AEM Holdings Ltd.
Annual Report 2023

LEADER IN HIGH-PERFORMANCE PROCESSOR TESTING FOR THE AI ERA

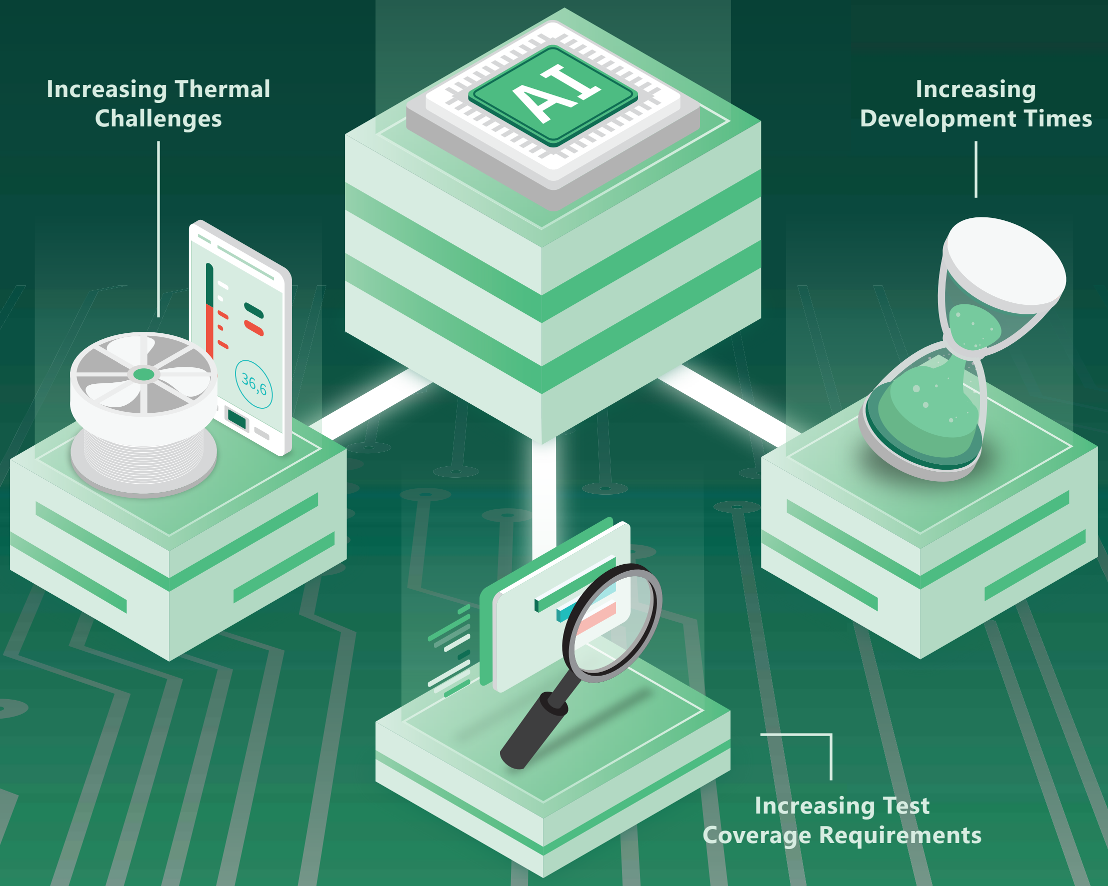
With the rise of artificial intelligence (AI), the demand for powerful AI chips continues to surge, helping drive the industry to a trillion dollars.

AI chips set a new paradigm in advanced packaging, high power thermal requirements and demanding test coverage.

AEM is an industry leader in Active Thermal Control technology.

Our common active thermal collaterals are integrated into various test insertion solutions, ranging from engineering lab to high-volume manufacturing, to enable rapid time-to-market and yield improvements.

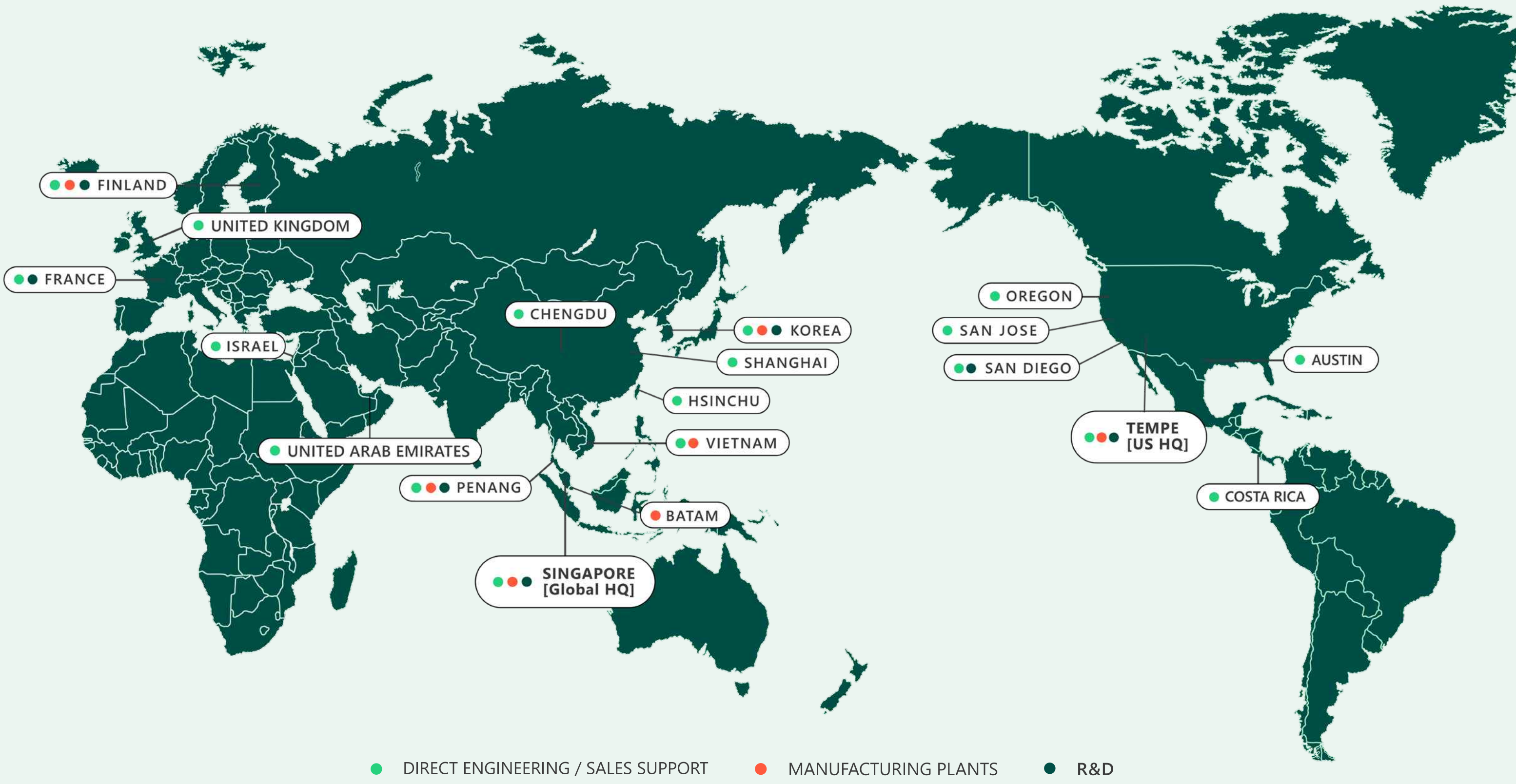
As leaders in thermal, high-power, and highly parallel test solutions, we partner with our customers to unlock the potential of the AI revolution.



TEST 2.0

AEM's Test 2.0 paradigm is at the forefront of test solutions for next generation advanced logic devices, including high-performance compute. We are the industry leader in Active Thermal Control, Advanced Factory Automation, and Test Instrumentation.

OUR GLOBAL FOOTPRINT

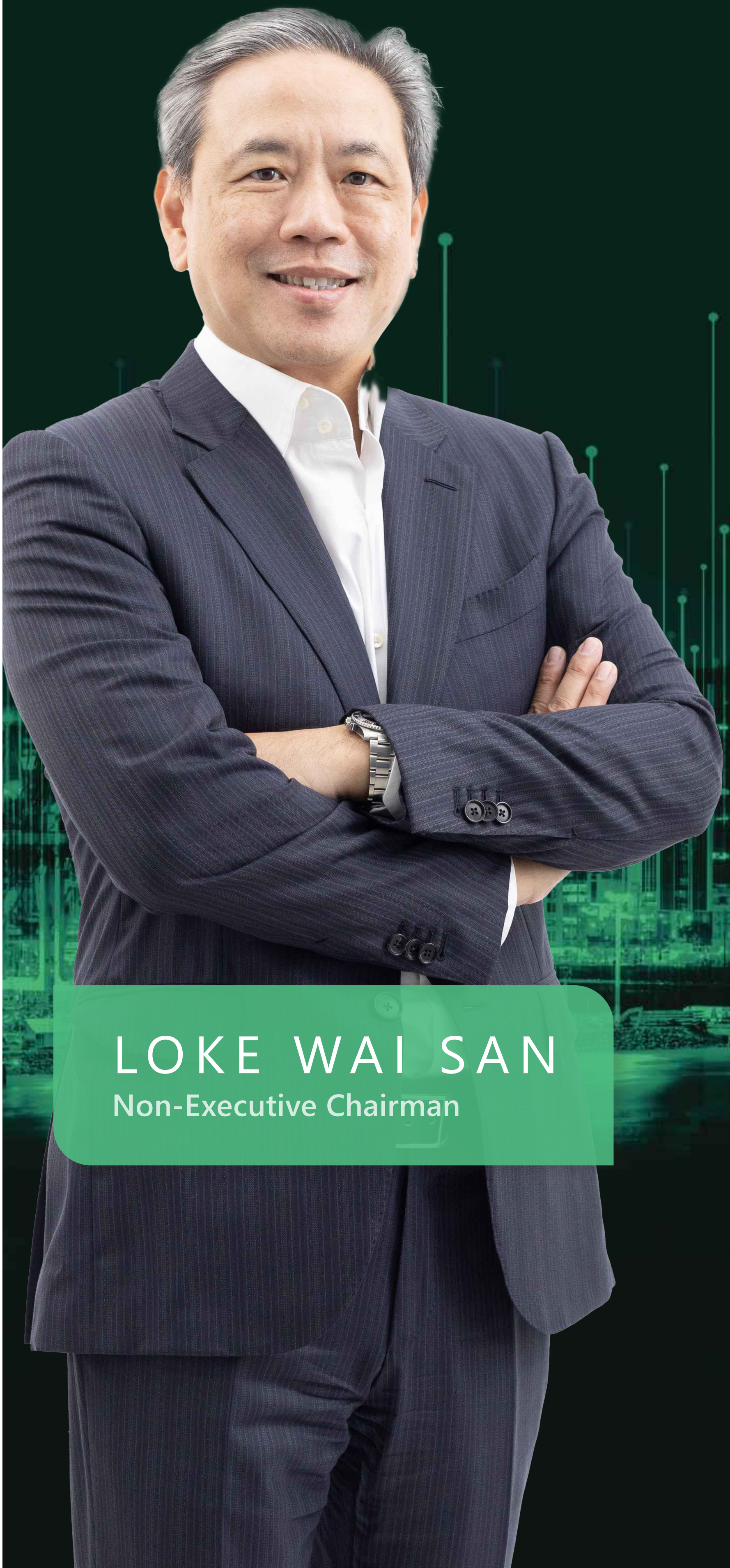


Dear Shareholders and Readers,

The past 12 months have been difficult for AEM, especially after delivering all-time high revenue and profits in the previous year. In 2022 and for the initial part of 2023, we delivered many new systems to our key customer in anticipation of an upturn in data centre spend in the second half of 2023. However, that turned out to be true for artificial intelligence (AI)-related GPU chips, this was less so for the general-purpose CPUs.

Furthermore, there were operational errors in 2023 as we upgraded our Enterprise Resource Planning (ERP) system, migrated selected production capacity from Singapore to Penang, and changed our operating model from a build-to-order model at a single site to a build-to-stock model across multiple sites. This resulted in the misstatement of inventory levels during the year and the need to register a one-time accounting write-off as we closed our books for the financial year ended 2023 (FY2023). Along with an independent third-party consultant and our external auditor, the Board undertook a detailed review of our operations and accounting and has since implemented a firm set of corrective and preventive actions to prevent the recurrence of similar errors. Recently, we have announced several changes in our leadership team while the senior management has volunteered to forgo discretionary bonuses in FY2023. We do need to own up to our mistakes but also assure all stakeholders that we emerge ready to lead in the fast-changing world of semiconductor testing.

It is important not to lose sight of the bigger picture. As we sit here in the first quarter of 2024, there is no doubt that the world will be changed by generative AI and that there is a multi-year need for our entire IT cloud and edge infrastructures to be re-tooled for generative AI. At the core of this re-tooling is the new generation semiconductor chips based



LOKE WAI SAN

Non-Executive Chairman

on the most advanced nodes and packaging methods, changes that we had highlighted in prior years, which favour the move to AEM's approach to semiconductor testing - Test 2.0. Undeniably, our Test 2.0 is the standard going forward.

Capturing Opportunities Through Innovation

At AEM, we have always approached back-end semiconductor testing differently. The genesis of our pioneering test solutions dates to 2002. We reached a major milestone in 2016 when we onboarded several new programmes with our key customer. Over the years, we have continuously been working on next-generation test solutions that go beyond the current structural and functional testing of semiconductor chips and addresses the test challenges facing the next-generation devices that will power the advancement of AI and the proliferation of cloud and edge computing.

With service revenue for AI increasing, capital expenditure requirements to establish AI infrastructure have also surged. Powering these next-generation AI chips is the advanced packaging technology that is redefining the previously set benchmarks of functionality and performance for devices and products.

There is a clear need for more complex testing solutions and with our Test 2.0 and beyond, AEM is ready. We are already engaging our new and existing customers to provide them with solutions that are tightly integrated with their advanced chips meant for new levels of mission-critical applications. As a leader in the semiconductor testing space, it is imperative that we evolve with the paradigm shift to maintain our competitive edge.

The Diversification Roadmap

Going forward, the mutual commitment between AEM and our key customer remains strong. With a proven case for our Test 2.0, we have also caught the attention of players across the industry. Our diversification journey has yielded strong results with several new customers onboard. These engagements have been positive and continue to gain traction. We are currently working with them to develop new platforms with advanced thermal capabilities to address the test challenges in the integration of high-performance computing and complex application processors. At the same time, we strive to contain testing costs by developing parallel platforms through effectively integrating Burn-In, Final Test, and System Level Test (SLT) into one platform. We are excited to journey with our customers in this next phase of testing and support their new device releases.

While the semiconductor industry may continue to face challenges in the short term, we believe that the long-term fundamentals of the industry remain strong, driven by increasing demand for semiconductor-enabled technologies such as AI, edge computing, and 5G connectivity.

Building Resilience Amidst Uncertainty

In FY2024, through disciplined cost management and process optimisation initiatives, we aim to better manage the impact of the industry downturn on our financial performance. Having said that, we do not expect a complete turnaround before FY2025.

In order to preserve our robust portfolio of intellectual property, we successfully obtained awards of several patents in FY2023 and we are focused on growing our intellectual property portfolio further through consistent R&D spend. These steps are necessary conditions to protect our superior technological leadership.

Appreciation

We understand that the past one and a half years have been challenging in the face of external and internal obstacles. Throughout this period, AEM's stakeholders have been extremely supportive, with eyes fixed on the longer term. To our shareholders, customers, and business partners, I want to express my gratitude for keeping your faith with us. To our employees and management team, my appreciation and admiration for your hunger and determination to take up this challenge of building something special at AEM.

By now, some of you would have witnessed us in multiple cycles. Each trough has been followed by a stronger peak, and this one shall be no different. With advanced packaging adoption being considered the inflexion point for the semiconductor market, our pioneering Test 2.0 solutions will be the game changer.

Loke Wai San
Non-Executive Chairman

Dear Shareholders and Readers,

I write to you today with both candour and determination as we reflect on the past year.

Our revenue reduced from an all-time high of S$870.5 million in FY2022 to S$481.3 million in FY2023. The decline in revenue, together with the legal settlement resulted in a profit before tax (PBT) of S$7.6 million. Excluding one-off charges, the Group reports a PBT of S$38.3 million.

Whilst our revenue for the past year was lower than in recent years, I want to assure you that we are proactively addressing this challenge with resilience and strategic focus. The customer engagements that we had previously announced remain strong, and with the backdrop of the explosive growth in artificial intelligence (AI), interest in AEM's Test 2.0 solutions has never been stronger.

As such, the management team continues to invest in developing our technology and product platforms. These efforts have resulted in the strengthening of our patent portfolio, with nine new patents being awarded in 2023.

Early in this note to our stakeholders, I wish to directly address the matter of the inventory shortfall, that was disclosed in January 2024.

We worked with a "Big 4" accounting firm different from our external auditors, KPMG, as an independent, third-party consultant (Consultant) to investigate the issue further. We wanted to fully understand the root cause, whether or not fraud had been committed, and to

CHANDRAN NAIR
Chief Executive Officer

fully review our processes, systems, policies, and controls to address any weaknesses that may exist in order to ensure this issue does not recur in the future.

The Consultant reported directly to the Audit & Risk Management Committee (ARC) Chairman of our Board, with the remit to review and reconcile the inventory differences, validate forensics-related observations, review the end-to-end process as it relates to inventory movements, identify systems and process gaps, and recommend process improvements.

After weeks of investigation and in concurrence with the Consultant, the inventory shortfall was addressed and corrected in FY2023 results and that no evidence of fraudulent activity was detected.

The internal controls did not catch this issue earlier due to a confluence of factors attributable to a major shift of the bulk of our production and inventory from Singapore to Malaysia, an Enterprise Resource Planning (ERP) migration from an old version to a new version, and the changing operating nature of the company where we transitioned from a build-to-order model at a single site to a build-to-stock model across multiple sites as a result of the long-dated non-cancellable purchase order programme that we have with our key customer.

Our internal controls, processes, policies, and systems clearly needed improvement, and we should have done better. The Board and Management team are fully committed to taking all necessary steps to ensure this issue does not recur.

Driving Growth

AEM's Test Cell Solutions (TCS) Business Unit operates within the rapidly evolving landscape of compute testing, deeply influenced by the swift emergence of AI. Specialising in high-performance compute testing, our TCS team operates at the forefront of technological advancement, covering advanced capabilities spanning from wafer probe to Package System Level Testing (SLT). In his report, our CTO, Samer Kabbani, shared in detail the milestones our team had achieved in 2023 and the critical role the TCS team plays in driving AEM's technological innovation in the AI ecosystem.

In Test Instrumentation, we have made significant investments in 2023 to bring to market test software and instrumentation to enable the deployment of our System Level Test solutions. The successful deployment of test solutions for a leading memory supplier in 2022 validated the test software and architecture of our Asynchronous, Modular Parallel and Smart, or AMPS, platform. In 2023, our team advanced this capability to offer instrumentation and test software tailored for AMPS high-power stress testing and Burn-In solutions, specifically developed for High-Performance Computing (HPC) and AI customers. We are proud to report that test instrumentation for dynamic high power and thermal management while running real-time stress test patterns has been validated by our leading customer.

In 2023, the team engaged with leading mobile and compute customers, developing test technology to realise a shift in test requirements as the semiconductor process continues to evolve. Escalating power, test coverage, and test times continue to drive the adoption of different test flows. The major AEM platforms now have the test infrastructure in place, ready for high-volume manufacturing adoption.

The team also continued to serve its existing strategic Defence and Space customers by providing improved products and solutions meeting their new requirements. The adoption of the new high-density Automated Test Equipment (ATE) platform has started to gain traction with deployments at three of our existing customers while maintaining the continuity of their installed equipment. Application-specific ATE test solutions, starting with the CMOS Image Sensor (CIS) testers, have gained traction with other leading customers for additional applications. This will continue to be a major focus for 2024.

Our business revenue from CEI Pte. Ltd. (CEI), a contract manufacturing services provider which the Group acquired in FY2021, has grown steadily since FY2021 with robust existing and new customer engagements in the life sciences, industrial, oil and gas, and aerospace segments. We have a bold strategy to drive long-term growth and competitiveness in the industry for our CEI business by elevating key specialty processes to meet the needs of our key segments, to win new customers, as well as through increased innovation between the CEI and AEM's core businesses.

Our Precision Cable Test (PCT) business expanded its product portfolio by introducing an Optical Time Domain Reflectometer (OTDR) for troubleshooting fibre optic cables. This addition enhanced our ability to serve our customers by providing comprehensive solutions for their testing needs. Additionally, we successfully established distribution channel partners in new regions, strengthening our presence and accessibility in the key PCT markets. We also secured initial business from two automotive customers for cable harness testing and continued to receive repeat orders from existing automotive clients. Furthermore, one of Europe's largest cable manufacturers evaluated and endorsed the Single Pair Ethernet test functionality of AEM's cable certification tester, TestPro. This endorsement solidified TestPro's position as the only tester in the market capable of certifying emerging Single Pair Ethernet networks. We continue to maintain the momentum and pursue meaningful engagements with existing and new distribution channels, introducing new product releases, and increasing emphasis on cable harness test opportunities.

2023, the Year of Surge in Demand for Artificial Intelligence (AI)

Much of the recent news in our industry has been dominated by AI. We anticipate this market evolving in multiple waves that will undoubtedly be transformational. The first wave of generative AI growth - data centres. In 2023, the demand for data centres graphic processing units, or GPUs, grew exponentially. Consumer internet companies and enterprises accelerated their investments in building out generative AI infrastructure. Much of these activities have been confined to the data centres, and the spending was heavily skewed towards GPUs. This investment cycle is expected to be a multi-year period.

The second wave of generative AI is the proliferation "to the edge". AI has begun to emerge prominently with the introduction of PC processors and mobile application processors equipped with built-in AI capabilities. The new generation of central processing unit, or CPU, promises to bring a whole new level of improved user experience and productivity gains. It is equipped with a dedicated AI engine known as neural processing units (NPUs) designed to optimise and accelerate AI tasks on the device without relying on external servers or cloud. With the introduction of AI PCs, generative AI applications are poised to spread fast to the edge and become ubiquitous in our daily lives.

And finally, the third wave of generative AI is the rise of vertically integrated hyperscalers. From our engagement with customers, we observe that hyperscalers are determined to develop their in-house AI chip solutions as they seek to improve performance while lowering operational costs.

We are excited to witness several hyperscalers dedicating significant resources to designing their own chips. These new entrants, unencumbered by traditional testing approaches, are eager to efficiently build their test solutions to meet the demands of disruptive AI testing. We see clear opportunities for close collaboration with these new hyperscalers and anticipate some to become strategic customers for AEM in the coming years.

The past year has witnessed significant disruptions in high-performance semiconductor testing. Where device power has traditionally increased by a few percent from one generation to the next, the new era of AI has ushered a step function rise in power nearly every 9 to 12 months.

The recent adoption of heterogeneous packaging technology has accelerated product releases, enabling customer products that are more tailored and optimised for each target market. This chiplet optimisation presented numerous challenges in traditional testing, where one can no longer treat packages as a monolithic part but rather as multiple chiplet islands, each operating asynchronously to accomplish its respective task. The resulting packages introduce complex, highly sensitive geometries and thermal gradients that drive the need for advances in package handling and thermal control.

AEM continues to make substantial investments in research and development to sustain our leadership in three distinct verticals: Industry-leading Active Thermal Control, Advanced Factory Automation, and Application-Optimised Test Instrumentation. AEM's Test 2.0 Solutions, using the technology developed in the verticals above, are well poised to enable our customers to meet their test challenges well into the future. As AI customers grapple with tremendous test time increases to test new complex chips, we are excited to see a clear momentum among these customers endorsing Test 2.0 test solutions as the only practical path to curb the cost of testing from spiralling out of control.

Looking ahead, the strategy to expand our footprint among existing and new customers remains a key priority. As our customers navigate through transformative phases, we are steadfast in our commitment to evolve alongside them, ensuring their continued success.

I want to convey my appreciation to all our team members across our offices worldwide who have contributed to AEM over the past fiscal year. I also thank our Board of Directors, shareholders, customers, and partners for your continuing trust in our Company.

With the strong initiatives in place and the anticipated rebound in the semiconductor industry, our Company will continue to have a competitive advantage. We are not merely weathering the storm; we are actively charting a course towards new horizons.

Chandran Nair
Chief Executive Officer

Dear Shareholders and Readers,

The race is certainly in full throttle for semiconductor incumbents and hyperscalers to produce faster and more capable processors. AEM has been the leader in the compute test space for over 20 years and is poised to benefit from the myriad of new advanced and accelerated compute chips that require more complex test flows and testing with software in mission mode.

Recognising the critical importance of resilient supply chains in the face of disruptions, major companies, and governments are now increasing their investments in resources to fortify these networks. This heightened focus on supply chain resilience has sparked a global race among nations and corporations alike to develop and enhance advanced semiconductor production capabilities. The globalisation trend also drives the adoption of Factory 4.0 practices, aiming to standardise labour costs while enhancing efficiency. Many of these emerging policies and incentives are in favourable geographical locations where AEM has traditionally maintained strong manufacturing and engineering capabilities. This geographical colocation will provide a unique strategic advantage for AEM in the coming years.

The Test Cell Solutions (TCS) Business Unit was organised back in 2022 into two main groups: Wafer Test Solutions (WTS), which focuses on wafer-level test solutions, and Package Test Solutions (PTS), which focuses on test solutions for packaged ICs. In the past year, both WTS and PTS remained steadfast in delivering innovative solutions that meet customers' rapidly evolving needs while sustaining their competitive edge in the industry. A key focus was expanding our

SAMER KABBANI
Chief Technology Officer

patents portfolio to cover our recent disruptive advancements in wafer probe and package test thermal control.

WTS entered 2023 with a strong order book from the automotive Micro-Electro-Mechanical Systems (MEMS) segment for well-established products. Despite challenges in material availability, AEM was able to support customers on production ramp-up successfully. Automotive MEMS-related products have gained traction, and more deliveries will be made in 2024. MEMS prober product line continued to maintain a foothold in niche markets, where AEM has a unique capability.

Cryogenic Wafer Prober (CWP) gained more orders from existing and new customers as investments in Quantum Computing are increasing globally. AEM, in partnership with Bluefors, has patented unique technologies capable of testing 300mm wafers in near absolute zero temperature. A shift from research to manufacturing is expected to be a reality in a five-year timeframe, multiplying the demand for production-capable test systems for Quantum Computing.

