



AEM HOLDINGS LTD.
Incorporated in the Republic of Singapore
(REGISTRATION NO. 200006417D)

AEM Holdings Ltd. and its Subsidiaries

Unaudited Condensed Interim Financial Statements
For the six months ended 30 June 2022

Table of Contents

	Page
<u>Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income</u>	<u>3</u>
<u>Condensed Interim Statements of Financial Position</u>	<u>5</u>
<u>Condensed Interim Statements of Changes in Equity</u>	<u>6</u>
<u>Condensed Interim Consolidated Statement of Cash Flows</u>	<u>10</u>
<u>Notes to the Condensed Interim Consolidated Financial Statements</u>	<u>12</u>
<u>Other Information required by Listing Rule Appendix 7.2</u>	<u>25</u>



AEM HOLDINGS LTD.
(REGISTRATION NO. 200006417D)

Condensed interim financial statements for the six months ended 30 June 2022

These statements for the six months ended 30 June 2022 have not been audited.

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

		6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000	Change* %
Revenue	Note 4	540,483	192,251	181%
Cost of sales		(374,230)	(126,825)	195%
Gross profit		166,253	65,426	154%
Other income		3,057	1,379	122%
Research & development expenses		(15,762)	(6,617)	138%
Selling, general & administrative expenses		(53,601)	(23,205)	131%
Foreign exchange gain/(loss), net		3,111	(254)	NM
Other expenses		(4)	(258)	98%
Results from operating activities		103,054	36,471	183%
Finance income		305	109	180%
Finance costs		(857)	(867)	(1%)
Net finance costs		(552)	(758)	(27%)
Share of equity-accounted investees' loss, net of tax		(463)	(203)	128%
Profit before tax	6	102,039	35,510	187%
Tax expense	7	(18,978)	(5,814)	226%
Profit for the period		83,061	29,696	180%
Profit attributable to:				
Owners of the Company		82,832	29,556	180%
Non-controlling interests		229	140	64%
Profit for the period		83,061	29,696	180%
Earnings per share for profit for the period attributable to the owners of the Company:				
Basic (SGD in cent)	8	26.78	10.61	152%
Diluted (SGD in cent)	8	26.57	10.52	153%

Note:

*Increase/(decrease)

NM: Not meaningful

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

	6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000	Change* %
Note			
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference	1,400	(422)	NM
Share of foreign currency translation difference of equity-accounted investees	(328)	(81)	305%
Other comprehensive income/(loss) for the period, net of tax	<u>1,072</u>	<u>(503)</u>	NM
Total comprehensive income for the period	<u>84,133</u>	<u>29,193</u>	188%
Total comprehensive income attributable to:			
Owners of the Company	83,908	29,058	189%
Non-controlling Interests	<u>225</u>	<u>135</u>	67%
Total comprehensive income for the period	<u>84,133</u>	<u>29,193</u>	188%

Note:

* Increase/(decrease)

NM: Not meaningful

B. Condensed interim statements of financial position

	Note	Group		Company	
		30 June	31 December	30 June	31 December
		2022	2021	2022	2021
		S\$'000	S\$'000	S\$'000	S\$'000
Assets					
Property, plant and equipment	12	39,486	26,122	18	23
Right-of-use assets		37,564	17,767	–	–
Intangible assets	11	111,070	96,882	83	44
Interests in subsidiaries		–	–	43,239	42,986
Investment in associates		15,249	15,887	4,667	4,667
Other investment		4,612	2,607	–	–
Deferred tax assets		1,064	1,121	19	19
Non-current assets		209,045	160,386	48,026	47,739
Inventories	13	279,128	204,926	–	–
Contract cost		227	373	–	–
Trade and other receivables		158,765	127,941	50,829	31,400
Contract assets		569	692	–	–
Cash and cash equivalents		180,901	216,180	103,100	115,794
Current assets		619,590	550,112	153,929	147,194
Total assets		828,635	710,498	201,955	194,933
Equity					
Share capital	15	187,248	187,197	187,248	187,197
Reserves		(19,969)	(19,113)	(7,078)	(5,146)
Accumulated profits		301,807	234,430	9,278	2,375
Equity attributable to owners of the Company		469,086	402,514	189,448	184,426
Non-controlling interests		6,034	–	–	–
Total equity		475,120	402,514	189,448	184,426
Liabilities					
Financial liabilities	14	82,009	60,771	–	–
Trade and other payables		845	1,563	845	1,563
Deferred tax liabilities		7,760	8,044	–	–
Provisions		2,076	1,419	–	–
Defined benefit obligations		1,083	959	–	–
Non-current liabilities		93,773	72,756	845	1,563
Financial liabilities	14	15,340	20,502	–	–
Trade and other payables		208,619	181,048	8,652	6,920
Contract liabilities		4,607	11,861	–	–
Current tax payable		28,739	18,815	3,010	2,024
Provisions		2,437	3,002	–	–
Current liabilities		259,742	235,228	11,662	8,944
Total liabilities		353,515	307,984	12,507	10,507
Total equity and liabilities		828,635	710,498	201,955	194,933

