity-accounted investees)***

Associates are those entities in which the Group has significant influence, but not control or joint 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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (Cont'd)

#### ***Investments in associates and joint ventures (equity-accounted investees) (Cont'd)***

Investments in associates and joint ventures 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 or joint control commences until the date that significant influence or joint control 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 of 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, associates and jointly controlled entities in the separate financial statements***

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

### 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 retranslated 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 retranslated 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 recognised in profit or loss, except for the following differences which are recognised in OCI arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge if the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.



# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Foreign currencies (Cont'd)

#### *Foreign operations*

The assets and liabilities of foreign operations, excluding 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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, 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.

### 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 the 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment (Cont'd)

#### ***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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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:

Leasehold land	1 year
Leasehold buildings	1 year
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.

### 3.4 Intangible assets

Computer software, not forming an integral part of a related hardware is recorded as an intangible asset at cost less accumulated amortisation and any accumulated impairment losses.

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 life of 3 years from the date the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial instruments

#### ***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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 on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Non-derivative financial assets comprise loans and receivables.

#### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables and deposits, excluding prepayments.

Cash and cash equivalents comprise cash balances and bank deposits.

#### ***Non-derivative financial liabilities***

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial liabilities for contingent consideration combination are initially measure at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial instruments (Cont'd)

#### ***Non-derivative financial liabilities (Cont'd)***

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise finance lease liabilities, and trade and other payables.

#### ***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 share 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 capital reserve.

#### ***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

#### ***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (Cont'd)

#### ***Loans and receivables***

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

#### ***Non-financial assets***

The carrying amounts of the Group's non-financial 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (Cont'd)

#### ***Non-financial assets (Cont'd)***

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.

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 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains in excess of any cumulative impairment loss are not recognised.

### 3.8 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.9 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.

### 3.10 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.

### 3.11 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.

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.

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 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

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Tax (Cont'd)

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.

A deferred tax asset is recognised for unused tax losses, 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. 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.

### 3.12 Revenue recognition

#### ***Sale of goods***

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

#### ***Rendering of services***

Revenue from rendering of services is recognised when the service is rendered.



# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 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 payments*

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.

### 3.14 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 interest expense on borrowings 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.

### 3.15 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

# NOTES TO THE FINANCIAL STATEMENTS

## **3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

### **3.16 Key management 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.

### **3.17 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.

### **3.18 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.

### **3.19 New standards and interpretations not adopted**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group is currently assessing the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 New standards and interpretations not adopted (Cont'd)

#### *Applicable to 2018 financial statements*

##### *New standards*

#### **Summary of the requirements**

##### **FRS 115 Revenue from Contracts with Customers**

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreement for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

#### **Potential impact on the financial statements**

During 2016, the Group performed an initial assessment of the impact on the Group's financial statements.

Based on its initial assessment, the Group expects the following key changes:

FRS 115 will require the Group to identify deliverables in contracts with customers that qualify as performance obligations.

Currently, revenue from bundled products and services are recognised based on values allocated to the individual elements of the bundled products and services in accordance to the earning process of each element. Under FRS 115, revenue will be allocated to these individual elements within bundled products and services based on their relative stand-alone selling prices.

The Group expects an increase in the revenue allocated to sales of equipment and a corresponding reduction in the revenue allocated to services under FRS 115.

**Transition** – The Group intends to adopt the standard when it becomes effective in 2018 by electing applicable practical expedients under FRS 115 and is currently performing the detailed analysis to quantify the transition adjustments on its financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 New standards and interpretations not adopted (Cont'd)

#### *Applicable to 2018 financial statements (Cont'd)*

#### *New standards (Cont'd)*

#### **Summary of the requirements**

##### **FRS 109 Financial Instruments**

109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.

#### **Potential impact on the financial statements**

During 2016, the Group performed an initial assessment of the impact on the Group's financial statements.

The Group's initial assessment of the three elements of FRS 109 is as described below:

**Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

**Impairment** – The Group plans to apply the simplified approach and does not expect a material change to impairment loss allowance under the new standard.

**Transition** – The Group intends to adopt the standard when it becomes effective in 2018 without restating comparative information; and is currently gathering data to quantify the potential impact arising from the adoption.

#### **Convergence with International Financial Reporting Standards (IFRS)**

In addition, the Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.19 New standards and interpretations not adopted (Cont'd)

#### *Applicable to 2019 financial statements*

#### *New standards*

#### **Summary of the requirements**

#### **Potential impact on the financial statements**

#### **FRS 116 Leases**

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to note 24). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Group is currently assessing the quantitative impact on the financial statements.

The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2018.

The Group expects that the impact on adoption of IFRS 16 *Leases* to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land \$'000	Leasehold buildings \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Renovation and installation \$'000	Computers \$'000	Plant and equipment \$'000	Construction in-progress \$'000	Total \$'000
<b>Cost</b>									
At 1 January 2015	915	4,324	35	438	5,671	1,619	13,331	31	26,364
Additions	-	-	-	1	287	48	267	-	603
Disposals	-	-	-	-	(2)	(73)	(543)	-	(618)
Effects from liquidation of a dormant subsidiary	-	-	-	(21)	(5)	(15)	-	-	(41)
Reclassification from construction-in-progress	-	-	-	-	32	-	-	(32)	-
Reclassification to assets held for sale (Note 8)	(782)	(3,613)	-	-	-	-	-	-	(4,395)
Translation adjustment	(133)	(711)	(4)	16	330	42	125	1	(334)
At 31 December 2015	-	-	31	434	6,313	1,621	13,180	-	21,579
Additions	-	-	24	14	151	36	380	-	605
Disposals	-	-	-	(18)	(370)	(99)	(420)	-	(907)
Effects from disposal of discontinued operation	-	-	-	(101)	(538)	(259)	(4,752)	-	(5,650)
Translation adjustment	-	-	(1)	-	77	10	(216)	-	(130)
At 31 December 2016	-	-	54	329	5,633	1,309	8,172	-	15,497
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2015	538	2,432	35	432	5,086	1,417	10,261	-	20,201
Depreciation charge for the year	4	26	-	7	191	126	651	-	1,005
Disposals	-	-	-	-	(2)	(70)	(439)	-	(511)
(Reversal of)/impairment loss for the year	(114)	(483)	-	-	-	-	213	-	(384)
Effects from liquidation of a dormant subsidiary	-	-	-	(21)	(5)	(15)	-	-	(41)
Reclassification to assets held for sale (Note 8)	(342)	(1,502)	-	-	-	-	-	-	(1,844)
Translation adjustment	(86)	(473)	(4)	16	307	32	125	-	(83)
At 31 December 2015	-	-	31	434	5,577	1,490	10,811	-	18,343
Depreciation charge for the year	-	-	2	5	148	83	464	-	702
Disposals	-	-	-	(18)	(370)	(99)	(387)	-	(874)
Reversal of impairment loss for the year	-	-	-	-	-	-	(213)	-	(213)
Effects from disposal of discontinued operation	-	-	-	(101)	(448)	(259)	(3,813)	-	(4,621)
Translation adjustment	-	-	(1)	-	85	2	(152)	-	(66)
At 31 December 2016	-	-	32	320	4,992	1,217	6,710	-	13,271
<b>Carrying amounts</b>									
At 1 January 2015	377	1,892	-	6	585	202	3,070	31	6,163
At 31 December 2015	-	-	-	-	736	131	2,369	-	3,236
At 31 December 2016	-	-	22	9	641	92	1,462	-	2,226