WTS completed initial successful evaluations of our new P-Series products at our strategic customers and was able to showcase a near 5x thermal control improvement compared to the incumbent solutions. The demand for our disruptive technology remains strong, with several customers expressing a keen desire to deploy our P-Series in production as soon as possible.

PTS has had an eventful 2023. Earlier in the year, PTS expanded its footprint into a leading Mobility and Compute customer. We were selected as the primary supplier for an advanced thermal solution for their development labs moving forward. This win is critical in paving the way to future production wins in their high-volume manufacturing (HVM) lines. In Q1 2023, PTS achieved an important milestone by winning a major production SLT selection for a leading Mobility and Compute supplier. This marked PTS's first success with our new High Parallel System Test (HPST) platform. The competition was intense, as HPST sought to challenge a long-standing SLT equipment incumbent. The selection underscored AEM's thermal technology prowess coupled with industry-leading high parallel automation.

Last year, PTS announced the successful deployment of our AMPS test platform at a leading memory IC supplier. We are confident that AEM's AMPS has demonstrated clear differentiation in both performance and affordability versus the competition.

The overall TCS Business Unit remains committed to pursuing a robust growth trajectory through targeted technology development and close collaboration with strategic customers. We are enthusiastic about the numerous growth opportunities stemming from recent shifts in the AI/HPC markets and eagerly anticipate delivering impactful solutions in the upcoming year.

Samer Kabbani
President (AEM International)
Chief Technology Officer

BOARD OF DIREC

Loke Wai San
(55)

Non-Executive Chairman, Chairman of the Strategy Committee, and Member of the Nominating Committee

Mr. Loke Wai San has been the Chairman of AEM since 2011 and served as Executive Chairman from 2017 to 2020. He is also the founder and CEO of private equity fund adviser Novo Tellus Capital Partners. With over 29 years of global technology management and investment experience, Mr. Loke helped transform AEM from a regional automation company to an emerging global technology provider of semiconductor backend test solutions. He has also provided leadership for AEM's acquisitions. Mr. Loke also serves on the board of Temasek Polytechnic and on the boards of several other public and private companies in the region.

Chok Yean Hung
(59)

Non-Executive, Non-Independent Director, Member of the Audit & Risk Management Committee, and Member of the Strategy Committee

After helming the company as its Chief Executive Officer, Mr. Chok Yean Hung joined AEM's Board of Directors. As a board member, Mr. Chok continues to provide his insights, management, and technical experience. With over 30 years of experience in the semiconductor industry, he is highly recognised for his foresight and aptitude to build and grow start-up companies to sustainable, independent, publicly-listed companies. Before his tenure with AEM, Mr. Chok successfully co-founded two OSAT companies, UTAC and Ellipsiz Test/EEMS Asia.

Loh Kin Wah
(69)

Independent Director, Member of the Nominating Committee, Member of the Remuneration Committee, and Member of the Strategy Committee

Mr. Loh Kin Wah has extensive leadership experience in the semiconductor industry. He is a Member of the Supervisory Board and Chairman of the Technology Committee at AMS AG, Non-Executive Chairman at Kinergy Corporation Ltd, Director at UTAC Pte. Ltd., and Chairman of Huba Control AG. Over the last 30 years, his appointments include Vice Chairman of Ampleon BV, Executive Vice President, Global Sales and Marketing of NXP Semiconductors, President and CEO of Qimonda AG, and Executive Vice President, Communications Group of Infineon Technologies AG.

James Toh Ban Leng
(59)

Lead Independent Director, Chairman of the Remuneration Committee, Member of the Audit & Risk Management Committee, and Member of the Nominating Committee

Mr. James Toh is a founding director of Novo Tellus Capital Partners, a Singapore-based private equity firm. Mr. Toh started his career in management consulting at Booz Allen & Hamilton, and subsequently A.T. Kearney. For the last 26 years, he has been investing in property and private equity in Asia and the US, via his family company, A.C.T. Holdings Pte. Ltd..

Alice Lin
(56)

Independent Director and Chairman of the Audit & Risk Management Committee

Ms. Alice Lin brings a wealth of leadership experience that spans the corporate, investments, and philanthropic sectors. She served as CFO of Oracle Asia Pacific, managing finance and M&A for the multi-billion US-listed technology company in the region. Ms. Lin's experience covers multiple geographies and functions, including a stint as Director of Globalisation at Oracle. She is a shareholder and director of Green Mountains Investments Ltd., focusing on a broad range of late-stage and listed companies. She was a founding board member of Asian University for Women Support Foundation in Singapore and Hong Kong.

André Andonian
(61)

Independent Director, Chairman of the Nominating Committee, and Member of the Strategy Committee

Mr. André Andonian has over 30 years of experience in consulting companies across the Semiconductors, Industrials & Electronics, Automotive & Assembly, and Aerospace & Defense industries on strategic, operational, and organisational topics. He has extensive experience in transforming companies into global leaders and in the assessment and development of talent. He has held multiple executive leadership roles across Europe, the U.S. and Asia over his 34 years at McKinsey & Company, such as Managing Partner of McKinsey Japan, Global and Americas Leader of McKinsey's Advanced Industries Sector, and most recently, the Managing Partner of McKinsey Korea. He currently supports McKinsey & Company as Special Advisor/Senior Partner Emeritus in North Asia.

Russell Tham
(56)

Non-Executive, Non-Independent Director, Member of the Nominating Committee, Member of the Remuneration Committee, and Member of the Strategy Committee

Mr. Russell Tham brings extensive experience in the technology industry. Mr. Tham is currently the Head of Strategic Development, and Joint Head of Enterprise Development Group of Temasek International, focusing on building new businesses and investing globally in early-stage high potential Science & Technology ventures. He was the President of Applied Materials Southeast Asia from 2009 to 2018, leading the regional business and overseeing the company's expansion into manufacturing, supply chain, R&D, and product development for global markets in Singapore.

MANAG

Chandran Nair
Chief Executive Officer

Samer Kabbani
President (AEM International) & Chief Technology Officer

Chua Tat Ming
Chief Operating Officer, Global Engineering & Operations

Andrew Tham
Vice-President, CEI

Yeap Kian Yong
Vice-President, Global Manufacturing

Seah Boon Seng
Senior Director, Key Account

EMENT



Mark Yaeger
Senior Vice-President,
Global Sales

Samir Mowla
Vice-President,
Corporate Development,
Corporate Marketing, and IT

Lim Kim Hua
Vice-President,
Group Finance



Stuart Pearce
Senior Director,
ATE

Eddy Neo
Senior Director,
Human Resources

Maheson Palaniyandi
Senior Director,
Quality & EHS

AEM at A Glance

AEM is a global leader in the fast-growing Test 2.0 market, delivering application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving the advanced computing, 5G, and AI markets.

2023

A year focused on engineering development to ensure AEM will be ready for future ramps.

REVENUE

S$481.3M

PROFIT BEFORE TAX
(excluding exceptional items)

S$38.3M

NET ASSET VALUE PER SHARE
(in Singapore Cents)

151.3

PROFIT BEFORE TAX
(including exceptional items)

S$7.6M

Installation of M5S-HD at Customer Site in Austin, US

Annual General Meeting

SWTest San Diego

The Edge Billion Dollar Club 2023

BILLION DOLLAR CLUB 2023

Official Opening of new AEM plant in Penang, Malaysia

Motiv8 Automotive Europe

Opening of AEM Tempe Office

SEMICON SEA

SEMICON Taiwan

ICT Leadership Awards

Centurion Club Awards: Company of the Year

- Weighted ROE over 3 years
- Growth in Profit after Tax over 3 years
- Overall Sector Winner
  (Software & IT Services + Technology Equipment)

CEO Keynote Speech at FESTO Asian Cluster Meeting

Disrupting the test flow with our **SLT+ offerings** and world-leading thermals

Revamped AMPS Platform

Full-stack SLT+ solution, with integration of Active Thermal Control (ATC), intelligent device tracking and factory 4.0 automation.

Developed the new SLT offering - Trident

High-power SLT offering, leveraging AEM's pedigree in ATC to solve daunting test challenges stemming from heterogenous integration.

Enabling the mass deployment of **Test 2.0 Solutions** to a growing customer base

Our Vision For The Future

A Zero Failure World

As technology rapidly progresses and integrates with every aspect of how the world works, testing becomes crucial to mitigate the exponential risk created and to fully realise the possibilities of technological advancement.

We Are On A Mission

To provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support.

"Achieving a completely error-free world may be challenging or even impossible, but the idea is that we are pushing boundaries and constantly striving for perfection in everything that we do."

You Yoke Lin
Supplier Quality Manager

"As a Test Engineer, ensuring quality for our customers is our top priority. We plan test strategies and develop hardware to understand and improve defects. This is a challenging task as there are many different challenges and problems with different products, but we get to improve every time we conquer these challenges."

Dave Chia
Senior Manager, Test Engineering

"To me, A Zero Failure World means that you are trying to make products simple to use and robust so that no human error can occur and should be eliminated."

Taneli Veistinen
R&D Engineer

"In A Zero Failure World, there would be a culture combining technological advancements with ethical practices, the well-being of all, collaboration, and community engagement. It is a balance that allows technology to coexist with traditional values while continuing to drive innovation and progress."

Yasminbee Sheikh
Corporate Marketing Manager

2023 EMPLOYEE & COMMUNITY ENGAGEMENT

SINGAPORE

- **A** Learning Journey at AEM with Advanced Manufacturing Symposium
- **B** Birthday Celebrations
- **C** Coffee Chat with HR Director
- **D** Annual Health Checkup
- **E** Engineering Line Tour for Employees
- **F** Science Workshop with Jalan Kayu Cares Network
- **G** Guest Lecture at Singapore Institute of Technology








MALAYSIA

- **H** AEM Penang Futsal Team

CHENGDU

- **I** Team Bonding with Field Service Engineers

VIETNAM

J Donation for Son Ky Orphanage

K Long Service Award

FINLAND

L Chamber of Finland Medals of Merit

M Refresh Day

AMERICAS

N Cinco De Mayo

O Easter

P Father's Day Celebrations

SOUTHEAST ASIA

Q MindSpark

Sustainability Performance
Highlights

Corporate Governance & Anti-Corruption

ZERO
substantiated cases of corruption

ZERO
significant instances of non-compliance with applicable laws and regulations in the jurisdictions where we operate

Sustainable Supplier Management

100%
of key suppliers participated in AEM PFAS/PIP non-compliance declarations to provide updates and proposed replacement materials aligned to respective AEM customers' requests

MSCI ESG Ratings

As a measure of the company's resilience to long-term, financially relevant ESG risk, AEM maintained a rating of **BBB** (on a scale of AAA – CCC) in the MSCI ESG Ratings assessment in 2023

Training

35.2 hours
FY2022 ⟶ 30.0 hours
of training provided to each employee on average

Customer Privacy

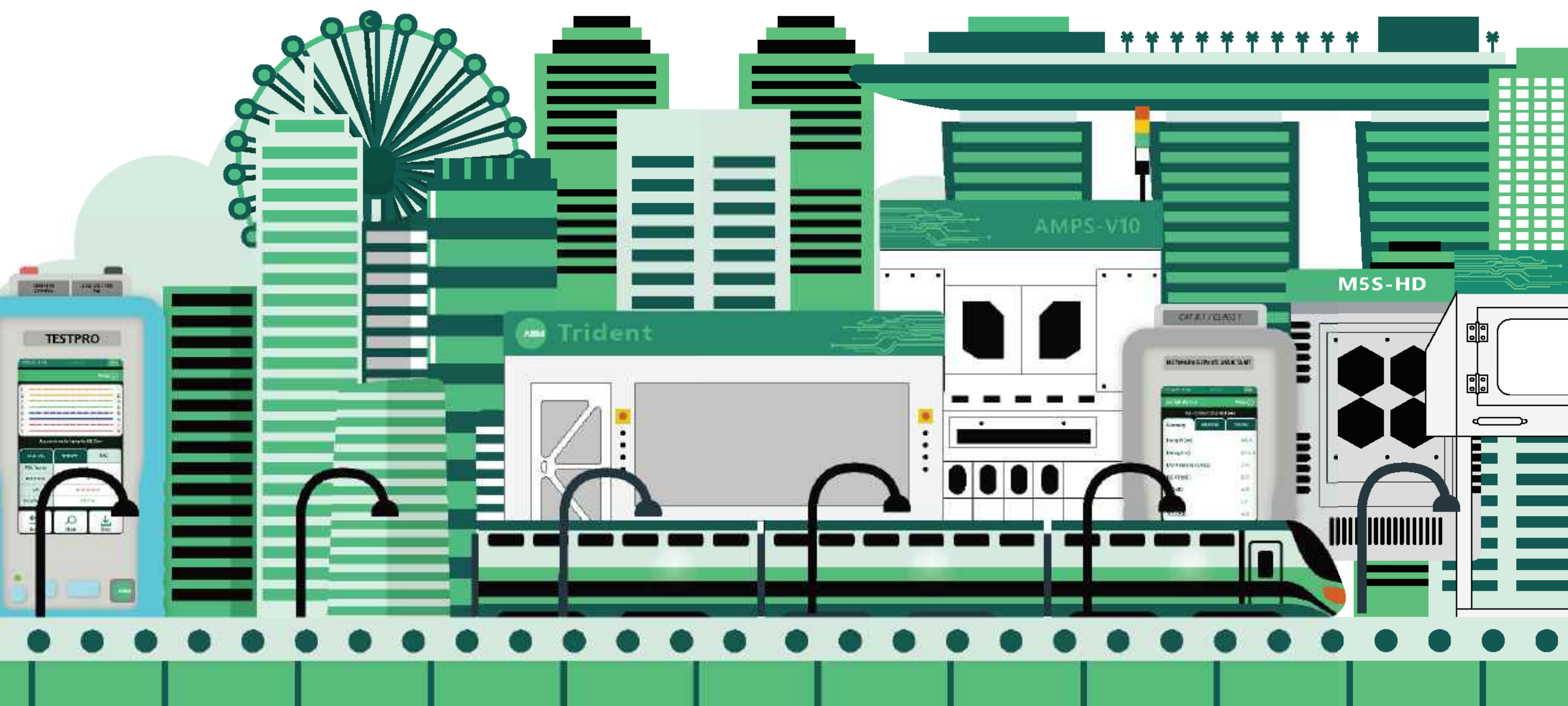
0
substantiated complaints concerning breaches of customer privacy and/or loss of customer data

Customer Health & Safety

0
significant incidents of non-compliance with regulation and/or voluntary codes concerning the health and safety impacts of our products and services

Gender Diversity

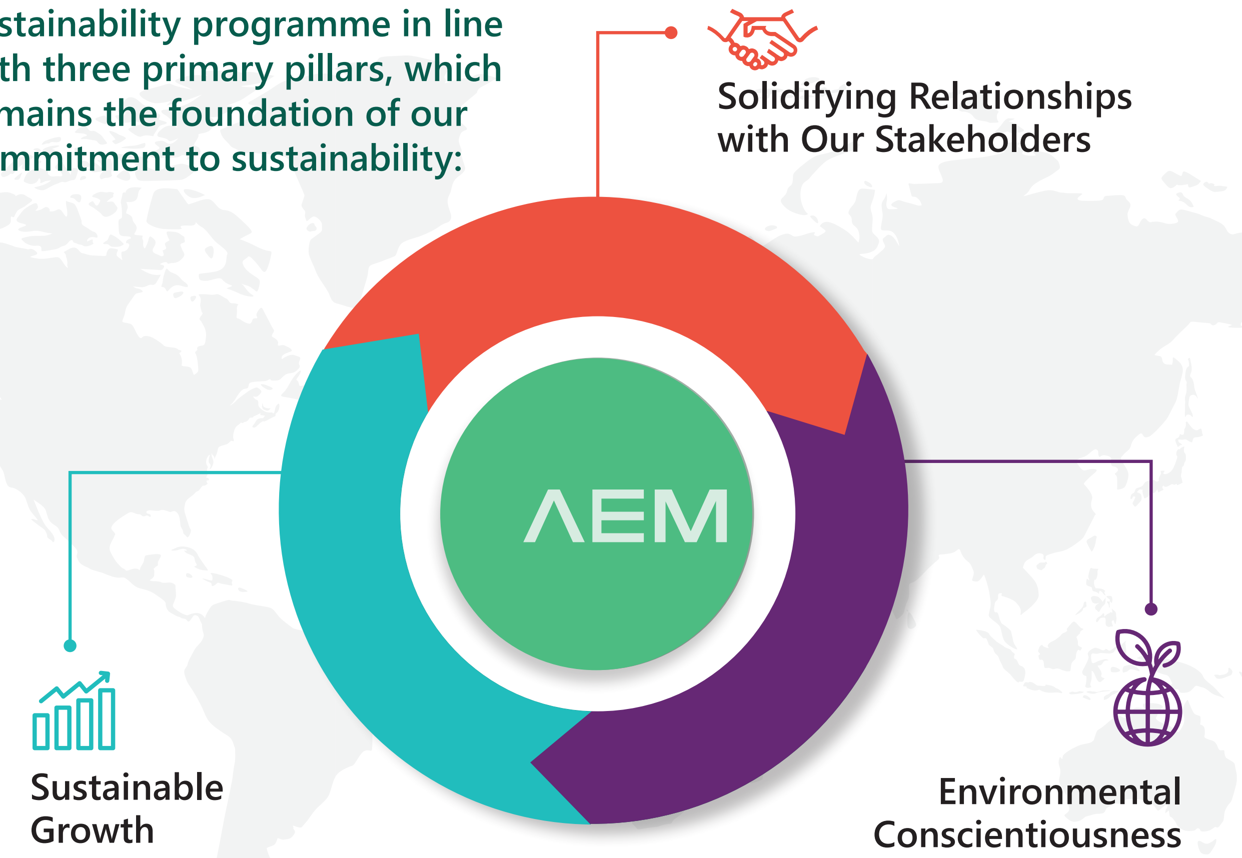
52%
Continual improvement in workforce gender diversity ratio, with female employees representing 52% in FY2023



We recognise the intrinsic link between our business success and the sustainable development of the communities and environments where we operate worldwide.

Read our Sustainability Report 2023 here.

We have established our sustainability programme in line with three primary pillars, which remains the foundation of our commitment to sustainability:



AEM's commitment to sustainability across three key pillars

Revenue
(in S$' Million)

481.3
FY2023

870.5	565.5
FY2022	FY2021

Profit Before Tax
(in S$' Million)

7.6
FY2023

158.7	111.1
FY2022	FY2021

Net Asset Value Per Share
(in Singapore Cents)

151.3
FY2023

157.1	130.0
FY2022	FY2021

1-for-100
Bonus Issue

The Board proposed a bonus issue on the basis of 1 bonus share for every existing 100 ordinary shares held, pursuant to a general share issue mandate to be approved by shareholders at the forthcoming 2024 Annual General Meeting.

Performance Summary

Profit or Loss Statement	FY2023 S$'000	FY2022 S$'000	FY2023 vs FY2022 Change
Revenue	**481,283**	**870,491**	**(45%)**
Cost of sales	(351,987)	(596,833)	(41%)
Gross profit	**129,296**	**273,658**	**(53%)**
Research and development expenses	(24,350)	(23,126)	5%
Selling, general and administrative expenses	(64,471)	(93,807)	(31%)
Foreign exchange loss, net	(3,290)	(2,021)	63%
Other (expense)/income, net	(23,433)	5,583	NM
Finance cost, net	(5,525)	(1,312)	321%
Share of equity-accounted investees' loss, net of tax	(641)	(282)	127%
Profit before tax	**7,586**	**158,693**	**(95%)**
Tax expense	(8,750)	(31,386)	(72%)
(Loss)/profit for the year	**(1,164)**	**127,307**	**NM**

NM: Not meaningful

Financial Position

Balance Sheet Highlights	31 Dec 2023 S$'000	31 Dec 2022 S$'000
Property, plant and equipment	40,097	40,046
Right-of-use assets	33,577	35,056
Intangible assets	125,277	115,853
Investment in associates	8,821	15,150
Inventories	328,616	367,723
Trade and other receivables	58,773	92,917
Cash and cash equivalents	101,849	127,775
Total assets	707,527	805,596
Financial liabilities	126,355	143,305
Trade and other Payables	74,061	118,934
Total liabilities	233,141	312,146
Net asset value per share (Singapore cents)	**151.3**	**157.1**

Cash Flows

Cash Flows Statement Highlights	FY2023 S$'000	FY2022 S$'000
Net cash from/(used) in operating activities	40,168	(31,425)
Net cash used in investing activities	(20,087)	(38,437)
Net cash used in financing activities	(46,915)	(19,282)
Net decrease in cash	(26,834)	(89,144)
Cash & cash equivalents as at 31 Dec	**101,849**	**127,775**

Introduction

AEM Holdings Ltd. ("AEM" or the "Company") is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") (Reuters: AEM.SI, Bloomberg: AEM:SP). A global leader in test innovation, AEM and its group of companies (the "Group") offer application-specific intelligent system test and handling solutions to semiconductor and electronics companies. AEM's global footprint spreads across Asia, Europe, and the United States of America, and is backed by a cross-continent network of engineering support, sales offices, and distributors. The Group's manufacturing facilities are located in Singapore, Malaysia (Penang), Indonesia (Batam), Vietnam, Finland (Lieto), Republic of Korea and the United States of America.

Operations Review

AEM attained revenue totaling S$481.3 million, delivering on FY2023 revenue guidance (ranging between S$460 million to S$490 million), although it marks a decrease from the record-breaking year of FY2022, which saw revenue reach S$870.5 million. Further to that, the Group took up the full impact of the US$20 million (S$26.7 million) settlement of an arbitration in FY2023. Consequently, the Group recorded profit before tax of S$7.6 million in FY2023, a decrease from record profit before tax of S$158.7 million in FY2022.

FY2023 posed notable challenges for the Group, including substantial industry headwinds, a shortfall in inventories, and the settlement of an arbitration. Nonetheless, the Group sustained profitability throughout the year due to Management's persistent efforts to manage costs effectively while simultaneously making strategic investments to secure new accounts with our Test 2.0 solutions. These investments have yielded significant results, with the Group securing a total of 9 patents in 2023 and, more importantly, securing numerous new customer engagements during the same period.

The Group reaffirms its dedication to its long-term strategic objectives. By focusing on innovation, operational efficiency, and maintaining strong relationships with customers and partners, the Group aims to navigate through volatile market conditions and drive sustainable growth in the future.

Treasury Shares

During the year under review, the Company repurchased a total of 360,000 (FY2022: 1,292,000) shares for a total consideration of S$996,000 (FY2022: S$5,273,000). In FY2023, 406,000 shares (FY2022: 137,000) were reissued under the Performance Share Plan.

As of 31 December 2023, the Company held a total of 2,985,000 (31 Dec'22: 3,031,000) treasury shares with a book value of S$10,091,000 (31 Dec'22: S$10,477,000).

Compensation and Benefits Policy

As of 31 December 2023, there were 2,576 (31 Dec'22: 2,883) employees in the Group.

To enhance operational efficiency and keep staffing levels lean, the Group prioritises retaining and attracting talent while ensuring competitiveness within the industry. This goal is accomplished through a thorough evaluation and adaptation of compensation packages to match market standards. The compensation package comprises different elements, including base salary, allowances, cash bonuses, and performance shares. Individual remuneration is decided based on factors like skills, job scope, performance, and contributions to the Group's operational efficiency, profitability, and long-term goals.

AEM adopts a performance-driven approach by offering a variable component in employees' remuneration, aimed at incentivising enhanced performance and productivity. Additionally, the Group provides benefits-in-kind, including medical, dental, and life insurance coverage, as part of its commitment to employee well-being and overall satisfaction.

Foreign Currency Risk Management

The Group's foreign currency risk arises from entities that transact in currencies other than their respective functional currencies, including Singapore dollar ("S$"), United States dollar ("US$"), Euro, Malaysian Ringgit and Korean Won. The Group seeks to minimise its foreign currency risk through natural hedges where sales and purchases are in the same currency.

Performance Summary

In FY2023, the Group achieved revenue of S$481.3 million compared to S$870.5 million in FY2022. This slowdown was primarily driven by challenges within the semiconductor industry, including reduced end-customer demand and an oversupply of inventory. Consequently, semiconductor companies delayed capital expenditure, leading to a slowdown in the procurement of test equipment.

Test Cell Solutions contributed 56.4% (FY2022: 78.4%) of total sales while Contract Manufacturing and Instrumentation segments contributed the remaining 43.6% (FY2022: 21.6%).

Gross profit margin decreased from 31% in FY2022 to 27% in FY2023. This reduction is due to the changes in the product mix.

R&D expenses increased by 6% in FY2023, rising from S$23.1 million to S$24.4 million. This growth can be attributed to the ongoing development of emerging technologies, coupled with higher amortisation of prior years' capitalised development costs.

Selling, general & administrative ("SG&A") expenses decreased in FY2023 due to three primary reasons - a proactive approach to managing operating costs, the reduction of legal and professional fees in line with the settlement of an arbitration, and the decline in business activity.

Net foreign exchange loss amounted to S$3.3 million in FY2023 due to the weakening of the US dollar in relation to the Singapore dollar.

Other expenses, net of other income amounted to S$23.4 million in FY2023 primarily attributed to S$26.7 million (US$20 million) settlement of an arbitration.

Net finance costs rose from S$1.3 million in FY2022 to S$5.5 million in FY2023. This increase was primarily due to elevated average monthly bank borrowings coupled with the heightened interest rate during FY2023.

Profit before tax ("PBT") came in at S$7.6 million in FY2023, which was a 95% decrease from FY2022.

Tax expense as a percentage of PBT rose to 115% (FY2022: 20%) in FY2023.

With the decline in revenue, the Group incurred a **Loss for the year** of S$1.2 million in FY2023, compared to a profit for the year of S$127.3 million in FY2022.

Financial Position

As of 31 December 2023, the Group has total assets of S$707.5 million, 12% lower than last year's position of S$805.6 million. Meanwhile, total liabilities decreased by 25% from S$312.1 million as of 31 December 2022 to S$233.1 million as of 31 December 2023.

Resulting from that, the Group's net asset value per share decreased from 157.1 Singapore cents as of 31 December 2022 to 151.3 Singapore cents as of 31 December 2023.

Property, plant and equipment

(31 Dec'23: S$40.1 million, 31 Dec'22: S$40.0 million)
Property, plant and equipment remained consistent during the year. The additions were primarily directed towards the replacement of worn-out assets, ensuring sustained operational efficiency. However, these additions were partially offset by depreciation expenses.

Right-of-use assets

(31 Dec'23: S$33.6 million, 31 Dec'22: S$35.1 million)
The reduction in right-of-use assets primarily reflects depreciation, which was partially offset by the acquisition of new property leases initiated by the Group during the current year.