C. Condensed interim statements of changes in equity

	Attributable to owners of the Company								
	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group									
At 1 January 2021	50,727	(2,012)	5,442	3,288	(6,944)	160,929	211,430	-	211,430
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	29,556	29,556	140	29,696
Other comprehensive income/(loss)									
Foreign currency translation difference	-	-	-	-	(417)	-	(417)	(5)	(422)
Share of foreign currency translation difference of equity-accounted investee	-	-	-	-	(81)	-	(81)	-	(81)
Total comprehensive income for the period	-	-	-	-	(498)	29,556	29,058	135	29,193
Transactions with owners, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Own shares acquired	-	(2,465)	-	-	-	-	(2,465)	-	(2,465)
Issue of shares related to settlement of deferred and contingent consideration	1,640	-	-	-	-	-	1,640	-	1,640
Issue of shares related to business combination	14,390	-	-	-	-	-	14,390	-	14,390
Treasury shares reissued pursuant to share plans	-	982	(283)	(699)	-	-	-	-	-
Share options exercised	1,474	-	-	-	-	-	1,474	-	1,474
Share-based payment transactions	-	-	-	46	-	-	46	-	46
Final dividend of 4.0 cents per share in respect of 2020	-	-	-	-	-	(11,248)	(11,248)	-	(11,248)
Total contributions by and distributions to owners of the Company	17,504	(1,483)	(283)	(653)	-	(11,248)	3,837	-	3,837
Changes in ownership interests in a subsidiary									
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	-	15,591	15,591
Issue of shares for acquisition of non-controlling interests	5,268	-	-	-	-	-	5,268	-	5,268
Acquisition of non-controlling interests without a change in control	-	-	(8,071)	-	(5)	140	(7,936)	(15,726)	(23,662)
Total changes in ownership interests in a subsidiary	5,268	-	(8,071)	-	(5)	140	(2,668)	(135)	(2,803)
Total transaction with owners	22,772	-	(8,354)	(653)	(5)	(11,108)	1,169	(135)	1,034
At 30 June 2021	73,499	(3,495)	(2,912)	2,635	(7,447)	179,377	241,657	-	241,657

C. Condensed interim statements of changes in equity (cont'd)

		Attributable to owners of the Company								
		Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Currency translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
		S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Group	Note									
At 1 January 2022		187,197	(5,668)	(9,623)	2,222	(6,044)	234,430	402,514	-	402,514
Total comprehensive income for the period										
Profit for the period		-	-	-	-	-	82,832	82,832	229	83,061
Other comprehensive income/(loss)										
Foreign currency translation difference		-	-	-	-	1,404	-	1,404	(4)	1,400
Share of foreign currency translation difference of equity-accounted investee		-	-	-	-	(328)	-	(328)	-	(328)
Total comprehensive income for the period		-	-	-	-	1,076	82,832	83,908	225	84,133
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Own shares acquired	15	-	(3,128)	-	-	-	-	(3,128)	-	(3,128)
Treasury shares reissued pursuant to share plans	15	-	289	49	(338)	-	-	-	-	-
Share options exercised	15	51	-	-	-	-	-	51	-	51
Share-based payment transactions		-	-	-	1,196	-	-	1,196	-	1,196
Final dividend of 5.0 cents per share in respect of 2021	9	-	-	-	-	-	(15,455)	(15,455)	-	(15,455)
Total contributions by and distributions to owners of the Company		51	(2,839)	49	858	-	(15,455)	(17,336)	-	(17,336)
Changes in ownership interests in a subsidiary										
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	5,809	5,809
Total changes in ownership interests in a subsidiary		-	-	-	-	-	-	-	5,809	5,809
Total transactions with owners		51	(2,839)	49	858	-	(15,455)	(17,336)	5,809	(11,527)
At 30 June 2022		187,248	(8,507)	(9,574)	3,080	(4,968)	301,807	469,086	6,034	475,120

