AEM HOLDINGS LIMITED

CREATE THE FUTURE

ANNUAL REPORT 2017

VISION

Smart automation for the world

MISSION

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

CORE VALUES

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

QUALITY POLICY

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

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

CONTENTS

GROWTH OF BUSINESS

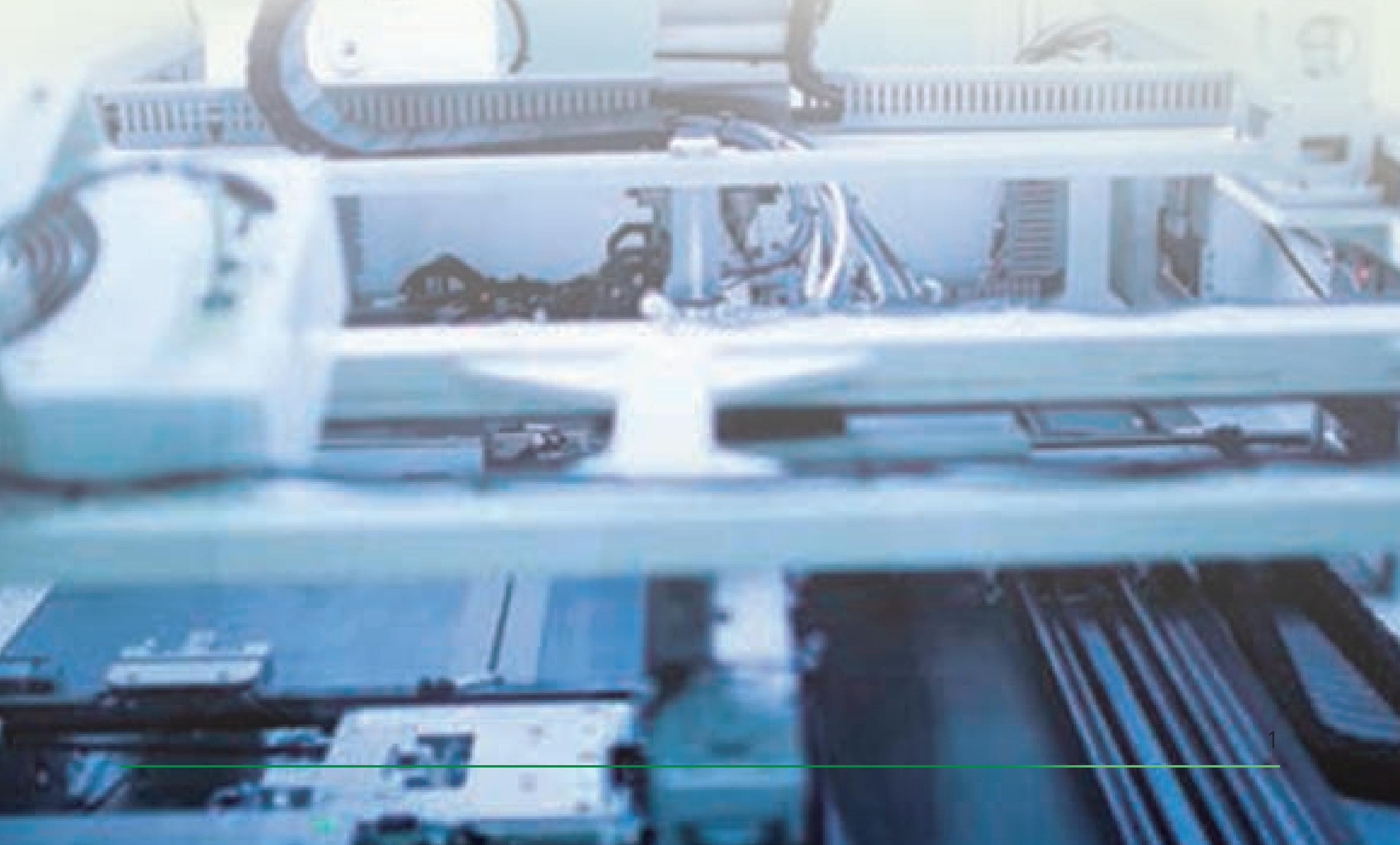
AFTER FOUNDATION AND TRANSFORMATION BEING ESTABLISHED

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

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

AEM takes pride in providing innovative, engineering-focused solutions and developing strong partnerships with customers and associates to cater to their manufacturing needs through our global engineering service support network and innovative people. Currently, AEM has 4 manufacturing plants located in Singapore, Malaysia (Penang), China (Suzhou) and Finland (Lieto)*. Through our network of sales and field services offices, associates and distributors, we have a global market presence spanning Asia, Europe and the United States.

* The manufacturing plant in Finland (Lieto) was acquired in 2018.



CHAIRMAN'S STATEMENT

LOKE WAI SAN
Executive Chairman

Dear Shareholders,

2017 was a transformational yet clarifying year for our company. Transformational in that our multi-year development effort on our High Density Modular Test ("HDMT") handler platform gained wide acceptance with our key customer, and thus we were able to deliver record revenue of S$221.6 million and net profit of S$31.5 million. Our strong financial performance has given our company options in how we invest in our internal capabilities and make strategic acquisitions.

2017 was clarifying in that we gained confidence in the long-term road map of our HDMT platform as well as on the role of backend test for semiconductors in the new world of Big Data, Internet of Things, Artificial Intelligence, Autonomous Driving, and 5G. As semiconductors become more pervasive in our daily lives, their packages will certainly become more complex with the integration of microprocessors, Field Programmable Gate Arrays ("FPGA"), memory, radio frequency ("RF"), and Micro Electro Mechanical Systems ("MEMS"). This will drive up the system-level testing needs of these complex semiconductors yet put pressure many of the world's leading IC manufacturers to reduce the cost-of-test. We believe that AEM has meaningful value to offer in the future testing of these increasingly complex and mission critical semiconductors.

Our clarity of vision has also guided our investments in our people and strategic acquisitions in 2017. We concluded 3 acquisitions by Q1 2018 which I believe will position us very well in the years to come. In September 2017, we acquired Singapore-based InspiRain Technologies Pte Ltd ("InspiRain") for S$2.7 million. InspiRain engages in the business of research, development and production of advanced communications and industrial test solutions with a focus in radio frequency ("RF"). In February 2018, we acquired Afore Oy, an industry pioneer and global leader in micro electro mechanical systems ("MEMS") testing and handling solutions based in Finland, for EUR € 7.58 million (approximately S$12.3 million), and also IRIS Solution Pte Ltd ("IRIS Solution") for S$1.5 million. Incorporated in Singapore, IRIS Solution engages in the research, development and integration of advanced machine vision solutions. We believe that the various know-how and innovative technical capabilities of our new AEM members deepens our capabilities and enhances our product range and services that we can offer our customers.

While our strong balance sheet has enabled us to structure our acquisitions in an accretive manner for our shareholders, we also intend to leverage our global engineering, manufacturing, field support, and sales platforms to unlock longer term value of these newly acquired businesses. We are confident that we are now better positioned to capitalize on exciting growth for testing offered in the future 5G connected economy.

As committed in my message last year, we are adopting a dividend policy to pay annual dividends, including interim dividends. I am pleased to report that we are proposing a final dividend of S$0.065 per share. Including the dividends paid out for 2Q2017 and 3Q2017, the total dividends for FY2017 will amount to S$0.12 per share, in line with our dividend policy. We are also proposing a bonus shares issue, subject to approval from our shareholders, on the basis of 3 bonus shares for 1 existing share.

I would like to take this opportunity to thank our outgoing CEO, Charles Cher. Charles will retire on 31st March 2018 but will remain as a senior advisor to the Board and also Board Member at Afore Oy till the end of 2018. I sincerely thank him for working with me and for his leadership over the past 4 years. Charles and I also worked together to find his successor externally and internally. We are not surprised that Chok Yean Hung who was our COO emerged as our top CEO candidate and are pleased that he has accepted the challenge. We believe that Yean Hung is uniquely qualified with his deep knowledge of our business, strong partnership with our key customer, and the respect he receives from our staff. Apart from Yean Hung's promotion, we have also promoted Mr Goh Meng Kiang to VP of Operations and Mr Soh Wai Kong to VP of Finance, and talent-hunted industry veteran Mr Chua Tat Ming as VP of Engineering. I believe the combined energies of our expanded management team adds depth and breadth to the leadership at AEM as we take on increasingly diversified growth opportunities globally.

We have built a solid foundation for future growth but we can be sure that volatility in our future world is here to stay. We will need to remain flexible and pivot like we have done before to succeed, long term. We will continue to invest in our future and will not be swayed with quarterly gyrations, we are building a company that will last.

I would like to thank our customers and suppliers for their support, and our employees for their dedication and commitment to excellence. Finally, I would like to thank our shareholders for your patience and confidence in us.

28 March 2018

CEO'S **STATEMENT**

CHARLES CHER LEW SIANG
Chief Executive Officer

Dear Shareholders,

2017 is a year of record for AEM. We achieved record revenue and profit for our financial year which ended 31 December 2017 ("FY2017"). Our revenue and profit improved 216.0% and 576.2% respectively to S$221.6 million and S$31.5 million when compared to their corresponding numbers in FY2016. The wide acceptance and ongoing demand for our High Density Modular Test ("HDMT") handler platform from our key customer drove our strong revenue growth. Our profit growth was enhanced by the product mix, operating efficiencies and economies of scale as our business grows.

In line with the growth of our HDMT sales orders for delivery through 2017, we reported significantly higher revenue for our Equipment Systems ("ESS") business. These comprise of orders for equipment, pans and kits. Sales from ESS increased 233.3% from S$64.4 million in FY2016 to S$214.8 million in FY2017.

Our revenue and operating profit before tax of S$221.6 million and S$36.8 million are in line with our most recent guidance for FY2017 of S$215 million in revenue and between S$35 million to S$37 million in operating profit before tax respectively. During the course of 2017, we revised our guidance upwards as we received more orders.

Our net profit margin of 14.2% for FY2017 is significantly better than the 6.6% in FY 2016 as a result of better margins from engineering services for new projects, pans and kits and improved cost efficiency. The strong net profit growth generated more cash from operations with cash and cash equivalents growing from S$6.3 million as at 31 December 2016 to S$46.1 million as at 31 December 2017.

The orders for our HDMT handler platform remain strong as we crossed into 2018. We believe our FY2018 performance can be better than FY2017. For FY2018, we expect our revenue and operating profit before tax to be at least S$255 million and S$42 million respectively.

As the installed base grows, we continue to build on and improve our global engineering, manufacturing, field technical support and quality teams to support our major customer 24/7 across all its multiple global sites. In particular, we are expanding the capacity at our Penang facility so that our total production capacity can be expanded by about another 30 percent. Concurrently, we are enhancing our operational capability to drive customer satisfaction and operational excellence. We have also embarked on "lean" manufacturing to drive productivity improvements and cost reduction initiatives. These actions will further improve our cost efficiency and give us better profitability.

We aspire to broaden our solutions footprint and diversify our revenue stream. Our improved balance sheet has enabled us to make strategic acquisitions. Our new members, InspiRain, Afore Oy and IRIS Solution will inject capabilities in industrial test solutions, micro electro mechanical systems ("MEMS") handling and test and vision inspection respectively. We will continue to explore other possible acquisitions, whether vertically upstream or downstream along our current supply chain or horizontally in related industries or sectors to expand our business scope.

I will be stepping down as CEO with effect from 1st April 2018 but I will remain as a senior advisor to the Board and also a Board Member at Afore Oy until the end of 2018. I am proud of what AEM has accomplished under my four years as CEO. We have identified Mr. Chok Yean Hung, our COO, to be the next CEO. Yean Hung has deep knowledge of our business, strong partnership with our key customers and the management team and has earned the respect from our staff.

I am confident that AEM is on the right path to achieve greater things. Our Chairman, Mr. Loke Wai San, has taken on the role of Executive Chairman of the Group in September 2017. Even in his prior non-executive position, Mr. Loke has served in an active role contributing to strategic planning, organizational restructuring and evaluating potential acquisition targets. Now as Executive Chairman, Wai San's role and time commitment to AEM will expand. With his experience in many cross-border private equity investments, he will provide much-needed guidance, not just in strategic planning, but also in ensuring smooth integration of newly acquired businesses and future acquired entities into AEM.

With Wai San and Yean Hung at the helm, I have every confidence they will deliver greater values to our shareholders and bring AEM to greater heights.