Intangible assets

(31 Dec'23: S$125.3 million, 31 Dec'22: S$115.9 million)
The increase in intangible assets arose mainly from capitalisation of development costs on R&D projects.

Inventories

(31 Dec'23: S$328.6 million, 31 Dec'22: S$367.7 million)
Inventories have decreased due to consumption during the current year.

Trade and other receivables

(31 Dec'23: S$58.8 million, 31 Dec'22: S$92.9 million)
Lower sales towards the end of the year led to a decrease in trade and other receivables.

Financial liabilities (current and non-current)

(31 Dec'23: S$126.4 million, 31 Dec'22: S$143.3 million)
The Group's repayment of borrowings during the year resulted in a decrease in its overall financial liabilities.

Trade and other payables (current and non-current)

(31 Dec'23: S$74.1 million, 31 Dec'22: S$118.9 million)
As business activities slowed towards the end of the year, there was a decrease observed in trade and other payables.

Cash Flows

AEM reported ***net cash generated from operating activities*** of S$40.2 million in FY2023. This was mainly driven by consumption of inventories and collection from receivables, partially offset by the initial settlement of an arbitration, payments to suppliers, and tax payments made during the year.

In FY2023, ***net cash used in investing activities*** amounted to S$20.1 million primarily due to acquisition of property, plant, and equipment, as well as development expenditures incurred during the year.

The Group recorded ***net cash used in financing activities*** net cash used in financing activities of S$46.9 million in FY2023. This was primarily driven by payments for interest expenses and repayment of lease liabilities, as well as partial repayment of borrowings.

Accordingly, ***cash and cash equivalents*** decreased from S$127.8 million as of 31 December 2022, to S$101.8 million as of 31 December 2023. While this decline reflects the utilisation of cash for strategic investments and operational needs, it underscores the Group's prudent financial management amidst challenging market conditions.

Dividend

The Group has decided not to recommend a final dividend for FY2023, opting instead to prioritise investment in new customer programs to drive future growth.

Bonus Issue of Shares

The Group intends to undertake a bonus issue of shares pursuant to a general share issue mandate to be approved by shareholders at the forthcoming 2024 Annual General Meeting. Under this proposal, the Group will issue 1 bonus share for every 100 shares held by entitled shareholders.

The proposed bonus issue is aimed at rewarding and giving due recognition to shareholders for their loyalty and continuing support for the Group. Additionally, it reflects the Board’s confidence in the future value of our business, stemming from our current investments.

Outlook

As we step into 2024, inventory levels have reached a point of stability, and there's an anticipated minor uptick in the demand for PCs and smartphones from end-customers compared to the downturn experienced in 2023. Artificial Intelligence (“AI") will continue to boom, and is expected to experience an inflection point in its growth via new applications of the technology that will bring it to the edge, with AI PCs expected to account for ~60% of global PC volumes by 2027 (Source: IDC). This burgeoning trend in AI-driven computing is expected to drive the demand for advanced logic devices, consequently amplifying the need for Test 2.0-based solutions.

Manufacturers of advanced logic devices, particularly those powering AI and High-Performance Compute devices, confront notable testing challenges, primarily revolving around thermal management, throughput optimisation, and the overall cost of testing. The prolonged testing duration inherently escalates expenses and curtails the overall processing capacity of devices within a given timeframe. AEM has strategically positioned its technology portfolio to address these precise challenges, thereby earning the preference of discerning customers over competitors.

Looking ahead, the Group is poised to capitalise on the imminent AI inflexion point as it migrates from the data centres to the edge in late 2024 and beyond. However, beyond the realm of AI, visibility remains somewhat obscured, compounded by the Group's long-dated purchase order programme with its key customer. Nonetheless, the Group remains confident in its strategic positioning and technological capabilities to navigate evolving market dynamics effectively.

Board of Directors

Loke Wai San
Non-Executive Chairman

James Toh Ban Leng
Lead Independent Director

Loh Kin Wah
Independent Director

Chou Yen Ning @ Alice Lin
Independent Director

André Andonian
Independent Director

Chok Yean Hung
Non-Executive, Non-Independent Director

Tham Min Yew
Non-Executive, Non-Independent Director

Chief Executive Officer

Chandran Nair

Audit & Risk Management Committee

Chou Yen Ning @ Alice Lin (Chairman)

Chok Yean Hung

James Toh Ban Leng

Remuneration Committee

James Toh Ban Leng (Chairman)

Loh Kin Wah

Tham Min Yew

Nominating Committee

André Andonian (Chairman)

James Toh Ban Leng

Loke Wai San

Tham Min Yew

Loh Kin Wah

Strategy Committee

Loke Wai San (Chairman)

Loh Kin Wah

Chok Yean Hung

Tham Min Yew

André Andonian

Joint Company Secretaries

Leong Sook Han
(with effect until 16 April 2024)

Oei Jun Long
(with effect from 16 April 2024)

Kevin Cho Form Po

Registered Office

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

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

Auditors

KPMG LLP
Asia Square Tower 2
12 Marina View, #15-01
Singapore 018961

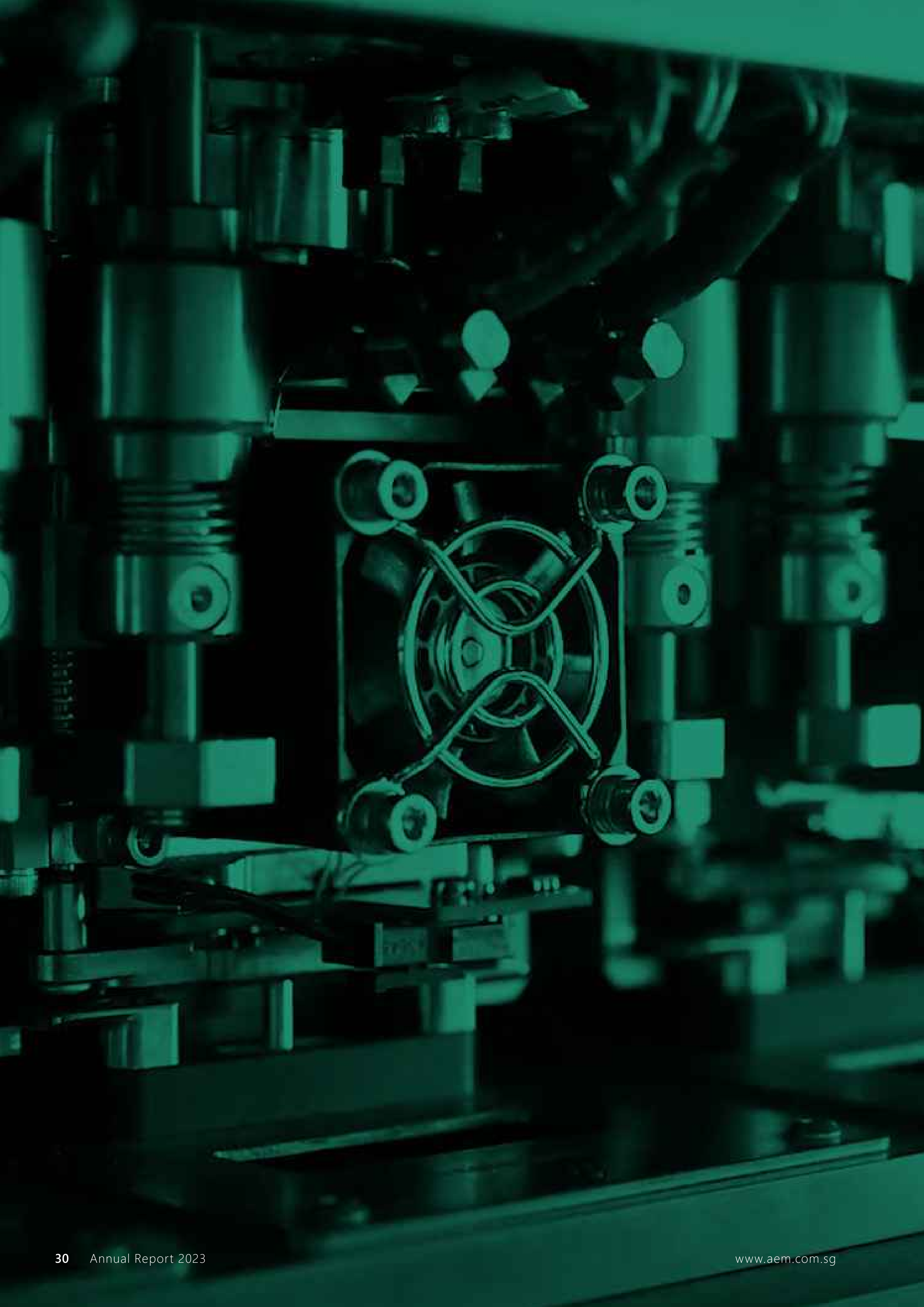
Audit Partner-in-charge
Yeo Lik Khim
Since Financial Year 2021

Principal Bankers

Malayan Banking Berhad, Singapore Branch

United Overseas Bank Limited

The Hongkong and Shanghai Banking Corporation Limited



Driving Our Growth

The Board of Directors ("**Board**") of AEM Holdings Ltd. (the "**Company**" or together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance which is essential to ensure greater transparency and protection of shareholders' interests. This report outlines the main corporate governance practices that were in place during the year with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"). To the extent where any provisions have not been fully complied with, appropriate explanations have been provided in the relevant sections.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

Provisions of the Code

1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

Group's Corporate Governance practices

As at the date of this report, there are seven Directors on the Board which comprises a Non-Executive Chairman, two Non-Executive Directors and four Non-Executive Independent Directors ("**Independent Director**").

The Board is entrusted with and committed to, oversight of the business performance and business affairs of the Group, sets appropriate tone-from-the-top and desired organisational culture and Code of Conduct and Ethics, ensures proper accountability within the Group and seeks to ensure that obligations to shareholders and other stakeholders are understood and met.

The primary functions of the Board are as follows:

(i) provide entrepreneurial leadership, set strategic objectives, which include appropriate focus on value creation, innovation and sustainability;

(ii) ensure necessary resources are in place for the Company to meet its strategic objectives;

(iii) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

(iv) monitoring the Company's risk of becoming subject to, or violating any Sanctions Law and ensuring timely and accurate disclosures to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and other relevant authorities;

(v) review annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals;

(vi) monitor the financial performance of the Group and Management's performance;

(vii) set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;

(viii) consider sustainability issues such as environmental and social factors as part of its strategic formulation; and

(ix) ensure transparency and accountability to key stakeholder groups.

To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures whereby Directors are required to promptly declare any conflict of interest at a meeting of the Directors, or by written notification to the joint company secretaries ("**Joint Company Secretaries**") and they are required to take such action as and when it is necessary to effectively resolve the conflict (for instance recusing themselves by refraining from participating in meetings or discussions and by abstaining from voting, on any matter in which they are interested or conflicted). The Company has established procedures for all interested person transactions to be reviewed and approved by the Audit and Risk Management Committee ("**ARC**") on a quarterly basis and to ensure that these transactions are conducted on an arm's length basis.

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

Provisions of the Code	*Group's Corporate Governance practices*
1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.	The Company has in place an orientation programme to familiarise new directors with the Company's structure and organisation, businesses and governance policies. The Company is responsible for arranging and funding the training of Directors. The Directors are provided with updates on the relevant laws, financial reporting standards, Listing Rules of the SGX-ST, and relevant codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**"), Singapore Exchange Limited, business and financial institutions, and consultants. As at the date of this report, all Directors have attended a mandatory training on sustainability matters as prescribed under Rule 720(7) of the Main Board Listing Manual of SGX-ST.
1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring Board approval are disclosed in the company's annual report.	The Group has in place detailed guidelines that set forth all the matters reserved for the Board's decision and which provide Management with clear directions on the matters that require the prior approval of the Board, such as financial authorisation limits for operating and capital expenditure and other matters that fall outside the annually approved budgets, the drawing down or obtaining of credit lines and the acquisition and disposal of material assets and investments.
1.4 Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.	To efficiently discharge its responsibilities, the Board has established several board committees, namely the ARC, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Strategy Committee ("**SC**") (collectively "**Board Committees**"). These Board Committees are given specific responsibilities and are empowered to deal with matters within the limits of the authority set out in the terms of reference ("**Terms of Reference**") of their appointments. They assist the Board operationally without the Board losing authority over major issues. The SC was formed in April 2020. It is chaired by Mr. Loke Wai San and its members are Mr. Loh Kin Wah, Mr. Chok Yean Hung, Mr. Tham Min Yew and Mr. André Andonian. The SC has oversight responsibilities in (a) the development of the long-term strategic plan, (b) the improvement and enhancement of the decision-making process relating to investment, and (c) the review of major investments and strategic initiatives.
1.5 Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.	The Board conducts regular scheduled meetings during the year and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require. The number of scheduled meetings held by the Board and Board Committees during the year were: • Board 4 • Audit and Risk Management Committee 4 • Remuneration Committee 2 • Nominating Committee 1 • Strategy Committee 1 Please refer to ***Table 1 – Attendance at Board, Board Committee meetings and Annual General Meeting ("AGM")*** at the "Other Corporate Governance Matters" section. The meeting schedule for the Board and each of the Board Committees is firmed up before the end of each financial year for the following 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/her performance shall be critically reviewed by the NC. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his/her attendance at the general meetings and at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice and experience with other Directors and the Company's Management, and strategic networking relationships which would further the interests of the Company.

Provisions of the Code	*Group's Corporate Governance practices*
1.6 *Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.*	Directors are regularly updated by Management on developments within the Group. The Board is provided with timely and adequate information, prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval. The Management also provides Directors with quarterly updates on the Group's financial performance, with material variances between the comparative periods explained. Where the Board's or a Board Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further information, as necessary.
1.7 *Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.*	The Board has separate and independent access to Management and the Joint Company Secretaries at all times. The Joint Company Secretaries are present at the Board and Board Committees' meetings as required by the Board. They are responsible for ensuring that Board procedures and applicable rules and regulations are complied with and advising and providing guidance and updates on best practices of corporate governance, administrative, legal and regulatory compliance matters. The appointment and removal of the Joint Company Secretaries are decisions taken by the Board as a whole. The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfil and discharge their duties and responsibilities as Directors.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Provisions of the Code	*Group's Corporate Governance practices*
2.1 *An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.* 2.2 *Independent Directors make up a majority of the Board where the Chairman is not independent.* 2.3 *Non-executive directors make up a majority of the Board.*	The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs. As at the date of this report, the Board composition is as follows: Loke Wai San — Non-Executive Chairman James Toh Ban Leng — Lead Independent Director Loh Kin Wah — Independent Director Chou Yen Ning @ Alice Lin — Independent Director André Andonian — Independent Director Chok Yean Hung — Non-Executive, Non-Independent Director Tham Min Yew — Non-Executive, Non-Independent Director A majority (four out of seven) of the Board members are Independent Directors. Mr. James Toh Ban Leng, Mr. Loh Kin Wah, Ms. Chou Yen Ning @ Alice Lin and Mr. André Andonian are considered 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 in the best interests of the Company. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the Directors. The Non-Executive Directors and Independent Directors have at least four regular meetings with Management to keep abreast of the Group's business, financial performance, and strategy plans. The Board members with majority being Non-Executive Directors including Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels and had open discussions with Management. Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. The Non-Executive Directors and Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management.

Provisions of the Code

2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

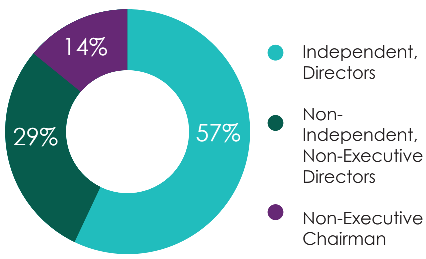
Group's Corporate Governance practices

The core competencies of the Board members are as follows:

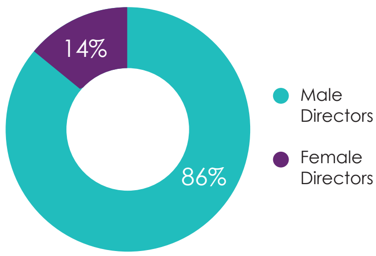
	Accounting and Finance	Business and Management	Industry Knowledge	Strategic Planning	Legal and Regulatory
Loke Wai San	√	√	√	√	
James Toh Ban Leng	√	√		√	
Loh Kin Wah		√	√	√	
Chou Yen Ning @ Alice Lin	√	√		√	√
André Andonian		√	√	√	
Chok Yean Hung		√	√	√	
Tham Min Yew		√	√	√	

The Board comprises Directors who have broad and complementary skills to serve the Company's global business objectives and governance standards. The Directors have the relevant qualifications, experience and knowledge in various fields including technology, law, accounting, finance, mergers and acquisitions, strategic planning, and management to meet the goals of the Company in the global semiconductor industry. The Independent Directors contribute their independent views and objective judgements on issues of strategy, business performance, resources and standards of conduct. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Group.

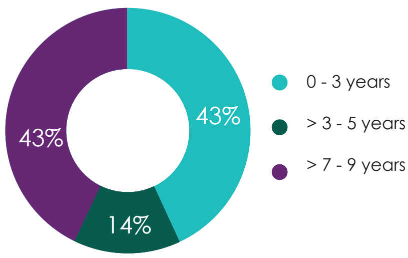
INDEPENDENCE



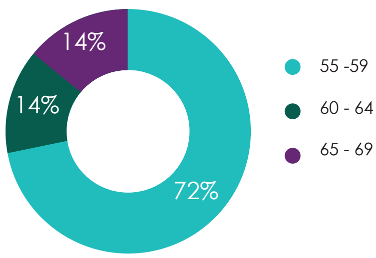
GENDER DIVERSITY



LENGTH OF SERVICE



AGE OF DIRECTORS



The NC is of the view that the current Board and Board Committees possess the necessary competencies, skills and attributes required to meet the operations of the Group.

The Company has a Board diversity policy that takes into consideration criteria such as qualification, age, gender, experience, and expertise in various fields, in the relevant industry. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity. The Board recognises the importance and value of gender diversity in the composition of the Board. The Board comprises one female Director. The NC will continue its identification and evaluation of suitable candidates to ensure that there is greater diversity (including gender diversity) on the Board.

Provisions of the Code	*Group's Corporate Governance practices*
	Gender diversity is recognised by the Board as an essential aspect of a well-balanced Board. The Company will continue to enhance diversity on the Board's composition. When making recommendations to the Board for the appointment of a Director, the NC will ensure that: • female candidates are included for consideration; and • the requirement to present female candidates will be made known where external consultants are used for the search. The NC adopts a deliberate and targeted board renewal process. It proactively assesses the Company Board's composition needs and uses it as an objective criterion for candidate selection. The final decision is based on merit, to complement and expand the skills and experience of the Board as a whole.
2.5 *Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.*	The Independent Directors meet regularly without the presence of Management to ensure that Board matters can be effectively discussed independently from Management as and when necessary. The outcome or suggestion arising from such meetings will be provided to the Non-Executive Chairman.

PRINCIPLE 3: NON-EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Provisions of the Code	*Group's Corporate Governance practices*
3.1 *The Chairman and the Chief Executive Officer ("**CEO**") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.*	The Non-Executive Chairman and the Chief Executive Officer ("**CEO**") are separate persons to ensure an appropriate balance and separation of power, increased accountability, and greater capacity of the Board for independent decision making. The division of responsibilities between the Non-Executive Chairman and the CEO are clearly demarcated. Having clarity of their respective responsibilities and separating the respective roles avoids concentration of power, ensures a degree of check and balances, increases accountability and ensures greater capacity of the Board for independent decision making. The Non-Executive Chairman and the CEO do not have any familial relationship with each other. The Board has put in place a Terms of Reference of the Non-Executive Chairman, CEO and Lead Independent Director. It clearly spells out their key roles and responsibilities.
3.2 *The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.*	The Non-Executive Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management team on strategic, business and other key issues pertinent to the business. The Non-Executive Chairman is responsible for ensuring that the Board engages the CEO and his Management team in constructive discussion and implementation of the Group's business strategies, corporate governance policies, corporate strategies, financial objectives and directions for the Group and for ensuring the Board's effectiveness to facilitate and ensure effective contribution from all the Directors and to encourage constructive relations between the Directors, the Board and Management 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 organised and staffed, assesses, and monitors the principal risks of the Group and ensures effective internal controls and risk management systems are in place.

Provisions of the Code	*Group's Corporate Governance practices*
3.3 *The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.*	Mr. James Toh Ban Leng is the Lead Independent Director of the Company. The Lead Independent Director acts as a facilitative role within the Board, and where necessary, he would be available to address shareholders where they have concerns for which contact through normal channels such as the Chairman, CEO or his Management team are inappropriate or inadequate. The Lead Independent Director also has the authority to call and lead meetings of the Independent Directors when necessary and appropriate, and to provide feedback to the Chairman after such meetings.

PRINCIPLE 4: BOARD MEMBERSHIP

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

Provisions of the Code	*Group's Corporate Governance practices*
4.1 *The Board establishes a Nominating Committee ("**NC**") to make recommendations to the Board on relevant matters relating to:*	The Company believes that Board renewal is essential to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business. The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors and selection of new Directors.
(a) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel,	The Board understands the importance of succession planning as part of corporate governance. Board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory. The NC also reviews succession and development plans for Key Management Personnel in line with the Company's succession planning policy, which will be subsequently approved by the Board.
(b) the process and criteria for evaluation of the performance of the Board, its Board committees and directors,	The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The NC evaluates the Board's effectiveness as a whole, including the contribution of the Board Committees and of each Director to the effectiveness of the Board. The Board has adopted a system of evaluating the effectiveness of the Board's, Board Committees' and individual Director's performance, through principally a self-assessment process.
(c) the review of training and professional development programmes for the Board and its directors, and	The NC reviews the skill, training and professional development needs and programs for the Board and its Directors regularly to ensure that the Directors possess the required skills and knowledge to function as an effective Board.
(d) the appointment and re-appointment of directors (including alternate directors, if any).	The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors. When the need for a new Director arises, the NC, in consultation with the Board, evaluates and determines the selection criteria for the appointment of new Directors collectively, by taking into account their skills, experience, contribution to the Board diversity as well as industry knowledge. The NC seeks potential candidates beyond the recommendation of Directors and Management and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary. The NC also oversees the process of Directors' re-appointment, after giving due regard to the Director's contributions and performance (such as contribution, participation and attendance).

Provisions of the Code	Group's Corporate Governance practices
	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 AGM. All Directors of the Company, including the Non-Executive Chairman, 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/herself for re-election at the next AGM following his/her appointment. Thereafter, he/she 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 his/her re-nomination as a Director. Currently, the Company does not have any alternate director.
4.2 *The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.*	The NC comprises five Directors, a majority of whom are non-executive and independent. The NC Chairman is an Independent Director and is not directly associated with any substantial shareholder of the Company. The Lead Independent Director is a member of the NC. The NC comprises the following members: • André Andonian – Chairman • James Toh Ban Leng – Member • Loke Wai San – Member • Tham Min Yew – Member • Loh Kin Wah – Member
4.3 *The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.*	Please refer to Principle 4.1(d) above.
4.4 *The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.*	The NC is responsible for reviewing the independence of each Director based on the provisions set out in the Code. The Board conducts the review annually and requires each Independent Director to confirm annually, that there are no material relationships which would render him/her non-independent. Each Independent Director is given an independence declaration form each year under which he/she is asked to assess his/her own independence, with specific references to the relevant provisions in the Listing Rules, the Code, and its accompanying Practice Guidance. The NC has reviewed and is satisfied with the independence of the Independent Directors.
4.5 *The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.*	An orientation program to better understand the Director's duties and the Company's business is conducted for newly appointed Directors. All Directors are required to declare their board representations. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the Directors of the Company so that sufficient time and attention can be given to the affairs of the Company.

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board committees and individual Directors.

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

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Provisions of the Code

*6.1 The Board establishes a Remuneration Committee ("**RC**") to review and make recommendations to the Board on:*

(a) a framework of remuneration for the Board and key management personnel; and

(b) the specific remuneration packages for each director as well as for the key management personnel.

Group's Corporate Governance practices

The Company believes in adopting a formal and transparent procedure for determining the remuneration of the Directors and Key Management Personnel to ensure that the level of remuneration is appropriate to attract, retain and motivate the Directors and Key Management Personnel to run the Group successfully.

In summary, the Company's remuneration policies for Key Management Personnel are based on the following principles:

Philosophy	Principles
Shareholder & Business Alignment	• Build **sustainable value in alignment** with shareholder interests • Attract and **retain** key talents to build a world class organisational capability • A **cost-effective** compensation system in line with the Company's strategic goals • Create an **ownership** mindset for the long-term success of the Company
Motivate Right Behaviours	• **Pay for performance** – align, differentiate and balance rewards according to country, business units and individual performance • Strengthen **line-of-sight** linking rewards and performance goals • **Robust target setting** taking into account shareholder expectations over foreseeable performance horizon and commensurate with reward levels • Foster Group-wide interests to **drive Group performance**
Fair, Appropriate and Effective Implementation	• Maintain **rigorous corporate governance** standards • Exercise appropriate **flexibility** to meet strategic business needs and practical implementation considerations • Facilitate **employee understanding** to maximise the value of the remuneration programs • Disclose **relationships between remuneration, performance and value creation for shareholders and other stakeholders**

Provisions of the Code	*Group's Corporate Governance practices*
6.2 *The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.*	The RC comprises three Non-Executive Directors, of whom two (including the RC Chairman) are independent. The RC comprises the following members: ● James Toh Ban Leng — Chairman ● Loh Kin Wah — Member ● Tham Min Yew — Member
6.3 *The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.* 6.4 *The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.*	The 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 compensation and employment conditions within the industry and with comparable companies, with a goal to motivate, recruit and retain employees. The remuneration framework covers all aspects of remuneration including salaries, allowances, performance bonuses, grant of share awards and incentives of Executive Directors (if any) and Key Management Personnel to provide a fair system and rewards based on performance. The RC has direct access to the Company's Head of Human Resources should they have any queries on human resource matters. In discharging its responsibilities, the RC considers all aspects of remuneration and performs benchmarking against comparable market data. As and when required, the RC and the Company may engage independent consultants for diversified views and specific expertise to ensure that the remuneration and welfare packages for employees are competitive and sufficient to ensure that the interests of the employees and Company are taken care of. In this regard, the Company has engaged an independent external consultant, Willis Towers Watson Consulting Pte. Ltd. ("**WTW**"), to perform a review on the Company's share-based incentive schemes. WTW is not related to the Company or any of its Directors; (ii) to review the Performance Share Plan and such other incentive schemes as may be approved by the Board and the shareholders from time to time. For any such schemes, it shall determine each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to eligible persons and the performance targets to be used; and (iii) to review the Group's obligations in the event of the termination of Executive Directors (if any) and Key Management Personnel contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses, which are not overly generous. No Director is involved in any discussion relating to his/her own compensation and the terms and conditions of service and the review of his/her performance.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

Provisions of the Code	*Group's Corporate Governance practices*
7.1 *A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.*	The Company adopts a remuneration framework that is responsive to the market conditions and performance of the Group. It is structured to link a significant proportion of the rewards to the Group's and each individual's performance and value creation for the Company's stakeholders. The grant of performance shares promotes ownership and accountability for the long-term success of the Company. The RC carries out annual reviews of the remuneration packages of the Executive Directors (if any) and the Key Management Personnel, with regard to their contributions as well as the financial and non-financial performance of the Company. During the financial year ended 31 December 2023, the remuneration structure for the Executive Directors (if any) and the Key Management Personnel comprised the following components: **Fixed Component ("Salary")** The fixed component comprises annual base salary, contractual Annual Wage Supplement ("**AWS**") equivalent to 1 month of base salary, Provident Fund and, in the case of the Key Management Personnel, certain fixed cash allowances. The fixed components are benchmarked to comparable positions in the market and reflect the market worth of the positions.