C. Condensed interim statements of changes in equity (cont'd)

	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Accumulated (losses)/ profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company						
At 1 January 2021	50,727	(2,012)	5,294	3,288	(6,335)	50,962
Total comprehensive income for the period	-	-	-	-	13,377	13,377
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Own shares acquired	-	(2,465)	-	-	-	(2,465)
Issue of shares related to settlement of deferred and contingent consideration	1,640	-	-	-	-	1,640
Issue of shares related to business combination	14,390	-	-	-	-	14,390
Treasury shares reissued pursuant to share plans	-	982	(283)	(699)	-	-
Share options exercised	1,474	-	-	-	-	1,474
Share-based payment transactions	-	-	-	46	-	46
Final dividend of 4.0 cents per share in respect of 2020	-	-	-	-	(11,248)	(11,248)
Total transactions with owners	17,504	(1,483)	(283)	(653)	(11,248)	3,837
At 30 June 2021	68,231	(3,495)	5,011	2,635	(4,206)	68,176

Note

9

C. Condensed interim statements of changes in equity (cont'd)

	Share capital	Reserve for own shares	Other reserves	Share compensation reserve	Accumulated profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Company						
At 1 January 2022	187,197	(5,668)	(1,700)	2,222	2,375	184,426
Total comprehensive income for the period	-	-	-	-	22,358	22,358
Transactions with owners, recognised directly in equity						
<i>Contributions by and distributions to owners of the Company</i>						
Own shares acquired	15	(3,128)	-	-	-	(3,128)
Treasury shares reissued pursuant to share plans	15	289	49	(338)	-	-
Share options exercised	15	-	-	-	-	51
Share-based payment transactions	-	-	-	1,196	-	1,196
Final dividend of 5.0 cents per share in respect of 2021	9	-	-	-	(15,455)	(15,455)
Total transactions with owners	51	(2,839)	49	858	(15,455)	(17,336)
At 30 June 2022	187,248	(8,507)	(1,651)	3,080	9,278	189,448

D. Condensed interim consolidated statement of cash flows

		6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
	Note		
Cash flows from operating activities			
Profit for the period		83,061	29,696
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		4,023	1,410
Depreciation of right-of-use assets		4,478	2,222
Amortisation of intangible assets	11	2,287	2,148
Allowance for stock obsolescence	13	102	23
(Gain)/Loss on disposal of property, plant and equipment	6	(12)	258
Net finance expense		552	758
Gain on disposal of an associate	6	-	(96)
Provision for defined benefit obligations		124	-
Share of loss of equity-accounted investee, net of tax		463	203
Equity-settled share-based payment expenses		1,196	46
Fair value gain on other investment	6	(1,933)	-
Tax expense	7	18,978	5,814
		<u>113,319</u>	<u>42,482</u>
<i>Changes in:</i>			
Inventories		(71,201)	(13,500)
Contract costs		149	1,236
Trade and other receivables		(23,464)	(6,510)
Contract assets		175	2,253
Trade and other payables		26,332	(24,382)
Contract liabilities		(7,186)	(2,724)
Provisions		26	(162)
Cash from operating activities		<u>38,150</u>	<u>(1,307)</u>
Tax paid		(9,715)	(11,445)
Net cash generated from/(used in) operating activities		<u>28,435</u>	<u>(12,752)</u>
Cash flows from investing activities			
Acquisition of intangible assets	11	(7,039)	(3,252)
Interest received		305	109
Proceeds from disposal of property, plant and equipment		19	273
Proceeds from disposal of an associate		-	1,525
Payment of deferred and contingent consideration		(3,033)	-
Acquisition of property, plant and equipment	12	(7,447)	(1,578)
Acquisition of other investment		-	(2,551)
Acquisition of an associate		-	(5,036)
Acquisition of a subsidiary, net of cash acquired	16	(8,944)	(56,479)
Net cash used in investing activities		<u>(26,139)</u>	<u>(66,989)</u>

D. Condensed interim consolidated statement of cash flows (Cont'd)

		6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
	Note		
Cash flows from financing activities			
Interest paid		(608)	(580)
Repayment of borrowings		(12,917)	(464)
Payment of lease liabilities		(4,542)	(2,308)
Proceeds from borrowings		-	50,000
Purchase of treasury shares	15	(3,128)	(2,465)
Proceeds from exercise of share options		51	1,474
Dividends paid	9	(15,455)	(11,248)
Acquisition of subsidiary's interests from the non-controlling interests		-	(18,394)
Net cash (used in)/generated from financing activities		(36,599)	16,015
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period		(34,303)	(63,726)
Cash and cash equivalents at beginning of period		216,180	134,785
Effect of exchange rate fluctuations on cash held		(976)	(197)
Cash and cash equivalents at end of period		180,901	70,862

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

AEM Holdings Ltd. (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group). The principal activities of the Company are those relating to an investment holding company. The principal activities of the Group are design and manufacturing of semiconductor manufacturing equipment and related tooling parts.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