The Group acquired manufacturing equipment through finance leases (note 14). These leases provide the Group with the option to become the owner of the equipment subject to certain terms and conditions. The carrying amount of the leased assets was \$247,000 (2015: \$225,000) as of year-end.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Renovation and installation \$'000	Computers \$'000	Plant and equipment \$'000	Total \$'000
<b>Company</b>				
<b>Cost</b>				
At 1 January 2015	422	408	34	864
Additions	15	–	–	15
At 31 December 2015	437	408	34	879
Additions	–	3	–	3
Disposals	(370)	(99)	(18)	(487)
At 31 December 2016	67	312	16	395
<b>Accumulated depreciation</b>				
At 1 January 2015	388	396	19	803
Depreciation charge for the year	14	9	2	25
At 31 December 2015	402	405	21	828
Depreciation charge for the year	9	3	2	14
Disposals	(370)	(99)	(18)	(487)
At 31 December 2016	41	309	5	355
<b>Carrying amounts</b>				
At 1 January 2015	34	12	15	61
At 31 December 2015	35	3	13	51
At 31 December 2016	26	3	11	40

For the purpose of impairment testing, the Group determined the CGUs to be each operational subsidiaries of the Group.

In 2015, the Group recognised an impairment loss of \$213,000 with respect to the plant and equipment of a loss-making subsidiary. The recoverable amount of the CGU was based on the fair value of the CGU's plant and equipment which the Group had received an offer for as at 31 December 2015. In 2016, as part of the completion of the disposal of AEM (Suzhou) Co., Ltd., the assets that were previously impaired belonging to the non-plating business were transferred to a newly incorporated subsidiary. New business plans were identified for this subsidiary in 2016 to further focus on the Precision Component Solutions ("PCS") business.

The recoverable amount of the subsidiary that included these plant and equipment was estimated based on the present value of the future cash flows expected to be derived from the subsidiary, using a pre-tax discount rate of 8.62%. The recoverable amount of the subsidiary was estimated to be higher than its carrying amount and hence impairment loss of \$213,000 recognised in 2015 was reversed in 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## 5 INTANGIBLE ASSETS

<b>Group</b>	<b>Computer software \$'000</b>
<b>Cost</b>	
At 1 January 2015	2,414
Additions	79
Disposals	(122)
Translation adjustment	57
At 31 December 2015	2,428
Additions	4
Disposals	(87)
Translation adjustment	19
At 31 December 2016	<u>2,364</u>
<b>Accumulated amortisation</b>	
At 1 January 2015	2,033
Amortisation charge for the year	257
Disposals	(122)
Translation adjustment	43
At 31 December 2015	2,211
Amortisation charge for the year	153
Disposals	(87)
Translation adjustment	22
At 31 December 2016	<u>2,299</u>
<b>Carrying amounts</b>	
At 1 January 2015	<u>381</u>
At 31 December 2015	<u>217</u>
At 31 December 2016	<u>65</u>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2015 and 31 December 2015	1,277
Disposals	(87)
At 31 December 2016	<u>1,190</u>
<b>Accumulated amortisation</b>	
At 1 January 2015	1,188
Amortisation charge for the year	52
At 31 December 2015	1,240
Amortisation charge for the year	36
Disposals	(87)
At 31 December 2016	<u>1,189</u>
<b>Carrying amounts</b>	
At 1 January 2015	<u>89</u>
At 31 December 2015	<u>37</u>
At 31 December 2016	<u>1</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 6 INVESTMENTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Unquoted equity shares, at cost	<b>10,945</b>	10,945
Allowance for impairment	<b>(751)</b>	(751)
	<b><u>10,194</u></b>	<u>10,194</u>

During the year, the Group carried out a review of the recoverable amounts of its investment in subsidiaries in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on value in use. The estimate of value in use was determined using a pre-tax discount rate of 8.62% (2015: 8.02%).

Based on the assessment, no impairment loss was recognised.

Details of subsidiaries are as follows:

<b>Name of subsidiaries</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Effective equity held by the Group</b>	
			<b>2016</b>	2015
			%	%
AEM Singapore Pte. Ltd.* <sup>1</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	<b>100</b>	100
AEM Microtronics (M) Sdn. Bhd. <sup>3</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	<b>100</b>	100
AEM Platronics (S) Pte. Ltd. <sup>2</sup>	Inactive	Singapore	<b>100</b>	100
AEM Platronics (M) Sdn. Bhd. <sup>4</sup>	Inactive	Malaysia	<b>100</b>	100
Qualitek Electronics (M) Sdn. Bhd. <sup>4</sup>	Manufacturing of printed circuit boards	Malaysia	-#	100

# NOTES TO THE FINANCIAL STATEMENTS

## 6 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2016 %	2015 %
AEM (Suzhou) Co., Ltd. <sup>5</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components and provision of plating services	People's Republic of China	– <sup>#</sup>	100
AEM Microtronics (Suzhou) Co., Ltd. <sup>5</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	<b>100</b> <sup>^</sup>	–
AEM China (S) Pte. Ltd. <sup>2</sup>	Investment holding company	Singapore	<b>100</b>	100
AEM International (US) Ltd.	Engineering services	United States of America	<b>100</b>	100
Tianjin Ever Technologies Co., Ltd.	Inactive	People's Republic of China	<b>100</b>	100
Microcircuit Technology (M) Sdn. Bhd.	Inactive	Malaysia	– <sup>**</sup>	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 KPMG Singapore for Group consolidation purposes

3 Audited by other member firms of KPMG International

4 Audited by Ahmad Abdullah & Goh

5 Audited by Suzhou Deheng Certified Public Accountants

\* Significant subsidiary as defined under the Listing Manual of the Singapore Exchange.

# The Group has disposed Qualitek Electronics (M) Sdn. Bhd. and AEM (Suzhou) Co., Ltd. during the year.

^ In May 2016, the Group has incorporated AEM Microtronics (Suzhou) Co., Ltd.

\*\* The Group has liquidated Microcircuit Technology (M) Sdn. Bhd. during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unquoted shares, at cost	<b>4,499</b>	–	<b>4,667</b>	–

### Acquisition of equity-accounted investee

On 6 May 2016, the Group acquired 21.07% of the equity interests of Novoflex Pte Ltd (Novoflex) for a cash consideration of \$4,000,000. Subsequently on 20 July 2016, Novoflex acquired 100% of the shares in Smartflex Technology Pte Ltd (SFT) and Smartflex Innovation Pte Ltd (SFI) for a cash consideration of \$26,080,000. SFT is a leading outsourced assembly & test company for smart card modules used in banking while SFI 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. Management believes that the investment partnership can provide both immediate and long term benefits to the Group, including diversification of risk away from the cyclical semiconductor industry, lower business concentration with one key customer, earnings accretion, positive synergies with the Novoflex's holding companies, and complementary growth opportunities. On 9 December 2016, the Group subscribed to additional 666,667 shares in Novoflex for a cash consideration of \$666,667, increasing its shareholding interest from 21.07% to 21.19% of Novoflex's enlarged issued capital. Novoflex is equity-accounted.

The final allocation of the purchase price to the identifiable assets acquired and liabilities assumed in the business combination of SFT and SFI by Novoflex is currently being determined and has not been completed at the reporting date by management of Novoflex. In the meantime, the Group's share of provisional goodwill of \$198,000, which results from the difference between the purchase consideration and the adjusted carrying amounts of the assets and liabilities acquired, is included in the carrying amount of the investment. Novoflex has 12 months from the acquisition date to finalise the purchase price allocation.