28 March 2018

GLOBAL **FOOTPRINT**

Global platform provides merger synergies through both growth and global efficiencies

MANUFACTURING FACILITIES AND FIELD ENGINEERING SERVICE SITES

Country	Locations	Entities	Activities/Businesses
Singapore	Serangoon North	• AEM Holdings Ltd ("AEH") • AEM Singapore Pte. Ltd. ("ASG") • IRIS Solution Pte Ltd ("IRS")*	• Corporate Headquarters • Equipment Systems Solutions • Precision Component Solutions • Network Test Solutions • Customised Vision Systems
Malaysia	Penang	• AEM Microtronics (M) Sdn. Bhd. ("AMM")	• Equipment Systems Solutions • Precision Component Solutions • Field Service
China	Chengdu, Suzhou	• AEM Microtronics (Suzhou) Co., Ltd. ("ASZ")	• Equipment Systems Solutions • Precision Component Solutions • Field Service
Finland	Lieto	• Afore Oy*	• Micro-Electro-Mechanical Systems ("MEMS") Test Solutions
USA	Austin, Chandler, Oregon	• AEM International (US) Ltd ("AIUS")	• Field Service
Vietnam	Ho Chi Minh	• Representative Office of AEM Singapore Pte Ltd ("AVN")	• Field Service

* The following entities were acquired in 2018

BOARD OF DIRECTORS

LOKE WAI SAN

Executive Chairman and Director

Position	Executive Chairman and Director
Age	49
Qualifications	Masters of Business Administration/University of Chicago Bachelor of Science in Electrical and Electronics Engineering/Lehigh Unviersity

Mr. Loke Wai San is a founder and Managing Director of a private equity fund adviser Novo Tellus Capital Partners. His expertise is in cross-border private equity investments in various sectors including semiconductors, IT, enterprise software, medical equipment, and manufacturing. From 2000 to 2010, he was with Baring Private Equity Asia, where he was a Managing Director and head of Baring Asia's US office and subsequently co-head for Southeast Asia. Prior to joining Baring Asia, Mr. Loke was a Vice President at venture capital fund H&Q Asia Pacific from 1999 to 2000, a Senior Manager at management consulting firm AT Kearney from 1995 to 1999, and an R&D engineer with Motorola from 1991 to 1993. Mr. Loke was the former Chairman and President of the Singapore American Business Association in San Francisco.

CHARLES CHER LEW SIANG

Executive Director and Chief Executive Officer (Until 31 March 2018)

Position	Executive Director and Chief Executive Officer
Age	57
Qualifications	Bachelor of Science, Marketing and Management University of Oregon, USA

Mr. Cher Lew Siang, Charles, formerly the Group Chief Executive Officer of ASTI Holdings Ltd. and Chief Executive Officer of Advanced Systems Automation Ltd, has more than 26 years of global semiconductor and corporate management experience. His achievements in ASTI include successfully leading the Group in its regional trust and establishment of many strategic partnerships. In 1990, he spearheaded the development of ASTI's chip-taping operations, enabling the Group to expand into the design and manufacture of its own chip-taping equipment. Mr. Cher previously sat on the Board of ASTI Holdings Ltd.

BOARD OF
DIRECTORS

BASIL CHAN

Independent Director

Position	Independent Director Chairman of Audit & Risk Management Committee, Remuneration Committee
Age	67
Qualifications	Bachelor of Science (Economics) Honours, major Business Administration, University of Wales Institute of Science and Technology, UK Fellow Member of the Institute of Chartered Accountants in England and Wales Member of ISCA Fellow Member of the Singapore Institute of Directors

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He was a Council Member and Board Director of the Singapore Institute of Directors ("SID") from 2002 to 2013 and is currently a member of SID's Audit Committee Chapter. He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code. He was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants of Singapore ("ICPAS") and was formerly a member of the Audit and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS"). He is currently the Deputy Chairman of the Corporate Governance Committee of ISCA. Mr. Chan has more than 35 years of audit, financial and general management experience having held senior financial positions in both private and listed companies. Mr. Chan is also an independent non-executive director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely, Grand Banks Yachts Limited, Global Invacom Group Limited and Memories Group Ltd. In the last 3 years, he previously sat on the Boards of SBI Offshore Ltd, Singapore eDevelopment Limited and Yoma Strategic Holdings Ltd.

KEITH TOH

Non-Executive Director
(Until 5 April 2018)

Position	Non-Executive Director
Age	43
Qualifications	Bachelor of Science, Electrical Engineering/ Stanford University USA Dean's Award for Academic Achievement

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

BOARD OF **DIRECTORS**

ADRIAN CHAN PENGEE

Lead Independent Director and Chairman of Nominating Committee

Position	Lead Independent Director and Chairman of Nominating Committee
Age	53
Qualifications	Bachelor of Laws (Honours) from National University of Singapore.

Mr. Chan is the Head of the Corporate Department and a Senior Partner at the law firm, Lee & Lee. Also, he is a Board Member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA), and currently chairs the Panel of the Institute of Corporate Law; a Member of the Legal Service Commission, as well as a Council Member of the Law Society of Singapore where he currently chairs the Corporate Practice Committee. Mr. Chan was the First Vice-Chairman of the Singapore Institute of Directors and currently serves as the Deputy Chairman of its Advocacy and Research Committee. He has been appointed to the Corporate Governance and Directors Duties Working Group of the Steering Committee (established by the Ministry of Finance) to review and rewrite the Companies Act. He sits on the Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce, the Board of Shared Services for Charities Limited, which is a registered charity and an Institution of a Public Character, and on the Ethics Review Committee of the Singapore Polytechnic. Mr. Chan is the Honorary Secretary of the Executive Council of the Association of Small and Medium Enterprises, and currently serves on the Pro-Enterprise Panel. Mr. Chan is also on the board of several publicly listed companies on the Singapore Stock Exchange, namely Yoma Strategic Holdings Ltd., Global Investments Ltd, Ascendas Funds Management (S) Ltd, Hong Fok Corporation Ltd and Best World International Ltd. In addition, the SGX has appointed him to its Catalist Advisory Panel to review Catalist Sponsor and Registered Professional applications. For the past 5 years, he has sat on the board of other companies such as Isetan (Singapore) Limited, Biosensors International Group, Ltd. and Nobel Design Holdings Ltd. He most recently joined the AEM Board on 1 October 2017 and is the Chairman of the Nominating Committee.

JAMES TOH BAN LENG

Non-Executive, Non-Independent Director (With effect from 5 April 2018)

Position	Non-Executive, Non-Independent Director Member of Audit & Risk Management Committee, Remuneration Committee
Age	53
Qualifications	MBA from the Wharton School of the University of Pennsylvania Master's degree in Sustainable Building Design from the University of Nottingham Bachelor of Science degree in physics with electrical engineering from M.I.T.

James Toh is a co-founder and anchor investor of the Novo Tellus PE Fund 1, which is focused on buyouts of small and mid-cap industrial companies. James started his career at management consulting firm Booz Allen & Hamilton (1989-90) and subsequently at A.T. Kearney (1994-95), where he focused on strategic planning, and operational improvement. Since 1996, James has also been Managing Director of family owned ACT Holdings Pte Ltd, which primarily invests in property, and property development in Singapore.

MANAGEMENT **PROFILE**

CHOK YEAN HUNG

Position	Chief Operating Officer/Chief Executive Officer (with effect from 1 April 2018)
Age	53
Qualifications	Bachelor of Electrical & Electronics Engineering (2nd Upper Honours)/ National University of Singapore

Mr. Chok has more than 28 years of management and technical experience in the Semiconductor industry. He was a founding management team of Ellipsiz Test, EEMS Asia Pte. Ltd and United Test and Assembly Center Pte. Ltd (UTAC). He served as Senior Vice President of Operations at EEMS, overseeing both the Singapore and Suzhou sites. In UTAC, Mr. Chok was the Vice President of Test Operation from 1998 to 2004, managing Memory IC and Mix Signal ICs Test's manufacturing, engineering and development. Mr. Chok started his career as Product and Test Engineer in Texas Instruments (S) Pte. Ltd (TI) in year 1988 and eventually became a Product Engineering Manager. In 1998, he was elected as Senior Member of Technical Staff, of Texas Instruments Incorporation in recognition to his contributions. In the course of his career, Mr. Chok was awarded the Ministerial Citation for Excellence in Test Development from Singapore, National Science and Technology Board (NSTB) in 1997. He jointly holds patent with Texas Instruments, Dallas memory designers on `A Method in Testing Semiconductor Devices'. He joined the Company on 1 January 2012.

CHUA TAT MING

Position	Vice President – Engineering
Age	56
Qualifications	Bachelor of Mechanical & Production Engineering (Honors)/Nanyang Technological University Master of Sciences Industrial & Systems Engineering/National University of Singapore

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

GOH MENG KIANG

Position	Vice President – Operations
Age	56
Qualifications	Bachelor of Electrical & Electronics Engineering/ National University of Singapore

Mr. Goh has more than 24 years of management and technical experience in the Semiconductor industries with companies such as ASE, EEMS and UTAC. He was a Vice President Operations in ASE before joining AEM in March 2013. He is also a founding member for Ellipsiz Test Singapore Pte Ltd and EEMS Test Singapore Pte Ltd. Upon graduation, he joined Texas Instruments Singapore as a Product and Test Engineer for memory devices. Mr Goh has 1 world-wide patent US5796246 for test methodologies with Texas Instruments. While in TI Singapore, Mr Goh has taken on many roles. He was a Manager responsible for Military Products and also a Test Equipment Manager. From 1998 onwards Mr Goh has been involved in many OSAT companies such as STATS (also known as Stats Chippac), UTAC, EEMS and ASE. He joined AEM on 18 March 2013.

SOH WAI KONG

Position	Vice President – Finance
Age	49
Qualifications	Bachelor of Accountancy/Nanyang Technological University Chartered Accountants, Certified Internal Auditors

Mr. Soh has more than 24 years of accounting, external and internal auditing, financial management experience in listed and multinational companies mainly in the manufacturing environment. He was previously Chief Financial Officer of Innovalues Limited and FerroChina Limited. He is responsible for the Group's financial reporting, costing, treasury, tax, IT, secretarial and human resources matters. He joined the Group on 1 June 2009.

MANAGEMENT **PROFILE**

YEAP KIAN YONG

Position	General Manager – AEM Singapore/Global Procurement Director
Age	49
Qualifications	Bachelor of Science/National University of Singapore

Mr. Yeap has more than 24 years of management and operation experience in multiple industries, of which more than 19 years is in Semiconductor industry. Mr. Yeap started his career as Production Supervisor with Wearnes Automation Pte Ltd in 1992 and thereafter joined Texas Instruments (S) Pte Ltd in 1993 and eventually became a Section Manager in 1997. He had made advancements in his career over the years to hold management positions in companies including Sonic Clean Pte Ltd and EEMS Suzhou Co., Ltd. He joined the Company on 6 August 2012.

ANDREW TAN

Position	Director – Quality, Competency
Age	55
Qualifications	Bachelor of Electrical & Electronics Engineering (Honors)/National University of Singapore

Andrew has more than 30 years of management and technical experience in the Semiconductor industry, primarily in the Assembly Test Operations. He was formerly the Micron Site Director for Assembly and Test facility in Muar, Malaysia. Andrew started his career as a Quality Engineer in Texas Instruments Singapore Pte Ltd in 1987. He then took on different roles involving start ups as well as product and technology transfers to subcontractors and Joint Venture Partners. He joined AEM on 1 May 2017.

SEAH BOON SENG

Position	Director – Business Management
Age	53
Qualifications	Bachelor of Electrical and Electronics Engineering/ National University of Singapore

Mr. Seah has more than 28 years of management, business development, sales & marketing, customer service, program management, planning and quality experience in the multinational companies and OSAT (Outsourced Semiconductor Assembly and Test) Semiconductor industries. Mr. Seah started his career as QRA Engineer with Texas Instruments (S) Pte Ltd in 1989 and eventually became a Planning Manager in 1996. He left Texas Instruments in 1998 to join a new OSAT start-up, United Test and Assembly Center (S) Pte Ltd in 1998, as Program Manager and eventually became a Vice-President in 2005. He joined the Company on 15 June 2015.

CORE BUSINESS

EQUIPMENT SYSTEMS SOLUTIONS (ESS)

AEM specializes in providing customized system solutions to both mass volume manufacturers and new technology development laboratories. We are partners for our customers in product development from concept to mass production. Our equipment solutions involve integrating Precise High Speed Motion, Innovative Mechanical Design, Advanced PLC (Programmable Logic Control), Sophisticated GUI and Reliable SECS/GEM compliance communication protocol. Our systems are deployed globally at world class Semiconductor, Solar Cells and Smartcard manufacturing facilities.