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

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

2.1 New and amended standards adopted by the Group

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

2.2 Use of judgement and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

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

- Note 16 – identification of assets acquired and liabilities assumed in a business combination

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

- Note 11.1 – goodwill impairment
- Note 13 – valuation of inventories
- Note 16 – measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired

3. Seasonal Operations

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

4. Segment and revenue information

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

- Test Cell Solutions ("TCS")
- Instrumentation ("INS")
- Contract Manufacturing ("CM")
- Others

4.1 Reportable Segments

S\$'000	TCS	INS	CM	Others	Total
1 January 2022 to 30 June 2022					
Revenue from external parties	450,339	3,454	86,690	-	540,483
Inter-segment revenue	-	-	4,009	(4,009)	-
Total segment revenue	450,339	3,454	90,699	(4,009)	540,483
Depreciation and amortisation	(6,017)	(1,570)	(953)	(2,248)	(10,788)
Finance income	265	1	39	-	305
Finance costs	(706)	-	(82)	(69)	(857)
Foreign exchange gain/ (loss), net	2,753	381	(23)	-	3,111
Segment profit/ (loss)	98,179	(2,392)	9,717	(3,002)	102,502
Share of equity-accounted investees' loss					(463)
Profit before tax					102,039
Tax expenses					(18,978)
Profit for the period					83,061
Expenditure for segment non-current assets					
Additions to property, plant & equipment, intangible assets and right-of-use assets	33,586	3,439	2,199	34	39,258

S\$'000	TCS	INS	CM	Others	Total
As at 30 June 2022					
Segment assets	471,830	32,790	195,795	128,220	828,635
Segment liabilities	243,136	4,307	66,087	39,985	353,515

4.1 Reportable Segments (cont'd)

S\$'000	TCS	INS	CM	Others	Total
1 January 2021 to 30 June 2021					
Revenue from external parties	143,539	4,728	43,984	-	192,251
Inter-segment revenue	-	-	1,111	(1,111)	-
Total segment revenue	143,539	4,728	45,095	(1,111)	192,251
Depreciation and amortisation	(2,950)	(908)	(492)	(1,430)	(5,780)
Finance income	106	-	3	-	109
Finance costs	(794)	(7)	(42)	(24)	(867)
Foreign exchange (loss)/ gain, net	(332)	23	55	-	(254)
Segment profit/ (loss)	34,533	(604)	2,734	(950)	35,713
Share of equity-accounted investees' loss					(203)
Profit before tax					35,510
Tax expenses					(5,814)
Profit for the period					26,696
Expenditure for segment non-current assets					
Additions to property, plant & equipment, intangible assets and right-of-use assets	2,096	3,491	209	230	6,026

S\$'000	TCS	INS	CM	Others	Total
As at 31 December 2021					
Segment assets	378,832	29,656	172,150	129,860	710,498
Segment liabilities	214,250	6,577	66,732	20,425	307,984

4.2 Disaggregation of Revenue

Set out below is an overview of the revenue of the Group for the six months ended 30 June 2022 and 30 June 2021:

	Group	
	6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
Types of goods or services:		
Sale of goods	513,800	181,339
Rendering of Services	26,683	10,912
Total revenue	540,483	192,251
Timing of revenue recognition:		
At a point in time	513,800	181,899
Over time	26,683	10,352
Total revenue	540,483	192,251
Geographic information:		
Singapore	35,952	18,719
China	48,304	7,768
Costa Rica	171,820	37,002
Germany	10,568	4,829
Malaysia	167,751	50,402
USA	51,154	48,550
Vietnam	30,112	6,481
Other countries	24,822	18,500
Total revenue	540,483	192,251

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2022 and 31 December 2021:

	Group		Company	
	30 June 2022 S\$'000	31 December 2021 S\$'000	30 June 2022 S\$'000	31 December 2021 S\$'000
Financial assets				
Cash and bank balances	180,901	216,180	103,100	115,794
Trade and other receivables (financial assets)	149,562	123,841	50,489	31,210
Financial liabilities and trade and other payables				
Financial liabilities	97,349	81,273	-	-
Trade and other payables (financial liabilities)	160,527	157,596	7,182	6,127

6. Profit before tax

6.1 Significant items

	Group	
	6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
Income		
Finance income	305	109
Foreign exchange gain, net	3,111	-
Government grant income	849	973
Gain on disposal of property, plant and equipment	12	-
Gain on disposal of an associate	-	96
Fair value gain on other investment	1,933	-
Expenses		
Finance expenses	(857)	(867)
Foreign exchange loss, net	-	(254)
Depreciation and amortisation	(10,788)	(5,780)
Loss on disposal of property, plant and equipment	-	(258)
Legal and professional fees	(10,811)	(3,378)
Allowance for stock obsolescence	(102)	(23)