Provisions of the Code	*Group's Corporate Governance practices*

Performance Bonus (Annual Cash Incentive)

The variable bonus is in the form of a Performance Target Bonus ("**PTB**") plan for the CEO position. A target individual annual bonus based on a multiple of the annual base salary is determined and is adjusted by the Company and individual performance scorecard achievement factors ranging from 0% to 200% are used to determine the actual individual annual bonus.

Achievement factors are subject to RC moderation taking into account the context within which performance is delivered.

For other Key Management Personnel, the Board initially decides the incentive funding for the Company based on the Company's results. The pool is then allocated to the Key Management Personnel based on their individual contribution, assessed based on Objectives and Key Results ("**OKR**") achievement.

Equity Incentive

(A) Share Option Plan

The AEM Holdings Employee Share Option Scheme 2014 ("**ESOS 2014**") was approved and adopted at an extraordinary general meeting held on 25 April 2014. No share options have been granted pursuant to the ESOS 2014 since early April 2020, and it is intended that no further share options be granted pursuant to the ESOS 2014. The RC approved the termination of the ESOS 2014 with effect from 25 March 2023. The termination of the ESOS 2014 shall be without prejudice to the rights accrued to any options which have been granted pursuant to the ESOS 2014 and which are subsisting and have not lapsed.

(B) Performance Share Award ("PSA")

For the CEO and the Chief Technology Officer ("**CTO**"), a PSA was granted during the year under review. The PSA will vest rateably over three years on 1 April, with the first vesting occurring on 1 April 2024. For the Chief Financial Officer ("**CFO**") and the Chief Operating Officer ("**COO**"), a PSA was granted during the year under review. The PSA for the CFO will vest over one year. As the COO resigned with effect from 18 November 2023, the PSA granted to the COO, which had not yet vested, immediately lapsed and became null and void.

The AEM Performance Share Plan 2017 ("**PSP 2017**") was approved and adopted at an extraordinary general meeting held on 27 April 2017. The RC approved, with effect from 1 May 2023, that the Rules of the PSP 2017 be amended so that the PSP 2017 does not apply to Non-Executive Directors or controlling shareholders, and to remove references to the ESOS 2014.

At the upcoming AGM, the Company will be seeking the approval of the shareholders, inter alia, to empower the Directors to issue shares in connection with the PSP 2017, up to a limit of 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, which authority will expire at the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier.

Further details on the equity incentive plans are in the Directors' Statement section.

In addition to the above total compensation structure, the Company also offers standard market benefits.

7.2 The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.	The RC reviews Non-Executive Directors' fees annually and makes recommendations to the Board and shareholders for endorsement and approval at AGMs, respectively. Under the current remuneration framework, Non-Executive Directors with additional duties as members or Chairman of Board Committees would be remunerated based on a fee structure. In FY2023, the Non-Executive Directors were paid a basic yearly retainer fee of S$60,000 for their appointment as members of the Board. The Chairman of the ARC was paid an annual fee of S$24,000 while the Chairman of the NC, RC and SC was paid an annual fee of S$8,000 respectively. The members of the ARC were paid annual fees of S$12,000 each while the members of NC, RC and SC were paid annual fees of S$4,000 each. The Lead Independent Director was paid S$8,000. The Chairman of the Board was paid an all-in Chairman's fee of S$343,000. Executive Directors (if any) are not entitled to Director's fees.

Provisions of the Code	Group's Corporate Governance practices
	For the financial year ending 31 December 2024, it is proposed that aggregate fees of S$811,000 (2023: S$811,000) be paid to Directors, subject to shareholders' approval at the AGM. The remuneration framework for Directors' fees for the financial year ending 31 December 2024 remains unchanged from that for FY2023 except that with effect from 1 January 2024, the Chairman of the NC will receive an annual fee of S$24,000, whereas the Chairman of the Board will receive an all-in Chairman's fee of S$327,000.
7.3. Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.	The remuneration framework for fixing Directors' fees and the Key Management Personnel remuneration adopted by the Company takes into consideration the need to pay competitively to attract, retain and motivate the Non-Executive Directors and the Management staff whilst ensuring that the Independent Directors are not over-compensated to the extent that their independence may be compromised. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors (if any) and Key Management Personnel as the Executive Directors (if any) and Key Management Personnel owe a fiduciary duty to the Company. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the Executive Directors (if any) and Key Management Personnel in case of such breach of fiduciary duties will be available.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

Provisions of the Code	Group's Corporate Governance practices
8.1 The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: *(a) each individual director and the CEO; and* *(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.*	Please refer to Principles 7.1 to 7.3. The Board has, on review, decided to disclose the remuneration of Key Management Personnel (who are not Directors or CEO of the Company) in remuneration bands of S$250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialised industry, potential for poaching of staff and other disadvantages that this might bring. The remuneration and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under review for the CEO) in absolute amounts for the Non-Executive Chairman, Non-Executive Directors, and CEO for FY2023 are set out in ***Table 2 – Directors and CEO Remuneration Breakdown*** at the "Other Corporate Governance Matters" section. The remuneration bands and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under review) of the Key Management Personnel of the Company (in percentage terms) for FY2023 are disclosed in ***Table 3 – Key Management Personnel Remuneration Breakdown*** at the "Other Corporate Governance Matters" section. The share option and performance share costs are based on fair value recognised over the respective vesting periods.
8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	There is no employee who is a substantial shareholder of the Company or immediate family member of any of the Directors, CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year.

Provisions of the Code	*Group's Corporate Governance practices*
8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key Management personnel of the company. It also discloses details of employee share schemes.	During FY2023, the Company granted performance shares under the PSP 2017 to employees of the Company. There were 339,570* performance shares that were granted on 3 April 2023. *Granted to the CEO, CTO, CFO and COO. PSAs granted to the CEO and CTO will vest annually rateably over three years on 1 April, with the first vesting occurring on 1 April 2024, whereas the PSA granted to the CFO will vest over one year. As the COO resigned with effect from 18 November 2023, the PSA granted to the COO, which had not yet vested, immediately lapsed and became null and void.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

Provisions of the Code

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

Group's Corporate Governance practices

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.

A framework has been established and the Board continues through the ARC and Management, to improve and enhance it on a continuing basis. The system of operational, financial, compliance and information technology ("**IT**") 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 Asia, Europe and North and Central Americas and is therefore exposed to compliance risks, including sanctions risks, changes in government regulations and any unfavourable political development which may limit the realisation of business opportunities and investments in these countries. In addition, the Group's business operations are exposed to economic uncertainties that affect the global economy and international capital markets. Although such risks are beyond the Company's control, the Board and Management consistently keep themselves abreast with the changes in sanctions, political, economic, and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

(ii) Operational risk

The Group's operating risk is managed at each operating unit and monitored at the Group level. The operating risks of the Group include human error, 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 minimise 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 analysis. Such investments, acquisitions and disposals must be in line with the Group's strategies. All investment proposals must be evaluated and must meet the minimum hurdle rate determined by the Group. All investments, major acquisitions and disposals are tabled and recommended for the Board's approval.

(v) IT risk

IT risks include breakdown, disruption, viruses, scams and malicious attacks on its infrastructure, application systems, hardware and network. The Group has in place IT controls, maintenance and monitoring methodologies to adequately address this risk. A structured way of implementing and testing new software and applications is adopted to ensure requirements and specifications are met. Measures are put in place to safeguard against data security and loss of information so as to ensure business continuity.

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

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

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

The Board has received assurance from the current CEO and the Vice President, Group Finance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal control systems, save for the risk management and/or internal control system issues that resulted in the shortfall in inventories stated in the Company's announcement dated 22 January 2024 and press release dated 28 February 2024 ("**Inventory Issue**"). To address the Inventory Issue, the Management and the Board have taken appropriate actions to ensure that robust processes, systems, policies, and controls are in place, manned by appropriately trained staff.

In addition, the current CEO and Vice President, Group Finance have given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and IT risks, save for the Inventory Issue.

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

Based on the work carried out by the internal auditors, the reviews undertaken by the external auditors and representations made by the Management to the Board that internal controls are in place, the Board is of the opinion (with the concurrence of the ARC) that there are adequate and effective internal controls and risk management systems in place, save for the Inventory Issue, to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and IT Risks. The Board has also confirmed that there has been no material change in the risk of the Company being subject to any Sanctions Law.

To address the Inventory Issue, the Management and the Board have taken appropriate actions to ensure that robust processes, systems, policies, and controls are in place, manned by appropriately trained staff.

PRINCIPLE 10: AUDIT COMMITTEE

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

Provisions of the Code	*Group's Corporate Governance practices*
10.1 The duties of the AC include:	The ARC performs the following main functions:
(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;	(i) Reviews the financial information provided by the Group, in particular the relevance and consistency of the accounting standards used by the Group.
(b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;	(ii) Reviews disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO (or equivalent person) or other Key Management Personnel.
(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;	(iii) Monitoring the Company's risk of becoming subject to, or violating any Sanctions Law and ensuring timely and accurate disclosures to the SGX-ST and other relevant authorities.
(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;	(iv) Reviews the Company's overall risk assessment processes and reviews the assurance provided by the CEO and CFO (or equivalent person) that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances.
(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and	(v) Reviews and approves the audit plans, taking into consideration independence, effectiveness, scope of work, remuneration and terms of engagement of the internal and external auditors and adequacy and effectiveness of the internal and external auditors.
(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.	(vi) 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.
	(vii) Reviews the effectiveness of the internal controls, risk management systems, findings of the internal and external auditors and the responses and follow-up actions from Management.
	(viii) Reviews the half yearly and full year announcements and the financial statements of the Group and of the Company, Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.
	(ix) Reviews the requirements for approval and disclosure of interested person transactions.
	(x) Investigates any matters reported to the ARC about improprieties in matters of financial reporting or other matters within its Terms of Reference.
	(xi) Reviews and approves the corporate governance and control policies of the Group.
	(xii) Advises the Board on the Company's overall risk tolerance and strategy.
	(xiii) Oversees and advises the Board on the current risk exposures and future risk strategy of the Company.
	(xiv) Assist the Board in overseeing matters pertaining to sustainability (including the oversight of climate-related risks and opportunities).

Provisions of the Code	*Group's Corporate Governance practices*
	The role of the ARC in relation to financial reporting is to monitor the integrity of the half yearly and full year financial statements. The ARC considers whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient. The ARC has conducted an annual review of the amount of non-audit services provided by the external auditors and satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. Further to that, pursuant to the International Ethics Standards Board for Accountants ("**IESBA**"), the ARC has developed and implemented a policy on engaging external auditor to supply non-audit services. A breakdown of the fees in total for audit and non-audit services is set out in the notes to the financial statement. In addition, the ARC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARC is satisfied that the external auditors are able to meet their audit obligations and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company. The Company has put in place a Whistle-Blowing policy and procedures, endorsed by the ARC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters relating to the Group and its employees, to the Board of Directors through the Joint Company Secretaries. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance that employees will be protected from reprisal within the limits of the law. Details of the Whistle-Blowing policy and procedures have been made available to all employees of the Group and published on the Company's website for ease of reference by various stakeholders for raising concerns. The ARC is responsible for oversight and monitoring of whistle-blowing. The ARC is given full access to Management and receives its full cooperation. The ARC has full discretion to invite any Director or Executive Officer to attend its meetings. It has full access to records, resources and personnel to enable it to discharge its functions properly. For FY2023, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the SGX-ST in relation to the appointment of the auditing firms.
10.2 *The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.*	The ARC comprises three members, all non-executive, and a majority of its members are independent including the Chairman. These members are suitably qualified and possess relevant accounting and/or related financial management expertise or experience for effective discharge of their responsibilities as members of the ARC. The ARC comprises the following members: • Chou Yen Ning @ Alice Lin — Chairman • Chok Yean Hung — Member • James Toh Ban Leng — Member
10.3 *The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.*	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the ARC.

Provisions of the Code	*Group's Corporate Governance practices*
10.4 *The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.*	The ARC approves the appointment, removal, evaluation, and fees of the outsourced internal audit function. The Group outsourced its internal audit function to an independent professional firm, RSM Risk Advisory Pte Ltd to provide internal audit services, as recommended by the ARC. The internal auditors report directly to the ARC on internal audit matters and to the CFO (or equivalent person) on administrative matters. The internal auditors have unfettered access to the ARC, the Company's documents, records, and personnel. The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the external auditors and their independence of the areas reviewed. RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The ARC reviews the independence, adequacy, and effectiveness of the internal audit function annually. The ARC is satisfied that the internal auditor is independent and effective, and the internal auditor is adequately resourced and has the appropriate standing within the Company.
10.5 *The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.*	The ARC meets with the internal and external auditors without the presence of Management at least once a year in order to have free and unfiltered access to information it may require. The ARC has reviewed and approved the financial statements, which could be found in the financial statement section of the annual report.

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Provisions of the Code	*Group's Corporate Governance practices*
11.1 *The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.*	The Group encourages active shareholder participation at the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars. These circulars and notices are published on the Company's corporate website and posted onto the SGXNet. Shareholders are encouraged to attend the general meetings and given the opportunity to participate effectively and vote for resolutions to be passed at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated. A relevant intermediary may appoint more than two proxies to attend and vote at the AGM. The Company reserves the rights to allow any observers to attend its AGM.
11.2 *The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.*	Resolutions at general meetings are each on separate issues. The resolutions at the general meetings are single item resolutions. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of general meeting. 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 corporate website.

Provisions of the Code	Group's Corporate Governance practices
11.3 *All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the Company's annual report.*	The Non-Executive Chairman, Directors and the Chairmen of the various Board Committees of the Company are present at each shareholders' meeting to respond to questions from shareholders. Please refer to ***Table 1 – Attendance at Board, Board Committee Meetings and AGM*** at the "Other Corporate Governance Matters" section. The external auditors are also present to address shareholders' queries in relation to the conduct of audit and the preparation and content of the external auditors' report. The responses from the Board and Management during the AGM or Extraordinary General Meeting, and such minutes are available on the Company's corporate website as soon as practicable.
11.4 *The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.*	For greater transparency, the Company has implemented electronic poll voting since its 2019 AGM. Where shareholders are entitled to attend general meetings in person, they will be invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hand), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all cast for, or against each resolution are then screened at the meeting and announced to SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. If any shareholder is unable to attend the meeting, the Company's constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company is in the process of reviewing to allow voting in absentia (such as via mail, or email). <u>2024 AGM</u> The Company will hold its upcoming AGM physically to engage with its shareholders. Details of which are set out in the Notice of AGM. Shareholders can attend, raise questions in advance of, or at, the AGM and vote in person or through an appointment of proxy.
11.5 *The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.*	One of the Joint Company Secretaries prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. The minutes of the general meetings will be published on the Company's corporate website and SGXNet within one month after the general meetings. The Company also makes available minutes of general meetings to shareholders upon their requests.
11.6 *The company has a dividend policy and communicates it to shareholders.*	In determining the dividends, the Board balances the need for a satisfactory return to shareholders against the Company's investment requirement to ensure sustainable growth in the future. The Company has established and announced a policy on payment of dividends of not less than 25% of the Company's consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors. The Board did not recommend a dividend for FY2023 in order to continue to invest in new customer programs. Instead, the Group will undertake a bonus issue of shares pursuant to a general share issue mandate to be approved by shareholders at the forthcoming AGM.

PRINCPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

Provisions of the Code	*Group's Corporate Governance practices*
12.1 The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.	The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNet and where appropriate also directly to shareholders, analysts, the media, and its employees. The announcements of the Group's results and material developments are released through SGXNet and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practise selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly as soon as practicable. The Board provides the shareholders a balanced and clear assessment of the Group's performance, financial position, and prospects on a quarterly basis. The Company releases its half yearly results and full year results to shareholders no later than 45 days and 60 days respectively after the relevant financial period with accompanied press release on its website and SGXNet. Briefings for analysts, with a PowerPoint presentation, are held in conjunction with the release of all results with the presence of the Non-Executive Chairman, CEO and CFO (or equivalent person) to address the relevant questions which analysts may have. The PowerPoint presentation and briefing for analysts are also posted on its website and SGXNet. The Company is committed to disclosing all relevant information as much as possible in a timely, fair and transparent manner as well as to hearing and addressing its stakeholders' concerns.
12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Group encourages feedback, views and participation of its shareholders at all general meetings and such feedback and views can be posted to investor.relations@aem.com.sg, or visit the investor relations page on the Company's website.
12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.	The Company has put in place an investor relations policy to enhance effective communications and engagements with its investors and shareholders.

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

Provisions of the Code	*Group's Corporate Governance practices*
13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.	Stakeholder relations are important for the sustainable growth of the Company's business and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders. The Company engages its stakeholders regularly through the following channels to understand and address their needs and expectations. Detailed information on the Group's efforts on sustainability management in FY2023 will be disclosed in the Sustainability Report for FY2023 on a standalone basis within the timeline stipulated by the SGX-ST. It will be published on the Company's corporate website and made available on the SGXNET.
13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	The Company has put in place a Stakeholder Engagement policy to enhance effective communications and engagements with its material stakeholders. More details of the Stakeholders Engagement policy can be found on the Company's corporate website at https://www.aem.com.sg/company.

Provisions of the Code	*Group's Corporate Governance practices*
13.3 The company maintains a current corporate website to communicate and engage with stakeholders.	The Company strives to build and maintain strong relationships based on trust and respect to all stakeholders including the investment community, employees, suppliers and trade customers, regulators and the broader community. The Company has arrangements in place to engage with its material stakeholder group to manage its relationships with such groups. The Company also maintains a corporate website at https://www.aem.com.sg to communicate and engage with stakeholders.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in Securities

The Company has adopted its own internal compliance code of best practice on securities transaction to guide its officers with regard to dealings in securities of the Company while in possession of price-sensitive information and which prohibits the Company and its officers from dealing in securities of the Company during the relevant blackout periods of one month prior to the announcement of the Group's half yearly and annual financial results and two weeks prior to the announcement of its 1st quarter and 3rd quarter business updates, and ending on the date of the announcement of the relevant results or business updates. Directors, Key Management Personnel and any other persons, as determined by Management, who may possess unpublished material price-sensitive information of the Group ("relevant personnel") are also reminded to observe insider trading laws at all times, and not to deal in the Company's securities when in possession of any price-sensitive and confidential information regarding the Group, or on short-term considerations. A reminder will be circulated to Directors, Executive Officers, and relevant personnel of the Group before the commencement of each Closed Period, during which, dealing of the Company's securities are prohibited and to those with access to price-sensitive and confidential information. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's securities.

Material Contracts

Except as disclosed on SGXNet or herein for the financial year, there were no material contracts entered into by the Group involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions ("IPT")

The Company has established procedures for all interested person transactions to be reviewed and approved by the ARC on a quarterly basis and to ensure that these transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The details of the IPT during FY2023 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPT during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) [1]
NT SPV 13	Associate of Directors of the Company	S$5,120,000	Not applicable

Notes:
NT SPV 13 is regarded as an associate of Mr. Loke Wai San. The IPT of S$5,120,000 for FY2023 comprised disposal of 4,666,667 shares in Novoflex Pte. Ltd. to NT SPV 13.

[1] The Company has not sought a general mandate from shareholders pursuant to Listing Rule 920.

Table 1 – Attendance at Board, Board Committee Meetings and AGM

The attendance of the Directors at meetings during the year and the frequency of these meetings, are disclosed as follows:

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee		Strategy Committee		AGM	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San	4	4	NA	NA	NA	NA	1	1	1	1	1	1
James Toh Ban Leng	4	4	4	4	2	2	1	1	NA	NA	1	1
Loh Kin Wah	4	4	NA	NA	2	2	1	1	1	1	1	0
Chok Yean Hung	4	4	4	4	NA	NA	NA	NA	1	1	1	1
Tham Min Yew	4	4	NA	NA	2	2	1	1	1	1	1	1
Chou Yen Ning @ Alice Lin	4	4	4	4	NA	NA	NA	NA	NA	NA	1	1
André Andonian	4	4	NA	NA	NA	NA	1	1	1	1	1	1

Table 2 – Directors and CEO Remuneration Breakdown

The breakdown of the gross remuneration of the Directors and CEO of the Company in absolute amount for FY2023 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Share Options	Other Fees / Allowances	Total
Directors (non-executive)	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**
Loke Wai San	343,000	–	–	–	–	–	343,000
James Toh Ban Leng	92,000	–	–	–	–	–	92,000
André Andonian	72,000	–	–	–	–	–	72,000
Loh Kin Wah	72,000	–	–	–	–	–	72,000
Chok Yean Hung	76,000	–	–	–	–	–	76,000
Tham Min Yew	72,000	–	–	–	–	–	72,000
Chou Yen Ning @ Alice Lin	84,000	–	–	–	–	–	84,000
CEO							
Chandran Nair	–	520,700	–	475,475[1]	12,586[2]	–	1,008,761

[1] Based on 130,800 performance shares with a fair value of S$3.67 per share, amortised over vesting period of 3 years with effect from 18 June 2021 and 100,420 performance shares with a fair value of S$4.78 per share, amortised over vesting period of 3 years with effect from 4 April 2022 and 153,600 performance shares with a fair value of S$3.25 per share, amortised over vesting period of 3 years with effect from 3 April 2023.

[2] Based on 620,690 options with a fair value of S$0.677 per option and amortised over vesting period of 3 years with effect from 1 April 2020.

Table 3 – Key Management Personnel Remuneration Breakdown

Due to the confidentiality and sensitivity on remuneration matters, the Board is of the view that the Group's Key Management remuneration shall be disclosed as bands, as indicated in the following table. The Board has considered the recommendations set out in Provision 8.1 of the Corporate Governance Code carefully, and believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Key Management, the Company's remuneration policies, level and mix of remuneration, performance and value creation.

For the financial year ended 31 December 2023, the Company's Key Management Personnel (who are not Directors or CEO of the Company) are Mr. Samer Kabbani, Ms. Leong Sook Han, Mr. Juha Arola(1), Mr. Pascal Pierra(2), Mr. Mark Yaeger, Mr. Chua Tat Ming and Mr. Samir Mowla.

Remuneration Band (S$)	No. of employees	Fixed Salary (%)	Variable Bonus (%)	Other Allowance (%)	Share Awards (%)	Total
S$250,001 to S$500,000	6	77	–	18	5	100
S$500,001 to S$750,000	–	–	–	–	–	–
S$750,001 to S$1,000,000	–	–	–	–	–	–
S$1,000,001 to S$1,250,000	1	50	–	8	42	100
Total Aggregate Compensation	7					**S$3,461,387**

(1) Last day of employment: 18 November 2023.

(2) Last day of employment: 15 November 2023.

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 2023.

In our opinion:

(a) the financial statements set out on pages 61 to 115 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 2023 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 Companies Act 1967 ("**the Act**") and Singapore Financial Reporting Standards (International); and

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

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

Directors

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

Loke Wai San
James Toh Ban Leng
Loh Kin Wah
Chok Yean Hung
Tham Min Yew
Chou Yen Ning @ Alice Lin
André Andonian

Directors' interests

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
<u>**AEM Holdings Ltd.**</u>		
Loke Wai San		
- ordinary shares, fully paid (direct interest)	824,000	824,000
- ordinary shares, fully paid (deemed interest)	6,828,977	6,828,977
- share options to subscribe for ordinary shares at:		
- $1.142 per share between 8 October 2020 to 6 October 2029	824,000	824,000
James Toh Ban Leng		
- ordinary shares, fully paid (direct interest)	11,011,200	10,000,000
- ordinary shares, fully paid (deemed interest)	1,196,772	1,196,772
Loh Kin Wah		
- ordinary shares, fully paid (deemed interest)	525,000	525,000
Chok Yean Hung		
- ordinary shares, fully paid (direct interest)	1,091,133	1,091,133
- share options to subscribe for ordinary shares at:		
- $1.142 per share between 8 October 2020 to 6 October 2029	676,000	676,000
Chou Yen Ning @ Alice Lin		
- ordinary shares, fully paid (deemed interest)	5,000	5,000

By virtue of Section 7 of the Act,

- James Toh Ban Leng is deemed to have interests in the Company through his shareholding in A.C.T. Holdings Pte Ltd at the beginning and at the end of the financial year;

- Loke Wai San, Loh Kin Wah and Chou Yen Ning @ Alice Lin are deemed to have interests in the Company as their shareholding of the Company's shares are held in custodian accounts with financial institutions; and

- All directors except Tham Min Yew and André Andonian are deemed to have interests in other subsidiaries of the Company at the beginning of the financial year, or date of appointment if later, and at the end of the financial year.

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

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2024.

Equity compensation

Share options

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

- James Toh Ban Leng (Chairman)
- Loh Kin Wah
- Tham Min Yew

The Scheme was terminated by the approval of the Committee with effect from 25 March 2023. The termination of the Scheme is without prejudice to the rights accrued to any options which have been granted pursuant to the Scheme and which are subsisting and have not lapsed.

Other information regarding the Scheme is set out below:

(i) Whilst the Scheme entitles the Company to issue options at a price which is set at a discount of up to 20% to the market price (as determined by the Committee in its absolute discretion), in practice, since the commencement of the Scheme, the Company has never issued options at a discount, but at the market price (which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option).

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

(iii) The Scheme provides that where options are issued at a discount to the market price ("**Discount Price Options**"), such 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. However, where options are issued at the market price ("**Market Price Options**"), they are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant.

(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) All options are settled by delivery of shares.