AEM strives to be an Innovative and Proactive Business Solutions Provider. We promote early involvement and a partnership approach. As business partners, we invest our time and resources to support our customers in developmental programs and strive for excellence in program execution. Our solutions include High Density Modular Test Handlers, Wafer Handling Systems, Hot Spot Testers and Smartcard Backend Handlers.

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

CORE
BUSINESS

TEST AND MEASUREMENT SOLUTIONS (TMS)

AEM's Test & Measurement Division engages in the research, development, and production of advanced communications and industrial test solutions. Its portfolio of test solutions includes Vector Network Analyzer and Portable Network Cable Tester; for testing, validating, certifying and troubleshooting of communication cables. The stand-alone device can also be incorporated into a production line or testing cell.

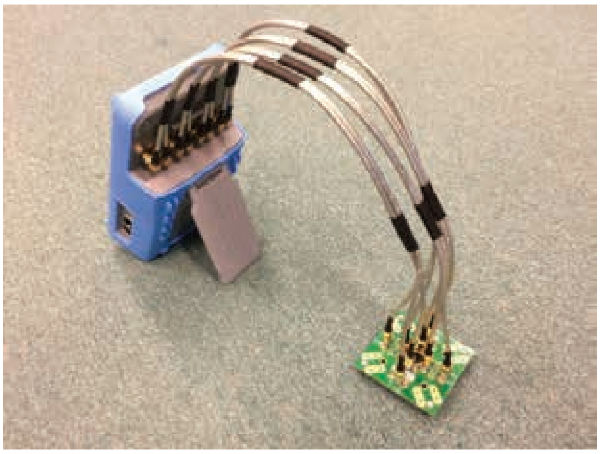
TestPro 100, a high-performance and versatile field cable tester for installers and IT managers that serve all phases of enterprise networking from cabling installation to PoE and network deployment, device activation, and lifecycle maintenance.

TestPro 100 is the World's First Multi-Gigabit Copper Cable Validator and Certifier for Enterprise Network segment. By testing and validating cabling links for 2.5G, 5G, and 10G Ethernet and PoE performance before deploying expensive equipment and services will enable corporations to achieve significant time and cost savings. TestPro 100 also offers an option to perform cable certification at an unparalleled speed of 6 seconds for a full CAT6A Autotest, which is at least 30% faster than any certifier in the market today.

With detachable adapters, TestPro 100 provides options for characterizing cabling against recently defined single-pair Ethernet standards for industrial, automotive, enterprise, and home networks.

AEM's Mixed Mode Multi-Port Vector Network Analyzer ("MMVNA 100) offers a ground-breaking solution to test Data cabling, IoT/Specialty Sensor Connectivity & Automotive Cabling. With the rapid growth in data transmission speeds, Vector Network Analyzers (VNA) is essential for characterising the RF transmission parameters of communications channels. Traditional VNA is built for unbalanced transmission lines; however, for balanced transmission lines, they are too costly for large-scale characterizations of balanced DUTs in laboratories or on manufacturing floors.

The MMVNA-100 is developed to meet the requirements of characterizing balanced DUTs in an accurate, simple, and cost-effective way. It is a high-performance multi-port vector network analyzer housed in a small, low-cost form factor; and is Ultrafast: 1 minute to measure all mixed-mode S-parameter.



CORE **BUSINESS**

MEMS TESTING SOLUTIONS (MTS) THROUGH AFORE OY*

Established in 1995, Afore Oy is a Micro-Electro-Mechanical Systems (MEMS) test solutions provider based in Finland.

It offers test solutions from R&D phase to high volume production, and on to system level testing; enabling manufacturers to achieve lowest cost-of-test, reduced process cycle, accurate stimulus and high production yields.

Afore Oy is recognized as the industry pioneer in MEMS testing, having delivered its first MEMS test cells in 1998. Today its innovative MEMS solutions include wafer probes and test handlers with multi-stimulus and package options, as well as tri-temperature testing. It provides the world's only commercial Wafer-Level Chip Scale Packaging (WLCSP) MEMS tester, a fast emerging package technology capable of driving smaller, cheaper, and more complex MEMS-based devices for the future. We are able to provide large-scale MEMS manufacturers in the automotive, industrial, and consumer sectors.

MACHINE VISION SOLUTIONS (MVS) THROUGH IRIS SOLUTION*

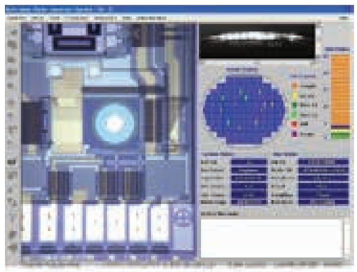
Established in 2000, IRIS Solution engages in the research, development, and integration of advanced machine vision solutions to manufacturers in the electronics, semiconductor, medical, optical and MEMS devices manufacturing, robotics and logistics, precision parts and solar industries.

Over many years, IRIS Solution has built up core competencies in:

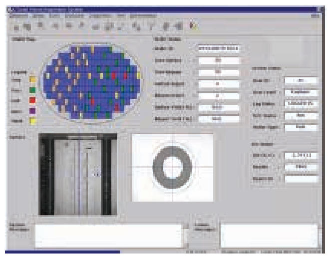
- Development of Software and Algorithm for machine vision, image processing, product handling control,
- Optical and lighting design and assembly, and
- Mechanical and electronics design and assembly

Some of our turnkey integrated solutions to some of the world's largest electronics and semiconductor companies include:

Wafer Inspection System for Inkjet Manufacturing



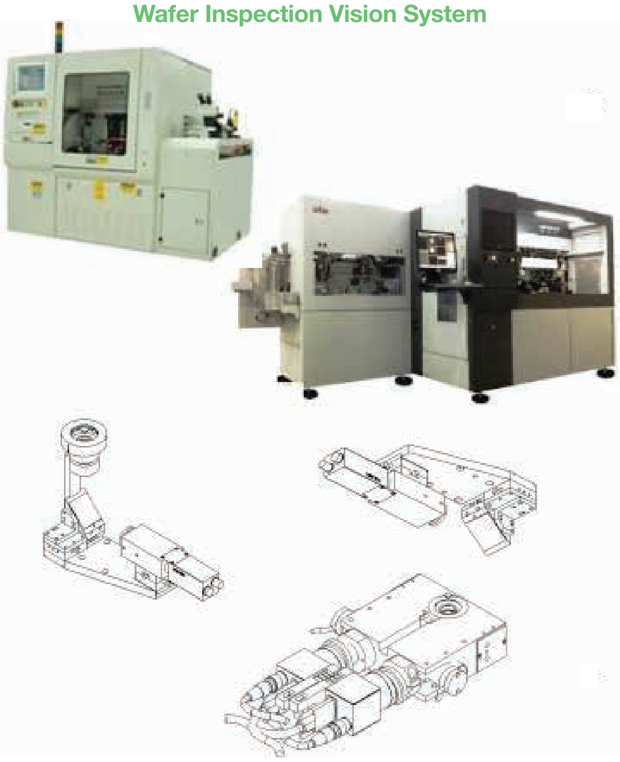
Die Alignment Measurement System for Inkjet Manufacturing



* The following entities were acquired in 2018

CORE
BUSINESS

Flip Chip and Thermal Bonder
Machine Alignment and
Wafer Inspection Vision System



PRECISION COMPONENT SOLUTIONS (PCS)

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

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

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

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

FINANCIAL
HIGHLIGHTS

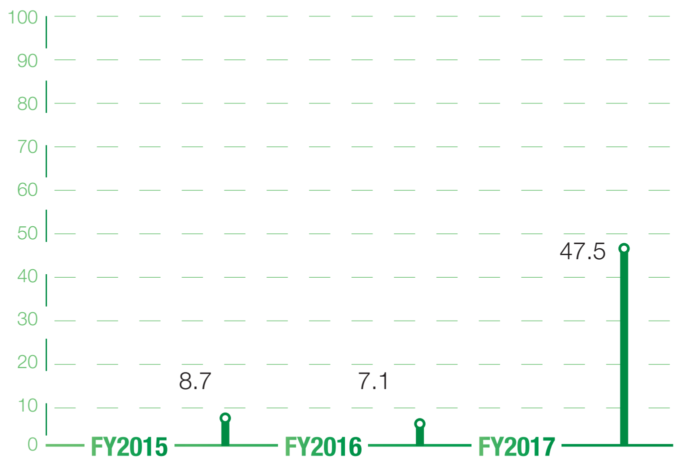
REVENUE & PROFIT FOR THE YEAR

	FY2015 S$'000	FY2016 S$'000	FY2017 S$'000	FY2016 VS FY2017 Change
Revenue	**46,797**	**70,123**	**221,622**	**216.0%**
Materials, consumables and inventory changes, excluding stock obsolescence	(25,592)	(44,585)	(149,291)	-234.8%
Staff costs	(11,815)	(13,562)	(25,338)	-86.8%
Depreciation and amortisation	(1,082)	(818)	(698)	14.7%
Other expenses, net	(4,269)	(5,079)	(9,351)	-84.1%
Total expenses net other income	**(42,758)**	**(64,044)**	**(184,678)**	**-188.4%**
Profit before impairment and tax	**4,039**	**6,079**	**36,944**	**507.7%**
Reversal of impairment loss/(Impairment loss), net	829	461	(3)	NM
Share of loss of an associate	–	(449)	(105)	76.6%
Profit before taxation	4,868	6,091	36,836	504.8%
Tax expenses	1,808	(1,325)	(5,347)	-303.5%
Profit for the year	**6,676**	**4,766**	**31,489**	**560.7%**
Loss from discontinued operation	(894)	(109)	–	NM
Profit for the year including discontinued operation	**5,782**	**4,657**	**31,489**	**576.2%**

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

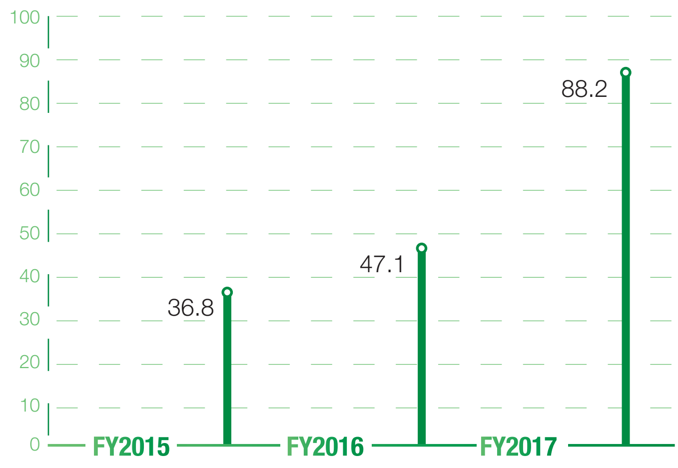
FINANCIAL **HIGHLIGHTS**

DILUTED EARNINGS PER SHARE
(in cents)

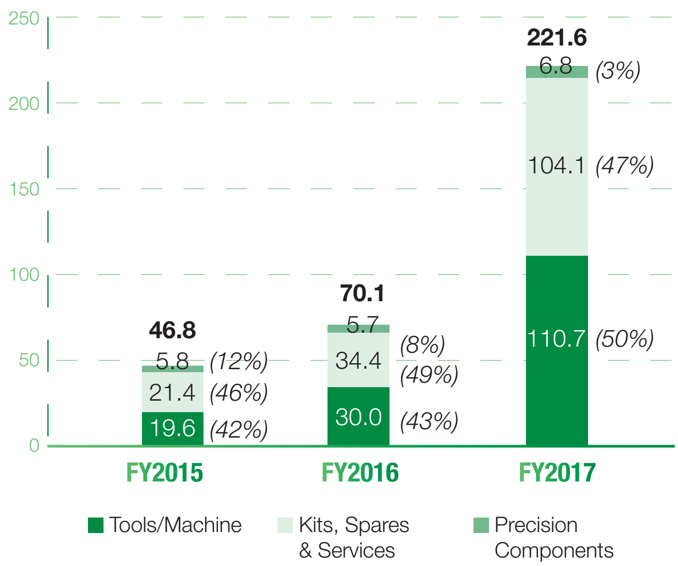


* The above EPS figures have been adjusted for 1 bonus share for 2 existing shares issued on 18 April 2017