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	
			2016 %	2015 %
Novoflex Pte Ltd <sup>1</sup>	Investment holding company with full control of SFT and SFI	Singapore	<b>21.2</b>	–

1 Audited by Ernst & Young Singapore

# NOTES TO THE FINANCIAL STATEMENTS

## 7 INVESTMENT IN AN ASSOCIATE (CONT'D)

The following summarises the financial information of the Group's material 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.

	2016 \$'000
Revenue	11,993
Loss after tax	(2,118)
<b>Total comprehensive loss</b>	<b>(2,118)</b>
Attributable to investee's shareholders	(2,118)
Non-current assets	25,165
Current assets	17,769
Non-current liabilities	(7,918)
Current liabilities	(13,796)
<b>Net assets</b>	<b>21,220</b>
Attributable to investee's shareholders	21,220
<b>Group's interest in net assets of investee at acquisition date</b>	<b>4,000</b>
Group's contribution during the year	667
Group's share of:	
– loss after tax	(449)
Total comprehensive loss	(449)
Translation adjustment	281
<b>Carrying amount of interest in investee at end of the year</b>	<b>4,499</b>

## 8 ASSETS HELD FOR SALE

	Group	
	2016 \$'000	2015 \$'000
Leasehold land	–	440
Leasehold building	–	2,111
	–	2,551

The Group entered into a sale and purchase agreement on 28 July 2015 to sell its leasehold land and building in Malaysia. These assets were reclassified from property, plant and equipment (note 4) and classified as assets held for sale as at 31 December 2015. The sale was subsequently completed in April 2016.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Raw materials	2,716	1,865
Work-in-progress	13,623	6,055
Finished goods	777	969
Goods in-transit	327	7
	<u>17,443</u>	<u>8,896</u>

In 2016, the reversal of inventories previously written down by the Group amounted to \$801,000 (2015: nil). There was no write-down of inventories to net realisable value in 2016 (2015: \$1,077,000). The write-down and reversal are included in the changes in inventories of finished goods and work-in-progress.

## 10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	15,345	9,285	-	-
Impairment losses	-	(246)	-	-
	<u>15,345</u>	<u>9,039</u>	<u>-</u>	<u>-</u>
Other receivables	2,168	1,052	3	14
Impairment losses	-	(79)	-	(11)
	<u>2,168</u>	<u>973</u>	<u>3</u>	<u>3</u>
Amounts due from subsidiaries:				
- trade, net of impairment losses of \$1,169,000 (2015: \$1,042,000)	-	-	3,417	2,928
- non-trade, net of impairment losses of nil (2015: \$20,112,000)	-	-	266	707
Deposits	179	241	65	105
	<u>17,692</u>	<u>10,253</u>	<u>3,751</u>	<u>3,743</u>
Prepayments	85	122	7	66
	<u>17,777</u>	<u>10,375</u>	<u>3,758</u>	<u>3,809</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 10 TRADE AND OTHER RECEIVABLES (CONT'D)

### Trade and other receivables

The Group's primary exposure to credit risk arises through its trade and other receivables. The Group utilises its historical experience in the collection of its receivables to estimate any impairment losses. Management believes that no additional credit risk beyond the impairment losses already provided for is inherent in the Group's trade and other receivables. The maximum exposure to credit risk for trade receivables of the Group as at 31 December 2016 for the top three customers is \$14,266,000 (2015: \$7,942,000).

The ageing of trade and other receivables (excluding deposits and prepayments) at the reporting date was:

	Impairment		Impairment	
	Gross	losses	Gross	losses
	2016	2016	2015	2015
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Not past due	15,917	-	9,567	-
Past due 0-30 days	1,225	-	195	-
Past due 31-120 days	238	-	195	-
Past due 121-365 days	133	-	66	11
More than one year	-	-	314	314
	<b>17,513</b>	<b>-</b>	<b>10,337</b>	<b>325</b>
<b>Company</b>				
Not past due	1,670	-	104	-
Past due 0-30 days	418	-	209	-
Past due 31-120 days	1,009	-	611	-
Past due 121-365 days	1,758	1,169	1,838	11
More than one year	-	-	22,030	21,143
	<b>4,855</b>	<b>1,169</b>	<b>24,792</b>	<b>21,154</b>

The receivables that are impaired are not secured by any collateral.

The movement in the allowance for impairment in respect of trade and other receivables (excluding deposits and prepayments) during the year was as follows:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	325	399	21,154	21,089
Impairment loss recognised	-	79	593	65
Effects from disposal of a subsidiary	(246)	(116)	-	-
Write-off	(80)	-	(20,578)	-
Translation on consolidation	1	(37)	-	-
Balance at 31 December	<b>-</b>	<b>325</b>	<b>1,169</b>	<b>21,154</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and in hand	6,310	7,908	914	2,045
Fixed deposits with banks	–	2,455	–	1,635
Cash and cash equivalents	<u>6,310</u>	<u>10,363</u>	<u>914</u>	<u>3,680</u>

As at 31 December 2016, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.02% (2015: 0.06%). Interest rates are repriced monthly.

## 12 SHARE CAPITAL

	Group and Company Number of Shares	
	Share Capital '000	Treasury Shares '000
<b>Issued and fully paid ordinary shares, with no par value:</b>		
At 1 January 2015	451,127	(7,650)
Issue of shares under Performance Share Plan	–	3,124
Number of shares before share consolidation*	451,127	(4,526)
Share consolidation*	(406,014)	4,073
Purchase of treasury shares	–	(299)
At 31 December 2015	45,113	(752)
Purchase of treasury shares	–	(1,596)
At 31 December 2016	<u>45,113</u>	<u>(2,348)</u>

\* On 26 May 2015, the Group completed a share consolidation of 10 existing issued ordinary shares into 1 ordinary share.

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, the Company purchased 1,596,000 (2015: 299,000) of its own shares from the open market and as at the end of 31 December 2016, the treasury shares balance was 2,348,000 (2015: 752,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 42,765,000 (2015: 44,361,000).

During the year, no shares were issued out of the treasury shares under the Performance Share Plan (2015: 3,124,000). There was no sale, transfer or cancellation of treasury shares during the year.

### 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 has set a maximum limit of 1:1 for its "total borrowings: net tangible assets" ratio. As at 31 December 2016, its "total borrowings: net tangible assets" ratio was 0.003 (2015: 0.010). Total borrowings comprise secured bank loans while net tangible asset is calculated as total equity less intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 SHARE CAPITAL (CONT'D)

### Capital management (Cont'd)

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.

## 13 RESERVES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Reserve for own shares	<b>(1,264)</b>	(489)	<b>(1,264)</b>	(489)
Capital reserve	<b>161</b>	214	–	–
Share compensation reserve	<b>759</b>	230	<b>759</b>	230
Currency translation reserve	<b>(11,004)</b>	(13,030)	–	–
	<b><u>(11,348)</u></b>	<u>(13,075)</u>	<b><u>(505)</u></b>	<u>(259)</u>

### Reserve for own shares

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

### Capital reserve

The capital reserve of the Group comprises accumulated profits transferred by a foreign subsidiary as required by local legislations and which can only be distributed upon approval by the relevant authorities.

### 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 and the translation of monetary items which form part of the Group's net investment in the foreign operations.