6.2 Related party transactions

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

7. Tax expenses

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

	Group	
	6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
Current income tax expense	(19,209)	(5,969)
Deferred income tax expense relating to origination and reversal of temporary differences	231	155
	(18,978)	(5,814)

8. Earnings per share

	Group	
	6 months ended 30 June 2022 ("1H2022")	6 months ended 30 June 2021 ("1H2021")
Basic earnings per share (Singapore cents)	<u>26.78 cents</u>	<u>10.61 cents</u>
Weighted average number of ordinary shares ('000)	309,273	278,376
Diluted earnings per share (Singapore cents)	<u>26.57 cents</u>	<u>10.52 cents</u>
Weighted average number of ordinary shares adjusted for the effect of dilutive potential ('000)	311,746	280,795

9. Dividends

	Group	
	6 months ended 30 June 2022 ("1H2022") S\$'000	6 months ended 30 June 2021 ("1H2021") S\$'000
Ordinary dividends paid:		
Final dividend of 4.0 cent per share paid in respect of 2020	-	11,248
Final dividend of 5.0 cent per share paid in respect of 2021	15,455	-
	15,455	11,248
Dividend per share, net of tax (Singapore cents)	5.0 cents	4.0 cents

10. Net asset value

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Net asset value per ordinary share (Singapore cents)	151.8 cents	130.0 cents	61.3 cents	59.6 cents

The calculation of net asset value per ordinary share was based on the existing share capital less treasury shares of 309,099,000 ordinary shares as at 30 June 2022 (31 December 2021: 309,649,000).

11. Intangible assets

	Group						Total S\$'000
	Goodwill S\$'000	Technology S\$'000	Customer relationships S\$'000	Computer software S\$'000	Development costs S\$'000	Other S\$'000	
At 31 December 2021							
Cost	56,064	10,391	19,649	5,777	16,526	614	109,021
Accumulated amortisation	-	(1,459)	(3,118)	(4,956)	(2,450)	(156)	(12,139)
Carrying amount	56,064	8,932	16,531	821	14,076	458	96,882
6 months ended 30 June 2022							
Opening carrying amount	56,064	8,932	16,531	821	14,076	458	96,882
Additions	-	-	-	896	6,143	-	7,039
Acquisition through business combination	9,559	-	-	-	-	304	9,863
Amortisation charge	-	(214)	(793)	(263)	(931)	(86)	(2,287)
Translation adjustment	(12)	-	2	19	(416)	(20)	(427)
Closing carrying amount	65,611	8,718	15,740	1,473	18,872	656	111,070
At 30 June 2022							
Cost	65,611	10,391	19,649	6,738	22,105	890	125,384
Accumulated amortisation	-	(1,673)	(3,909)	(5,265)	(3,233)	(234)	(14,314)
Carrying amount	65,611	8,718	15,740	1,473	18,872	656	111,070

Company Computer software S\$'000

At 31 December 2021

Cost	1,235
Accumulated amortisation	(1,191)
Carrying amount	44

6 months ended 30 June 2022

Opening carrying amount	44
Additions	50
Amortisation charge	(11)
Closing carrying amount	83

At 30 June 2022

Cost	1,285
Accumulated amortisation	(1,202)
Carrying amount	83

11.1 Goodwill impairment

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

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Test Cell Solutions (TCS)	28,918	19,371
Test and Measurement Solution (TMS)*	1,230	1,230
Automatic Test Equipment (ATE)*	8,668	8,668
Contract Manufacturing (CM)	26,795	26,795
	65,611	56,064

*These CGUs were grouped under Instrumentation segment

Test Cell Solutions (TCS)

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

At 30 June 2022, management performed an impairment assessment on the goodwill arising from the acquisition of the new subsidiary. In ascertaining the recoverable amount, management is of the view that the total consideration amounting to S\$16,172,000 was representative of the fair value less costs to sell, adjusted for any changes in value arising from factors since acquisition, given that there was no significant change in the fair value.

Test and Measurement Solution (TMS)

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

Automatic Test Equipment (ATE)

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

Contract Manufacturing (CM)

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

12. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to S\$7,447,000 (30 June 2021: S\$1,578,000) and disposed of assets amounting to S\$7,000 (30 June 2021: S\$531,000).

13. Inventories

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Raw materials	108,962	98,828
Work-in-progress	132,045	91,564
Finished goods	34,471	12,939
Goods in-transit	3,650	1,595
	279,128	204,926

Stock obsolescence is estimated based on future customer demands. Inventories have been reduced by S\$102,000 (1H2021: S\$23,000) as a result of the write-down to net realisable value. The write-downs are included in "cost of sales" within the condensed interim consolidated statement of profit or loss.