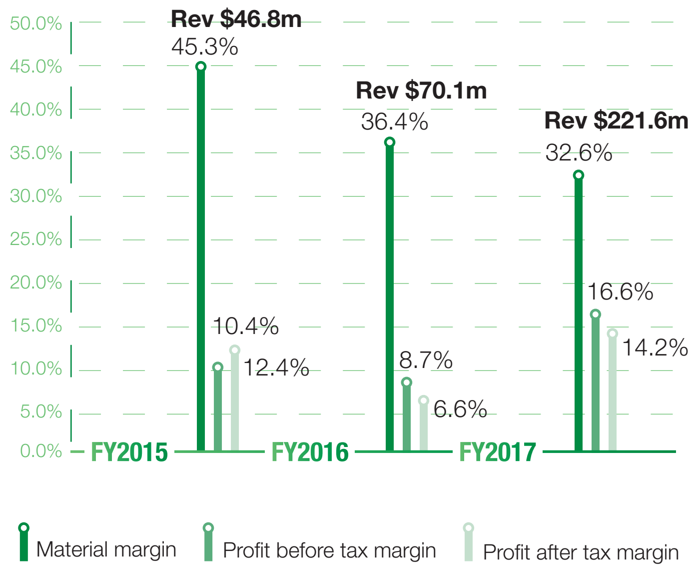
NET ASSET VALUE PER ORDINARY SHARE
(in cents)



REVENUE BY SEGMENT



MARGINS



FINANCIAL HIGHLIGHTS

FINANCIAL POSITION & CASHFLOW

Financial Position	31-Dec-15 S$'000	31-Dec-16 S$'000	**31-Dec-17 S$'000**
Property, plant and equipment	3,236	2,226	**3,623**
Intangible assets and goodwill	217	65	**3,449**
Cash and cash equivalents	10,363	6,310	**46,095**
Current assets less current liabilities	20,324	23,691	**47,191**
Financial liabilities	162	85	**7**
Total equity	24,502	30,228	**57,810**
Net asset value per share (SG cents) [adjusted for bonus issue]	36.8	47.1	**88.2**

Cash Flow Statement	FY2015 S$'M	FY2016 S$'M	FY2017 S$'M
Net cash (used in)/generated from operating activities	-1.6	-1.7	49.9
Net cash generated from/(used in) investing activities	0.9	-1.1	-2.4
Net cash used in financing activities	-0.4	-1.5	-6.4
Net (decrease)/increase in cash	-1.1	-4.3	41.1
Cash & cash equivalents	10.4	6.3	46.1

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AEM is a global provider of equipment systems solutions and manufacturing services. We help our customers deliver many of the most successful products in the 5G economy including microprocessors, high speed communications, IoT devices, and solar cells.

By focusing on advanced manufacturing solutions for high-volume, high-growth products, we've developed valuable and long-term partnerships with our customers, keeping AEM on the forefront of manufacturing innovation worldwide.

We enable our customers to have access to our network of global engineering, manufacturing, field support, and sales platforms worldwide.

OPERATIONS REVIEW

The semiconductor industry has improved as a result of the worldwide economic growth and increase in the applications requiring semiconductors. The Group's major customer has also achieved record financial performance and growth. The multi-year commercial rollout of AEM's next-generation handler platforms to our major customer has resulted in the significant growth in operating performance for financial year ended 31 December 2017 ("FY2017"). The Group achieved 216.0% growth in revenue from S$70.1 million in the financial year ended 31 Dec 2016 ("FY2016") to S$221.6 million in FY2017. Profit before tax grew 504.8% from S$6.1 million in FY2016 to S$36.8 million in FY2017.

MERGER AND ACQUISITION

The Group, having ensured sustainable sales from its major customer for the next few years, has embarked on a global growth path to diversify its revenue stream. In September 2017, the Group acquired InspiRain Technologies Pte Ltd ("InspiRain"). InspiRain engages in the business of test solutions such as Vector Network Analyzer and a handheld network cable tester, which provides the Group with several growth synergies. In March 2018, the Group completed the acquisitions of Afore Oy and IRIS Solution Pte Ltd. Afore Oy is a leading Micro-Electro-Mechanical Systems ("MEMS") test solutions provider based in Finland. Its innovative MEMS solutions include wafer level probers and test handlers with multi-stimulus and multi-package options, as well as tri-temp testing. Afore is a pioneer in wafer-level MEMS testing, enabling its customers in the automotive, industrial, and consumer sectors to realize the full cost and speed efficiencies of advanced packaging. IRIS Solution engages in the research, development and integration of advanced machine vision solutions. Its customized vision systems have been integrated with automated optical wafer inspection systems, die bonders and semiconductor devices inspection systems that have been delivered globally including to some of the world's largest electronics and semiconductor companies. After these acquisitions, the Group will leverage in the newly added capabilities to deliver further highly valued solutions to reach larger global players worldwide.

FUTURE PROSPECTS

AEM's record performance and business momentum underscore the strength of the Group's position in large global growth markets. AEM's handling and test solutions power advanced manufacturing for some of the world's most successful cloud computing, mobile, internet-of-things (IoT), advanced automotive, and now MEMS devices worldwide. We are now leveraging our global engineering, manufacturing, field support, and sales platforms to deliver additional high-value solutions to customers with advanced technology factories worldwide. We remain positive as the Group continues to progress through the multi-year rollout of its handlers and expect the semiconductor equipment industry to remain resilient in 2018 resulting from the increased needs for semiconductors and the investment initiatives of the chip makers. With the strong sales orders and forecast, we expect to achieve revenue and operating profit before tax for FY2018 of at least S$255 million and S$42 million respectively.

FINANCIAL REVIEW

Revenue and net profit margin

We achieved record revenue of S$221.6 million in FY2017, up S$151.5 million, or 216.0% from FY2016. The increase was driven primarily by the significant growth in the ESS segment of the Group, resulting from the increase in demand from customers. Sales from ESS increased by 233.3% from S$64.4 million in FY2016 to S$214.8 million in FY2017 resulted mainly from higher equipment, pans and kits sales. Revenue from the PCS business was higher by 20.0% from S$5.7 million in FY2016 to S$6.8 million in FY2017 due to increase in orders from customers.

Our net profit margin increased from 6.6% for FY2016 to 14.2% for FY2017 was primarily due to higher revenue and improvement in cost efficiency.

Raw materials and consumables cost

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, increased from S$44.6 million in FY2016 to S$149.3 million in FY2017, representing an increase of 234.8%. The raw materials and other consumables cost increase in FY2017 was higher than revenue increase was mainly due to a shift in revenue mix towards sales of new equipment and pans which require

MANAGEMENT DISCUSSION AND ANALYSIS

higher material costs. In 2H2017, the raw materials and other consumables cost increase was lower than revenue increase mainly due to favourable change in revenue and margin mix, favourable change in price from SGD to USD billing, cost reduction initiatives and increase in engineering service revenue for new development projects.

Staff cost

The total staff costs increased by 86.8% from S$13.6 million in FY2016 to S$25.3 million in FY2017 primarily due to higher salary cost for additional headcount to cope with the increased sales orders from customers as well as higher bonus and equity-settled share-based payment expenses in FY2017.

Other expenses, net

Our other expenses, net increased by 89.1% from S$5.1 million in FY2016 to S$10.0 million in FY2017 primarily due to (1) higher warranty expenses, selling costs, overseas travel, professional charges and withholding tax by S$2.5 million to S$4.9 million in FY2017; (2) higher rental, utilities and upkeep expenses by S$0.7 million to S$3.3 million in FY2017; and (3) higher foreign exchange loss by S$1.0 million of S$1.4 million in FY2017.

Profit for the year

As a result of the above, profit before tax in FY2017 was S$36.8 million in FY2017 compared to a profit before tax of S$6.1 million in FY2016. After taking into consideration tax expense of $5.3 million in FY2017, profit after tax was S$31.5 million compared to S$4.7 million in FY2016.

Property, plant and equipment

Our property, plant and equipment increased by S$1.4 million or 62.8% to S$3.6 million as at 31 December 2017 primarily due to the increase in the Group production spaces and the strengthening of IT infrastructure.

Intangible assets

The increase in intangible assets to S$3.4 million was mainly due to the acquisition of a subsidiary which resulted in an increase of intangible assets of S$1.8 million and goodwill of S$1.2 million.

Inventories

The increase in inventories of S$18.4 million or 105.3% to S$35.8 million as at 31 December 2017 was mainly due to increase in sales, business volume and inventory builds for fulfillment of sales orders over the next quarter.

Trade and other receivables

Our trade and other receivables increased by S$5.8 million or 32.5% to S$23.6 million as at 31 December 2017 which was in line with the increase in revenue of the Group.

Trade and other payables

Our trade and other payables increased by S$35.5 million or 212.5% to S$52.2 million as at 31 December 2017 which was in line with the increase in material purchases as a result of the increase in sales orders to be fulfilled.

MATERIAL ACQUISITION, DISPOSAL AND LIQUIDATION

In September 2017, the Group acquired InspiRain for an aggregate consideration comprising both cash and treasury shares of S$2.7 million.

The Group liquidated two of its wholly owned subsidiaries which had been dormant, resulting in a disposal loss of S$695,000 in FY2017. In FY2016, the Group disposed two of its wholly owned subsidiaries, resulting in a disposal loss of S$448,000. The disposal losses for both years were mainly due to the realisation of foreign currency translation losses.

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalent of the Group increased by S$39.8 million in FY2017 to S$46.1 million as at 31 December 2017 was mainly due to increased cash flows from operating activities of S$49.9 million being generated in FY2017 arising mainly from the operating profit which was mainly offset by cash used for purchase of property, plant and equipment, dividend payments and purchase of treasury shares.

CAPITAL EXPENDITURE

During the year ended 31 December 2017, the Group's capital expenditure consists of additions to equipments, renovations and IT infrastructure amounting to S$2.0 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, there were 439 (2016: 295) employees in the Group. Staff remuneration packages are determined by market conditions and the performance of the individual. The Group also provides other staff benefits including medical, dental and life insurance.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RISK MANAGEMENT

Contingent liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of obligations to any third parties as at 31 December 2017.

Charge on the Group's Assets

As at 31 December 2017, the Group did not have any significant charges pledged to banks to secure general banking facilities granted to the Group.

Foreign Exchange Exposure

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

PURCHASES OF THE COMPANY'S LISTED SECURITIES

During the year, the Group purchased 638,400 (2016: 1,595,400) ordinary shares as treasury shares, issued 667,129 (2016: nil) treasury shares under The Group's Performance Share Plan ("PSP"), issued 452,000 (2016: nil) treasury shares for share options exercised and issued 600,000 (2016: nil) treasury shares for the purpose of business combination.

As at 31 December 2017, the Company held 1,266,771 (2016: 2,347,500) ordinary shares as treasury shares.

Proposed Final Dividend

The Board of Directors has recommended the payment of a final dividend of 6.5 cents per ordinary share for the year ended 31 December 2017. Including the interim dividend of 2.5 cents per ordinary share paid on 20 October 2017 and the interim dividend of 3.0 cents per ordinary share paid on 8 December 2017, the total dividend payout for FY2017 amounted to 12.0 cents per ordinary share. The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting to be held on 26 April 2018 at 3.00 pm. Upon shareholders' approval, the proposed final dividend will be paid on 31 May 2018 to shareholders, whose names shall appear on the register of members of the Company on 22 May 2018 before 5.00pm.

Proposed Bonus Issue

The Board of Directors has proposed a bonus issue of three (3) Bonus Shares to be credited as fully paid for every one (1) existing ordinary share in the capital of the Company held by shareholders of the Company. The Bonus Shares will be issued as fully paid, at nil consideration and without capitalization of the Company's reserves.

The Bonus Shares, when allotted and issued, will rank *pari passu* in all respects with the existing issued Shares and with each other, except that the Bonus Shares will not be entitled to such dividends, rights, allotments and other distributions the record date of which falls before the date of allotment and issue of such Bonus Shares. For the avoidance of doubt, the Bonus Shares, when allotted and issued, shall not be entitled to the proposed final (tax exempt one-tier) dividend of 6.5 cents per Share in respect of FY2017 and subject to approval by the Shareholders at the 2018 AGM.

The Bonus Shares will be allotted and issued to Shareholders whose names appear in the register of members of the Company or who have shares entered against their names in the depository registrar as at the books closure date.

SUSTAINABILITY REPORT

About this Report

AEM Holdings Ltd (hereafter referred to as "AEM" or the "Company") presents the Company's first annual Sustainability Report (the "Report") which covers our Group's performance from 1 January 2017 to 31 December 2017 (the "reporting period").

The Report summarises AEM's key sustainability issues, our management approach as well as our related performance across the Company's operations. The Company has chosen the Global Reporting Initiative[1] ("GRI") Standards as it is the most established international sustainability reporting standard. This Report is prepared in accordance with the GRI standards "**Core**" option. The Report incorporates the primary components of report content as set out by the SGX's "Comply or Explain" requirements on sustainability reporting under Listing Rule 711B.