# NOTES TO THE FINANCIAL STATEMENTS

## 14 FINANCIAL LIABILITIES

	Group	
	2016	2015
	\$'000	\$'000
<b>Non-current liabilities</b>		
Finance lease liabilities	7	86
<b>Current liabilities</b>		
Finance lease liabilities	78	76
Total borrowings	<u>85</u>	<u>162</u>

### Maturity of liabilities:

	Group	
	2016	2015
	\$'000	\$'000
Within 1 year	78	76
After 1 year but within 5 years	7	86
	<u>85</u>	<u>162</u>

The finance lease liabilities are secured by a corporate guarantee from the Company and a fixed charge on the equipment being financed.

### Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2016		2015	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
<b>Group</b>						
Finance lease liabilities	3.1%	2018	<u>88</u>	<u>85</u>	<u>172</u>	<u>162</u>

The following are the contractual maturities of financial liabilities:

	<----- Cash flows ----->			
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>Group</b>				
<b>2016</b>				
Finance lease liabilities	85	(88)	(81)	(7)
Trade and other payables	16,713	(16,713)	(16,713)	-
Recognised financial liabilities	<u>16,798</u>	<u>(16,801)</u>	<u>(16,794)</u>	<u>(7)</u>
<b>2015</b>				
Finance lease liabilities	162	(172)	(82)	(90)
Trade and other payables	11,122	(11,122)	(11,122)	-
Recognised financial liabilities	<u>11,284</u>	<u>(11,294)</u>	<u>(11,204)</u>	<u>(90)</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 14 FINANCIAL LIABILITIES (CONT'D)

### Terms and debt repayment schedule (Cont'd)

	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>Company</b>				
<b>2016</b>				
Trade and other payables	1,149	(1,149)	(1,149)	-
Recognised financial liabilities	1,149	(1,149)	(1,149)	-
Intragroup financial guarantee	-	(222)	(222)	-
	<b>1,149</b>	<b>(1,371)</b>	<b>(1,371)</b>	<b>-</b>
<b>2015</b>				
Trade and other payables	1,235	(1,235)	(1,235)	-
Recognised financial liabilities	1,235	(1,235)	(1,235)	-
Intragroup financial guarantee	-	(227)	(227)	-
	<b>1,235</b>	<b>(1,462)</b>	<b>(1,462)</b>	<b>-</b>

## 15 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	13,135	7,453	-	-
Accrued operating expenses	2,827	2,728	1,024	1,012
Deposits received	332	302	-	-
Other payables	419	639	125	223
	<b>16,713</b>	<b>11,122</b>	<b>1,149</b>	<b>1,235</b>

Accrued operating expenses include a provision for sales rebate of \$435,000 (2015: \$426,000) relating to the final cash settlement with a customer for products dispute in 2010.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 16 DEFERRED TAX

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

	At 1 January 2015 \$'000	Recognised in profit or loss (Note 22) \$'000	Translation adjustment \$'000	At 31 December 2015 \$'000	Recognised in profit or loss (Note 22) \$'000	Translation adjustment \$'000	At 31 December 2016 \$'000
<b>Group</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	-	-	78	78	-	(2)	76
Provisions	(24)	-	3	(21)	-	1	(20)
Others	73	-	(87)	(14)	-	-	(14)
	<u>49</u>	<u>-</u>	<u>(6)</u>	<u>43</u>	<u>-</u>	<u>(1)</u>	<u>42</u>
<b>Deferred tax assets</b>							
Property, plant and equipment	(124)	119	(8)	(13)	(20)	1	(32)
Provisions	(73)	1	(3)	(75)	29	2	(44)
Tax loss carry-forward	(1,599)	663	(91)	(1,027)	1,027	-	-
	<u>(1,796)</u>	<u>783</u>	<u>(102)</u>	<u>(1,115)</u>	<u>1,036</u>	<u>3</u>	<u>(76)</u>
<b>Company</b>							
<b>Deferred tax assets</b>							
Property, plant and equipment	(2)	-	-	(2)	1	-	(1)
Provisions	(40)	-	-	(40)	37	-	(3)
Tax loss carry-forward	(286)	-	-	(286)	286	-	-
	<u>(328)</u>	<u>-</u>	<u>-</u>	<u>(328)</u>	<u>324</u>	<u>-</u>	<u>(4)</u>

Deferred tax assets recognised in relation to tax losses carry-forward were related to the Company and a subsidiary which suffered losses in prior years. The deferred tax assets were subsequently utilised against current year taxable profits.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax liabilities	42	43	-	-
Deferred tax assets	<u>(76)</u>	<u>(1,115)</u>	<u>(4)</u>	<u>(328)</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 PROVISIONS

<b>Group</b>	<b>Warranties \$'000</b>	<b>Site restoration \$'000</b>
At 1 January 2015	199	–
Provisions (reversed)/made	(4)	248
Translation adjustment	15	–
Unwind of discount	–	13
At 31 December 2015	210	261
Provisions made	29	–
Translation adjustment	4	5
Unwind of discount	–	14
At 31 December 2016	<b>243</b>	<b>280</b>

	<b>Group 2016 \$'000</b>	2015 \$'000
Non-current	<b>280</b>	261
Current	<b>243</b>	210
	<b>523</b>	471

<b>Company</b>	<b>Site restoration \$'000</b>
At 1 January 2015	–
Provisions made	15
Unwind of discount	1
At 31 December 2015	16
Unwind of discount	1
At 31 December 2016	<b>17</b>

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

A 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 SHARE-BASED PAYMENT

### Employee 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 13 April 2015. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Loke Wai San (Chairman)
- Basil Chan
- Keith Toh Hsiang Wen

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 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 third 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) 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.
- (v) 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 18 SHARE-BASED PAYMENT (CONT'D)

### Employee share options (Cont'd)

As at the end of financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

Date of grant options	Exercise price	Options outstanding at 1/1/2016	Number of share options						Options exercisable at date of grant	Market price of shares at date of grant	Exercise period	
			Options exercised	Options cancelled/lapsed	Options outstanding at 31/12/2016	Options exercisable 1/1/2016	Options exercisable 31/12/2016	Options exercisable '000				
Tranche 1	\$0.486	-	-	-	109	-	-	-	-	-	\$0.130	12/5/2017 to 13/5/2019
Tranche 2	\$0.486	-	-	-	109	-	-	-	-	-	\$0.140	12/5/2017 to 13/5/2020
Tranche 3	\$0.486	-	-	-	109	-	-	-	-	-	\$0.160	12/5/2017 to 13/5/2021
		-	-	-	327	-	-	327	-	-		

There were 327,000 options outstanding as at 31 December 2016 (2015: nil). These options outstanding have an exercise price of \$0.486 and were not exercisable as at year end.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 SHARE-BASED PAYMENT (CONT'D)

### Employee share options (Cont'd)

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

	<b>Weighted average exercise price 2016 \$</b>	<b>No. of options 2016 '000</b>
Outstanding at 1 January	-	-
Granted during the year	<b>0.486</b>	<b>327</b>
Outstanding at 31 December	<b>0.486</b>	<b>327</b>
Exercisable at 31 December	-	-

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:

	<b>2016</b>		
	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Tranche 3</b>
Fair value at grant date	<b>\$0.130</b>	<b>\$0.140</b>	<b>\$0.160</b>
Share price at grant date	<b>\$0.500</b>	<b>\$0.500</b>	<b>\$0.500</b>
Exercise price	<b>\$0.486</b>	<b>\$0.486</b>	<b>\$0.486</b>
Expected volatility (weighted average)	<b>36%</b>	<b>36%</b>	<b>36%</b>
Expected life (weighted average)	<b>3</b>	<b>4</b>	<b>5</b>
Expected dividends	<b>\$0.010</b>	<b>\$0.010</b>	<b>\$0.010</b>
Risk-free interest rate (based on government bonds)	<b>1.208</b>	<b>1.385</b>	<b>1.563</b>

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. In 2016, the Group recognised \$29,000 (2015: nil) expenses for share options granted.