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

Date of grant of options	Exercise price per share ($)	Outstanding at 1 January 2023	Granted	Exercised	Forfeited/ expired	Outstanding at 31 December 2023	Exercise period
15/1/2019	0.890	94,000	–	(18,000)	–	76,000	16/1/2020- 14/1/2029
7/10/2019	1.142	685,667	–	(85,000)	–	600,667	8/10/2020-6/10/2029
7/10/2019	1.142	225,333	–	–	–	225,333	8/10/2021-6/10/2029
7/10/2019	1.142	824,000	–	–	–	824,000	8/10/2022-6/10/2029
1/4/2020	1.652	206,897	–	–	–	206,897	2/4/2021-31/3/2030
1/4/2020	1.652	206,897	–	–	–	206,897	2/4/2022-31/3/2030
1/4/2020	1.652	206,896	–	–	–	206,896	2/4/2023-31/3/2030
		2,449,690	**–**	**(103,000)**	**–**	**2,346,690**	

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

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

	Number of options to subscribe for ordinary shares				
	Options granted during the financial year ended 31 December 2023	**Aggregate options granted since commencement of the Scheme to 31 December 2023+**	**Aggregate options exercised since commencement of the Scheme to 31 December 2023+**	**Aggregate options forfeited since the commencement of the Scheme to 31 December 2023**	**Aggregate options outstanding at 31 December 2023**
Directors					
Loke Wai San	–	3,757,000	(2,933,000)	–	824,000
Chok Yean Hung*	–	2,571,000	(1,219,000)	(676,000)	676,000
Others					
Company	–	4,135,002	(3,514,312)	–	620,690
Subsidiaries	–	4,533,000	(4,091,000)	(216,000)	226,000
Total	**–**	**14,996,002**	**(11,757,312)**	**(892,000)**	**2,346,690**

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

* Options were granted during his tenure as key executive and CEO of the Company.

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

No options have been granted at a discount since the commencement of the Scheme.

There were no options granted 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.

Performance share plan

The AEM Performance Share Plan 2017 ("**PSP 2017**") was approved and adopted by the Company's members at the Extraordinary General Meeting held on 27 April 2017. The Rules of the PSP 2017 were amended with the approval of the Committee with effect from 1 May 2023, such that the PSP 2017 does not apply to non-executive directors or controlling shareholders, and to remove references to the Scheme.

The PSP 2017 is administered by the Committee. Under the PSP 2017, the Company has the flexibility to grant time-based or performance-based awards to participants. Both time-based and performance-based awards may be granted to the same participant simultaneously. Participants will be allotted fully paid shares after the satisfactory completion of time-based service conditions or the achievement of performance targets. No minimum vesting periods are prescribed under the PSP 2017 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 under the PSP 2017 are as follows:

Participants	Share awards granted during the financial year ended 31 December 2023	Aggregate share awards granted since commencement of PSP 2017 to 31 December 2023+	Aggregate share awards vested since commencement of PSP 2017 to 31 December 2023+	Aggregate share awards forfeited since commencement of PSP 2017 to 31 December 2023	Aggregate share awards outstanding at 31 December 2023
Under PSP 2017					
Directors and key executives	339,570	7,273,823	(6,440,317)	(292,970)	540,536

* Performance shares are settled by delivery of treasury shares acquired by the Company via the open market.

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

	Share awards granted during the financial year ended 31 December 2023	Aggregate share awards granted since commencement of PSP 2017 to 31 December 2023+	Aggregate share awards vested since commencement of PSP 2017 to 31 December 2023+	Aggregate share awards forfeited since commencement of PSP 2017 to 31 December 2023	Aggregate share awards outstanding at 31 December 2023
Loke Wai San	–	1,874,333	(1,874,333)	–	–
James Toh Ban Leng	–	25,000	(25,000)	–	–
Loh Kin Wah	–	25,000	(25,000)	–	–
Chok Yean Hung*	–	1,063,333	(833,333)	(230,000)	–

\+ Where shares were awarded before bonus share issues on 4 June 2018, the number of shares awarded was adjusted for the corresponding effect of the bonus share issues.

* Share awards granted during his tenure as key executive and CEO of the Company.

There are no share awards granted to any of the Company's controlling shareholders or their associates and no employee of the Company or employee of related corporations has received 5% or more of the total grant of share awards available under the PSP 2017.

Audit and Risk Management Committee

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

- Chou Yen Ning @ Alice Lin (Chairman), independent director
- Chok Yean Hung, non-executive, non-independent director
- James Toh Ban Leng, independent director

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

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

The Audit and Risk Management Committee also reviewed the following:

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

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

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

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

Auditors

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

On behalf of the Board of Directors

Loke Wai San
Director

Chou Yen Ning @ Alice Lin
Director

2 April 2024

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 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 61 to 115.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("**the Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Impairment of goodwill (Refer to note 6 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2023, the Group recorded goodwill of $61,221,000, which represented 28% of its total non-current assets. As disclosed in note 6, the Group allocated the goodwill to three cash-generating units ("**CGUs**"). Goodwill is tested for impairment annually by estimating the recoverable amount of the CGUs. Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of the CGUs. In determining the value-in use of the respective CGUs to which the goodwill is allocated to, management has estimated cash flow projections using key inputs and made assumptions as necessary. The key inputs and assumptions, as discussed in note 6, include pre-tax discount rate, terminal value growth rate and earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") margin. This is a key audit focus area due to significant judgement required and estimation uncertainties on the key inputs and assumptions, including the outlook of macro-economic environment and future market conditions, where significant judgements and estimates have been applied by management in determining the value-in-use.	We evaluated the appropriateness of the CGUs identified by management based on our knowledge of the business giving rise to the goodwill and our understanding of the current business of the Group. We assessed the reasonableness of the key inputs and assumptions applied by the management in their cash flow projections, taking into consideration the historical and expected performance and trends of the CGUs, management's plans and the market industry outlook. We also tested the mathematical accuracy of the discounted cash flow and performed sensitivity analysis, focusing on plausible changes in key assumptions or discount rate and analysed the impact to the carrying amount.
Findings We found the identification of CGUs to be appropriate. The assumptions and resulting estimates applied by the Group in determining the goodwill were aligned with the Group's historical performance, future business plans and consideration of market data.	

Existence of inventories in AEM Singapore Pte. Ltd.	
The key audit matter	*How the matter was addressed in our audit*
As at 31 December 2023, the inventories held by one of the Group's significant subsidiaries, AEM Singapore Pte. Ltd. ("**ASG**") represented approximately 39% of the Group's total current assets. During ASG's annual stock-take exercise, it noted significant stock discrepancies between the physical count results and the accounting records. The discrepancies have been recognised as stock loss in the Group's profit or loss for the financial year ended 31 December 2023 (refers to note 11 to the financial statements). The Group has performed its internal reviews and checks on ASG's inventories. The Group also engaged external consultants to perform works including review its processes relating to inventory management, and assist them in the quantification of the discrepancies. This is a key audit focus area due to the resulting significant adjustment made to the inventories in the financial year ended 31 December 2023.	We re-evaluated our risk assessment over the existence of inventories and accordingly increased testing coverage over ASG's inventories. We evaluated the design and implementation of the controls over the inventories' movement and physical verification of inventories conducted post year-end. We performed observation on management's full post year-end physical count on ASG's inventories. We conducted independent physical sampling count on the inventories and performed roll backward procedures for the inventories between the stocktake dates to the reporting date. We obtained third-party confirmation for inventories kept in third-party's warehouse. We performed sample tests on the stock discrepancy adjustments quantified by the management by verifying to supporting documents for these adjustments.
Findings We noted weaknesses in the internal controls over the physical inventory count and errors in the accounting records over the inventories' movements. Management has rectified the discrepancies relating to the existence of inventories. We do not note any further adjustments required on the inventory balance as at the reporting date based on our work performed.	

Other information

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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 Yeo Lik Khim.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
2 April 2024

	Note	Group		Company	
		2023	2022	**2023**	2022
		$'000	$'000	**$'000**	$'000
Assets					
Property, plant and equipment	4	**40,097**	40,046	**12**	13
Investment properties		**1,754**	1,817	**–**	–
Right-of-use assets	5	**33,577**	35,056	**–**	–
Intangible assets	6	**125,277**	115,853	**64**	114
Interests in subsidiaries	7	**–**	–	**82,851**	82,468
Investment in associates	9	**8,821**	15,150	**–**	4,667
Other investment	10	**5,785**	6,059	**–**	–
Deferred tax assets	18	**1,396**	1,050	**19**	19
Non-current assets		**216,707**	215,031	**82,946**	87,281
Inventories	11	**328,616**	367,723	**–**	–
Contract costs	22	**–**	222	**–**	–
Trade and other receivables	12	**58,773**	92,917	**74,977**	49,408
Contract assets	22	**1,582**	1,928	**–**	–
Cash and cash equivalents	13	**101,849**	127,775	**33,240**	64,274
Current assets		**490,820**	590,565	**108,217**	113,682
Total assets		**707,527**	805,596	**191,163**	200,963
Equity					
Share capital	14	**187,577**	187,464	**187,577**	187,464
Reserves	15	**(32,900)**	(27,418)	**(8,019)**	(8,260)
Accumulated profits		**312,779**	325,002	**6,418**	10,087
Equity attributable to owners of the Company		**467,456**	485,048	**185,976**	189,291
Non-controlling interest		**6,930**	8,402	**–**	–
Total Equity		**474,386**	493,450	**185,976**	189,291
Liabilities					
Financial liabilities	16	**42,471**	129,650	**–**	–
Trade and other payables	17	**603**	5	**–**	–
Deferred tax liabilities	18	**11,748**	11,394	**–**	–
Provisions	19	**1,672**	1,697	**–**	–
Defined benefit obligations	21	**1,059**	1,204	**–**	–
Non-current liabilities		**57,553**	143,950	**–**	–
Financial liabilities	16	**83,884**	13,655	**–**	–
Trade and other payables	17	**73,458**	118,929	**4,337**	9,091
Contract liabilities	22	**7,898**	6,644	**–**	–
Current tax payable		**6,391**	26,678	**850**	2,581
Provisions	19	**3,957**	2,290	**–**	–
Current liabilities		**175,588**	168,196	**5,187**	11,672
Total liabilities		**233,141**	312,146	**5,187**	11,672
Total equity and liabilities		**707,527**	805,596	**191,163**	200,963

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	2023 $'000	2022 $'000
Revenue	22	**481,283**	870,491
Cost of sales		**(351,987)**	(596,833)
Gross profit		**129,296**	273,658
Other income		**4,352**	5,637
Research and development expenses		**(24,350)**	(23,126)
Selling, general and administrative expenses		**(64,471)**	(93,807)
Foreign exchange loss, net		**(3,290)**	(2,021)
Other expenses		**(27,785)**	(54)
Results from operating activities		**13,752**	160,287
Finance income		**1,466**	1,382
Finance costs		**(6,991)**	(2,694)
Net finance costs	23	**(5,525)**	(1,312)
Share of equity-accounted investee's loss, net of tax	9	**(641)**	(282)
Profit before tax		**7,586**	158,693
Tax expense	24	**(8,750)**	(31,386)
(Loss)/profit for the year		**(1,164)**	127,307
(Loss)/profit attributable to:			
Owners of the Company		**(1,237)**	126,808
Non-controlling interest		**73**	499
(Loss)/profit for the year	25	**(1,164)**	127,307
(Loss)/earnings per share			
Basic (loss)/earnings per share	26	**(0.40) cents**	41.02 cents
Diluted (loss)/earnings per share	26	**(0.40) cents**	40.72 cents
Other comprehensive (loss)/income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**(4,810)**	(5,157)
Share of foreign currency translation difference of equity-accounted investee		**113**	(377)
Other comprehensive loss for the year, net of tax		**(4,697)**	(5,534)
Total comprehensive (loss)/income for the year		**(5,861)**	121,773
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(5,957)**	121,559
Non-controlling interest		**96**	214
Total comprehensive (loss)/income for the year		**(5,861)**	121,773

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

	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Currency translation reserve	Accumulated profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
At 1 January 2022	187,197	(5,668)	(9,623)	2,222	(6,044)	234,430	402,514	–	402,514
Total comprehensive (loss)/ income for the year									
Profit for the year	–	–	–	–	–	126,808	126,808	499	127,307
Other comprehensive (loss)/ income									
Foreign currency translation difference	–	–	–	–	(4,872)	–	(4,872)	(285)	(5,157)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(377)	–	(377)	–	(377)
Total comprehensive (loss)/ income for the year	–	–	–	–	(5,249)	126,808	121,559	214	121,773
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Own shares acquired	–	(5,273)	–	–	–	–	(5,273)	–	(5,273)
Treasury shares reissued pursuant to share plans	–	464	144	(608)	–	–	–	–	–
Share option exercised	267	–	–	–	–	–	267	–	267
Share-based payment transactions (Note 20)	–	–	–	2,159	–	–	2,159	–	2,159
Final dividend of 5.0 cents per share in respect of 2021	–	–	–	–	–	(15,455)	(15,455)	–	(15,455)
Interim dividend of 6.7 cents per share in respect of 2022	–	–	–	–	–	(20,723)	(20,723)	–	(20,723)
Appropriation to other reserves	–	–	58	–	–	(58)	–	–	–
Total contributions by and distributions to owners of the Company	267	(4,809)	202	1,551	–	(36,236)	(39,025)	–	(39,025)
Changes in ownership interests in a subsidiary									
Acquisition of a subsidiary with non-controlling interest	–	–	–	–	–	–	–	8,188	8,188
Total changes in ownership interests in a subsidiary	–	–	–	–	–	–	–	8,188	8,188
Total transactions with owners	267	(4,809)	202	1,551	–	(36,236)	(39,025)	8,188	(30,837)
At 31 December 2022	187,464	(10,477)	(9,421)	3,773	(11,293)	325,002	485,048	8,402	493,450

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

	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Currency translation reserve	Accumulated profits	Total	Non-controlling interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
At 1 January 2023	187,464	(10,477)	(9,421)	3,773	(11,293)	325,002	485,048	8,402	493,450
Total comprehensive (loss)/ income for the year									
Loss for the year	–	–	–	–	–	(1,237)	(1,237)	73	(1,164)
Other comprehensive (loss)/ income									
Foreign currency translation difference	–	–	–	–	(4,833)	–	(4,833)	23	(4,810)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	113	–	113	–	113
Total comprehensive (loss)/ income for the year	–	–	–	–	(4,720)	(1,237)	(5,957)	96	(5,861)
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Own shares acquired	–	(996)	–	–	–	–	(996)	–	(996)
Treasury shares reissued pursuant to share plans	–	1,382	156	(1,538)	–	–	–	–	–
Share option exercised	113	–	–	–	–	–	113	–	113
Share-based payment transactions (Note 20)	–	–	–	1,237	–	–	1,237	–	1,237
Interim dividend of 3.6 cents per share in respect of 2022	–	–	–	–	–	(11,120)	(11,120)	–	(11,120)
Appropriation to other reserves	–	–	(58)	–	–	58	–	–	–
Total contributions by and distributions to owners of the Company	113	386	98	(301)	–	(11,062)	(10,766)	–	(10,766)
Changes in ownership interests in a subsidiary									
Acquisition of a subsidiary with non-controlling interest	–	–	(1,000)	–	55	76	(869)	(1,568)	(2,437)
Total changes in ownership interests in a subsidiary	–	–	(1,000)	–	55	76	(869)	(1,568)	(2,437)
Total transactions with owners	113	386	(902)	(301)	55	(10,986)	(11,635)	(1,568)	(13,203)
At 31 December 2023	187,577	(10,091)	(10,323)	3,472	(15,958)	312,779	467,456	6,930	474,386

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

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
(Loss)/profit for the year		**(1,164)**	127,307
Adjustments for:			
Depreciation of property, plant and equipment	4	**6,587**	7,754
Depreciation of investment properties		**30**	21
Depreciation of right-of-use assets	5	**10,887**	10,035
Amortisation of intangible assets	6	**8,222**	5,727
Allowance for stock obsolescence	11	**1,780**	633
Impairment loss on trade receivables		**(24)**	14
Impairment loss on investment in an associate	9	**600**	–
Loss/(gain) on disposal of property, plant and equipment		**60**	(308)
Write off of property, plant and equipment	4	**294**	–
Gain on disposal of an associate		**(71)**	–
Gain on disposal of a subsidiary		**(328)**	–
Net finance costs		**5,525**	1,312
Foreign exchange differences arising from translation		**(298)**	2,484
(Reversal)/provision for defined benefit obligations		**(145)**	245
Share of loss of equity-accounted investee, net of tax		**641**	282
Equity-settled share-based payment expenses		**1,237**	2,159
Fair value loss/(gain) on other investment	29	**180**	(1,933)
Tax expense		**8,750**	31,386
		42,763	187,118
Changes in:			
Inventories		**30,622**	(167,553)
Contract costs		**222**	151
Trade and other receivables		**30,669**	37,312
Contract assets		**353**	(1,236)
Trade and other payables		**(38,539)**	(60,027)
Contract liabilities		**1,226**	(5,148)
Provisions		**1,712**	(451)
Cash generated from/(used in) operating activities		**69,028**	(9,834)
Tax paid		**(28,860)**	(21,591)
Net cash from/(used in) operating activities		**40,168**	(31,425)
Cash flows from investing activities			
Acquisition of intangible assets	6	**(18,055)**	(14,681)
Interest received		**1,466**	1,382
Proceeds from disposal of property, plant and equipment		**25**	629
Proceeds from disposal of an associate		**5,120**	–
Proceeds from disposal of asset held for sale	8	**–**	1,723
Payment of deferred and contingent consideration		**(997)**	(4,332)
Acquisition of property, plant and equipment	4	**(7,725)**	(12,808)
Acquisition of other investment	29	**–**	(1,595)
Acquisition of a subsidiary, net of cash acquired	8	**–**	(8,755)
Disposal of a subsidiary, net of cash disposed		**79**	–
Net cash used in investing activities		**(20,087)**	(38,437)

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

	Note	2023 $'000	2022 $'000
Cash flows from financing activities			
Interest paid		**(6,991)**	(2,596)
Repayment of borrowings	16	**(100,915)**	(15,354)
Payment of lease liabilities	16	**(9,539)**	(10,148)
Proceeds from borrowings	16	**84,970**	50,000
Repurchase of treasury shares		**(996)**	(5,273)
Proceeds from exercise of share options		**113**	267
Acquisition of subsidiary's interests from the non-controlling interest	8	**(2,437)**	–
Dividends paid		**(11,120)**	(36,178)
Net cash used in financing activities		**(46,915)**	(19,282)
Net decrease in cash and cash equivalents		**(26,834)**	(89,144)
Cash and cash equivalents at 1 January		**127,775**	216,180
Effect of exchange rate fluctuations on cash held		**908**	739
Cash and cash equivalents at 31 December	13	**101,849**	127,775

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

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The financial statements were authorised for issue by the Board of Directors on 2 April 2024.

1 Domicile and activities

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

The financial statements of the Group as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as '**Group entities**') and the Group's interest in equity-accounted investees.

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

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). The changes to material accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

- Note 8 - identification of assets acquired and liabilities assumed in a business combination;
- Note 9 - equity-accounted investees: whether the Group has significant influence over an investee.

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

- Note 6 - Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts;
- Note 8 - measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired;
- Note 11 - valuation of inventories.

2 Basis of preparation (Continued)

2.4 Use of estimates and judgements (Continued)

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 observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

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

- Note 6 - impairment of intangible assets and goodwill
- Note 8 - acquisition of subsidiaries
- Note 9 - impairment of investment in associate
- Note 20 - share-based payment
- Note 29 - financial risk management

2.5 Changes in material accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- Amendments to SFRS(I) 1-12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12: *International Tax Reform – Pillar Two Model Rules*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*

The application of these amendments to standards and interpretations did not have a material effect on the financial statements.

3 Material accounting policies

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

In addition, the Group adopted the Amendments to SFRS (I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting policies* from 1 January 2023. The amendments require the disclosure `material', rather than `significant', accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policies disclosed below in certain instances.

3 Material accounting policies (Continued)

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred over; plus

- the recognised amount of any non-controlling interest ("**NCI**") in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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

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

NCI 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 NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition date fair value, unless another measurement basis is required by SFRS(I)s.

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 equity transactions. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the owners of the Company.

Subsidiaries

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

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

Loss of control

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

3 Material accounting policies (Continued)

3.1 Basis of consolidation (Continued)

Investments in associates (equity-accounted investees)

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

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

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

Transactions eliminated on consolidation

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

Subsidiaries and associates in the separate financial statements

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

3.2 Foreign currencies

Foreign currency transactions

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

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

Foreign operations

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

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

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

3 Material accounting policies (Continued)

3.3 Property, plant and equipment

Recognition and measurement

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

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

If significant 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.

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

Subsequent costs

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

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

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

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

Motor vehicles	5 – 10 years
Furniture and fittings	3 – 10 years
Renovation and installation	shorter of 5 years or lease period
Computers	3 years
Plant and equipment	3 – 10 years
Land and building	18 – 31 years

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

3.4 Investment properties

Investment properties is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is based on the cost of an asset. Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Land and building	23 - 27 years

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

3 Material accounting policies (Continued)

3.5 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

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

Research and development

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

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

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

Other intangible assets

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

Customer relationships

Customer relationships which are acquired in business combinations are carried at fair values at the date of acquisition, and amortised on a straight-line basis over the period of the expected benefits.

Subsequent expenditure

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

Amortisation

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

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

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

Technology	15 – 20 years
Customer relationships	10 – 16 years
Computer software	3 – 5 years
Development costs	3 – 5 years

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

3.6 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

(i) Recognition and initial measurement (Continued)

Non-derivative financial assets and financial liabilities (Continued)

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

Financial assets at FVTPL

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

Business model assessment

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

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

The business models of the Group are as follows:

Held for collect

The Group holds financial assets which arise from its investment holding business and business activities of the subsidiaries set out in note 7 to the financial statement. The objective of the business model for these financial instruments is to collect the amounts due from the Group's receivables and to earn contractual interest income on the amounts collected.

Held for trading

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

Non-derivative financial assets: Assessment of whether contractual cash flows are solely payments of principal and interest

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

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment of whether contractual cash flows are solely payments of principal and interest (Continued)

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition. The Group had no financial assets held outside trading business models that failed the SPPI assessment.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

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

Financial assets at FVTPL

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

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

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

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

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

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

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

(iii) Derecognition (Continued)

Finanical assets (Continued)

The Group derecognies a financial asset when: (Continued)

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

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

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

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss was recognised. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that was required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

(iv) Offsetting

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

(v) Cash and cash equivalents

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

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

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

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

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

(vii) Financial guarantee contracts

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

Impairment

(viii) Non-derivative financial assets and contract assets

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

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

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

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

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

General approach

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

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

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

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

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

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

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

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of loss allowance for ECLs in the statement of financial position

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

Write-off

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

Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. 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.

3 Material accounting policies (Continued)

3.6 Financial instruments (Continued)

Non-financial assets (Continued)

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

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

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

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

3.7 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

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

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

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

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

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

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

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

3 Material accounting policies (Continued)

3.7 Leases (Continued)

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

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

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group did not expect a material effect on the financial statements.

Short-term leases and leases of low-value assets

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

3.8 Inventories

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

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

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

3.9 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

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

Site restoration

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

3.10 Tax

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

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

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

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

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

3 Material accounting policies (Continued)

3.10 Tax (Continued)

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 at the time of the transaction (i) affects neither accounting nor taxable profit or loss; and (ii) does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

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, and reflects uncertainty related to income taxes, if any.

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

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

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

3.11 Revenue recognition

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

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

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

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

3.12 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in statement of comprehensive income as “other income” on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as “other income” on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3 Material accounting policies (Continued)

3.13 Employee benefits

Defined contribution plans

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.

Defined benefit plan

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The Group has no plan assets.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based payment transactions

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

3.14 Finance income and finance costs

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

3 Material accounting policies (Continued)

3.15 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.

3.16 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.