AEM's material topics are identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. Detailed section reference with GRI Standards is found at GRI Index Page. The Sustainability Team has assessed that external assurance is not required as the Group wishes to strengthen the sustainability reporting framework for this year.

AEM'S COMMITMENT TO SUSTAINABILITY

Governance and Statement of the Board

The Group has strong commitment towards shaping a sustainable society. We established a Sustainability Team which is made up of employees from Quality Assurance, Human Resource, Facilities and Corporate departments. The Team is responsible for implementing and formalising sustainability policies and procedures, management processes and standards in respect of sustainability development. It also supports and provides adequate resources to functional units to perform the established sustainability processes and practices. The Team also assists the Board to determine material economic, environment and social aspects of the company and set quantitative and qualitative targets for the forthcoming year.

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

SUSTAINABILITY TARGETS

Our activities are guided by the following three key sustainability strategies:

[1] www.globalreporting.org

SUSTAINABILITY **REPORT**

<table>
<tr><th>Growing Sustainable Profit</th><th>Investing and Caring for our People</th><th>Saving our Planet</th></tr>
<tr><td>

Strong leadership, organization culture, sound strategies and system to achieve standing as world-class technological equipment manufacturer and service provider
High standards of corporate governance and effective enterprise risk management framework to enhance business resilience and agility
Integrated approach of ethical practice, corporate governance, financial discipline and management which drives accountability, improve decision making and create value for the long-term
Innovative solutions through R&D
Efforts focused on performance, energy efficiency, safety, security and system manageability
Incentives to engineering and production related staff who offer improvement solutions to our manufacturing processes and solutions
Innovative solutions, continuous product improvement, cost reduction engineering initiatives and “lean” operations to drive productivity improvements
Collaboration, regular engagements and assessments on our suppliers

</td><td>

Safe working environment
Environment of respect, inclusion and equity
Uphold human rights and treatment of workers with dignity and respect
Technical and non-technical training and learning initiatives for staff
Develop, retain and reward performing employees through opportunities, fair employee benefits and policies
Continues reviews, monitoring, improvements to work processes and environment safety
Programs and initiatives to prevent work related accident and injury through advice and guidance from external qualified safety consultant
Risk assessment framework and checklist for potential safety related issues for our workers and external vendors
Healthy workforce through sports, social and health related education talks and activities
Structured social and welfare programs including festive celebrations, staff appreciation functions and bonding activities such as bowling and prawning competitions

</td><td>

Annual community service projects and/or donation to the less fortunate groups
ISO 14001 accredited Environmental Management System (EMS)
Compliance with Environmental Protection and Management regulations
Material suppliers to meet our EMS requirements for materials and services supplied
Qualified vendor engaged to perform audits and tests annually
Multiple energy saving initiatives on a continuous basis

</td></tr>
</table>

AEM shall continue to encourage diversity in our workforce in terms of gender, race and age groups. We also aim to maintain our reduction in energy consumption and explore further energy saving initiatives. We will also continue to develop more partnerships with charitable organisations to improve the welfare of our community.

SUSTAINABILITY REPORT

KEY STAKEHOLDERS ENGAGEMENT

We engage with all of our stakeholder groups through a variety of channels to update them about AEM's developments and receive their feedback. We identify stakeholders as groups that have an impact, or have the potential to be impacted by our business, as well as external organisations that have expertise in aspects that we consider material. The feedback we receive from our stakeholders helps us to determine our material topics and identify our focus areas as the following:

Stakeholders	Means of Engagement	Areas of Concern	Section Reference
Employees	• Trainings • Annual performance evaluation	• Career advancement • Benefits and remuneration • Health and safety	Our People, Health and Safety
Customers	• Annual reports	• Engineering and development capability • Annual performance	Economic Topics
Communities	• Engagement in community services	• Social development	Giving Back to the Community
Government and regulatory bodies	• Scheduled and ad-hoc site visits	• Compliance • Environmental matters	Environmental Topics
Shareholders and investors	• Annual reports • Investor relations management	• Business continuity • Productivity	Economic Topics

MATERIAL TOPICS AND BOUNDARIES

AEM has applied the GRI Principles for Defining Report Content to identity material topics which are relevant to the business and to our stakeholders. We have conducted a materiality assessment session based on the guidelines of GRI Standards. The following table summarises topics which were determined to be the most significant to AEM:

Material Topics	Boundaries (country or entity)
ECONOMIC	
GRI 201: Economic Performance	The Group
GRI 202: Market Presence	China and Malaysia Entities
GRI 205: Anti-corruption	The Group
ENVIRONMENTAL	
GRI 302: Energy	The Group
GRI 305: Emissions	The Group
GRI 306: Effluents and Waste	The Group
GRI 307: Environmental Compliance	The Group
GRI 308: Supplier Environmental Assessment	The Group
SOCIAL	
GRI 401: Employment	The Group
GRI 403: Occupational Health and Safety	The Group
GRI 404: Training and Education	The Group
GRI 405: Diversity and Equal Opportunity	The Group
GRI 413: Local Communities	The Group
GRI 414: Supplier Social Assessment	The Group
GRI 419: Socioeconomic Compliance	The Group

SUSTAINABILITY **REPORT**

ETHICS AND INTEGRITY

(GRI 205-1, 205-2, 205-3)

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

AEM takes a strong stance against corruption and malpractice in the Group. This is reflected in our commitment to customers through our agreements with them. To achieve the highest standards of integrity and accountability within our internal structure, the Group developed a Procedures for Reporting Improprieties for employees to voice out serious concerns about the Group's activities and operations directly to the Group's Independent Directors. Employees are also assured of the anonymity and confidentiality which accompanies the report. The Policy has been circulated to all employees and there were no reports received through the whistle blowing mechanism in FY2017.

The Group has also established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. Please refer to Note 25 of our Financial Statements.

In addition, the Group has adopted our own internal compliance code to guide our officers with regard to dealings in securities and is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's Securities.

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

OUR PEOPLE

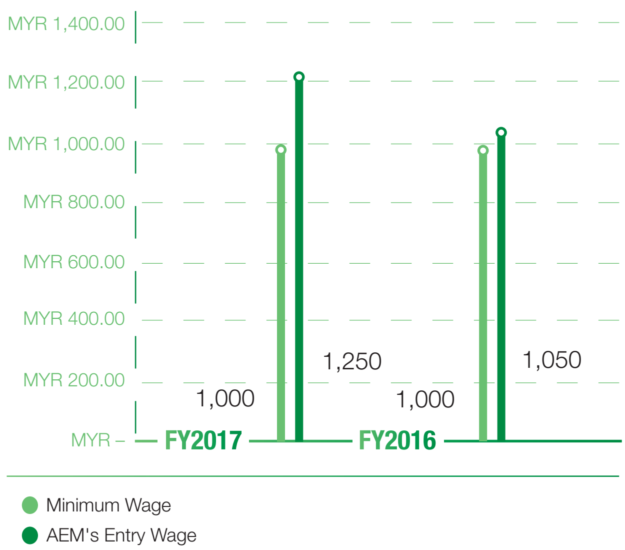
AEM is committed to create and uphold a respectful, harmonious, inclusive and equitable environment. Our policies promote and uphold human rights and the treatment of all employees with dignity and respect. We recruit dynamic individuals from various operating countries and are committed to their development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

To make AEM a better working place and encourage bonding between staff, we have structured social and welfare programs which includes festive celebrations, staff appreciation functions and activities such as bowling and prawning competitions.

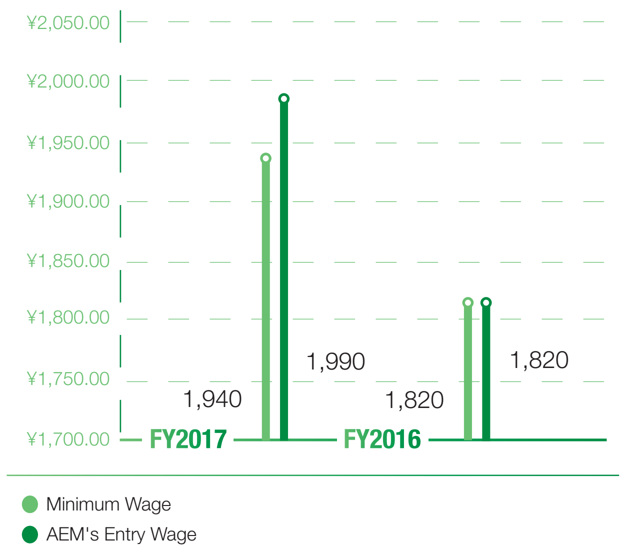
Employee Entry Wages *(GRI 202-1)*

AEM adheres to the minimum wage laws of the countries it is operating in (i.e. China and Malaysia). In FY2017, it pays higher entry wages than the minimum required to attract and retain employees. Information on AEM's entry wages in Singapore are excluded as there are no minimum wages regulations.

ENTRY WAGE COMPARISON (MALAYSIA)



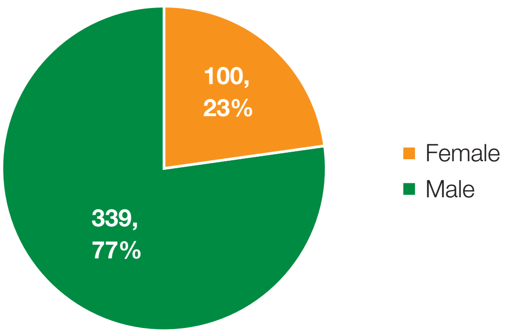
ENTRY WAGE COMPARISON (CHINA)

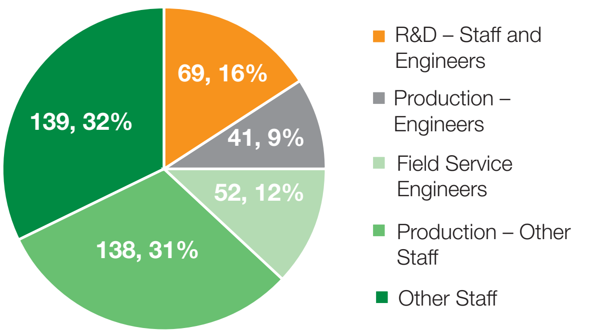


SUSTAINABILITY **REPORT**

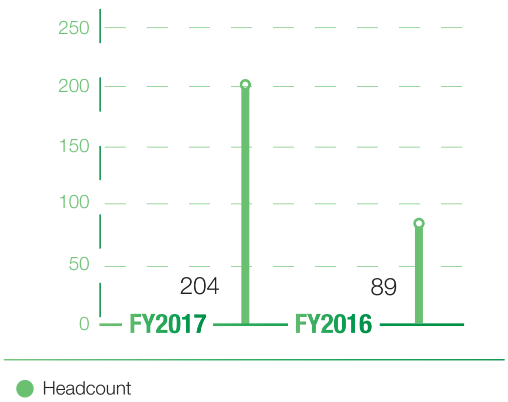
Diversity in the Workforce *(GRI 202-2, 401-1, 405-1)*

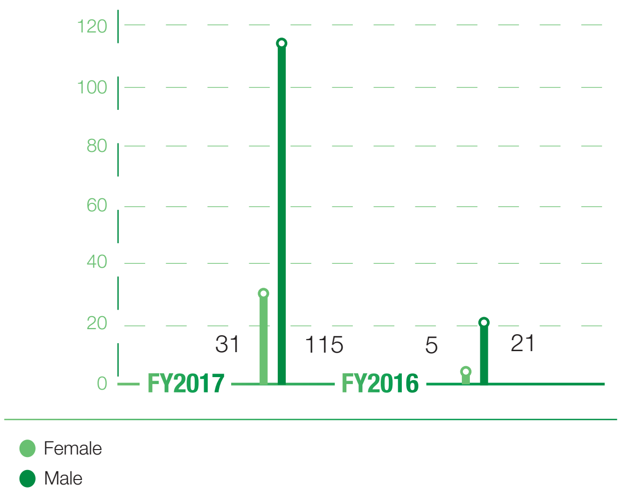
AEM embraces diversity and has employees from different backgrounds. We have representation from different nationalities and gender in our workplace. This allows our organisation to be more vibrant and innovative with different experiences and background that each employee offers.