14. Financial liabilities

	Group	
	30 June 2022 S\$'000	31 December 2021 S\$'000
Amount repayable within one year or on demand		
Lease liabilities	8,635	7,904
Secured bank loans	3,933	-
Unsecured bank loans	2,772	12,598
	15,340	20,502
Amount repayable after one year		
Lease liabilities	29,126	10,096
Unsecured bank loans	52,883	50,675
	82,009	60,771
Total	97,349	81,273

15. Share capital

	Group					
	Total Issued Shares		Total Treasury Shares		Total Issued Less Treasury shares	
	Number of shares '000	Amount S\$'000	Number of Shares '000	Amount S\$'000	Number of Shares '000	Amount S\$'000
Fully paid ordinary shares, with no par value:						
At 1 January 2021	276,863	50,727	(1,305)	(2,012)	275,558	48,715
Purchase of treasury shares	-	-	(1,208)	(4,638)	(1,208)	(4,638)
Issue of shares under Performance Share Plan	-	-	637	982	637	982
Share options exercised	2,283	2,576	-	-	2,283	2,576
Issue of shares related to settlement of deferred and contingent consideration	800	3,284	-	-	800	3,284
Issue of shares related to private placement	26,800	110,952	-	-	26,800	110,952
Issue of shares related to business combination	3,476	14,390	-	-	3,476	14,390
Issue of shares for acquisition of non-controlling interest	1,303	5,268	-	-	1,303	5,268
At 31 December 2021 & 1 January 2022	311,525	187,197	(1,876)	(5,668)	309,649	181,529
Purchase of treasury shares	-	-	(689)	(3,128)	(689)	(3,128)
Issue of shares under Performance Share Plan	-	-	86	289	86	289
Share options exercised	53	51	-	-	53	51
At 30 June 2022	311,578	187,248	(2,479)	(8,507)	309,099	178,741

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 31 December 2021.

16. Acquisition of a subsidiary

AEM Singapore Pte. Ltd., a wholly-owned subsidiary of the Company, had acquired 53.3% of the outstanding share capital of Nestek Korea Co., Ltd. (“Nestek”), a company incorporated in the Republic of Korea (“Acquired Shares”), in 2Q2022. The consideration for the acquisition is KRW14.3 billion (approximately S\$16.2 million) (“Consideration”). Consequently to the initial investment, Nestek has become a subsidiary of the Company. As part of the investment agreement, the Group will in a future date acquire further shares of Nestek from existing shareholders, which together with the Acquired Shares, will constitute up to 80% of the total outstanding share capital of Nestek on a fully-diluted basis. Consideration for the additional 26.7% shareholding, excluding the consideration of Acquired Shares, is KRW7.2 billion (approximately S\$8.1 million). In addition, the Group has an option to purchase from the existing shareholders of Nestek the remaining 20% shareholding for KRW4.8 billion (approximately S\$5.4 million) (“Option Purchase Price”).

The Consideration and Option Purchase Price were arrived at after negotiations on a willing buyer and willing seller basis, and the Company had taken into account, inter alia, the strategic merits of the partnership and the prevailing market conditions.

	Consideration transferred S\$’000
Total cash consideration paid	<u>16,172</u>
	Net cash outflow S\$’000
Cash consideration paid	16,172
Cash in acquired company	<u>(7,228)</u>
Total net cash outflow	<u>8,944</u>
	Fair Value S\$’000
<u>Assets and liabilities recognised as a result of the acquisition</u>	
Cash and cash equivalents	7,228
Property, plant and equipment	9,899
Intangible assets	304
Other investments	7
Inventories	1,003
Trade and other receivables	5,824
Contract assets	77
Trade and other payables	(2,550)
Financial liabilities	(9,318)
Current tax payable	<u>(52)</u>
Net identifiable assets acquired	<u>12,422</u>

16. Acquisition of a subsidiary (Cont'd)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Goodwill S\$'000
Consideration transferred	16,172
Non-Controlling interest	5,809
Fair value of identifiable net assets	<u>(12,422)</u>
Goodwill	<u>9,559</u>

Fair values measured on a provisional basis

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

If new information obtained within one year from the date of acquisition of 30 April 2022 about facts and circumstance that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

17. Use of proceeds

On 31 August 2021, the Company allotted and issued 26,800,000 shares to Venezia Investments Pte. Ltd. for an aggregate cash consideration of S\$103,118,000 pursuant to a share placement. After deducting related expenses, net proceeds amounted to S\$102,981,000 (the "Net Proceeds"). As stated in the Company's announcement dated 6 August 2021 in relation to the above-mentioned share placement, the Company intends to use the Net Proceeds to finance the Group's business expansion (including organic expansion and mergers and acquisitions).