### Performance Share Plan

The performance share plan ("the Plan") 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 achievement.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 18 SHARE-BASED PAYMENT (CONT'D)

### Performance Share Plan (Cont'd)

During the year, the Group recognised \$500,000 (2015: nil) performance share expenses for 597,000 (2015: 3,124,000) performance shares granted subsequent to reporting date to certain key management personnel. The fair value of the shares was \$0.860 (2015: \$0.091) per share, based on the closing share price of the Company at the reporting date.

	Group	
	2016 \$'000	2015 \$'000
<b>Share compensation reserve</b>		
At 1 January	230	230
Issue of shares options	29	–
Performance shares	500	–
	<u>759</u>	<u>230</u>

## 19 REVENUE

	Continuing operations		Discontinued operations (Note 29)		Consolidated	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
Sale of goods	65,322	45,983	30	814	65,352	46,797
Revenue from services rendered	4,801	814	–	–	4,801	814
	<u>70,123</u>	<u>46,797</u>	<u>30</u>	<u>814</u>	<u>70,153</u>	<u>47,611</u>

\* See note 29

## 20 NET FINANCE (COSTS)/INCOME

	Group	
	2016 \$'000	2015 \$'000
Interest income on fixed deposits	16	54
Other interest income	–	4
Finance income	<u>16</u>	<u>58</u>
Interest expense on finance lease liabilities	(7)	(12)
Interest expense on secured bank loan	–	(2)
Unwind of discount on site restoration provision	(14)	(13)
Finance costs	<u>(21)</u>	<u>(27)</u>
Net finance (costs)/income	<u>(5)</u>	<u>31</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 21 PROFIT FOR THE YEAR

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

	2016 \$'000	2015 \$'000 Restated*
<b>Continuing operations</b>		
Audit fees paid/payable to:		
– auditors of the Company	170	146
– other auditors	20	17
Non-audit fees paid/payable to:		
– auditors of the Company	16	17
– other auditors	–	3
(Reversal of)/allowance made for stock obsolescence	(696)	1,077
Reversal of provision for sales rebates	–	(2,034)
Contributions to defined contribution plans included in staff costs	1,267	1,146
Directors' fees	325	352
Equity-settled share-based payment expenses	529	283
Foreign exchange loss/(gain)	347	(741)
Loss/(gain) on disposal of property, plant and equipment	8	(15)
(Gain)/loss on liquidation of a subsidiary	(15)	512
Loss on disposal of subsidiaries	463	–
(Reversal of)/provision for impairment loss on property, plant and equipment	(213)	213
Reversal of impairment loss on assets held for sale	–	(597)
Operating lease expense	1,591	1,923
Provision made/(reversed) for warranties	29	(4)
Rental income	(17)	(295)
Research and development costs included in staff costs, materials, overheads and depreciation expense	3,025	2,946
Provision for impairment loss on trade and other receivables	–	79
<b>Discontinued operations</b>		
(Reversal of)/allowance made for stock obsolescence	(105)	–
Contributions to defined contribution plans included in staff costs	9	76
Loss on disposal of property, plant and equipment	–	3
Operating lease expense	4	36

\* See note 29

# NOTES TO THE FINANCIAL STATEMENTS

## 22 TAX EXPENSE/(CREDIT)

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
		Restated*
<b>Current tax expense/(credit)</b>		
Current year	<b>370</b>	–
Over provision in prior years	<b>(81)</b>	(2,591)
	<b>289</b>	(2,591)
<b>Deferred tax expense</b>		
Recognition of tax effect of previously unrecognised tax losses	–	(461)
Change in unrecognised temporary differences	–	475
Origination and reversal of temporary differences	<b>757</b>	769
Under provision in prior years	<b>279</b>	–
	<b>1,036</b>	783
Total tax expense/(credit)	<b>1,325</b>	(1,808)
<b>Reconciliation of effective tax rate</b>		
Profit before tax from continuing operations	<b>6,091</b>	4,868
Income tax using Singapore tax rate of 17%	<b>1,035</b>	828
Effect of different tax rates in other countries	<b>(68)</b>	(29)
Effect of results from equity-accounted investee presented net of tax	<b>76</b>	–
Tax exempt income	<b>(75)</b>	–
Tax incentives	<b>(777)</b>	(439)
Expenses not deductible for tax purposes	<b>96</b>	124
Under/(over) provision in prior years	<b>198</b>	(2,591)
Change in unrecognised temporary differences	–	475
Current year losses for which no deferred tax asset was recognised	<b>222</b>	216
Recognition of tax effect of previously unrecognised tax losses	–	(461)
Others	<b>618</b>	69
	<b>1,325</b>	(1,808)

\* See note 29

## 23 EARNINGS PER SHARE

The calculation of basic earnings per share was based on net profit attributable to ordinary shareholders of profit \$4,657,000 (2015: \$5,782,000) and the weighted average of 43,588,000 (2015: 44,514,000) shares outstanding during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 23 EARNINGS PER SHARE (CONT'D)

The diluted earnings per share is based on net profit attributable to ordinary shareholders of profit \$4,657,000 (2015: \$5,782,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 43,797,000 (2015: 44,514,000) calculated as follows:

	Group					
	2016		Total \$'000	2015		Total \$'000
	Continuing operations \$'000	Discontinued operation \$'000		Continuing operations \$'000	Discontinued operation \$'000	
Basic and diluted earnings per share is based on: Profit attributable to ordinary shareholders	<u>4,766</u>	<u>(109)</u>	<u>4,657</u>	<u>6,676</u>	<u>(894)</u>	<u>5,782</u>

### Weighted average number of ordinary shares

	Group	
	2016 '000	2015 '000
Issued ordinary shares at 1 January (excluding treasury shares)	44,361	443,477
Effect of performance shares issued	–	2,097
Before share consolidation*	44,361	445,574
Share Consolidation*	–	(401,017)
Effect of own shares held	<u>(773)</u>	<u>(43)</u>
Weighted average number of ordinary shares (basic) during the year	<u>43,588</u>	<u>44,514</u>

\* On 26 May 2015, the Group completed a share consolidation of 10 existing issued ordinary shares into 1 ordinary share.

### Weighted average number of ordinary shares (diluted)

	Group	
	2016 '000	2015 '000
Weighted average number of ordinary shares (basic)	43,588	44,514
Effect of share options on issue	<u>209</u>	–
Weighted average number of ordinary shares (diluted) during the year	<u>43,797</u>	<u>44,514</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 24 COMMITMENTS

### Operating lease commitments

At 31 December 2016, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Payable:		
– Within 1 year	<b>1,883</b>	1,517
– After 1 year but within 5 years	<b>3,783</b>	4,000
	<b><u>5,666</u></b>	<u>5,517</u>

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.