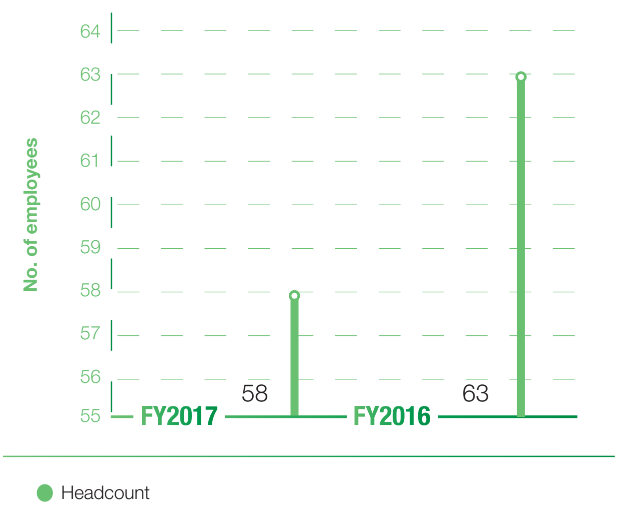




AEM practices non-discrimination and equal opportunities. Our new hires are employed based on merit and experiences and we seek to keep our turnover low by promoting employees' loyalty through benefits, safety and welfare. The following chart shows a breakdown of AEM's new hires by gender and turnover for FY2016 and FY2017.







SUSTAINABILITY REPORT

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

	Singapore	Malaysia	China	US	Total
Local	13	0	1	1	15
Foreigner	2	1	0	0	3
Total	15	1	1	1	18
% of local vs total	87%	0%	100%	100%	83%

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

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

Employees of AEM are entitled to a range of benefits including hospital and surgical insurance, workmen compensation insurance, group personal accident insurance, medical and dental healthcare benefits as well as hospitalization leaves. For AEM's Management, there is a performance share plan to reward good performance or long service to the company. In addition, from 1 January 2018 onwards, AEM will also provide term life insurance to all our employees. We also support the government's pro-family policies and follow MOM regulations with regards to parental and childcare leave.

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

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

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

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

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

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

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

Economic Topics

Financial Assistance Received from Government *(GRI 201-4)*

AEM had received subsidies of $69,000 from the government in 2017 to improve our operations and productivity. These grants include subsidies for operations cost and training grants from the government for employment of employees above 40 years old.

Environmental Topics

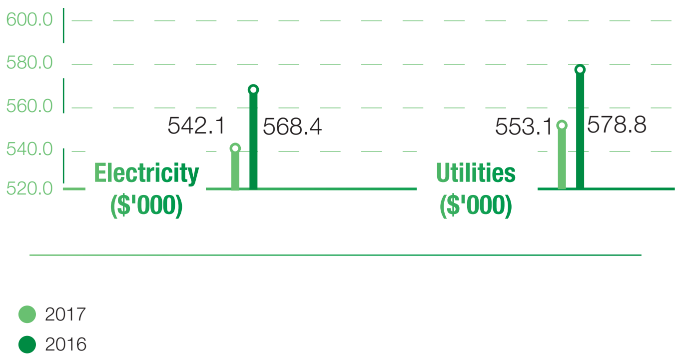
Energy, Water and Waste Management Initiatives *(GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5, 305-7)*

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

SUSTAINABILITY **REPORT**

As a result of AEM's efforts and the lower electricity rate, we managed to reduce our energy consumption cost by 4.6% in 2017 despite the revenue increased by more than 2 folds.

ELECTRICITY AND UTILITIES USAGE



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

Year	Actual Consumption (kWh)	Turnover (Revenue in millions, SGD)	Energy consumed per monetary unit of sales (kWh/$)
FY2016	3,030,000	70.1	0.043
FY2017	3,950,000	221.6	0.018

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

Year	Total direct CO_2 or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO_2 or Carbon Equivalent Emissions (Metric Tons)	Turnover (Revenue in millions, SGD)	Emissions Intensity (MT/$'000)
FY 2016	N.A.	2,255	70.1	0.032168
FY 2017	N.A.	2,940	221.6	0.013267

Water Discharge *(GRI 306-1)*

AEM does not use any chemicals that require processing before it can be discharged to the drain. The compressors in AEM discharges water only.

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

AEM has an Environmental Management System (EMS) which was ISO 14001 accredited since 2007 and is in compliance of Environmental Protection and Management regulations. Our policy defines and guides our strategy and manufacturing processes to reduce pollution, waste, hazardous substances and noise. Our employees are educated and trained on our environment control plan based on certain work instructions and are required to maintain records for this purpose. Material suppliers are also required to meet our EMS requirements for the materials and services that they supply to us. Every year, we engaged qualified vendor to perform audits and tests.

AEM complies with all National Environment Agency's (NEA) environmental laws and regulations. There are no fines or non-compliance by AEM for the past 8 years.

SUSTAINABILITY **REPORT**

Health and Safety

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

AEM is committed to provide a safe working environment to our employees. We are ISO 14001 accredited for our environment, health and safety policies, standards and practices and have a Safety Committee that actively review, monitor, improve and implement all work and environment safety related issues. This Safety Committee is made up of 1 external consultant, 4 managers and 9 executives to ensure that the safety regulations of the company as well as the safety regulations by the Ministry of Manpower are adhered to.

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

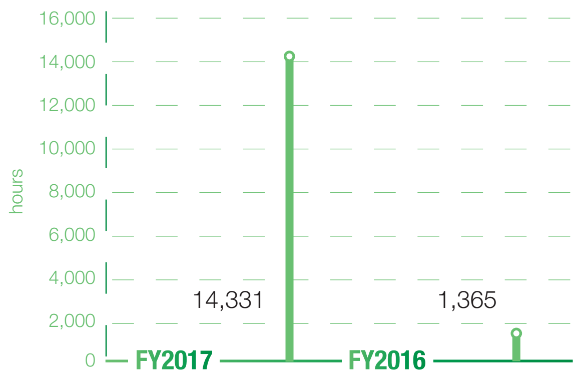
There were no recorded incidents of injuries or work-related fatalities in FY2017 and we aim to maintain this by continuing to observe stringent standards of safety in our operations.

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

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

In FY2017, each employee has 39.2 hours of training on average. The total number of training hours increased from 1,365 hours in FY2016 to 14,331 hours in FY2017.

TOTAL TRAINING HOURS



AEM reviews the performance and career development of our employees annually and the top 10% performers will receive career advancement and recognition.

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

AEM encourages our employees to give back to the society through community service projects and/or donation to the less fortunate groups. On an annual basis, we organise corporate social responsibility activities for our employees to participate in.

In September 2017, we visited Sembawang beach to perform a clean-up of the beach and park as part of our drive to do something for the society and environment every year. Our staff and management went under the hot sun, away from the usual air-conditioned environment and got their hands 'dirty' as we combed the area for rubbish. The beach and park were generally clean as there was cleaner taking care of the area. Nevertheless, we managed to pick up rubbish such as papers, cigarette butts, dead fishes, cans, plastic bags and bottles just to name a few.

The activity is not only meaningful to the staff that volunteered themselves but the Company achieved multiple objectives in organising this activity. We managed to do something for the society in cleaning up the park and beach so that visitors to the beach can have a good experience. The clean-up helps to reduce the pollution to the environment. Our staff also had an opportunity to get some sun-tanning and clock their steps or mileage for healthy living. We have also managed to set good examples to others and hopefully the sense of pride living in a clean and beautiful garden city lives on. More importantly, to inculcate and remind our employees to have good habit and not to litter so as to make our world a better place.

SUSTAINABILITY REPORT

SGX FIVE PRIMARY COMPONENTS INDEX

S/N	Primary Component	Section Reference
1	Material Topics	• Economic, Environmental and Social Topics • Stakeholder Engagement • Our People • Supplier Management
2	Policies, Practices and Performance	• AEM's Sustainability Story • Economic, Environmental and Social Topics • Our People • Supplier Management
3	Board Statement	Governance and Statement of the Board
4	Targets	Sustainability Targets
5	Framework	About This Report

GRI STANDARDS CONTENT INDEX

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

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

SUSTAINABILITY REPORT

GRI INDICATORS

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

SUSTAINABILITY REPORT

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

CONTACTS

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

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Mr. El lee/Ms. Reyna Mei
Tel: +65.6438.2990
Email: el@financialpr.com.sg / Reyna@financialpr.com.sg

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loke Wai San
Executive Chairman & Director

Charles Cher Lew Siang
Chief Executive Officer
(until 31 March 2018)

Basil Chan
Independent Director

Keith Toh Hsiang-Wen
Non-Executive Director
(until 5 April 2018)

Adrian Chan Pengee
Lead Independent Director

James Toh Ban Leng
Non-Executive Director
(with effect from 5 April 2018)

CHIEF EXECUTIVE OFFICER

Chok Yean Hung
(with effect from 1 April 2018)

AUDIT & RISK MANAGEMENT COMMITTEE

Basil Chan *(Chairman)*
Adrian Chan Pengee
Keith Toh Hsiang-Wen

REMUNERATION COMMITTEE

Basil Chan *(Chairman)*
Adrian Chan Pengee
Keith Toh Hsiang-Wen

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Soh Wai Kong

REGISTERED OFFICE

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

SHARE REGISTRAR

Intertrust Singapore Corporate Services Pte Ltd
77 Robinson Road
#13-00 Robinson 77
Singapore 068896

AUDITORS

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

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

PRINCIPAL BANKERS

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

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

Citibank, N.A., Singapore Branch
8 Marina View
#17-01 Asia Square Tower 1
Singapore 018960

CORPORATE GOVERNANCE

The directors of AEM Holdings Ltd are committed to ensuring a high standard of corporate governance which is essential to ensure greater transparency and protection of shareholders' interests. This statement outlines the main corporate governance practices that were in place during the year. Any deviation from complying with and adhering to the principles and guidelines of the Code of Corporate Governance (Code) issued in May 2012, the reason has been provided.

BOARD MATTERS

The Board's Conduct of Affairs

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

As at the date of this report, the Board comprises five members whose principal functions are as follows:

- Formulate corporate strategies, financial objectives and directions for the Group
- Set values and standards for the Company
- Identify key stakeholder groups
- Ensure an adequate system of internal controls, risk management and financial reporting and compliance processes
- Oversee the proper conduct of the Group's business
- Review management performance
- Assume responsibility for corporate governance and sustainability issues

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

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

All directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

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

In 2017, directors were provided with training and briefing sessions in areas such as the latest Financial Reporting Standards developments that are relevant to the Company's financial statements, SGX Corporate Governance disclosure study conducted by KPMG and SGX and ACRA's Financial Reporting Surveillance programme. A director of the Company attended a course on SGX Sustainability Reporting Requirements briefing conducted by SGX.

CORPORATE **GOVERNANCE**

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

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 2

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

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance
Loke Wai San (Executive Chairman)	4	4	3	3	2	2	2	2
Basil Chan	4	4	4	4	2	2	2	2
Keith Toh Hsiang-Wen	4	4	4	4	2	2	2	2
Adrian Chan Pengee	1	1	1	1	NA	NA	NA	NA
Charles Cher Lew Siang	4	4	NA	NA	NA	NA	NA	NA

During the year, Mr. Loke Wai San became Executive Chairman on 1 October 2017 and stepped down as a member of the Audit and Risk Management Committee. Mr. Adrian Chan Pengee joined the Company on 1 October 2017 as a non-executive Independent Director, a member of the Audit and Risk Management Committee and Remuneration Committee. Mr. Adrian Chan was appointed as a Lead Independent Director on 4 November 2017.

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

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

CORPORATE GOVERNANCE

Board Composition and Guidance

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

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs. Our current Board comprises five directors, of whom three members of the Board are non-executive. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the Directors. Prior to their appointment, they had undergone an orientation of the Group's business, including onsite visits and meetings with management to familiarise themselves with the Group's business. Mr. Basil Chan and Mr. Adrian Chan are considered to be independent as they have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interest of the Company.

The Non-Executive Director and Independent Directors have at least 4 regular meetings with the Group's management to keep abreast of the Group's financial performance, position and prospects. Non-Executive Director and Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels, and had open discussions with the 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. Non-Executive Director and Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management. The Independent Directors meet regularly without the presence of Management to discuss issues relating to the Company. The outcome or suggestion arising from such meetings will be provided to the Chairman.

The Board comprises Directors who have broad and complementary skills that combine to serve AEM's global business objectives and governance standards. Our Directors have qualifications, experience and knowledge in fields including technology, law, accounting, finance, mergers and acquisitions, management and the global semiconductor industry. The Board considers candidates foremost based on qualifications and required contribution to AEM's business and governance, and then also with regard to achieving diversity. Between equally qualified candidates, the Board is strongly inclined to select the candidate that best adds diversity. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity.