As at 30 June 2022, S\$16,172,000 has been used for the acquisition of Nestek.

Following the acquisition of Nestek, approximately S\$86,809,000 remains unutilised out of the Net Proceeds of S\$102,981,000 from the above-mentioned share placement exercise.

The above utilisation of the Net Proceeds is consistent with the intended use of the net proceeds as disclosed in the Company's previous announcements released in relation to the above-mentioned share placement exercise.

Other Information

1. Review

The condensed consolidated statements of financial position of AEM Holdings Ltd. and its subsidiaries as at 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Explanatory notes to condensed consolidated statement of profit or loss

Significant items included in profit before tax

Other income - Government grant income

Government grant income received largely relates to Jobs Growth Incentive and Wage Credit Scheme.

Finance income

The higher finance income in 1H2022 compared to 1H2021 was mainly due to higher interest income earned on bank balances during 1H2022.

Finance expenses

Finance expenses relate to interest expenses on the Group's bank loans.

Foreign exchange gain, net

Foreign exchange gain, net, recorded in 1H2022 was largely due to stronger United States Dollar vis-à-vis Singapore Dollar.

Depreciation and amortisation

The increase in depreciation and amortisation in 1H2022 compared to 1H2021 was mainly due to the amortisation of developments costs previously capitalised and the depreciation of property, plant and equipment acquired during the period.

Legal and professional fees

The higher legal and professional fees for 1H2022 included legal fees incurred in connection with the Group's confidential arbitration.

Allowance for stock obsolescence

The allowance for stock obsolescence were made for slow-moving stock in accordance with the Group's provisioning policy.

3. Review of performance of the Group

Analysis of Consolidated Statement of profit or loss and other comprehensive income

The Group's revenue for 1H2022 increased by 181% to S\$540.5 million from S\$192.3 million in 1H2021, driven by the volume ramp up for our new generation System Level Testing handlers, Burn-In Test handlers, related consumables and peripheral tools, and consolidation of CEI Pte. Ltd. for six months in 1H2022 compared to three months in 1H2021. Test Cell Solutions business segment contributed to the bulk of the Group's revenue at 83.3% and the remaining 16.7% from Instrumentation and Contract Manufacturing segments.

Gross profit margin decreased from 34% in 1H2021 to 31% in 1H2022 mainly due to increasing cost pressure from supply chain challenges and product mix.

"Other Income" is higher at S\$3.1 million (1H2021: S\$1.4 million) due primarily to the recognition of a fair value gain on other investment of S\$1.9 million during the period.

Research & development (“R&D”) expenses increased to S\$15.8 million (1H2021: S\$6.6 million), approximately 2.9% (1H2021: 3.4%) of revenue. The Group stepped up investment in R&D activities and capabilities to stay ahead of competition through innovation although the R&D expenses as a percentage of revenue has decreased due to the significantly higher revenue in 1H2022 as compared to 1H2021.

Selling, general & administrative expenses is higher compared to 1H2021 due to higher depreciation & amortisation expenses and higher legal & professional fees during the current period. The consolidation of CEI Pte. Ltd. which the Group acquired in March 2021 also contributed to the higher selling, general & administrative expenses.

Overall, profit before tax in 1H2022 increased to S\$102.0 million from S\$35.5 million in 1H2021. This has led to a higher income tax expense for 1H2022.

Analysis of Statement of Financial Position of the Group

Property, plant and equipment

Increase in property, plant and equipment mainly due to consolidation of Nestek and additions during the current period.

Right-of-use assets

New property leases entered by the Group resulted in the increase in right-of-use assets.

Inventories

Inventories increased due to higher inventory holdings to meet anticipated increase in production and sales volume.

Trade and other receivables

Higher sales towards the end of the period and consolidation of Nestek resulted in the increase in trade and other receivables.

Financial liabilities (current and non-current)

New property leases entered by the Group and the consolidation of Nestek resulted in the increase in financial liabilities, partially offset by repayment of borrowings.

Trade and other payables

The increase was primarily due to higher purchases of raw materials towards the end of the period.

Overall, total assets and total liabilities increased to S\$828.6 million and S\$353.5 million, respectively, as at 30 June 2022. Net asset value per share increased to 151.8 Singapore cents as at 30 June 2022, compared to 130.0 Singapore cents as at 31 December 2021.

Analysis of Consolidated Statement of Cash Flows

The Group’s cash flows continued to be strong with a net cash generated from operating activities of S\$28.4 million for 1H2022.