### Sub-lease receivables

At 31 December 2016, the Group has sub-lease income receivable under non-cancellable operating leases as follows:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Receivable:		
– Within 1 year	<b>10</b>	–
– After 1 year but within 5 years	<b>2</b>	–
	<b><u>12</u></b>	<u>–</u>

### Capital commitments

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Authorised and contracted for	<b><u>–</u></b>	<u>199</u>

As at 31 December 2016, the Group has not entered into contracts to purchase plant and equipment (2015: \$199,000).

# NOTES TO THE FINANCIAL STATEMENTS

## 25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Advisory fee paid to a private equity firm of which a director is a partner	<b>96</b>	96

Key management personnel compensation comprised:

	<b>Group</b>	
	<b>2016</b>	2015
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>2,201</b>	1,811
Post-employment benefits	<b>162</b>	133
	<b>2,363</b>	1,944

## 26 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.
- Precision component solutions (PCS)
 

Designing, developing and manufacturing precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.
- Plating & chemicals (PLT)
 

Developing processes and associated chemical product formulations for surface finishing in the electronics industry, this segment was sold in February 2016 (see note 29).
- 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 SEGMENT INFORMATION (CONT'D)

Information about reportable segments:

	ESS	PCS	Others	PLT (Discontinued)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2016</b>					
Revenue	<b>64,436</b>	<b>5,687</b>	<b>-</b>	<b>30</b>	<b>70,153</b>
Depreciation and amortisation	<b>(752)</b>	<b>(66)</b>	<b>-</b>	<b>(37)</b>	<b>(855)</b>
Finance income	<b>12</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>16</b>
Finance costs	<b>(19)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(21)</b>
Tax expense	<b>(1,218)</b>	<b>(107)</b>	<b>-</b>	<b>-</b>	<b>(1,325)</b>
Share of loss of equity-accounted investee	<b>-</b>	<b>-</b>	<b>(449)</b>	<b>-</b>	<b>(449)</b>
Profit/(loss) for the year	<b>5,870</b>	<b>(641)</b>	<b>(463)</b>	<b>(109)</b>	<b>4,657</b>
Reportable segment assets	<b>43,451</b>	<b>4,945</b>	<b>-</b>	<b>-</b>	<b>48,396</b>
Reportable segment liabilities	<b>16,125</b>	<b>2,043</b>	<b>-</b>	<b>-</b>	<b>18,168</b>
<b>Other segment information</b>					
Equity-accounted investee	<b>-</b>	<b>-</b>	<b>4,499</b>	<b>-</b>	<b>4,499</b>
Expenditure for non-current assets	<b>390</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>605</b>
Other material non-cash items:					
Loss on disposal/liquidation of subsidiaries	<b>-</b>	<b>-</b>	<b>(448)</b>	<b>-</b>	<b>(448)</b>
Reversal of allowance made for stock obsolescence	<b>396</b>	<b>300</b>	<b>-</b>	<b>105</b>	<b>801</b>
Reversal of impairment loss on plant and equipment	<b>-</b>	<b>213</b>	<b>-</b>	<b>-</b>	<b>213</b>
	ESS	PCS	Others	PLT	Total
	\$'000	\$'000	\$'000	(Discontinued)	\$'000
			Restated*	Restated*	\$'000
<b>2015</b>					
Revenue	<b>41,030</b>	<b>5,767</b>	<b>-</b>	<b>814</b>	<b>47,611</b>
Depreciation and amortisation	<b>(572)</b>	<b>(375)</b>	<b>(135)</b>	<b>(180)</b>	<b>(1,262)</b>
Finance income	<b>4</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>58</b>
Finance costs	<b>(15)</b>	<b>-</b>	<b>(12)</b>	<b>-</b>	<b>(27)</b>
Tax credit/(expense)	<b>1,809</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>1,808</b>
Profit/(loss) for the year	<b>5,939</b>	<b>(931)</b>	<b>1,668</b>	<b>(894)</b>	<b>5,782</b>
Reportable segment assets	<b>23,412</b>	<b>4,782</b>	<b>7,426</b>	<b>1,133</b>	<b>36,753</b>
Reportable segment liabilities	<b>8,252</b>	<b>1,992</b>	<b>2,007</b>	<b>-</b>	<b>12,251</b>
<b>Other segment information</b>					
Expenditure for non-current assets	<b>35</b>	<b>14</b>	<b>-</b>	<b>554</b>	<b>603</b>
Other material non-cash items:					
Loss on liquidation of a dormant subsidiary	<b>-</b>	<b>-</b>	<b>(512)</b>	<b>-</b>	<b>(512)</b>
Impairment loss on trade receivables	<b>(65)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(67)</b>
Allowance made for stock obsolescence	<b>(882)</b>	<b>(195)</b>	<b>-</b>	<b>-</b>	<b>(1,077)</b>
Impairment loss on plant and equipment	<b>-</b>	<b>(213)</b>	<b>-</b>	<b>-</b>	<b>(213)</b>
Reversal of impairment loss on assets held for sale	<b>-</b>	<b>-</b>	<b>597</b>	<b>-</b>	<b>597</b>
Reversal of provision for sales rebates	<b>-</b>	<b>-</b>	<b>2,034</b>	<b>-</b>	<b>2,034</b>

\* See note 29

# NOTES TO THE FINANCIAL STATEMENTS

## 26 SEGMENT INFORMATION (CONT'D)

### 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.

	2016		2015	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000 Restated*	Non-current assets \$'000
Singapore	2,258	6,127	1,773	2,835
Malaysia	20,501	510	8,014	599
China	3,851	229	3,705	1,134
USA	23,193	-	29,980	-
Vietnam	18,846	-	2,053	-
Other countries	1,474	-	1,272	-
	<b>70,123</b>	<b>6,866</b>	46,797	4,568

\* See note 29

### Major customers

Revenues from major customers of the Group accounting for 10% or more of the Group's revenues are as follows:

	ESS		PCS	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Customer A	<b>54,995</b>	38,328	<b>189</b>	197

## 27 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 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 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 Committee.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### **Credit risk (Cont'd)**

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.

At the reporting date, three major customers accounted for 93% (2015: 86%) of total trade receivables of the Group. There is no other concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The allowance account in respect of trade receivables is used to record impairment losses when the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the financial asset.

### **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.

### **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.

### **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.



# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Market risk (Cont'd)

#### Foreign currency risk (Cont'd)

(b) Foreign currency risk of the Group and Company

The Group's and Company's primary exposure to foreign currency risks are as follows:

Group	31 December 2016		31 December 2015	
	SGD \$'000	USD \$'000	SGD \$'000	USD \$'000
Trade and other receivables	4,664	42	2,490	49
Cash and cash equivalents	930	589	1,452	3,146
Trade and other payables	(4,123)	(36)	(3,868)	(20)
	<u>1,471</u>	<u>595</u>	<u>74</u>	<u>3,175</u>
<b>Company</b>				
Cash and cash equivalents	<u>-</u>	<u>439</u>	<u>-</u>	<u>2,472</u>

#### 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 2015.

	Group Profit or loss		Company Profit or loss	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
SGD	(147)	(7)	-	-
USD	<u>(60)</u>	<u>(318)</u>	<u>(44)</u>	<u>(247)</u>

A 10% weakening of the SGD 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 FINANCIAL RISK MANAGEMENT (CONT'D)

### Market risk (Cont'd)

#### Foreign currency risk (Cont'd)

(c) Translation risk arising from reporting of Group consolidated results in SGD (Cont'd)

The Group's exposure to foreign currency translation risk was as follows:

	31 December 2016			31 December 2015		
	USD \$'000	MYR \$'000	RMB \$'000	USD \$'000	MYR \$'000	RMB \$'000
<b>Group</b>						
Net assets	<u>24,445</u>	<u>794</u>	<u>1,127</u>	<u>16,054</u>	<u>3,963</u>	<u>1,892</u>

#### Sensitivity analysis

A 10% strengthening of the Group's major functional currencies 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 2015.