Executive Chairman and Chief Executive Officer ("CEO")

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

The roles of the Executive Chairman and CEO are separate and held by two unrelated individuals and the division of responsibilities between them is clearly established in writing and agreed by the Board. Service contracts or letter of appointments stating the duties and responsibilities of the Executive Chairman and CEO have been entered into between the Company and them.

CORPORATE GOVERNANCE

The Executive Chairman oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and Management. The Company Secretary, in consultation with the Executive Chairman, schedules and prepares the agenda for Board meetings. Management staff who have prepared the board papers or who may provide additional insights are invited to present the papers or attend the Board meetings.

The Executive Chairman is responsible for ensuring that the Board engages the CEO and his Management team in constructive discussion and implementation of the Group's business strategies, corporate governance policies, corporate strategies, financial objectives and directions for the Group and for ensuring the Board's effectiveness on all aspects of its role, to facilitate and ensuring effective contribution from all the directors and encourage constructive relations between the executive and non-executive directors, the Board and Management and to realise a common vision for the Group.

The CEO leads the development of the Group's business and operational strategies, oversees the implementation of the Group's long and short term plans in accordance with its strategies, ensures the Group is properly organized and staffed, assesses and monitors the principal risks of the Group and ensures effective internal controls and risk management systems are in place.

Board Membership

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

The Company believes Board renewal to be an on-going process and is required to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business.

The Nominating Committee ("NC") is responsible for the identification and selection of new directors. The NC comprises three directors, a majority of whom are non-executive and independent. The Chairman is an Independent Director and is not directly associated with a substantial shareholder of the Company. The current members of the NC comprise the following:

- Adrian Chan Pengee (NC Chairman),
- Basil Chan, and
- Loke Wai San

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 committee. The NC evaluates the Board's effectiveness as a whole and the contribution of each director to the effectiveness of the Board. It also determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. The NC has reviewed the candidacy of Mr. Basil Chan with particular regard to the Guideline 2.4 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years. In addition, a self and peer review assessments have been conducted by all the Board members on Mr. Basil Chan. Based on the assessments and review, the NC is satisfied that Mr. Basil Chan continues to serve effectively as an Independent Director of the Company. In arriving at this view, the NC considered the following factors:

(a) The need to ensure both continuity and renewal on the board, as reflected in the current balance of directorship tenures;
(b) The complementary mix of skills contributed by the directors on the Company's board; and
(c) Mr. Basil Chan's ability to continue acting as an Independent Director and his record of independent directorship at the Company during his tenure.

CORPORATE **GOVERNANCE**

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the directors of the Company so that sufficient time and attention can be given to the affairs of the Company. The NC has decided to implement a higher standard of independence as compared to that prescribed by the Code as it requires the independent directors to be independent from all substantial shareholders and not merely 10% shareholders.

The process for the selection and appointment of all new directors is spearheaded by the NC. When an existing director chooses to retire or the need for the appointment of a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate skills, expertise and experience for the appointment as new director and if necessary conduct external searches for an appropriate candidate with relevant skills or industry experience. The NC interviews each prospective candidate with appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and commitment required and makes recommendations to the Board for approval and adoption.

The role of NC includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence, contribution and performance. The Constitution of the Company currently requires one-third of the directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting ("AGM"). All directors of the Company, including the Executive Chairman (or an equivalent office), shall retire from office at least once every three years. The Constitution of the Company also provides that a newly appointed director must retire and submit himself for re-election at the next annual general meeting following his appointment. Thereafter, he is subject to be re-elected at least once every three years. A director who is due for retirement, shall abstain from voting on any resolution in respect of this re-nomination as a director.

Each Independent Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2017. The NC has reviewed and is satisfied with the independence of the Independent Directors. Currently, the Company does not have any alternate director.

The details of the Board members' directorship including the year of initial appointment and election are set out on pages 5 to 7 of this Annual Report.

Board Performance

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

The NC periodically reviews the Board's performance and its ability to steer the Group in the right direction. 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. It has adopted a system of evaluating the effectiveness of the Board's performance as a whole, through principally a self-assessment process on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board operates effectively and each director is contributing to the overall effectiveness of the Board.

CORPORATE GOVERNANCE

When it comes to evaluating the Chairman and individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution by the Chairman and each individual director to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at the Board and various Board Committees meetings.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are regularly updated by Management on developments within the Group. The Board is provided with timely and adequate information, prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval. The Board also has separate and independent access to the Management and the Company Secretary at all times.

The Company Secretary is present at the Board meetings of the Company whenever such meetings are held in order to ensure that established procedures and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary are decisions taken by the Board as a whole. The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfill and discharge their duties and responsibilities as directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

The Remuneration Committee ("RC") is principally responsible for overseeing, reviewing and recommending to the Board:

(i) the remuneration framework for directors and key management personnel, taking into consideration and benchmarking against the pay and employment conditions within the industry and with comparable companies; with a goal to motivate, recruit and retain employees and that the remuneration framework, the salary structure and package offered to executive directors and key management provide a fair system and avoid rewarding poor performance. The RC has direct access to the Company's head of Human Resources should they have any queries on human resources matters. As and when required, the RC and the Company may engage independent consultants for diversified views and specific expertise to ensure that the remuneration and welfare packages for our employees are competitive and sufficient to ensure that the interests of the employees and Company are taken care of. During the year, the Company engaged Robinson Consulting Pte Ltd to perform a review on the remuneration package of the Senior Management;

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

(iii) to review the Group's obligations in the event of the termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

CORPORATE GOVERNANCE

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

- Basil Chan (RC Chairman),
- Adrian Chan Pengee, and
- Keith Toh Hsiang-Wen

No director is involved in any discussion relating to his own compensation and the terms and conditions of service and the review of his performance.

Level and Mix of Remuneration

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

The Company adopts a remuneration policy for all staff comprising fixed and variable components. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus, performance shares or stock options that is linked to the Group and each individual's performance.

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

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

The Independent Directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and the time that are required, the responsibilities of the Independent Directors and the need to pay competitive fees to attract, retain and motivate the Independent Directors. The Independent Directors are not over-compensated to the extent their independence may be compromised. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at annual general meetings. On 31 January 2018, the non-executive and Independent Directors were being granted performance shares as a result of the positive financial performance being achieved by the Company for FY2017.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel as the executive director(s) and senior management owe a fiduciary duty to the Company. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the executive director(s) and senior management in case of such breach of fiduciary duties will be available.

CORPORATE **GOVERNANCE**

Disclosure on Remuneration

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

The remuneration bands and breakdown of the gross remuneration of the directors of the Company in percentage terms or absolute amount for the year ended 31 December 2017 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total
	%	%	%	%	%	%
Directors (executive)						
S$1,500,000 to S$1,750,000						
Loke Wai San	–	6	46	48	–	100
S$750,000 to S$1,000,000						
Charles Cher Lew Siang	–	50	50	–	–	100
Directors (non-executive)	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**
Loke Wai San*	70,500	–	–	–	88,200	158,700
Keith Toh Hsiang-Wen	69,500	–	–	196,830	–	266,330
Basil Chan	76,750	–	–	87,480	–	156,980
Adrian Chan Pengee**	16,750	–	–	65,610	–	82,360

* Mr. Loke Wai San became an Executive Chairman from 1 October 2017. During the period from 1 January to 30 September 2017, the director's and other fees for him as a non-executive Chairman were paid to his employer, Novo Tellus Capital Partners Pte Ltd.

** Mr. Adrian Chan Pengee joined the Company on 1 October 2017 as a non-executive Independent Director.

The Board has, on review, decided to disclose the remuneration of the Executive Chairman, CEO and the top five key management personnel in remuneration bands of $250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialized industry, potential for poaching of staff and other disadvantages that this might bring.

The executive directors are not entitled to receive director's fees and the Independent Directors received only directors' fees, shares and share options compensation during the year.

During the year, 943,737 (2016: 326,954) share options under the AEM Holdings Share Option Scheme and 965,693 (2016: nil) performance share under the Performance Share Plan have been granted to directors and employees (the shares granted and the number of shares as stated were after 1 bonus share for every 2 existing share allotted on 18 April 2017).

CORPORATE GOVERNANCE

Key Management and Remuneration Policy

The remuneration bands of our top 5 key management personnel (who are not directors of the Company) are disclosed below and the total remuneration paid to the top 5 key management personnel was S$2,255,000:

Name of personnel	Salaries (%)	Bonus (%)	Other Allowances (%)	Share Benefits (%)	Total (%)
S$750,001 to S$1,000,000					
Chok Yean Hung	28%	12%	2%	58%	100%
S$250,001 to S$500,000					
Goh Meng Kiang	41%	17%	5%	37%	100%
Chua Tat Ming	10%	0%	1%	89%	100%
Soh Wai Kong	43%	14%	5%	38%	100%
Andrew Tan Chern Yung	46%	10%	4%	40%	100%

There are no employees who are immediate family members of any of the directors or the CEO and whose remuneration exceeds S$50,000 during the year.

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. The Management provides the Board with a continual flow of relevant information with all material variances between budgets and actual results being explained on a timely basis in order that it may effectively discharge its duties. All Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

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

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

CORPORATE **GOVERNANCE**

Risk Management and Internal Controls

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

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

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

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

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

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

(i) Compliance risk

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

CORPORATE GOVERNANCE

(ii) Operational risk

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

(iii) Financial risk

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

(iv) Investment risk

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

Audit and Risk Management Committee

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

The Audit and Risk Management Committee ("AC") comprises three members, all non-executive, and a majority of its members are independent including the Chairman. These members are suitably qualified and possess relevant accounting and/or related financial management expertise or experience for the effective discharge of their responsibilities as members of the AC. No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

The current members of the AC comprise the following:

- Basil Chan (AC Chairman),
- Keith Toh Hsiang-Wen, and
- Adrian Chan Pengee

CORPORATE **GOVERNANCE**

The AC performs the following main functions:

- Reviews and approves the audit plans and scope of work of the internal and external auditors.
- Reviews the effectiveness of the internal controls, risk management systems, findings of the internal and external auditors and the response and follow-up actions from Management.
- Reviews the quarterly and full year announcements and the financial statements of the Group and of the Company, the Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.
- Reviews the requirements for approval and disclosure of interested person transactions.
- Nominates the external auditors for appointment or re-appointment and reviews the level of audit fees, cost effectiveness of the audit and the independence and objectivity of the external auditors.
- Investigates any matters reported to the Committee about improprieties in matters of financial reporting or other matters within its terms of reference.
- Reviews and approves the Corporate Governance and Control policies of the Group.
- Advise the Board on the Company's overall risk tolerance and strategy.
- Oversee and advise the Board on the current risk exposures and future risk strategy of the Company.
- Keep under review the Company's overall risk assessment processes.

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

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

For the financial year ended 31 December 2017, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to the appointment of our auditors.

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

Every year, employees are required to submit an AEM Code of Business Conduct and Ethics Declaration Form acknowledging a high standard of business conduct and ethics have been upheld.

The AC is kept abreast by the management, external auditors in addition to trainings and seminars conducted by professionals and external parties of changes to the financial reporting standards, Listing Rules of the SGX-ST and other codes and regulations which could have an impact on the Group's business and financial statements.

CORPORATE **GOVERNANCE**

The role of the AC in relation to financial reporting is to monitor the integrity of the quarterly and full year financial statements. The AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient. Following discussions with management, external and internal auditors, the AC has determined that the following areas are the key risks of misstatement of the Group's financial statements:

Significant matters	How the AC reviewed these matters and what decisions were made
Valuation of inventories – (S$35.8 million)	The AC recognises that the Group manufactures highly customised tools and consumables based on both committed orders and estimated future demands. To assess and ascertain that the carrying values of the inventories are not materially misstated, the AC reviewed the accuracy in the inventory count, costing methodologies adopted by the Group, the ageing of the various classes of inventories and obtained assurance from the management that detailed impairment testing had been undertaken using appropriate methodologies and assumptions. As a result of the above procedures, the AC was satisfied that correct accounting treatment had been adopted and consistently applied in the inventories valuation to ensure the accuracy of reported inventories.

Internal Audit

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

The Company outsources its internal audit function to an independent third party firm, Protiviti Inc. and the internal auditors report primarily to the AC. The AC meets with the internal auditors to review the internal audit proposals before approving the appointment based on the suggested work scope, the experience and qualification of the auditors in-charge of the assignment such as member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an international professional association for internal auditors which has its headquarters in the United States and the fees as proposed. The AC reviews the adequacy and effectiveness of the internal audit function yearly. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC meets with the internal and external auditors without the presence of Management at least once a year in order to have free and unfiltered access to information it may require.