3.17 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*
- Amendments to SFRS(I) 16 *Lease Liability in a Sale and Leaseback*
- Amendments to SFRS(I) 1-7 and SFRS(I) 7 *Supplier Finance Arrangements*
- Amendments to SFRS(I) 1-21 *Lack of Exchangeability*
- Amendments to SFRS(I) 1-28 and SFRS(I) 10: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4 Property, plant and equipment

Group	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Land and building $'000	Total $'000
Cost							
At 1 January 2022	279	1,330	9,178	4,936	13,833	17,176	46,732
Additions	83	1,652	4,151	1,364	5,558	–	12,808
Acquisition through business combination (note 8)	173	434	–	–	3,104	6,571	10,282
Disposals	(6)	(202)	(2,384)	(27)	(1,658)	–	(4,277)
Translation adjustment	(25)	(101)	(142)	(90)	(730)	(405)	(1,493)
At 31 December 2022	504	3,113	10,803	6,183	20,107	23,342	64,052
Additions	11	371	1,461	739	5,142	1	7,725
Disposals	(7)	(2)	(14)	(97)	(229)	(22)	(371)
Disposal of a subsidiary	(22)	(1)	(83)	(65)	(1,059)	–	(1,230)
Write off	–	(315)	(484)	–	–	–	(799)
Translation adjustment	(11)	(67)	(192)	(104)	(490)	(108)	(972)
At 31 December 2023	**475**	**3,099**	**11,491**	**6,656**	**23,471**	**23,213**	**68,405**
Accumulated depreciation and impairment losses							
At 1 January 2022	128	559	7,047	3,354	8,841	681	20,610
Depreciation charge for the year	65	354	3,132	825	2,396	982	7,754
Disposals	(1)	(108)	(2,195)	(27)	(1,625)	–	(3,956)
Translation adjustment	(8)	(17)	(98)	(58)	(219)	(2)	(402)
At 31 December 2022	184	788	7,886	4,094	9,393	1,661	24,006
Depreciation charge for the year	76	640	773	1,179	3,058	861	6,587
Disposals	–	(1)	(9)	(97)	(179)	–	(286)
Disposal of a subsidiary	(16)	(1)	(50)	(53)	(895)	–	(1,015)
Write off	–	(159)	(346)	–	–	–	(505)
Translation adjustment	(7)	(22)	(134)	(73)	(241)	(2)	(479)
At 31 December 2023	**237**	**1,245**	**8,120**	**5,050**	**11,136**	**2,520**	**28,308**
Carrying amounts							
At 1 January 2022	151	771	2,131	1,582	4,992	16,495	26,122
At 31 December 2022	320	2,325	2,917	2,089	10,714	21,681	40,046
At 31 December 2023	**238**	**1,854**	**3,371**	**1,606**	**12,335**	**20,693**	**40,097**

Company	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost				
At 1 January 2022 and 31 December 2022	34	355	21	410
Additions	–	5	–	5
At 31 December 2023	**34**	**360**	**21**	**415**
Accumulated depreciation				
At 1 January 2022	34	343	10	387
Depreciation charge for the year	–	8	2	10
At 31 December 2022	34	351	12	397
Depreciation charge for the year	–	4	2	6
At 31 December 2023	**34**	**355**	**14**	**403**
Carrying amounts				
At 1 January 2022	–	12	11	23
At 31 December 2022	–	4	9	13
At 31 December 2023	**–**	**5**	**7**	**12**

5 Right-of-use assets

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

	Leasehold properties	
	2023	2022
	$'000	$'000
Balance at 1 January	**35,056**	17,767
Depreciation charge for the year	**(10,887)**	(10,035)
Additions to right-of-use assets	**10,907**	27,746
Acquisition through business combination	**–**	321
Translation adjustment	**(1,499)**	(743)
Balance at 31 December	**33,577**	35,056

6 Intangible assets

Group	Goodwill $'000	Technology $'000	Customer relationships $'000	Computer software $'000	Development costs $'000	Other $'000	Total $'000
Cost							
At 1 January 2022	56,064	10,391	19,649	5,777	16,526	614	109,021
Additions	–	–	–	1,331	13,346	4	14,681
Acquisition through business combination	6,811	–	2,944	–	–	3,769	13,524
Translation adjustment	(1,540)	(409)	(390)	(77)	(1,142)	(334)	(3,892)
At 31 December 2022	61,335	9,982	22,203	7,031	28,730	4,053	133,334
Additions	–	821	–	823	16,405	6	18,055
Disposal of a subsidiary	–	–	–	(26)	–	–	(26)
Translation adjustment	(114)	89	(22)	(105)	(96)	(132)	(380)
At 31 December 2023	**61,221**	**10,892**	**22,181**	**7,723**	**45,039**	**3,927**	**150,983**
Accumulated amortisation							
At 1 January 2022	–	1,459	3,118	4,956	2,450	156	12,139
Amortisation charge for the year	–	489	1,291	737	2,874	336	5,727
Translation adjustment	–	(88)	17	(57)	(239)	(18)	(385)
At 31 December 2022	–	1,860	4,426	5,636	5,085	474	17,481
Amortisation charge for the year	–	1,485	1,331	949	4,137	320	8,222
Disposal of a subsidiary	–	–	–	(26)	–	–	(26)
Translation adjustment	–	(27)	17	(84)	125	(2)	29
At 31 December 2023	**–**	**3,318**	**5,774**	**6,475**	**9,347**	**792**	**25,706**
Carrying amounts							
At 1 January 2022	56,064	8,932	16,531	821	14,076	458	96,882
At 31 December 2022	61,335	8,122	17,777	1,395	23,645	3,579	115,853
At 31 December 2023	**61,221**	**7,574**	**16,407**	**1,248**	**35,692**	**3,135**	**125,277**

6 Intangible assets (Continued)

Company	Computer software $'000
Cost	
At 1 January 2022	1,235
Additions	105
At 31 December 2022	1,340
Additions	–
At 31 December 2023	**1,340**
Accumulated amortisation	
At 1 January 2022	1,191
Amortisation charge for the year	35
At 31 December 2022	1,226
Amortisation charge for the year	50
At 31 December 2023	**1,276**
Carrying amounts	
At 1 January 2022	44
At 31 December 2022	114
At 31 December 2023	**64**

Impairment testing for CGUs containing Goodwill

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

	Group	
	2023	2022
	$'000	$'000
- Test Cell Solutions ("**TCS**") ^	**33,196**	25,266
- Test and Measurement Solutions ("**TMS**")	**1,230**	1,230
- Automatic Test Equipment ("**ATE**") ^	**–**	8,044
- Contract Manufacturing ("**CM**")	**26,795**	26,795
	61,221	61,335

^ *In 2023, ATE has been integrated into TCS due to change in strategic direction of ATE where ATE's resources and expertise are being refocused to support TCS CGU. ATE products will form part of the full solution provided to TCS' customers. The Group has assessed ATE and TCS as one single CGU.*

TCS

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

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

Group	**2023** %	2022 %
Pre-tax discount rate	**14.8**	15.4
Terminal value growth rate	**3.0**	3.0
EBITDA margin	**14.0 to 19.0**	8.0

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

6 Intangible assets (Continued)

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

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss is recorded.

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

TMS

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. At the end of the reporting date, the Company reviewed and determined that there is no impairment loss required as the value-in-use of the CGU is higher than its goodwill carrying value.

ATE

In 2022, the recoverable amount of this CGU was based on its value in use, determined by discounting the post-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU was higher than the carrying value of the CGU.

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

Group	2022 %
Pre-tax discount rate	13.8
Terminal value growth rate	3.0
EBITDA margin	-26.0 to 18.0

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

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

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss was recorded.

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

CM

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

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

Group	**2023** **%**	2022 %
Pre-tax discount rate	**14.5**	12.1
Terminal value growth rate	**3.0**	3.0
EBITDA margin	**12.0 to 13.0**	9.0 to 10.0

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

6 Intangible assets (Continued)

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

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss is recorded.

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

7 Interests in subsidiaries

	Company	
	2023	2022
	$'000	$'000
Investment in subsidiaries – Unquoted equity shares, at cost	**82,120**	42,541
Interest in subsidiary – Loan	**731**	731
Increase in a subsidiary share capital	**–**	42,000
Struck off	**–**	(2,804)
	82,851	82,468

Interest in subsidiary pertains to a loan given to a subsidiary upon acquisition in exchange for control of the subsidiary.

In 2022, increase in a subsidiary share capital pertained to capitalisation of amount due from subsidiary.

The Group carried out a review of the recoverable amounts of its investments in subsidiaries based on the performance of the subsidiaries (see note 6).

The recoverable amount estimated based on value in use, exceeded the carrying value of these investments. Based on the assessment, no impairment loss is recognised for the investments in subsidiaries in 2023 (2022: nil).

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2023	2022
			%	%
AEM Singapore Pte. Ltd. [1*]	Manufacturing and repair of semiconductor assembly and testing equipment; and installation of industrial machinery and equipment including provision of engineering works	Singapore	**100**	100
AEM Microtronics (M) Sdn. Bhd. [2#]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	**100**	100
AEM International (US) Ltd. [3#]	Engineering services	United States of America	**100**	100
Tianjin Ever Technologies Co., Ltd. [3#]	Inactive	People's Republic of China	**100**	100
InspiRain Technologies Pte. Ltd. [4]	Struck off	Singapore	**–**	100
AEM Microtronics (Suzhou) Co. Ltd. [5]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	**–**	100
Afore Oy [2]	Micro-Electro-Mechanical Systems test solutions provider	Finland	**100**	100
IRIS Solution Pte. Ltd. [1]	Research, development, and integration of advance machine vision solutions to manufacturers	Singapore	**100**	100
Mu-TEST [3]	Provides full test solutions for medium and high-end integrated circuits	France	**100**	100

7 Interests in subsidiaries (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2023	2022
			%	%
DB Design Group, Inc.[3]	Design services and manufacturing of handler change kits, tester interfaces, test handlers and related tooling parts and thermal solutions	United States of America	**100**	100
AEM Costa Rica Limited[3#]	Engineering services	Republic of Costa Rica	**100**	100
Wavem US Inc.[3#]	Investment holding	United States of America	**100**	100
Lattice Innovation, Inc.[3@]	Provider of 3D modules for optimised thermal control applications	United States of America	**100**	100
CEI Pte. Ltd.[1#*]	Contract manufacturing and design and manufacture of proprietary equipment	Singapore	**100**	100
CEI International Investments Pte Ltd[1,7]	Investment holding	Singapore	**100**	100
PT Surya Teknologi Batam[6,7]	Printed circuit board assembly and contract manufacturing	Indonesia	**100**	100
CEI International Investments (VN) Ltd[2,8]	Printed circuit board assembly and contract manufacturing	Vietnam	**100**	100
AEM International (Korea) Ltd.[3]	Design and engineering services, and procurement and sale of semiconductor test tools, equipment, and related parts	Republic of Korea	**100**	100[+]
AEM Americas, Inc.[3]	Manufacturing and sale of products for the semiconductor industry	United States of America	**100**	100[+]
Nestek Korea Co., Ltd.[2#]	Manufacturing of testing products for the semiconductor goods and electronic goods industry	Republic of Korea	**62.2[~]**	53.3[^]
NTP Korea Co., Ltd.[3!]	Processing and plating of parts of semiconductor components and electronic goods	Republic of Korea	**62.2[~]**	53.3[^]
Vina Nestek Co., Ltd.[3!]	Producing, processing and assembling of equipment or components for connection and semiconductor components for phones and electronics	Vietnam	**62.2[~]**	53.3[^]
AEM TesTech (Shanghai) Co., Ltd[3]	Marketing and sale of test solutions and peripheral tools/equipment for the semiconductor industry	People's Republic of China	**100**	100[&]

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

[1] Audited by KPMG Singapore.
[2] Audited by other member firms of KPMG International.
[3] Audit is not required.
[4] Struck off on 9 January 2023.
[5] Disposed off on 21 August 2023.
[6] Audited by JAS & Rekan, Drs Sukimto Sjamsuli.
[7] Held by CEI Pte. Ltd.
[8] Held by CEI International Investments Pte Ltd
[#] Held by AEM Singapore Pte. Ltd.
[@] Held by Wavem US Inc.
[!] Held by Nestek Korea Co., Ltd.
[*] Significant subsidiary as defined under the SGX-ST Listing Manual.
[+] The Group incorporated AEM International (Korea) Ltd. and AEM Americas, Inc. in January 2022.
[^] The Group acquired Nestek Korea Co., Ltd. in April 2022.
[~] The Group acquired additional 8.9% of the outstanding share capital of Nestek Korea Co., Ltd. in April 2023.
[&] The Group incorporated AEM TesTech (Shanghai) Co., Ltd in August 2022.

7 Interests in subsidiaries (Continued)

On 28 April 2023, the Company entered into a share purchase agreement to dispose 100% of the Company's stake in AEM Microtronics (Suzhou) Co., Ltd. ("**ASZ**") for a total cash consideration of RMB5,500,000 ($978,000) and the net asset value of ASZ was RMB3,700,000 ($650,000). Cash inflow net of cash and cash equivalents disposed of was $79,000. The cost of investment for the Company was $672,000.

8 Acquisition of subsidiaries

Acquisition in 2023

Acquisition of subsidiary's interests from the non-controlling interest (NCI)

On 28 April 2023, AEM Singapore Pte. Ltd., a wholly-owned subsidiary of the Company, had acquired additional 8.9% of the outstanding share capital of Nestek Korea Co., Ltd. ("**Nestek**"), a company incorporated in the Republic of Korea. The consideration of the acquisition is KRW2,400,000,000 ($2,437,000). Consequent to the investment, the Group's effective interest in Nestek increased from 53.3% as at 31 December 2022 to 62.2% as at 31 December 2023. As part of the investment agreement, the Group will in a future date acquire further shares of Nestek from existing shareholder, which together with the acquired shares, will constitute up to 80% of the total outstanding share capital of Nestek on a fully-diluted basis.

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

	Total $'000
Carrying amount of NCI acquired	1,568
Consideration paid to NCI	(2,437)
Decrease in equity attributable to owners of the Company	(869)

The decrease in equity attributable to owners of the Company comprised:

- a decrease in Other reserves of $1,000,000;
- an increase in Currency translation reserves of $55,000; and
- an increase in Accumulated profits of $76,000.

Acquisition in 2022

On 30 April 2022, the Group acquired a controlling stake of 53.3% equity shares and voting interests on Nestek Korea Co., Ltd. ("**Nestek**"), a company incorporated in the Republic of Korea. The acquisition will allow the Group to extend its offering in the consumables business and enable the Group to further capture the socket market.

Consideration transferred

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

	Total $'000
Total cash consideration	16,172

Net cash outflow

	Total $'000
Cash consideration paid	16,172
Cash in acquired company	(7,417)
Total net cash outflow	8,755

Acquisition-related costs

The Group incurred acquisition related cost of $365,000 on legal fees, due diligence costs, transaction advisory fees and other professional fees for the above acquisition. These costs have been included in "selling, general & administrative expenses" within the consolidated statement of comprehensive income.

8 Acquisition of subsidiaries (Continued)

Identifiable assets acquired and liabilities assumed

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

	Note	Fair value $'000
Cash and cash equivalents		7,417
Property, plant and equipment	4	10,282
Right-of-use assets	5	321
Investment properties		1,969
Intangible assets	6	6,713
Other investments		7
Inventories		1,347
Trade and other receivables		4,450
Contract assets		78
Asset held for sale*		1,723
Trade and other payables		(4,198)
Financial liabilities	16	(10,538)
Current tax payable		(53)
Deferred tax liabilities	18	(1,969)
Total identifiable net assets		17,549

* Asset held for sale was subsequently sold to a related party with the cash consideration of $1,723,000 during the financial year.

Measurement of fair values

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

Asset required	Valuation technique
Property, plant and equipment	*Market comparison method and cost method:* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets - Customer relationships	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
- Patented technologies	*Relief from royalty method:* The Relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents or trademarks being owned.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Total $'000
Consideration transferred	16,172
Non-controlling interest	8,188
Fair value of identifiable net assets	(17,549)
Goodwill	6,811

9 Investment in associates

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Unquoted shares	**9,421**	15,150	**–**	4,667
Allowance for impairment	**(600)**	–	**–**	–
	8,821	15,150	**–**	4,667

Details of associate are as follows:

Name of associates	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group	
			2023	2022
			%	%
Novoflex Pte Ltd[1] (“**Novoflex**”)	Investment holding company with full control of Smartflex Technology Pte Ltd, a leading outsourced assembly & test company for smart card modules used in banking and Smartflex Innovation Pte Ltd, a company that has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking	Singapore	**–**	18.1
ATECO Inc.[2] (“**ATECO**”)	Specialises in the design and development of memory test handler solutions	Republic of Korea	**43.2**	43.2

[1] Audited by Ernst & Young Singapore

[2] Audit is not required

On 2 August 2023, the Group entered into a share purchase agreement with NT SPV 13 for the sale of 4,666,667 ordinary shares of Novoflex Pte. Ltd. (“**Novoflex**”), representing 18.08% of total issued share capital of Novoflex, for a total cash consideration of $5,120,000. NT SPV 13 is regarded as an associate to a director of the Company, who has no control or joint control over the Company.

In 2023, the Group identified indicators of impairment on its investments in an associate. The recoverable amount of the investment in an associate was based on its value in use, determined by discounting the post-tax future cash flows to be generated from the associate.

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

Group	2023 %
Pre-tax discount rate	**14.4**
Terminal value growth rate	**2.6**
EBITDA margin	**8.0 to 16.0**

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

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

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the investment in an associate is lower than its carrying amount and the Group has recorded an impairment loss of $600,000 (FY2022: Nil).

9 Investment in associates (Continued)

The following summarises the financial information of the Group's associates based on ATECO's and Novoflex's financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	ATECO		Novoflex	
	2023	2022	**2023***	2022
	$'000	$'000	**$'000**	$'000
Revenue	**19,375**	24,473	**32,717**	36,714
(Loss)/profit after tax	**(1,869)**	(359)	**915**	(704)
Total comprehensive loss	**(1,869)**	(359)	**915**	(704)
Attributable to investee's shareholders	**(1,869)**	(359)	**915**	(704)
Non-current assets	**1,014**	1,434	**15,950**	17,676
Current assets	**12,983**	16,001	**31,415**	29,023
Non-current liabilities	**(6,014)**	(4,157)	**(2,577)**	(3,691)
Current liabilities	**(8,523)**	(11,111)	**(16,719)**	(15,393)
Net assets	**(540)**	2,167	**28,069**	27,615
Attributable to investee's shareholders	**(540)**	2,167	**28,069**	27,615
Group's interest in net assets of investee at beginning of the year	**4,782**	6,337	**4,910**	5,074
Group's share of:				
- (loss)/profit after tax	**(806)**	(155)	**165**	(127)
Total comprehensive (loss)/income	**(806)**	(155)	**165**	(127)
Change of Group's interest in an associate	**–**	(982)	**–**	–
Disposal	**–**	–	**(5,049)**	–
Translation adjustment	**(13)**	(418)	**(26)**	(37)
Group's share of net assets	**3,963**	4,782	**–**	4,910
Goodwill	**5,458**	5,458	**–**	–
Impairment loss	**(600)**	–	**–**	–
Carrying amount of interest in investee at end of the year	**8,821**	10,240	**–**	4,910

* Period from 1 January 2023 to 31 July 2023.

10 Other investment

	Group	
	2023	2022
	$'000	$'000
Unquoted equity investment – at FVTPL	**5,785**	6,059

The basis of measurement of the fair value of other investment are disclosed in note 29.

11 Inventories

	Group	
	2023	2022
	$'000	$'000
Raw materials	**161,289**	136,943
Work-in-progress	**64,363**	194,242
Finished goods	**102,038**	35,371
Goods in-transit	**926**	1,167
	328,616	367,723

Inventories of $280,352,000 (2022: $520,252,000) were recognised as an expense during the period and included in "cost of sales" within the statement of comprehensive income.

11 Inventories (Continued)

During the Group's annual stock-take exercise, one of its subsidiaries noted significant stock discrepancies between the physical count results and the accounting records. The Group has performed internal reviews and checks on the subsidiary's inventories. It also engaged external consultants to perform works including reviewing its processes relating to inventory management, and assisting them in the quantification of the discrepancies. An adjustment due to overstatement of inventories was corrected and recorded in the "cost of sales" during the financial year.

The Group recognised an allowance for stock obsolescence of $1,780,000 (2022: $633,000) based on slow-moving inventories. The allowance is included in "cost of sales" within the statement of comprehensive income.

12 Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Trade receivables (net of impairment)	**42,545**	69,548	**–**	–
Other receivables	**7,876**	13,192	**–**	–
Amounts due from subsidiaries (net of impairment):				
- trade	**–**	–	**21,685**	7,331
- non-trade	**–**	–	**53,123**	41,912
Amounts due from a related party (non-trade)	**1,083**	1,608	**–**	–
Deposits	**4,268**	4,078	**–**	–
	55,772	88,426	**74,808**	49,243
Prepayments	**3,001**	4,491	**169**	165
	58,773	92,917	**74,977**	49,408

Included in the other receivables of the Group is grant receivable by an overseas subsidiary from its government amounting to $3,319,000 (2022: $1,687,000).

Amounts due from subsidiaries and a related party

Non-trade amounts due from subsidiaries and a related party are unsecured, interest-free and repayable on demand. The ECL for these amounts is disclosed in note 29.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 29.

13 Cash and cash equivalents

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**87,259**	62,771	**22,647**	23,766
Fixed deposits with banks	**14,590**	65,004	**10,593**	40,508
Cash and cash equivalents	**101,849**	127,775	**33,240**	64,274

Fixed deposits with banks relate to deposits with maturities of one months or less with effective interest rates ranging from 3.80% to 5.26% (2022: 4.15% to 4.30%) per annum.

As at 31 December 2023, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.13% (2022: 0.07%). Interest rates are repriced monthly.

14 Share capital

	Number of shares			
	Share capital		Treasury shares	
	2023	2022	**2023**	2022
	'000	'000	**'000**	'000
Company				
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**311,784**	311,525	**(3,031)**	(1,876)
Purchase of treasury shares	**–**	–	**(360)**	(1,292)
Issue of treasury shares to management under Performance Share Plan	**–**	–	**406**	137
Share options exercised	**103**	259	**–**	–
At 31 December	**311,887**	311,784	**(2,985)**	(3,031)

Ordinary shares

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

During the year, 103,000 (2022: 259,000) ordinary shares were issued out of the ordinary shares for share options exercised.

During the year, the Company purchased 360,000 (2022: 1,292,000) of its own ordinary shares from the open market and as at the end of 31 December 2023, the treasury shares balance was 2,985,000 (2022: 3,031,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 308,902,000 (2022: 308,753,000).

Treasury shares

During the year, 406,000 (2022: 137,000) shares were issued out of the treasury shares under the Performance Share Plan.

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 for expansion and growth.

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

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

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

15 Reserves

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Reserve for own shares	**(10,091)**	(10,477)	**(10,091)**	(10,477)
Other reserves	**(10,323)**	(9,421)	**(1,400)**	(1,556)
Share compensation reserve	**3,472**	3,773	**3,472**	3,773
Currency translation reserve	**(15,958)**	(11,293)	**–**	–
	(32,900)	(27,418)	**(8,019)**	(8,260)

Reserve for own shares

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

Other reserves

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

15 Reserves (Continued)

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.

16 Financial liabilities

	Group	
	2023	2022
	$'000	$'000
Non-current liabilities		
Lease liabilities	**26,475**	27,519
Borrowings:		
– Secured bank loans	**303**	–
– Unsecured bank loans	**15,693**	102,131
	42,471	129,650
Current liabilities		
Lease liabilities	**7,877**	7,654
Borrowings:		
– Secured bank loans	**3,851**	3,785
– Unsecured bank loans	**72,156**	2,216
	83,884	13,655
Total financial liabilities	**126,355**	143,305
Maturity of liabilities:		
Within 1 year	**83,884**	13,655
After 1 year but within 5 years	**42,471**	129,650
	126,355	143,305

Lease liabilities

As at 31 December 2023, the lease liabilities include office and warehouse leases.

The total cash outflow for leases recognised in the statement of cash flows is $10,721,000 (2022: $10,924,000).

Terms and debt repayment schedule

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

			2023		2022	
	Nominal interest rate	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
	%		**$'000**	**$'000**	$'000	$'000
Group						
Unsecured bank loans	2.20% - 5.00%	2024 – 2026	**1,374**	**1,349**	4,408	4,347
Unsecured bank loans	0.65% - 1.45% + SORA	2024 – 2025	**89,051**	**86,500**	102,800	100,000
Secured bank loans	2.00% - 5.45%	2024 – 2028	**4,267**	**4,154**	3,833	3,785
Lease liabilities	2.35% - 7.09%	2024 – 2029	**35,705**	**34,352**	40,384	35,173
			130,397	**126,355**	151,425	143,305

The Company does not have any borrowings and lease liabilities as at 31 December 2023 (2022: nil).

16 Financial liabilities (Continued)

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 29.

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

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2022	63,273	18,000	81,273
Changes from financing cash flows			
Interest paid	(1,810)	(776)	(2,586)
Proceeds from borrowings	50,000	–	50,000
Repayment of borrowings	(15,354)	–	(15,354)
Payment of lease liabilities	–	(10,148)	(10,148)
Total changes from financing cash flows	32,836	(10,924)	21,912
Changes arising from acquisition of a subsidiary (Note 8)	10,223	315	10,538
The effect of changes in foreign exchange rates	(10)	(740)	(750)
Liability-related			
Additions	–	27,746	27,746
Interest expense	1,810	776	2,586
Total liability-related other changes	1,810	28,522	30,332
Balance at 31 December 2022	108,132	35,173	143,305
Balance at 1 January 2023	**108,132**	**35,173**	**143,305**
Changes from financing cash flows			
Interest paid	**(5,778)**	**(1,182)**	**(6,960)**
Proceeds from borrowings	**84,970**	**–**	**84,970**
Repayment of borrowings	**(100,915)**	**–**	**(100,915)**
Payment of lease liabilities	**–**	**(9,539)**	**(9,539)**
Total changes from financing cash flows	**(21,723)**	**(10,721)**	**(32,444)**
The effect of changes in foreign exchange rates	**(184)**	**(1,516)**	**(1,700)**
Liability-related			
Additions	**–**	**10,234**	**10,234**
Interest expense	**5,778**	**1,182**	**6,960**
Total liability-related other changes	**5,778**	**11,416**	**17,194**
Balance at 31 December 2023	**92,003**	**34,352**	**126,355**

17 Trade and other payables

	Group		Company	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
Trade payables	**42,677**	78,828	**–**	–
Amount due to subsidiaries (non-trade)	**–**	–	**3,488**	2,670
Accrued operating expenses	**4,726**	9,687	**783**	872
Other payables	**19,347**	7,474	**11**	1,831
	66,750	95,989	**4,282**	5,373
Employee benefits	**7,311**	22,945	**55**	3,718
	74,061	118,934	**4,337**	9,091
Current	**73,458**	118,929	**4,337**	9,091
Non-current	**603**	5	**–**	–
	74,061	118,934	**4,337**	9,091

Other payables of the Group include the second payment of the arbitration settlement payable to the complainants amounting to $14,657,000 (2022: nil) (note 25).

17 Trade and other payables (Continued)

Amounts due to subsidiaries

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

Measurement of fair values

The basis of measurement of the fair value of deferred and contingent consideration are disclosed in note 29.

Market and liquidity risks

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 29.

18 Deferred tax

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

	At 1 January 2022	Recognised in profit or loss (Note 24)	Acquired through business combination (Note 8)	Translation adjustment	At 31 December 2022	Recognised in profit or loss (Note 24)	Translation adjustment	At 31 December 2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Deferred tax liabilities								
Property, plant and equipment	3,360	2	504	(4)	3,862	(123)	(11)	**3,728**
Intangible assets	4,887	2,459	1,409	(320)	8,435	1,030	15	**9,480**
Right-of-use assets	1,556	(113)	–	(43)	1,400	4,433	(49)	**5,784**
Others	207	(261)	56	(2)	–	–	–	**–**
	10,010	2,087	1,969	(369)	13,697	5,340	(45)	**18,992**
Deferred tax assets								
Property, plant and equipment	(359)	–	–	1	(358)	(31)	–	**(389)**
Provisions	(1,211)	(210)	–	2	(1,419)	418	12	**(989)**
Trade and other payables	(135)	–	–	–	(135)	(2)	–	**(137)**
Lease liabilities	(1,382)	37	–	43	(1,302)	(4,663)	43	**(5,922)**
Others	–	(139)	–	–	(139)	(1,064)	–	**(1,203)**
	(3,087)	(312)	–	46	(3,353)	(5,342)	55	**(8,640)**
Company								
Deferred tax assets								
Property, plant and equipment	4	–	–	–	4	–	–	**4**
Deferred tax liabilities								
Provisions	(23)	–	–	–	(23)	–	–	**(23)**

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

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities	**11,748**	11,394	**–**	–
Deferred tax assets	**(1,396)**	(1,050)	**(19)**	(19)

18 Deferred tax (Continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the tax losses in the table below, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. 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.

	Group			
	Gross amount	**Tax effect**	Gross amount	Tax effect
	2023	**2023**	2022	2022
	$'000	**$'000**	$'000	$'000
Tax losses	**19,045**	**4,929**	15,157	3,868

The Company does not have any unrecognised deferred tax assets.