	31 December 2016 \$'000	31 December 2015 \$'000
<b>Group</b>		
USD (10% strengthening)	(2,445)	(1,605)
MYR (10% strengthening)	(79)	(396)
RMB (10% strengthening)	<u>(113)</u>	<u>(189)</u>

### Estimation of fair value

#### Financial assets and liabilities

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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 assets \$'000	Gross amounts of recognised financial liabilities offset in the statement of financial position \$'000	Net amounts of financial assets presented in the statement of financial position \$'000
<b>Company</b>			
<b>31 December 2016</b>			
<b>Financial assets</b>			
Amounts due from subsidiaries:			
– trade	3,417	–	3,417
– non-trade	281	(15)	266
Total	<u>3,698</u>	<u>(15)</u>	<u>3,683</u>
<b>31 December 2015</b>			
<b>Financial assets</b>			
Amounts due from subsidiaries:			
– trade	2,931	(3)	2,928
– non-trade	1,009	(302)	707
Total	<u>3,940</u>	<u>(305)</u>	<u>3,635</u>

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.

The amounts in the above tables that are offset in the statements of financial position are measured on the same basis.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The table below reconciles the 'Net amounts of financial assets and financial liabilities presented in the statement of financial position', as set out above, to the line items presented in the statements of financial position.

### Company

#### 31 December 2016

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Amounts due from subsidiaries:		Current trade and other receivables			
– trade	3,417		3,758	75	10
– non-trade	266				

#### 31 December 2015

Types of financial assets	Net amounts \$'000	Line item in statement of financial position	Carrying amount in statement of financial position \$'000	Financial assets not in scope of offsetting disclosures \$'000	Note
Amounts due from subsidiaries:		Current trade and other receivables			
– trade	2,928		3,809	174	10
– non-trade	707				

# NOTES TO THE FINANCIAL STATEMENTS

## 29 DISCONTINUED OPERATIONS

In March 2016, the Group sold its interest in AEM (Suzhou) Co. Ltd. (ASZ). The results from ASZ were not previously presented as a discontinued operation or classified as held for sale as at 31 December 2015 and thus the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this subsidiary in 2015 following the continuing losses made by the subsidiary in prior years. Despite not meeting the criteria for discontinued operation as it is not a major line of business or geographical area of operations, management has voluntarily presented the disposal of ASZ as discontinued operation.

	Note	Group 2016 \$'000	Group 2015 \$'000
<b>Results of discontinued operation</b>			
Revenue		30	814
Expenses		<u>(139)</u>	<u>(1,708)</u>
<b>Loss from operating activities</b>		<b>(109)</b>	<b>(894)</b>
Tax		<u>-</u>	<u>-</u>
<b>Loss from operating activities, net of tax</b>		<b>(109)</b>	<b>(894)</b>
<b>Loss for the year</b>		<b>(109)</b>	<b>(894)</b>
Basic loss per share (cents)	23	<b>(0.25)</b>	<b>(2.01)</b>
Diluted loss per share (cents)	23	<b>(0.25)</b>	<b>(2.01)</b>

\$109,000 (2015: \$894,000) of the loss from discontinued operations was attributable to the owners of the Company.

\$4,766,000 (2015: \$6,676,000) of profit from continuing operations was attributable to the owners of the Company.

	Group 2016 \$'000	Group 2015 \$'000
<b>Cash flows from discontinued operation</b>		
Net cash used in operating activities	(116)	(686)
Net cash used in investing activities	(7)	(560)
Effect of exchange rate fluctuations on cash held	<u>80</u>	<u>(18)</u>
Net cash outflow for the year	<b>(43)</b>	<b>(1,264)</b>

### Effect of disposal on the financial position of the Group

	Group 2016 \$'000
Property, plant and equipment	1,029
Inventories	<u>104</u>
<b>Net assets and liabilities</b>	<b>1,133</b>
Foreign currency translation differences	<u>1,001</u>
<b>Group's share of net assets and liabilities</b>	<b>2,134</b>
Loss on disposal of a subsidiary	<u>(783)</u>
Consideration received, satisfied in cash	<b>1,351</b>
Cash proceeds from disposal	
Consideration received, satisfied in cash	<u>1,351</u>
<b>Net cash inflow</b>	<b>1,351</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 30 SUBSEQUENT EVENTS

- (a) The Board of Directors of the Group has recommended a first and final tax exempt one-tier dividend of 1.3 cent per share for the year. The total amount of dividends expected to be paid is \$834,000. The dividends will be paid on 31 May 2017 upon approval.
- (b) On 23 February 2017, the Board of Directors has announced to undertake a bonus issue of new ordinary shares for the purpose of encouraging trading liquidity of the shares and to give due recognition to shareholders for their continuing support for the Company. The proposed bonus issue is subject to the receipt of the approval-in-principle by the Singapore Exchange Securities Trading Limited for the dealing in, listing of and quotation for the bonus shares on the Official List of the Main Board of the SGX-ST.
- (c) On 27 February 2017, the Board of Directors announced the grants of 540,000 shares and 597,000 shares under the Employee Share Option Scheme and Performance Share Plan respectively as a reward to certain key management personnel for target performance achieved in FY2016. The corresponding employee expenses for the Performance Share Plan have been recognised in 2016. The share options have an exercise price of \$1.18 and is exercisable after one year from the date of acceptance of the share options grant. The share price on the date of grant was \$1.19.

# INFORMATION ON SHAREHOLDINGS

## Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	67	2.74%	2,534	0.01%
100 – 1,000	730	29.87%	552,141	1.27%
1,001 – 10,000	1,301	53.23%	5,349,350	12.36%
10,001 – 1,000,000	342	13.99%	19,299,653	44.59%
1,000,001 AND ABOVE	4	0.17%	18,080,830	41.77%
	<u>2,444</u>	<u>100%</u>	<u>43,284,508</u>	<u>100%</u>

Number of issued shares	:	45,112,629
Number of issued shares (excluding treasury shares)	:	43,284,508
Number/Percentage of Treasury Shares	:	1,828,121
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 10 March 2017, approximately 70.62% 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 complied with.

## Top Twenty Shareholders as at 10 March 2017

S/No.	Name	No. of Shares	Percentage
1	CIMB SECURITIES (SINGAPORE) PTE LTD	12,615,730	29.15%
2	MAYBANK KIM ENG SECURITIES PTE LTD	2,342,100	5.41%
3	POH BOON KHER MELVIN (FU WENKE MELVIN)	2,000,000	4.62%
4	DBS NOMINEES PTE LTD	1,123,000	2.59%
5	OPTIMUS CAPITAL INTERNATIONAL LIMITED	1,000,000	2.31%
6	CHOK YEAN HUNG	719,800	1.66%
7	SOH CHOOI LAI	700,600	1.62%
8	OCBC SECURITIES PRIVATE LTD	657,534	1.52%
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	610,680	1.41%
10	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	520,100	1.20%
11	GORDON CAI ZHEN QIANG	460,000	1.06%
12	CHER LEW SIANG CHARLES	402,379	0.93%
13	DBSN SERVICES PTE LTD	362,500	0.84%
14	RAFFLES NOMINEES (PTE) LIMITED	329,900	0.76%
15	ONG ENG BOON	310,000	0.72%
16	LEE DAH KHANG	302,500	0.70%
17	ONG WAI MENG	300,000	0.69%
18	GOH GEOK LING	289,400	0.67%
19	YEO WEI HUANG	255,000	0.59%
20	KOH PECK HOON	230,000	0.53%
		<u>25,531,223</u>	<u>58.98%</u>

# INFORMATION ON SHAREHOLDINGS

## Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of Shareholders	Direct Int	No of Shares		%
		%	Deemed Int	
Orion Phoenix <sup>(1)</sup>	12,214,102	28.22	–	–
Novo Tellus PE Fund 1, L.P. <sup>(2)</sup>	–	–	12,214,102	28.22

(1) CIMB Securities (Singapore) Pte Ltd is nominee for Orion Pheonix and holds the shares as a bare trustee.