Net cash used in investing activities amounted to S\$26.1 million for 1H2022 arising primarily from the cash considerations paid for the acquisition of Nestek (a subsidiary company), and acquisition of property, plant and equipment. R&D expenditures incurred during the current period also contributed to the net cash used in investing activities.

For 1H2022, net cash used in financing activities amounted to S\$36.6 million due mainly to dividend paid of S\$15.5 million and repayment of borrowings of S\$12.9 million.

Consequently, cash and cash equivalents decreased to S\$180.9 million as at 30 June 2022 from S\$216.2 million as at 31 December 2021.

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

In the press release “First Quarter Business Updates” dated 5 May 2022, the Group stated that it expects to achieve a revenue of between S\$700 million to S\$750 million for financial year 2022.

The Group has achieved a revenue of S\$540.5 million for 1H2022.

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

The post-pandemic economic recovery has not been smooth by any measure. Rising geopolitical tensions, global supply chain disruptions, inflationary pressures, and record interest rate hikes have created a new set of demand and supply uncertainties.

AEM has revised FY2022 revenue guidance of the Group to be in the range between S\$750 million to S\$800 million and full year CAPEX to be around S\$16 million. While we have increased our overall revenue guidance for this year, we do expect 2H2022 revenue to be lower than 1H2022.

We will continue to invest in our R&D and engineering capabilities as we believe that in the longer horizon that trends including 5G, edge computing, AI, and electric vehicles will drive the need for more semiconductors and the integrated testing solutions that AEM is pioneering. AEM has embarked to expand with new R&D labs and better manufacturing facilities in its key geographies, i.e., Singapore, Malaysia, and the US. This will also bring AEM’s operations closer to its existing and potential customers.

6. Dividend information

6a. Current Financial Period Reported on

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

Name of Dividend	Proposed Interim
Dividend Type	Cash
Dividend Amount per Share (in cents)	6.7 Singapore cents per ordinary share
Tax Rate	Tax Exempt (1-tier)

The Directors are pleased to declare a tax exempt one-tier cash dividend of 6.7 Singapore cents per share in respect of the half year ended 30 June 2022. The interim dividend will be paid to shareholders on 23 September 2022.

6b. Corresponding Period of the Immediate Preceding Financial Year

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

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

6c. Date payable

Payment will be made on 23 September 2022.

6d. Book Closure Date

Date on which Registrable Transfers received by the company will be registered before entitlements to the dividend are determined: 9 September 2022, 5:00pm

7. **Interested person transactions**

No interested persons transactions (“IPT”) were conducted under the Company’s IPT mandate for the year ended 30 June 2022.

Name of interested person	Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
	1H2022 S\$	1H2021 S\$
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	18,000	84,000
Loke Wai San	-	30,000
NT SPV 13	-	1,409,000
NT Thor Holdings Pte. Ltd. (“NT Thor”)	-	2,567,000
Chok Yean Hung	60,000	-
	<u>78,000</u>	<u>4,090,000</u>

Novo Tellus is a company controlled by Mr. Loke Wai San, the Non-Executive Chairman of the Company and Mr. James Toh Ban Leng, a Director of the Company. The IPT of S\$18,000 (1H2021: S\$84,000) for 1H2022 comprised (i) professional fee of S\$Nil (1H2021: S\$60,000) paid by the Company to Novo Tellus for advisory services in upgrading of software capabilities, merger and acquisition activities of the Group and (ii) the Group’s share of the consultancy service fee of S\$18,000 (1H2021: S\$24,000) paid by the Company’s associated company, Novoflex Pte. Ltd. to Novo Tellus. The IPT of S\$30,000 for 1H2021 comprised consultancy services paid by the Company to Mr. Loke Wai San. NT SPV 13 is a company indirectly controlled by Mr. Loke Wai San and Mr. James Toh Ban Leng. The IPT of S\$1,409,000 for 1H2021 comprised subscription of 3,796,507 shares in Novoflex Pte. Ltd. by NT SPV 13. NT Thor is a company indirectly controlled by Mr. Loke Wai San. The IPT of S\$2,567,000 for 1H2021 comprised subscription of 1,912,500 shares in NT Thor Holdings Pte. Ltd. by a subsidiary of the Company.

Mr. Chok Yean Hung is a Director of the Company. The IPT of S\$60,000 (1H2021: Nil) comprised consultancy services paid by the Company to Mr. Chok Yean Hung.

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

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

9. **Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder**

Pursuant to Rule 704(13) of the Listing Manual, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director, the Chief Executive Officer or substantial shareholder of the Company.

Confirmation by the Board

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the six-month period ended 30 June 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors,

Loke Wai San
Director

Chou Yen Ning @ Alice Lin
Director

12 August 2022