19 Provisions

Group	**Warranties $'000**	**Site restoration $'000**	**Total $'000**
At 1 January 2022	3,435	986	4,421
Provisions reversal	(451)	–	(451)
Translation adjustment	(18)	(9)	(27)
Unwind of discount	–	44	44
At 31 December 2022	2,966	1,021	3,987
Provisions made	1,068	613	1,681
Translation adjustment	(50)	(20)	(70)
Unwind of discount	–	31	31
At 31 December 2023	**3,984**	**1,645**	**5,629**

	Group	
	2023	2022
	$'000	$'000
Current	**3,957**	2,290
Non-current	**1,672**	1,697
	5,629	3,987

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

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

20 Share-based payment

Description of the share-based payment arrangements

At 31 December 2023, the Group has the following share-based payment arrangements:

Employee share options (equity-settled)

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

- James Toh Ban Leng (Chairman)
- Loh Kin Wah
- Tham Min Yew

Other information regarding the Scheme is set out below:

(i) Whilst the Scheme entitles the Company to issue options at a price which is set at a discount of up to 20% to the market price (as determined by the Committee in its absolute discretion), in practice, since the commencement of the Scheme, the Company has never issued options at a discount, but at the market price (which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option).

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

(iii) The Scheme provides that where options are issued at a discount to the market price ("**Discount Price Options**"), such 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. However, where options are issued at the market price ("**Market Price Options**"), they are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant.

(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) All options are settled by delivery of shares.

Performance Share Plan (equity-settled)

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

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

20 Share-based payment (Continued)

Measurement of fair values

Employee share options (equity-settled)

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

Grant Date	1 Apr 20	7 Oct 19	15 Jan 19	23 Aug 17	27 Feb 17
Fair value at grant date	$0.620 - $0.730	$0.407 - $0.483	$0.260 - $0.320	$0.148 - $0.180	$0.038 - $0.045
Share price at grant date	$1.640	$1.140	$0.900	$0.635*	$0.198*
Exercise price	$1.652	$1.142	$0.890	$0.627*	$0.196*
Expected volatility (weighted average)	63.00%	60.00%	50.00%	40.00%	40.00%
Expected life (years)	3-5	3-5	3-5	3-5	3-5
Expected dividend yield	2.65%	2.65%	2.00%	2.45%	2.45%
Risk-free interest rate (based on government bonds)	1.561 - 1.574	1.561 - 1.574	1.930 - 2.000	1.490 - 1.680	1.386 - 1.693

* Prices were adjusted for the bonus share issue on 4 June 2018.

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

During the year, the Group recognised $13,000 (2022: $68,000) expenses for share options granted.

Performance Share Plan (equity-settled)

The weighted average fair value of the performance shares granted during the year was $3.25 (2022: $4.45) per share, based on the closing share price of the Company at the grant date (2022: closing share price of the Company at the grant date).

The Group recognised the following:

- $541,000 for the performance shares granted on 4 April 2023 to employees;
- $367,000 (2022: $465,000) for the performance shares granted on 4 April 2022 to employees;
- $171,000 (2022: $858,000) for the performance shares granted on 25 February 2022 to employees;
- $145,000 (2022: $699,000) for the performance shares granted on 18 June 2021 to employees; and
- Nil (2022: $69,000) for the performance shares granted on 29 September 2020 to an employee.

Reconciliation of outstanding share options

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

	Weighted average exercise price	**No. of options**	Weighted average exercise price	No. of options
	2023	**2023**	2022	2022
	$	**'000**	$	'000
Outstanding at 1 January	**1.262**	**2,450**	1.240	2,709
Exercised during the year	**1.098**	**(103)**	1.031	(259)
Forfeited during the year		**–**		–
Outstanding at 31 December	**1.269**	**2,347**	1.262	2,450
Exercisable at 31 December	**1.269**	**2,347**	1.226	2,243

20 Share-based payment (Continued)

Reconciliation of outstanding share options (Continued)

The options outstanding at 31 December 2023 have an exercise price in the range of $0.890 to $1.652 (2022: $0.890 to $1.652) and a weighted average contractual life of 5.9 years (2022: 6.9 years).

	Group and Company	
	2023	2022
	$'000	$'000
Share compensation reserve		
At 1 January	**3,773**	2,222
Shares options granted	**13**	68
Settlement of share-based payment transactions	**(1,538)**	(608)
Share-based payment transactions	**1,224**	2,091
At 31 December	**3,472**	3,773

Expense recognised in statement of comprehensive income

For details on the related employee benefits expenses, see note 25.

21 Defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Group	
	2023	2022
	$'000	$'000
At 1 January	**1,204**	959
Interest cost	**59**	62
Current service cost	**73**	44
Actual benefit payment	**(55)**	–
Actuarial gains and losses arising from experience adjustments	**(243)**	146
Actuarial gains and losses arising from changes in financial assumptions	**19**	(7)
Exchange differences	**2**	–
At 31 December	**1,059**	1,204

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2023	2022
	%	%
Discount rate	**6.9**	7.21
Salary increment rate	**5.00**	5.00
Mortality rate	***TMI – 2019**	*TMI – 2019
Disability rate	**0.5% of *TMI - 2019**	0.5% of *TMI – 2019
Resignation rate	**6.5%**	6.5%
Actuarial costing method	**Projected unit credit**	Projected unit credit
Normal retirement age	**57 years old**	57 years old

* Tabel Mortalita Indonesia 2019 ("**TMI – 2019**") issued by Indonesia Life Insurance Association (AAJI) serves as a reference for mortality rates in Indonesia.

21 Defined benefit obligations (Continued)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming if all other assumptions were held constant:

	2023		2022	
	Increase/ decrease	**Present value of the defined benefit obligations**	Increase/ decrease	Present value of the defined benefit obligations
		$'000		$'000
Discount rate	**+ 1%**	**887**	+ 1%	802
	- 1%	**1,027**	- 1%	962
Salary increment rate	**+ 1%**	**1,027**	+ 1%	962
	- 1%	**886**	- 1%	800

The average duration of the defined benefit obligations at the end of the reporting period is 19 years.

22 Revenue

	Group	
	2023	2022
	$'000	$'000
Revenue from contracts with customers		
- Sale of goods	**390,958**	801,355
- Services	**90,325**	69,136
	481,283	870,491

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

Sale of goods

Nature of goods	Machines, equipment and components
When revenue is recognised	***Machines, equipment and components, excluding prototype machines*** Revenue from the sale of machines, equipment and components are recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. ***Prototype machines*** The Group has assessed that revenue from the sale of prototype machines qualifies for revenue recognition over time as the prototype machines are highly customised and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	***Machines, equipment and components, excluding prototype machines*** Payment is due between 30 days to 60 days upon delivery of the goods to the customers. ***Prototype machines*** Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value for the achievement exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

22 Revenue (Continued)

Sale of goods (Continued)

Nature of goods (Continued)	Machines, equipment and components (Continued)
Obligations for warranties	All products come with warranty terms of one to two years, under which customers are able to return and replace any defective products. The Group reviews its estimate of warranties and records a provision for its obligations for warranties (see note 19).

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. As at 31 December 2023, nil (2022: $222,000) of costs incurred to fulfil a contract were capitalised.

Services

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

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

Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is disclosed in note 28 with the Group's reportable segments. The following table disaggregates revenue by the timing of revenue recognition:

	Group	
	2023	2022
	$'000	$'000
Timing of revenue recognition		
Products transferred at a point in time	**395,929**	808,045
Products and services transferred over time	**85,354**	62,446
	481,283	870,491

Contract balances

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

	Group	
	2023	2022
	$'000	$'000
Contract assets	**1,582**	1,928
Contract liabilities	**(7,898)**	(6,644)

22 Revenue (Continued)

Disaggregation of revenue from contracts with customers (Continued)

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

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

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

	Contract assets		Contract liabilities	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	**–**	–	**6,644**	11,861
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**(7,898)**	(6,644)
Contract asset reclassified to trade receivables	**(1,928)**	(692)	**–**	–
Recognition of revenue, net of receivables recognised	**1,582**	1,928	**–**	–

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

Transaction price allocated to the remaining performance obligations

There is no revenue (2022: nil) expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date which is expected to be recognised beyond 2024 (2022: 2023).

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

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

23 Net finance costs

	Group	
	2023	2022
	$'000	$'000
Interest income on fixed deposits	**963**	690
Other interest income	**503**	692
Finance income	**1,466**	1,382
Interest expense on lease liabilities	**(1,182)**	(776)
Interest expense on unsecured bank loans	**(5,778)**	(1,810)
Interest expense on bank overdraft	**–**	(10)
Accretion of interest	**–**	(54)
Unwind of discount on site restoration provision	**(31)**	(44)
Finance costs	**(6,991)**	(2,694)
Net finance costs	**(5,525)**	(1,312)

24 Tax expense

	Group 2023 $'000	2022 $'000
Current tax expense		
Current year	**8,161**	28,981
Underprovision in prior years	**591**	630
	8,752	29,611
Deferred tax expense		
Origination and reversal of temporary differences	**495**	1,163
(Over)/underprovision in prior year	**(497)**	612
	(2)	1,775
Total tax expense	**8,750**	31,386
Reconciliation of effective tax rate		
Profit before tax	**7,586**	158,693
Income tax using Singapore tax rate of 17% (2022: 17%)	**1,290**	26,978
Effect of different tax rates in other countries	**(8)**	(101)
Effect of results from equity-accounted investee presented net of tax	**109**	48
Tax exempt income	**(464)**	(352)
Tax incentives	**(1,022)**	(2,738)
Expenses not deductible for tax purposes	**7,194**	4,151
Underprovision in prior years	**94**	1,242
Current year losses for which no deferred tax asset was recognised	**1,061**	2,409
Others	**496**	(251)
	8,750	31,386

25 Profit for the year

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

	Group 2023 $'000	2022 $'000
Audit fees paid/payable to:		
- auditors of the Company	**657**	572
- other auditors	**49**	22
Non-audit fees paid/payable to auditors of the Company	**150**	135
Allowance for stock obsolescence	**1,780**	633
Depreciation and amortisation expenses	**25,726**	23,537
Staff costs	**102,643**	118,479
Contributions to defined contribution plans included in staff costs	**6,950**	7,942
Contributions to defined benefit plans included in staff costs	**(145)**	245
Directors' fees	**811**	799
Equity-settled share-based payment expenses	**1,237**	2,159
Net foreign exchange loss	**3,290**	2,021
Loss/(gain) on disposal of property, plant and equipment	**60**	(308)
Write off of property, plant and equipment	**294**	–
Gain on disposal of an associate	**(71)**	–
Gain on disposal of a subsidiary	**(328)**	–
Impairment loss on investment in an associate	**600**	–
Fair value loss/(gain) on other investment	**180**	(1,933)
Government grant income	**(1,339)**	(2,922)
Provision made for:		
- site restoration	**613**	–
- warranties	**1,068**	(451)
Legal and professional fees	**9,016**	27,031
Settlement of arbitration	**26,700**	–
Staff costs, materials, overheads and depreciation expense included in research and development costs	**24,350**	23,126

25 Profit for the year (Continued)

Included in the "settlement of arbitration" are the expenses relating to an arbitration (the "**Arbitration**"). In July 2023, the Group reached a settlement with the complainants to the Arbitration of all matters disputed in the Arbitration by, inter alia, paying to the complainants a total settlement amount of US$20,000,000 ($26,700,000).

26 Earnings per share

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

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

	Group	
	2023	2022
	$'000	$'000
Basic and diluted earnings per share has been based on:		
(Loss)/profit attributable to ordinary shareholders	**(1,237)**	126,808

Weighted average number of ordinary shares

	Group	
	2023	2022
	$'000	$'000
Issued ordinary shares at 1 January (excluding treasury shares)	**308,753**	309,649
Issue of new ordinary shares	**80**	121
Effect of performance shares issued	**325**	77
Effect of own shares held	**(301)**	(709)
Weighted average number of ordinary shares (basic) during the year	**308,857**	309,138

Weighted average number of ordinary shares (diluted)

	Group	
	2023	2022
	$'000	$'000
Weighted average number of ordinary shares (basic)	**308,857**	309,138
Effect of share options on issue	**1,481**	1,736
Effect of performance shares granted but not issued	**459**	572
Weighted average number of ordinary shares (diluted) during the year	**310,797**	311,446

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

27 Significant related party transactions

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

	Group	
	2023	2022
	$'000	$'000
Advisory fees paid to directors	**–**	60
Asset held for sales sold to a related party	**–**	1,723

27 Significant related party transactions (Continued)

Key management personnel compensation

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

Key management personnel compensation comprised:

	Group	
	2023	2022
	$'000	$'000
Short-term employee benefits	**3,287**	4,594
Share-based payment	**1,064**	1,160
Post-employment benefits	**119**	97
	4,470	5,851
Directors' fees	**811**	799

28 Segment information

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

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

- Test Cell Solutions ("**TCS**")

  Providing customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories and test solutions for Micro-Electro-Mechanical Systems ("**MEMS**") and special wafer probing needs ranging from the research and development phase to high volume production and system-level testing which enables manufacturers to achieve the lowest cost-of-test, reduced time to market, effective process cycle, accurate stimulus, and high production yields.

- Instrumentation ("**INS**")

  Engages in the research, development, and production of advanced communications and industrial test solutions and providing solutions that bridge the growing gap between user applications and standard ATE coverage with complex IC designs and advanced packaging techniques. It enables testing complex devices in their real end-user environment including extreme temperature range.

- Contract Manufacturing ("**CM**")

  Contract manufacturer of PCBA, Wire-Harness & Interconnect systems, Box Build and Equipment Manufacturing.

- 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.

28 Segment information (Continued)

Information about reportable segments:

	TCS $'000	INS* $'000	CM $'000	Others $'000	Total $'000
2023					
Revenue from external parties	**271,475**	**7,464**	**202,344**	**–**	**481,283**
Inter-segment revenue	**–**	**–**	**11,759**	**(11,759)**	**–**
Total segment revenue	**271,475**	**7,464**	**214,103**	**(11,759)**	**481,283**
Depreciation and amortisation	**(16,424)**	**(2,890)**	**(2,104)**	**(4,308)**	**(25,726)**
Finance income	**852**	**19**	**595**	**–**	**1,466**
Finance costs	**(6,432)**	**(1)**	**(475)**	**(83)**	**(6,991)**
Tax (expense)/credit	**(4,346)**	**(19)**	**(5,106)**	**721**	**(8,750)**
Share of loss of equity-accounted investee	**–**	**–**	**–**	**(641)**	**(641)**
Profit/(loss) for the year	**11,508**	**(2,125)**	**22,461**	**(33,008)**	**(1,164)**
Reportable segment assets	**434,518**	**36,396**	**179,747**	**56,866**	**707,527**
Reportable segment liabilities	**167,905**	**6,889**	**52,088**	**6,259**	**233,141**
Other segment information					
Expenditure for non-current assets	**30,388**	**3,761**	**2,505**	**5**	**36,659**
2022					
Revenue from external parties	682,688	7,219	180,584	–	870,491
Inter-segment revenue	–	–	24,016	(24,016)	–
Total segment revenue	682,688	7,219	204,600	(24,016)	870,491
Depreciation and amortisation	(14,171)	(3,142)	(2,028)	(4,196)	(23,537)
Finance income	1,077	13	292	–	1,382
Finance costs	(2,370)	(53)	(155)	(116)	(2,694)
Tax (expense)/credit	(29,347)	43	(4,097)	2,015	(31,386)
Share of gain of equity-accounted investee	–	–	–	(282)	(282)
Profit/(loss) for the year	134,182	(5,654)	16,349	(17,570)	127,307
Reportable segment assets	515,611	34,477	191,155	64,353	805,596
Reportable segment liabilities	242,227	4,938	52,375	12,606	312,146
Other segment information					
Expenditure for non-current assets	48,246	3,921	3,029	42	55,238

** TMS and ATE CGUs were grouped under Instrumentation segment.*

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.

	2023		2022	
	Revenue $'000	**Non-current assets $'000**	Revenue $'000	Non-current assets $'000
Singapore	**82,172**	**148,859**	72,217	141,007
China	**29,375**	**91**	71,904	380
Costa Rica	**50,669**	**198**	215,145	208
Finland	**14,390**	**6,345**	14,801	7,119
France	**1,855**	**11,220**	1,602	9,890
Germany	**24,444**	**–**	22,538	–
Ireland	**12,928**	**–**	9,949	–
Malaysia	**106,866**	**23,002**	250,912	25,356
Republic of Korea	**8,732**	**15,696**	7,086	17,913
United Kingdom	**14,013**	**–**	13,104	–
USA	**95,869**	**8,461**	120,303	9,740
Vietnam	**15,817**	**641**	50,028	875
Other countries	**24,153**	**2,194**	20,902	2,543
	481,283	**216,707**	870,491	215,031

28 Segment information (Continued)

Major customers

Revenue from one customer of the Group's Test Cell Solutions segment represents approximately $238,772,000 (2022: $653,093,000) of the Group's total revenues.

29 Financial risk management

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

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

Credit risk

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

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

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

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

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

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

At the reporting date, the Group's top 5 customers accounted for 59% (2022: 64%) of total trade receivables of the Group. There is no other concentration of credit risk at the Group level. There is no concentration of customers' credit risk at the Company level.

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

	Net carrying amount	
	2023	2022
	$'000	$'000
Group		
Trade receivables	**42,545**	69,548
Other receivables	**7,876**	13,192
Amount due from a related party	**1,083**	1,608
Contract assets	**1,582**	1,928
	53,086	86,276

29 Financial risk management (Continued)

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

	Credit impaired	Gross $'000	Loss allowance $'000	Net carrying amount $'000
Group				
31 December 2023				
Trade receivables	No	**42,545**	–	42,545
Trade receivables	Yes	**136**	(136)	–
Other receivables	No	**7,876**	–	7,876
Amounts due from a related party	No	**1,083**	–	1,083
		51,640	(136)	51,504
31 December 2022				
Trade receivables	No	69,548	–	69,548
Trade receivables	Yes	160	(160)	–
Other receivables	No	13,192	–	13,192
Amounts due from a related party	No	1,608	–	1,608
		84,508	(160)	84,348
Company				
31 December 2023				
Amounts due from subsidiaries:				
- Trade	No	**21,685**	–	21,685
- Non-trade	No	**53,123**	–	53,123
		74,808	–	74,808
31 December 2022				
Amounts due from subsidiaries:				
- Trade	No	7,331	–	7,331
- Trade	Yes	226	(226)	–
- Non-trade	No	41,912	–	41,912
- Non-trade	Yes	1,195	(1,195)	–
		50,664	(1,421)	49,243

Movements in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023 $'000	2022 $'000
Group		
Balance at 1 January	**160**	55
Impairment loss (reversed)/recognised	**(24)**	14
Acquired through business combination	**–**	91
Balance at 31 December	**136**	160

Movements in allowance for impairment in respect of trade amounts due from subsidiaries

The movement in the allowance for impairment in respect of trade amounts due from subsidiaries during the year was as follows:

	2023 $'000	2022 $'000
Company		
Balance at 1 January	**1,421**	1,520
Impairment loss reversed	**(1,421)**	–
Amount derecognised due to discontinued operations	**–**	(99)
Balance at 31 December	**–**	1,421

29 Financial risk management (Continued)

Non-trade amounts due from subsidiaries and a related party

The Group held non-trade receivable from a related party of $1,083,000 (2022: $1,608,000). These balances are advances for investment in a subsidiary and there is no credit risk associated to these balances.

The Company held non-trade receivables from its subsidiaries of $53,123,000 (2022: $41,912,000). These balances are to satisfy short term funding requirements. Other than credit-impaired balances, the amount of the allowance on the remaining balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $101,849,000 and $33,240,000, respectively at 31 December 2023 (2022: $127,775,000 and $64,274,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to A2, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured using the general expected loss approach where loss allowance equal to 12-month expected credit losses. An ECL rate is calculated for based on probabilities of default and loss given default. Probabilities of default are based on historical data supplied by Moody's for each credit rating. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

		Cash flows			
	Carrying amount	**Contractual cash flows**	**Within 1 year**	**Within 1 to 5 years**	**More than 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Group					
31 December 2023					
Lease liabilities	**34,352**	**(35,705)**	**(8,189)**	**(17,831)**	**(9,685)**
Secured bank loans	**4,154**	**(4,267)**	**(3,958)**	**(309)**	**–**
Unsecured bank loans	**87,849**	**(90,425)**	**(73,921)**	**(16,504)**	**–**
Trade and other payables	**66,750**	**(66,750)**	**(66,147)**	**(603)**	**–**
	193,105	**(197,147)**	**(152,215)**	**(35,247)**	**(9,685)**
31 December 2022					
Lease liabilities	35,173	(40,384)	(8,553)	(17,607)	(14,224)
Secured bank loans	3,785	(3,833)	(3,833)	–	–
Unsecured bank loans	104,347	(107,208)	(3,378)	(103,830)	–
Trade and other payables	95,989	(95,989)	(95,984)	(5)	–
	239,294	(247,414)	(111,748)	(121,442)	(14,224)
Company					
31 December 2023					
Trade and other payables	**4,282**	**(4,282)**	**(4,282)**	**–**	**–**
31 December 2022					
Trade and other payables	5,373	(5,373)	(5,373)	–	–

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

29 Financial risk management (Continued)

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 in 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 translated to the US dollar functional currency at the exchange rate at the reporting date. The currency with the primary translation risk is the Singapore dollar for the US dollar functional currency subsidiary.

The Group seeks to minimise the foreign currency translation impact through natural hedges in its statement of financial position and by structuring the debts and purchases in US dollar to neutralise and minimise the amount of the foreign currency balances.

(b) Foreign currency risk of the Group and Company

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

	2023		2022	
	SGD	**USD**	SGD	USD
	$'000	**$'000**	$'000	$'000
Group				
Trade and other receivables	**3,219**	**25,566**	10,402	38,207
Cash and cash equivalents	**3,142**	**23,824**	21,512	7,717
Trade and other payables	**(4,445)**	**(19,386)**	(26,021)	(12,531)
Unsecured bank loan	**(86,500)**	**–**	(100,000)	–
	(84,584)	**30,004**	(94,107)	33,393
Company				
Cash and cash equivalents	**–**	**2,195**	–	308

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit before tax 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 2022.

	Group		**Company**	
	Profit before tax		**Profit before tax**	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
SGD	**8,458**	9,411	**–**	–
USD	**(3,000)**	(3,339)	**(220)**	(31)

A 10% weakening of the Group's major functional currencies against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

29 Financial risk management (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

(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 ("**USD**") and secondarily the Malaysian Ringgit ("**MYR**"), Chinese Renminbi ("**RMB**"), Euro ("**EUR**") and Korean Won ("**KRW**"). The Group does not hedge its foreign currency consolidation translation exposure.

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

	Group	
	2023	2022
Net assets	**$'000**	$'000
USD	**307,438**	326,278
MYR	**68,541**	29,528
RMB	**613**	2,271
EUR	**24,802**	22,825
KRW	**11,668**	12,562

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would decrease net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

	Group	
	2023	2022
	$'000	$'000
USD	**(30,744)**	(32,628)
MYR	**(6,854)**	(2,953)
RMB	**(61)**	(227)
EUR	**(2,480)**	(2,283)
KRW	**(1,167)**	(1,256)

Interest rate risk

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("**IBORs**") with alternative nearly risk-free rates (referred to as "**IBOR reform**"). The financial instruments with Singapore Interbank Offered Rate ("**SIBOR**") and Swap Offer Rare ("**SOR**") will be replaced or reformed as part of these market-wide initiatives. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA ("**SC-STS**") together with the Association on Banks in Singapore ("**ABS**") and Singapore Foreign Exchange Market Committee ("**SFEMC**"), has identified the Singapore Overnight Rate Average ("**SORA**") as the alternative interest rate benchmark to replace SIBOR and SOR in Singapore. The timeline for SORA to replace SOR and SIBOR is by end of June 2023 and December 2024 respectively. The Group's revolving credit facilities offered by the bank was compounded with SORA. The application of these amendments to standards and interpretations does not have impact on the financial statements. Interest rate risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow sensitivity analysis

A 50 basis point increase in interest rate at the reporting date would decrease profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

	Group	
	Profit before tax	
	2023	2022
	$'000	$'000
Unsecured bank loan	**(433)**	(500)

29 Financial risk management (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Managing interest rate benchmark reform and associated risks (Continued)

Cash flow sensitivity analysis (Continued)

A 50 basis point decrease in interest rate would have had the equal but opposite effect on the above the amounts shown above, on the basis that all other variables remain constant.

Accounting classification and fair values

Other than other investments, deferred and contingent consideration that is classified as mandatorily at FVTPL and measured at fair value, all of the Group's and Company's financial assets and financial liabilities are classified as financial assets measured at amortised cost and other financial liabilities at amortised cost respectively.

Other than the measurement of the fair value of other investments, deferred and contingent consideration as described below, the carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Measurement of fair value

Other investments

Other investments is derived based on its net asset value. The net asset value reasonably approximates fair value as the underlying investments are measured at fair value using the market comparison technique.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group	
	2023	2022
	$'000	$'000
At 1 January	**6,059**	2,607
Acquisition	**–**	1,595
Fair value through profit or loss	**(180)**	1,933
Translation adjustment	**(94)**	(76)
At 31 December	**5,785**	6,059

Contingent consideration

In prior year, there was a contingent consideration of $1,477,000 that was measured at fair value (Level 3). The following table shows the valuation technique used in measuring Level 3 fair values, as well as the significant unobservable inputs used. The contingent consideration has been fully settled during the year, nil contingent consideration as at the reporting date.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company Contingent consideration	*Discounted cash flow:* The fair value is estimated considering (i) quoted prices for the Group's listed securities and (ii) the probability of achieving targets for the remaining years based on the present value of expected future cash flows from the test and measurement solutions segment, discounted using a risk-adjusted discount rate.	• Expected cash flows • Probability of achieving targets	The estimated fair value would decrease if the expected cash flows were lower, resulting in the targets not achieved.

29 Financial risk management (Continued)

Measurement of fair value (Continued)

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group		Company	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
At 1 January	**1,477**	2,387	**1,477**	2,387
Payment of cash consideration	**(997)**	(768)	**(997)**	(768)
Reversal of contingent consideration	**(480)**	–	**(480)**	–
Translation adjustment	**–**	(142)	**–**	(142)
At 31 December	**–**	1,477	**–**	1,477

30 Subsequent events

As at the reporting date, the Group has an unquoted equity investment in NT Thor Holdings Pte. Ltd. ("**NT Thor**"). In March 2024, the Group gave formal notice to the other shareholders of NT Thor of its intention to dispose of all of the Group's shares in NT Thor ("**Disposal**") to the other shareholders of NT Thor for a consideration of US$4,400,000 (approximately $5,900,000) ("**AEM Offer**"). The Group has received acceptances for the AEM Offer for, in the aggregate, all of the Group's shares in NT Thor. The Disposal is not expected to have a significant financial impact to the Group.