(2) Novo Tellus PE Fund 1, L.P. ("NTPF1"), an exempted limited partnership organized under the laws of the Cayman Islands, is the sole member of Orion Phoenix. NTPF1 is managed by New Earth Group, the general partner for NTPF1. The substantial interest holders of NTPF1 are Toh Ban Leng, James, ACT Holdings Pte. Ltd., Emerging Markets Private Equity Fund, L.P., and Munich Investment Group Inc.



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2017 Annual General Meeting of the Company will be at 8 Wilkie Road #03-08 Wilkie Edge Singapore 228095 on Thursday, 27 April 2017 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 2016 with the Auditors' Report thereon.   | Resolution 1 |
| 2. | To declare a final exempt (one-tier) dividend of S\$0.013 per ordinary share for the year ended 31 December 2016.   | Resolution 2 |
| 3. | To re-elect the following Director retiring pursuant to the Company's Constitution:<br><br>Mr Loke Wai San (Article 103)  | Resolution 3 |
| 4. | To re-elect the following Director retiring pursuant to the Company's Constitution:<br><br>Mr Toh Hsiang-Wen Keith (Article 103)  | Resolution 4 |
|    | Note: Mr Toh Hsiang-Wen Keith shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees. Mr Toh Hsiang-Wen Keith 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 \$239,000 for the financial year ending 31 December 2017, 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. | <b>Proposed Share Issue Mandate</b>   | Resolution 7  |
|    | "That pursuant to Section 161 of the Companies Act, Cap. 50. and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to: |   |
|    | (a)   |   |
|    | (i)   | issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or   |
|    | (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

# NOTICE OF ANNUAL GENERAL MEETING

- (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) 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 twenty per centum (20%) of the total number of issued shares (excluding treasury shares) 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) shall be based on the total number of issued shares (excluding treasury shares) 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 Manual 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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is earlier.

[See Explanatory Note (i)]

8. **Grant of options and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014** 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

# NOTICE OF ANNUAL GENERAL MEETING

- (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;

provided that the aggregate number of shares to be issued and allotted pursuant to the AEM Holdings Employee Share Option Scheme 2014 shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares 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”);

- (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; and
  - (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.

# NOTICE OF ANNUAL GENERAL MEETING

In this Resolution:

“Maximum Limit” means that number of issued Shares representing ten per cent (10%) of the issued ordinary share capital 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 cent (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 cent (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

“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 Annual General Meeting of the Company, or the date by which the next Annual General Meeting 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) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

# NOTICE OF ANNUAL GENERAL MEETING

- (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. 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, provided that the aggregate number of shares to be issued and allotted shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares 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 Annual General Meeting, or the date by which the next Annual General Meeting 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 ten per cent (10%) of the issued shares 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 5 April 2017.

## NOTICE OF BOOK CLOSURE

**NOTICE IS HEREBY GIVEN** that the Register of Members and Share Transfer Books of AEM Holdings Ltd. (the "Company") will be closed on 23 May 2017 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of S\$0.013 per ordinary share in respect of the financial year ended 31 December 2016 ("Proposed Final Dividend"). The Proposed Final Dividend, if approved by shareholders at the 2017 Annual General Meeting, will be paid on 31 May 2017.

Duly completed transfers received by the Company's Share Registrar, Intertrust Singapore Corporate Services Pte Ltd at 3 Anson Road #27-01 Singapore 079909 up to the close of business at 5:00 p.m. on 22 May 2017 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 22 May 2017 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  
Company Secretary

Date: 5 April 2017

# NOTICE OF ANNUAL GENERAL MEETING

## Notes:

- (a) A member entitled to attend and vote at a general meeting is entitled to appoint no 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 48 hours before the meeting.
- (d) A proxy need not be a member of the Company.

## 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.

## AEM HOLDINGS LTD.

Registration Number: 200006417D  
(Incorporated in the Republic of Singapore)

## PROXY FORM

### 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 shares in 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.

I/We \_\_\_\_\_ NRIC/Passport No./Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member(s) of AEM HOLDINGS LTD. (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2017 Annual General Meeting of the Company to be held at 8 Wilkie Road #03-08 Wilkie Edge Singapore 228095 on Thursday, 27 April 2017 at 3:00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Statement and Audited Accounts for the year ended 31 December 2016		
2	Approval of Final Dividend		
3	Re-election of Mr Loke Wai San as Director		
4	Re-election of Mr Toh Hsiang-Wen Keith as Director		
5	Approval of Directors' fees for the year ending 31 December 2017		
6	Re-appointment of KPMG LLP as Auditors		
7	Proposed Share Issue Mandate		
8	Grant of options and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014		
9	Share Purchase Mandate Renewal		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

\_\_\_\_\_  
Signature(s) of member(s) or common seal

**Total number of Shares held**

**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 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member 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 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.
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 later than 48 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 authorized 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.
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. 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 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 members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2017.



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive:

Loke Wai San  
*Chairman & Non-Executive Director*

Basil Chan  
*Independent Director*

Keith Toh Hsiang-Wen  
*Independent Director*

### Executive:

Charles Cher Lew Siang  
*Chief Executive Officer*

## AUDIT COMMITTEE

Basil Chan (*Chairman*)  
Loke Wai San  
Keith Toh Hsiang-Wen

## REMUNERATION COMMITTEE

Loke Wai San (*Chairman*)  
Basil Chan  
Keith Toh Hsiang-Wen

## NOMINATING COMMITTEE

Keith Toh Hsiang-Wen (*Chairman*)  
Basil Chan  
Loke Wai San

## COMPANY SECRETARY

Soh Wai Kong

## REGISTERED OFFICE

52 Serangoon North Avenue 4  
Singapore 555853  
Tel: (65) 6483 1811  
Fax: (65) 6483 1822  
Website: <http://www.aem.com.sg>

## SHARE REGISTRAR

Intertrust Singapore Corporate Services Pte Ltd  
3 Anson Road #27-01  
Springleaf Tower  
Singapore 079909

## AUDITORS

KPMG LLP  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

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

## PRINCIPAL BANKERS

Malayan Banking Berhad  
200 Jalan Sultan  
#01-02 Textile Centre  
Singapore 199018

United Overseas Bank Limited  
80 Raffles Place  
UOB Plaza 1  
Singapore 048624

DBS Bank  
6 Shenton Way  
DBS Building Tower One  
Singapore 068809

Standard Chartered Bank  
6 Battery Road  
Singapore 049909



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[www.aem.com.sg](http://www.aem.com.sg)

Registration No. 200006417D