31 Offsetting financial instruments

There are no financial assets and liabilities that are offset in the Company'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.

STATISTICS OF SHAREHOLDINGS AS AT 15 MARCH 2024

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	135	1.39	5,680	0.00
100 - 1,000	2,034	20.96	1,428,289	0.46
1,001 - 10,000	5,727	59.02	25,338,336	8.20
10,001 - 1,000,000	1,784	18.39	66,903,011	21.66
1,000,001 AND ABOVE	23	0.24	215,226,041	69.68
TOTAL	**9,703**	**100.00**	**308,901,357**	**100.00**

Number of issued shares	:	311,886,486
Number of issued shares (excluding treasury shares)	:	308,901,357
Number/Percentage of Treasury Shares	:	2,985,129 (0.96%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available and to the best knowledge of the Company as at 15 March 2024, approximately 52.46% 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.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	51,173,123	16.57
2	VENEZIO INVESTMENTS PTE LTD	38,626,300	12.50
3	DBS NOMINEES (PRIVATE) LIMITED	33,290,928	10.78
4	CITIBANK NOMINEES SINGAPORE PTE LTD	26,176,080	8.47
5	TOH BAN LENG JAMES	10,000,000	3.24
6	BPSS NOMINEES SINGAPORE (PTE.) LTD.	7,769,683	2.52
7	DBSN SERVICES PTE. LTD.	6,839,566	2.21
8	HSBC (SINGAPORE) NOMINEES PTE LTD	6,430,042	2.08
9	PHILLIP SECURITIES PTE LTD	5,604,637	1.81
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,055,504	0.99
11	IFAST FINANCIAL PTE. LTD.	2,892,201	0.94
12	OCBC SECURITIES PRIVATE LIMITED	2,857,043	0.92
13	DB NOMINEES (SINGAPORE) PTE LTD	2,814,300	0.91
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,695,971	0.87
15	MAYBANK SECURITIES PTE. LTD.	2,609,935	0.84
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,011,375	0.65
17	ONG ENG BOON	1,860,000	0.60
18	UOB KAY HIAN PRIVATE LIMITED	1,829,182	0.59
19	TIGER BROKERS (SINGAPORE) PTE. LTD.	1,595,300	0.52
20	MOOMOO FINANCIAL SINGAPORE PTE. LTD.	1,549,784	0.50
	TOTAL	**211,680,954**	**68.51**

SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
Venezio Investments Pte. Ltd. ("**Venezio**")	38,626,300	12.50	–	–
Napier Investments Pte. Ltd. ("**Napier**") (1)	–	–	38,626,300	12.50
Tembusu Capital Pte. Ltd. ("**Tembusu**") (1)	–	–	38,626,300	12.50
Temasek Holdings (Private) Limited ("**Temasek**") (1)	–	–	38,626,300	12.50
Employees Provident Fund Board ("**EPF**")	–	–	34,430,000	11.15
abrdn plc ("**abrdn**") (2)	–	–	34,695,800	11.23
abrdn Holdings Limited ("**AHL**") (3)	–	–	31,442,500	10.18
abrdn Asia Limited (4)	–	–	18,592,600	6.02
Pandanus Associates Inc. (5)	–	–	18,512,700	5.99
Pandanus Partners L.P. (6)	–	–	18,512,700	5.99
FIL Limited (7)	–	–	18,512,700	5.99
FIL Financial Services Holdings Limited (8)	–	–	18,512,700	5.99

(1) Temasek, Tembusu and Napier are deemed interested in the shares held by Venezio. Venezio is a wholly-owned subsidiary of Napier, which is a wholly-owned subsidiary of Tembusu, which is a wholly-owned subsidiary of Temasek.

(2) abrdn is the parent company of its subsidiaries (the "**abrdn Group**") on behalf of the accounts managed by the abrdn Group. abrdn is deemed interested in the shares held under the accounts managed by the abrdn Group.

(3) AHL is the parent company of its subsidiaries who act as the investment managers for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the securities and has the power to dispose of, or control the disposal of, the securities. The registered holder(s) of the securities is the client's or fund's custodian. AHL is a wholly-owned subsidiary of abrdn and the parent company of abrdn Asia Limited.

(4) abrdn Asia Limited acts as an investment manager for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the shares and has the power to dispose of, or control the disposal of, such shares. The registered holder(s) of the shares is the client's or fund's custodian. abrdn Asia Limited is a wholly-owned subsidiary of AHL.

(5) Pandanus Associates Inc. is deemed interested in the shares through its interest in the voting shares of Pandanus Partners L.P., pursuant to Section 4(5) of the Securities and Futures Act 2001 of Singapore (the "SFA").

(6) Pandanus Partners L.P. is deemed interested in the shares through its interest in the voting shares of FIL Limited., pursuant to Section 4(5) of the SFA.

(7) FIL Limited is deemed interested in the shares because such shares are held by funds and/or accounts managed by one or more of FIL Limited's direct and indirect subsidiaries, which are fund managers.

(8) FIL Financial Services Holdings Limited is deemed interested in the shares because such shares are held by funds and/or accounts managed by FIL Financial Services Holdings Limited as well as by one or more of its direct and indirect subsidiaries, which are fund managers. FIL Financial Services Holdings Limited is a wholly-owned subsidiary of FIL Limited.

NOTICE IS HEREBY GIVEN that the 2024 Annual General Meeting (the "**AGM**") of AEM Holdings Ltd. (the "**Company**") will be held at The SingPost Auditorium, Singapore Post Centre, 10 Eunos Road 8 #05-30, Singapore 408600 on Wednesday, 24 April 2024 at 3.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2023 with the Auditors' Report thereon. **Resolution 1**

2. To re-elect the following Director retiring pursuant to the Company's Constitution: **Resolution 2**

   Mr. Chok Yean Hung (Regulation 109)

3. To re-elect the following Director retiring pursuant to the Company's Constitution: **Resolution 3**

   Mr. Loh Kin Wah (Regulation 109)

4. To re-elect the following Director retiring pursuant to the Company's Constitution: **Resolution 4**

   Mr. Tham Min Yew (Regulation 109)

5. To approve the Directors' fees of S$811,000 (2023: S$811,000) for the financial year ending 31 December 2024, 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 modifications:

7. **Proposed General Share Issue Mandate** **Resolution 7**

   "That pursuant to Section 161 of the Companies Act 1967 of Singapore ("**Companies Act**") and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

   (b) (notwithstanding the authority conferred by this Ordinary 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 Ordinary Resolution is in force,

   provided that:

   (A) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

   (B) (subject to such manner of 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 percentage of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed, 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, provided the share options or share awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares,

provided further that adjustments in accordance with sub-paragraphs B(i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution;

(C) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(D) unless revoked or varied by the Company in a general meeting, such authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is earlier."

(See Explanatory Note (i))

8. **Share Purchase Mandate Renewal** **Resolution 8**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act as may be amended from time to time, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued and fully paid 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 may, in their absolute discretion, deem 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 a 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 Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held; or

(ii) the date by which the next AGM of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate have been carried out to the full extent mandated; 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 acts and things (including executing such documents as may be required) as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

In this Ordinary Resolution:

"Maximum Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company as at the date of the passing of this Ordinary Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, one hundred and five per centum (105%) of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per centum (110%) of the Average Closing Price of the Shares.

where:

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs during the relevant five-day period and the day of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase; 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 (ii))

9. **Proposed Adoption of the AEM Restricted Share Plan 2024** **Resolution 9**

"That:

(a) A new restricted share plan to be known as the "AEM Restricted Share Plan 2024" (the "**AEM RSP 2024**") and the rules of the AEM RSP 2024, as set out in Appendix A of the Letter to Shareholders dated 8 April 2024, be and are hereby approved;

(b) the Remuneration Committee of the Company be and is hereby authorised:

(i) to administer the AEM RSP 2024;

(ii) to offer and grant Awards in accordance with the rules of the AEM RSP 2024; and

(iii) to modify and/or alter the rules of the AEM RSP 2024 from time to time, provided that such modifications and/or alterations are effected in accordance with the rules of the AEM RSP 2024, and to do all such acts and things (including entering into all such transactions, arrangements and agreements) as the Remuneration Committee may consider expedient, necessary or in the interests of the Company to give full effect to the AEM RSP 2024 and/or this Resolution.

(See Explanatory Note (iii))

10. **AEM Restricted Share Plan 2024 - Proposed Specific Share Issue Mandate** **Resolution 10**

"That, subject to and contingent upon Resolution 9 being passed, the Directors be and are hereby authorised, pursuant to Section 161 of the Companies Act 1967 to allot and issue from time to time such number of shares in the Company not exceeding in aggregate half per centum (0.5%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, as may be required to be issued pursuant to the grant of Awards under the AEM RSP 2024, provided always that (i) the aggregate number of shares issued or to be issued pursuant to the AEM RSP 2024, when added to (a) the aggregate number of shares issued or issuable in respect of any other share based schemes of the Company then in force (if any) and (b) the number of treasury shares delivered in respect of the AEM RSP 2024 and any other share-based incentive schemes of the Company then in force (if any), shall not exceed ten per centum (10%) of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, and (ii) the aggregate number of shares to be issued pursuant to the AEM RSP 2024 shall not exceed five per centum (5%) of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, and unless revoked or varied by ordinary shareholders of the Company in 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 is required by law to be held, whichever is earlier, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST."

(See Explanatory Note (iv))

11. **Proposed Amendments to the AEM Performance Share Plan 2017** **Resolution 11**

"That, subject to and contingent upon Resolution 9 being passed, the amendments to the rules of the AEM Performance Share Plan 2017 (the "**AEM PSP 2017**"), as set out in Appendix B of the Letter to Shareholders dated 8 April 2024, and which incorporates the amendments to the rules of the AEM PSP 2017 as described in the Letter to Shareholders dated 8 April 2024, be and are hereby approved and adopted in replacement of the existing rules of the AEM PSP 2017, and, for the avoidance of doubt, for Awards granted but not yet vested as at the date of the passing of this Resolution, (i) the amendments shall not apply so as to vary the number of Shares which are the subject of the Award, the Vesting Period(s), the Vesting Date(s) or the Release Schedule, if any, and (ii) save as provided, the amendments shall apply to the holders of Awards granted but not yet vested as at the date of the passing of this Resolution, and in this Resolution, "Award", "Release Schedule", "Vesting Date" and "Vesting Period" shall have the same meanings ascribed to them in the rules of the AEM PSP 2017 (as amended)."

(See Explanatory Note (v))

12. **Proposed Specific Share Issue Mandate - AEM Performance Share Plan 2017** **Resolution 12**

"That the Directors be and are hereby authorised, pursuant to Section 161 of the Companies Act, to allot and issue from time to time shares in the Company not exceeding in aggregate half per centum (0.5%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, as may be required to be issued pursuant to the grant of awards under the AEM PSP 2017, and unless revoked or varied by ordinary shareholders of the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier, and provided always that the aggregate number of shares issued or to be issued pursuant to the AEM PSP 2017, when added to (a) the aggregate number of shares issued or issuable in respect of any other share based schemes of the Company then in force (if any) and (b) the number of treasury shares delivered in respect of the AEM PSP 2017 and any other share-based incentive schemes of the Company then in force (if any), shall not exceed ten per centum (10%) of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST."

(See Explanatory Note (vi))

13. To transact any other business which may be properly transacted at an AGM.

Explanatory Notes:

(i) The proposed Ordinary Resolution 7 above, if passed, will (unless varied or revoked by the Company in a general meeting) empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, 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, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to ten per centum (10%) may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The proposed Ordinary Resolution 8 above, if passed, will, unless varied or revoked by the Company in a general meeting, empower the Directors of the Company from the date of the AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Ordinary Resolution at a Maximum Price (as defined in Ordinary Resolution 8 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 8 above) is set out in the Letter to Shareholders dated 8 April 2024.

Please refer to the Letter to Shareholders dated 8 April 2024 for further details, including the source of funds to be used for the Share Purchase Mandate (including the amount of financing) and the impact of the Share Purchase Mandate on the Company's financial position.

(iii) The proposed Ordinary Resolution 9 above, if passed, will approve the adoption of the AEM RSP 2024. Please refer to the Letter to Shareholders dated 8 April 2024 for further details.

(iv) The proposed Ordinary Resolution 10 above, if passed, will empower the Directors to issue shares in connection with the AEM RSP 2024, up to a limit of 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution 7 and the specific authority to issue shares sought under Ordinary Resolution 12.

As Ordinary Resolution 10 of the Notice is subject to and contingent upon Ordinary Resolution 9 being passed, if Ordinary Resolution 9 is not passed, Ordinary Resolution 10 will not be passed as well.

(v) The proposed Ordinary Resolution 11 above, if passed, will approve certain amendments to the rules of the AEM PSP 2017. The AEM PSP 2017 was approved and adopted at an extraordinary general meeting held on 27 April 2017, and the Remuneration Committee of the Company approved certain amendment to the Rules of the AEM PSP 2017 with effect from 1 May 2023.

As Ordinary Resolution 11 of the Notice is subject to and contingent upon Ordinary Resolution 9 being passed, if Ordinary Resolution 9 is not passed, Ordinary Resolution 11 will not be passed as well.

Please refer to the Letter to Shareholders dated 8 April 2024 for further details.

(vi) The proposed Ordinary Resolution 12 above, if passed, will empower the Directors to issue shares in connection with the AEM PSP 2017, up to a limit of 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution 7 and the specific authority to issue shares sought under Ordinary Resolution 10.

By Order of the Board

Kevin Cho
Joint Company Secretary

Date: 8 April 2024

Notes:

1. This AGM will be held, in a wholly physical format at The SingPost Auditorium, Singapore Post Centre, 10 Eunos Road 8 #05-30, Singapore 408600. **There will be no option for the members to participate virtually.**

   The Annual Report, this Notice of AGM and the Proxy Form have been made available on the the Company's website at the URL https://www.aem.com.sg/announcements and the SGX website at the URL https://www.sgx.com/securities/company-announcements ("**SGXNet**").

2. Members (including Central Provident Fund Investment Scheme investors ("**CPFIS Investors**") and/or Supplementary Retirement Scheme investors ("**SRS Investors**")), and where applicable, duly appointed proxies and representatives, may participate in the AGM by:

   (a) attending the AGM in person;

   (b) submitting questions by the members, to the Chairman of the AGM in advance of, or at, the AGM; and

   (c) voting at the AGM (i) by the members, including the CPF/SRS investors, themselves; or (ii) through their duly appointed proxy/proxies and representatives,

   CPFIS Investors and SRS Investors who wish to appoint the Chairman of the AGM (and not third-party proxy(ies)) as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 12 April 2024, being seven (7) working days prior to the date of the AGM. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries to specify their voting instructions at least 7 working days (i.e., by 5.00 p.m. on 12 April 2024) before the AGM, if they wish to vote.

3. A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend, speak and vote at the AGM. Where such member appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding concerned to be represented by each proxy in the Proxy Form.

A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number and class of Shares in relation to which each proxy has been appointed in the Proxy Form.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

4. A member can choose to appoint the Chairman of the AGM as his/her/its proxy.

5. A proxy need not be a member of the Company.

6. Members submit questions related to the resolutions to be tabled for approval at the AGM in advance of the AGM in the following manner by 5.00 p.m. on 16 April 2024:

   (a) by email to aem2024agm@boardroomlimited.com; or

   (b) by post to the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

   The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's website at the URL https://www.aem.com.sg/announcements and the SGX website at the URL https://www.sgx.com/securities/company-announcements by no later than 3.00 p.m. on 19 April 2024.

   For questions addressed during the AGM, the responses to such questions will be included in the minutes of the AGM which will be published on the Company's website and on SGXNet within one (1) month from the date of the AGM.

7. The instrument appointing a proxy ("**Proxy Form**") may be accessed at the Company's website at the URL https://www.aem.com.sg/announcements and the SGX website at the URL https://www.sgx.com/securities/company-announcements. The Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at aem2024agm@boardroomlimited.com.

   in either case, by no later than 3.00 p.m. on 21 April 2024, and in default the instrument of proxy shall not be treated as valid.

   The Proxy Form may be accessed at at the Company's website at the URL https://www.aem.com.sg/announcements and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. The Proxy Form must be signed by the appointor or his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company), if the Proxy Form is submitted by post or sent personally, be lodged with the Proxy Form or, if the Proxy Form is submitted electronically by email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.

9. The Company shall be entitled to reject the Proxy Form 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 Proxy Form (including any related attachment).

10. In the case of a member whose Shares are entered against his/her/its name in the Depository Register, the Company may reject any Proxy Form lodged if such member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

11. Completion and return of the Proxy Form does not preclude a member from attending, speaking and voting at the AGM. The appointment of a proxy/proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

12. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

Pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the following additional information on Mr. Chok Yean Hung, Mr. Loh Kin Wah and Mr. Tham Min Yew, all of whom are seeking re-election as Directors at 2024 Annual General Meeting is set out below:

	Mr. Chok Yean Hung	**Mr. Loh Kin Wah**	**Mr. Tham Min Yew**
Date of Appointment	1 July 2020	4 May 2018	31 August 2021
Date of Last Re-Appointment (if applicable	30 April 2021	28 April 2022	28 April 2022
Age	59	69	56
Country of Principal Residence	Singapore	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. Chok Yean Hung as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. Loh Kin Wah as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. Tham Min Yew as Director of the Company.
Whether the appointment is executive, and if so the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title	Non-Executive, Non-Independent Director ● Member of Audit and Risk Management Committee ● Member of Strategy Committee	Independent Director ● Member of Nominating Committee ● Member of Remuneration Committee ● Member of Strategy Committee	Non-Executive, Non-Independent Director ● Member of Nominating Committee ● Member of Remuneration Committee ● Member of Strategy Committee
Professional Qualifications	● Bachelor of Engineering (Electrical), National University of Singapore	● Bachelor of Science, Chemical Engineering (Honours) ● Post Graduate Certified Diploma in Accounting and Finance	● Bachelor of Mechanical Engineering from the National University of Singapore
Working Experience and occupation(s) in the past 10 years	● Jan 2023 to present: Director of Greenpac (S) Pte. Ltd. ● Jan 2022 to present: Non-Executive Director of Novo Tellus Alpha Acquisition ● Aug 2021 to present: Director of Aqualita Ecotechnology Pte. Ltd. ● Mar 2021 to present: Director of Cibus Capital Partners Pte. Ltd. ● Sep 2010 to present: Director of P3 Investment Pte. Ltd. (dormant)	● Chairman of Kinergy Corporation Ltd. ● Managing Partner of Wiseroad Capital Ltd. ● Chairman of Synesys Technologies Pte. Ltd. ● Member of the Supervisory Board of BESI BV Netherlands, and of the Supervisory Board of AMS AG, Austria ● EVP of Global Sales and Marketing of NXP Semiconductors, Netherlands ● President and CEO of Qimonda AG, Munich, Germany	● 2020 - Present: Temasek, Joint Head, Enterprise Development Group & Joint Head, Strategic Development ● 2018 - 2020: ST Engineering, President of New Enterprise and Ventures ● 1994 - 2018: Applied Materials, President, Applied Materials Southeast Asia
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 1,091,133 Deemed interest: Nil	Direct interest: Nil Deemed interest: 525,000	Direct interest: Nil Deemed interest: Nil

	Mr. Chok Yean Hung	**Mr. Loh Kin Wah**	**Mr. Tham Min Yew**
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	Mr. Tham is also representative of Venezio Investments Pte. Ltd., (a subsidiary of Temasek Holdings (Private) Limited) which is a substantial shareholder of AEM. He is currently the Head, Emerging Technologies, Temasek.
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Past (for the last 5 years)	• Director of Singapore Semiconductor Industry Association (SSIA) • Director of Novo Tellus Alpha Acquisition • Director of AEM Singapore Pte. Ltd. • Director of AEM China (S) Pte. Ltd. • Director of AEM International (US) Ltd. • Director of AEM Microtronics (M) Sdn. Bhd. • Director of AEM Microtronics (Suzhou) Co. Ltd. • Director of Afore Oy • Director of Inspirain Technologies Pte. Ltd. • Director of IRIS Solution Pte. Ltd. • Director of Novoflex Pte. Ltd.	• Director of Ampleon BV, Netherlands • Member of Supervisory Board, BESI BV, Netherlands • Chairman of Synesys Technologies Pte. Ltd.	• Deputy Chairman of Temasek Polytechnic • Member of National University of Singapore, Engineering Faculty Advisory Board • Board Member of Infocomm Media Development Authority, IMDA • Board Observer of Nanofilm Technologies Ltd. • Member of Energy Market Authority - Energy 2050 Committee • Board Member of Sydrogen Energy Pte. Ltd.

		Mr. Chok Yean Hung	Mr. Loh Kin Wah	Mr. Tham Min Yew
Present		• Independent Director of Greenpac (S) Pte. Ltd. • Director of Aqualita Ecotechnology Pte. Ltd. • Director of Cibus Capital Partners Pte. Ltd. • Director of P3 Investment Pte. Ltd.	• Member of Supervisory Board, AMS AG, Austria • Director of Majuta International Pte. Ltd. • Chairman of Huba Control AG • Director of UTAC Pte. Ltd. • Director of Liteleaf Pte. Ltd. • Director of Cibus Capital Partners Pte. Ltd. • Director of Advanced Assembly Materials International Ltd. • Director of Kinergy Corporation Ltd.	• Chairman of North East Community Development Council, Partnership Committee • Chairman of Tampines West Community Club Management Committee • Adjunct Professor of National University of Singapore, Faculty of Engineering • Chairman of Infocomm Media Development Authority, IMDA • Board Member of Nanofilm Technologies Ltd. • Board Member of Novo Tellus Capital Partners Pte. Ltd. • Chairman of Microelectronic 2.0 Steering Committee. NRF RIE 2025, MTI • Board Member of Surbana Jurong Pte. Ltd. • Board Member, Investment Committee Member of Xora Innovation Pte. Ltd. • Board member of Tangram Asia Capital LLP • Governance Board Member of Centre for Hydrogen Innovations • Investment Committee Member of Decarbonization Partners • Investment Committee Member of Carbon Solutions Holdings Pte. Ltd.
Information required pursuant to Listing Rule 704(7)				
a	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

		Mr. Chok Yean Hung	Mr. Loh Kin Wah	Mr. Tham Min Yew
b	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c	Whether there is any unsatisfied judgment against him?	No	No	No
d	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

		Mr. Chok Yean Hung	Mr. Loh Kin Wah	Mr. Tham Min Yew
f	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

		Mr. Chok Yean Hung	Mr. Loh Kin Wah	Mr. Tham Min Yew
j	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

AEM HOLDINGS LTD.
Company Registration No: 200006417D
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT
1. This AGM will be held in a wholly physical format. **There will be no option for the members to participate virtually**. The Notice of AGM, the Annual Report and this Proxy Form have been published on the Company's website at the URL https://www.aem.com.sg/announcements and have also been made available on SGXNet.
2. This Proxy Form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore) ("**Investors**") (including investors holding through Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") ("**CPF/SRS investors**")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary by 5.00 p.m. on 12 April 2024, being at least 7 working days before the date of the AGM, to specify his/her voting instructions. CPF/SRS investors who wish to appoint the Chairman as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 12 April 2024, being at least 7 working days before the date of the AGM.
3. Please read the notes to the Proxy Form.

I/We*, ______________________________

NRIC/Passport No./ Registration No. ______________________________

of______________________________

being a member/members* of AEM HOLDINGS LTD. (the "**Company**"), hereby appoint:

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons referred to above, the Chairman of the Annual General Meeting ("**AGM**") as *my/our *proxy/proxies to attend, speak or vote on *my/our behalf at the AGM of the Company to be held at The SingPost Auditorium, Singapore Post Centre, 10 Eunos Road 8 #05-30, Singapore 408600 on Wednesday, 24 April 2024 at 3.00 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the AGM (the "**Chairman**") as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "For" or "**Against**". If you wish the Chairman as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "**Abstain**". Alternatively, please indicate the number of shares that the Chairman as your proxy is directed to vote "**For**" or "**Against**" or "**Abstain**". In the absence of specific directions, the appointment of the Chairman as your proxy will be treated as invalid.)

No.	Resolutions	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2023			
2	Re-election of Mr. Chok Yean Hung as Director			
3	Re-election of Mr. Loh Kin Wah as Director			
4	Re-election of Mr. Tham Min Yew as Director			
5	Approval of Directors' fees for the financial year ending 31 December 2024			
6	Re-appointment of KPMG LLP as Auditors			
7	General Share Issue Mandate			
8	Share Purchase Mandate Renewal			
9	Adoption of AEM Restricted Share Plan 2024			
10	Specific Share Issue Mandate – AEM Restricted Share Plan 2024			
11	Amendments to AEM Performance Share Plan 2017			
12	Specific Share Issue Mandate – AEM Performance Share Plan 2017			

Dated this ________ day of ____________ 2024

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

** To delete as appropriate*

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 2001 of Singapore), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).

2. A member who is not a relevant intermediary is entitled to appoint one or two proxies to attend, speak and vote at the AGM. Where such member appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding concerned to be represented by each proxy in the Proxy Form.

3. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.

4. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

5. A member can choose to appoint the Chairman of the AGM as his/her/its proxy.

6. A proxy need not be a member of the Company.

7. This Proxy Form may be accessed at the Company's website at the URL https://www.aem.com.sg/announcements and the SGX website at the URL https://www.sgx.com/securities/company-announcements. This Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at aem2024agm@boardroomlimited.com,

   in either case, by no later than 3.00 p.m. on 21 April 2024, and in default the Proxy Form shall not be treated as valid.

   A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. Where the Proxy Form is sent personally or by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where the Proxy Form is submitted by email, it must be authorised in the following manner:

   (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or

   (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument and submitting a scanned copy of the signed instrument by email.

   Where the Proxy Form is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the instrument may be treated as invalid.

9. The Company shall be entitled to reject the Proxy Form 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 Proxy Form (including any related attachment) (such as in the case where the appointor submits more than one Proxy Form). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

10. Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") investors should be informed that if they wish to vote, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM (i.e. by 5.00 p.m. on 12 April 2024). Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries to specify their voting instructions at least 7 working days (i.e., by 5.00 p.m. on 12 April 2024) before the AGM, if they wish to vote. Proxy Forms appointing such person other than the Chairman shall be deemed to appoint the Chairman as proxy.

11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

Personal Data Privacy:

By submitting this Proxy Form, the member(s) accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 April 2024.

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www.aem.com.sg

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of the annual report, go to:

Testing Innovation

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