Shareholder Rights

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

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

CORPORATE GOVERNANCE

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

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend general meetings. Under the Companies Act, cap. 50, a member who is defined as a "relevant intermediary" may appoint more than two proxies to attend and participate in general meetings. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote a regular, effective and fair communication with shareholders.

The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNET and where appropriate also directly to Shareholders, analysts, the media and its employees. The announcements of the Group's results and material developments are released through SGXNET to the SGX's and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practice selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company shall make the same disclosure publicly as promptly as possible. The Board provides the Shareholders a balanced and clear assessment of the Group's performance, financial position and prospects on a quarterly basis.

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

The Company encourages feedback, views and participation of its Shareholders at all general meetings and such feedback and views can be posted to investor.relations@aem.com.sg or at the Company's website.

Conduct of Shareholder Meetings

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

The Board encourages active shareholder participation at the general meetings of the Company. The Shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategic goals and business update. If any Shareholder is unable to attend the meetings, the Constitution allows a Shareholder of the Company to appoint up to two proxies to attend and vote in place of the Shareholder. The Company is still in the process of reviewing to allow voting in absentia and by electronic mails so as to ensure that integrity of the information and authentication of the identity of Shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

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

The Executive Chairman, directors and the Chairmen of the various Committees of the Company will be available to answer questions from the Shareholders present during the general meetings. The External Auditors are also invited to attend the Annual General Meeting and will assist the directors in addressing relevant queries by the Shareholders relating to the conduct of the audit and the preparation and content of the External Auditors' report.

CORPORATE **GOVERNANCE**

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to Shareholders upon their request.

All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's website.

DEALINGS IN SECURITIES

The Company has adopted its own internal compliance code to guide its officers with regard to dealings in securities of the Company while in possession of price-sensitive information and which prohibits its officers from dealing in securities of the Company during the relevant blackout periods of 2 weeks for quarterly and 1 month for yearly results prior to the announcement of the Group's results. Staff are discouraged from dealing in the Company's shares on short-term considerations. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's Securities.

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. During the year, the Company engaged Novo Tellus Capital Partners Pte Ltd to assist in merger and acquisition activities and incurred professional fee of S$225,000.

DIVIDEND POLICY

The Company has established and announced a policy on payment of dividends of not less than 25% of the Company's consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.

The Board of Directors has proposed a final tax exempt (one-tier) dividend of 6.5 cents per ordinary share for the financial year ended 31 December 2017. Including the interim dividend of 2.5 cents per ordinary share paid on 20 October 2017 and the interim dividend of 3.0 cents per ordinary share paid on 8 December 2017, the total dividend payout for FY2017 amounted to 12.0 cents per ordinary share.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2017.

In our opinion:

(a) the financial statements set out on pages 55 to 114 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 2017 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

DIRECTORS

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

Loke Wai San
Basil Chan
Charles Cher Lew Siang
Keith Toh Hsiang-Wen
Adrian Chan Pengee (Appointed on 1 October 2017)

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
AEM Holdings Ltd		
Charles Cher Lew Siang		
– ordinary shares, fully paid (direct interest)	413,250	1,025,568
– share options granted	422,931	233,544
Loke Wai San		
– ordinary shares, fully paid (direct interest)	–	123,750
– share options granted	–	101,250
Basil Chan		
– ordinary shares, fully paid (direct interest)	–	24,750
– share options granted	–	20,250
Keith Toh Hsiang-Wen		
– ordinary shares, fully paid (direct interest)	–	116,375
– share options granted	–	10,125

DIRECTORS' STATEMENT

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

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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.

EQUITY COMPENSATION

Share options

The AEM Holdings Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 13 April 2015. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Keith Toh Hsiang-Wen
- Adrian Chan Pengee

Other information regarding the Scheme is set out below:

(i) The exercise price of the options shall be at up to a maximum discount of 20% to the market price immediately preceding the date of grant of the option or its nominal value, whichever is higher. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

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

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

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

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

Market Price Options are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant.

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

DIRECTORS' STATEMENT

There were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

There were 673,825 (2016: 326,955) options granted to the directors and employees under the Scheme during the financial year.

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

Performance share plan

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

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

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

Participants	Shares awards granted & released during the year	Aggregate shares awards granted & released at end of the year
Under PSP 2008		
Other key executives	597,129	5,059,529
Under PSP 2017		
Other key executives	70,000	70,000

AUDIT COMMITTEE

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

- Basil Chan (Chairman), non-executive independent director
- Keith Toh Hsiang-Wen, non-executive director
- Adrian Chan Pengee, non-executive independent director

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

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

DIRECTORS' STATEMENT

The Audit Committee also reviewed the following:

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

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Loke Wai San
Director

Basil Chan
Director

28 March 2018

INDEPENDENT
AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AEM Holdings Ltd (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 55 to 114.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

Valuation of inventories ($35,803,000) (Refer to note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Inventories constitute a significant portion of the Group's total assets. They are measured at the lower of cost and net realisable value. The Group manufactures highly customised inventories that are only sold to key customers based on both committed orders and estimated future demands. These inventories have low resale values. This is a key audit focus area due to the inherent uncertainty in estimating the level of provision required to write down slow-moving, excess and obsolete inventory items.	We reviewed the ageing profile of the inventories to identify any slow-moving inventories. Where available, we reviewed supporting documentation relating to future sales to determine the proportion of inventories which were backed by confirmed purchase orders. We also inspected sales invoices to assess whether the inventory is being sold at a higher value than the carrying value.
Findings The assumptions and estimates applied by the Group in determining the provision for inventory obsolescence was balanced.	

INDEPENDENT
AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Other information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2018

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Assets					
Property, plant and equipment	4	**3,623**	2,226	**34**	40
Intangible assets	5	**3,449**	65	**–**	1
Investments in subsidiaries	6	**–**	–	**12,914**	10,194
Investment in an associate	8	**4,133**	4,499	**4,667**	4,667
Deferred tax assets	16	**–**	76	**–**	4
Non-current assets		**11,205**	6,866	**17,615**	14,906
Inventories	9	**35,803**	17,443	**–**	–
Trade and other receivables	10	**23,557**	17,777	**4,841**	3,758
Cash and cash equivalents	11	**46,095**	6,310	**2,384**	914
Current assets		**105,455**	41,530	**7,225**	4,672
Total assets		**116,660**	48,396	**24,840**	19,578
Equity					
Share capital	12	**39,737**	39,737	**39,737**	39,737
Reserves	13	**(10,787)**	(11,348)	**2,043**	(505)
Accumulated profits/(losses)		**28,860**	1,839	**(21,844)**	(20,831)
Total equity attributable to owners of the Group		**57,810**	30,228	**19,936**	18,401
Liabilities					
Financial liabilities	14	**–**	7	**–**	–
Deferred tax liabilities	16	**309**	42	**–**	–
Provisions	17	**277**	280	**18**	17
Non-current liabilities		**586**	329	**18**	17
Financial liabilities	14	**7**	78	**–**	–
Trade and other payables	15	**52,214**	16,713	**4,755**	1,149
Current tax payable		**5,648**	805	**131**	11
Provisions	17	**395**	243	**–**	–
Current liabilities		**58,264**	17,839	**4,886**	1,160
Total liabilities		**58,850**	18,168	**4,904**	1,177
Total equity and liabilities		**116,660**	48,396	**24,840**	19,578

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Revenue	19	**221,622**	70,123
Other income		**176**	253
Changes in inventories of finished goods and work-in-progress		**13,531**	7,644
Raw materials and other consumables		**(162,130)**	(51,533)
Staff costs		**(25,338)**	(13,562)
Depreciation of property, plant and equipment		**(612)**	(665)
Amortisation of intangible assets		**(86)**	(153)
Other expenses		**(10,258)**	(5,562)
Results from operating activities		**36,905**	6,545
Finance income		**73**	16
Finance costs		**(37)**	(21)
Net finance income/(costs)	20	**36**	(5)
Share of equity-accounted investee's losses (net of tax)	8	**(105)**	(449)
Profit before tax	21	**36,836**	6,091
Tax expense	22	**5,347**	1,325
Profit from continuing operations		**31,489**	4,766
Discontinued operation			
Loss from discontinued operation (net of tax)	29	**–**	(109)
Profit for the year		**31,489**	4,657
Profit attributable to:			
Owners of the Company		**31,489**	4,657
Profit for the year		**31,489**	4,657
Earnings per share	23		
Basic earnings per share		**48.39 cents**	7.12 cents
Diluted earnings per share		**47.47 cents**	7.09 cents
Earnings per share – Continuing operations	23		
Basic earnings per share		**48.39 cents**	7.29 cents
Diluted earnings per share		**47.47 cents**	7.25 cents
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**(2,422)**	893
Share of foreign currency translation difference of equity-accounted investee		**(261)**	281
Effect of disposal/liquidation of subsidiaries, reclassified to profit or loss		**695**	852
Other comprehensive income for the year, net of tax		**(1,988)**	2,026
Total comprehensive income for the year		**29,501**	6,683
Total comprehensive income attributable to:			
Owners of the Company		**29,501**	6,683
Total comprehensive income for the year		**29,501**	6,683

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

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

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2017

Group	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
At 1 January 2017	39,737	(1,264)	161	759	(11,004)	1,839	30,228
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	31,489	31,489
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	(2,422)	–	(2,422)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(261)	–	(261)
Effect of disposal/liquidation of subsidiaries	–	–	–	–	695	–	695
Total comprehensive income for the year	–	–	–	–	(1,988)	31,489	29,501
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,960)	–	–	–	–	(1,960)
Issue of shares related to business combination	–	376	1,148	–	–	–	1,524
Issue of shares options	–	–	–	162	–	–	162
Treasury shares reissued pursuant to share plans	–	675	(163)	–	–	–	512
Share-based payment transactions (Note 18)	–	–	–	2,311	–	–	2,311
Final dividend of 1.3 cent per share in respect of 2016	–	–	–	–	–	(846)	(846)
Interim dividend of 2.5 cent per share in respect of 2017	–	–	–	–	–	(1,641)	(1,641)
Interim dividend of 3.0 cent per share in respect of 2017	–	–	–	–	–	(1,981)	(1,981)
Total transactions with owners	–	(909)	985	2,473	–	(4,468)	(1,919)
At 31 December 2017	39,737	(2,173)	1,146	3,232	(12,992)	28,860	57,810

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit for the year		**31,489**	4,657
Adjustments for:			
Reversal of impairment loss on property, plant and equipment		**–**	(213)
Depreciation of property, plant and equipment		**612**	702
Amortisation of intangible assets		**86**	153
Reversal of allowance for stock obsolescence		**(692)**	(801)
(Gain)/loss on disposal of property, plant and equipment		**(3)**	8
Loss/(gain) on liquidation of subsidiaries		**695**	(15)
Loss on disposal of subsidiaries		**–**	463
Net finance (income)/costs		**(36)**	5
Share of loss of equity-accounted investee, net of tax		**105**	449
Equity-settled share-based payment expenses		**2,473**	529
Provision made for warranties		**178**	29
Tax expense		**5,347**	1,325
		40,254	7,291
Changes in:			
Inventories		**(19,584)**	(7,271)
Trade and other receivables		**(7,269)**	(6,979)
Trade and other payables		**36,789**	5,290
Cash used in operating activities		**50,190**	(1,669)
Tax (paid)/refunded		**(275)**	5
Net cash generated from/(used in) operating activities		**49,915**	(1,664)
Cash flows from investing activities			
Acquisition of intangible assets		**(439)**	(4)
Interest received		**73**	16
Proceeds from disposal of property, plant and equipment		**3**	25
Acquisition of property, plant and equipment		**(2,012)**	(605)
Disposal of a subsidiary, net of cash disposed		**–**	2,740
Disposal of discontinued operation, net of cash disposed	29	**–**	1,351
Acquisition of equity-accounted investee	8	**–**	(4,667)
Net cash used in investing activities		**(2,375)**	(1,144)
Cash flows from financing activities			
Interest paid		**(19)**	(7)
Proceeds from borrowings		**1,351**	–
Repayment of borrowings		**(1,351)**	–
Repayment of finance lease liabilities		**(81)**	(90)
Repurchase of own shares		**(1,960)**	(775)
Proceeds from exercise of share options		**147**	–
Dividends paid		**(4,468)**	(658)
Net cash used in financing activities		**(6,381)**	(1,530)
Net increase/(decrease) in cash and cash equivalents		**41,159**	(4,338)
Cash and cash equivalents at 1 January		**6,310**	10,363
Effect of exchange rate fluctuations on cash held		**(1,374)**	285
Cash and cash equivalents at 31 December	11	**46,095**	6,310

Significant non-cash transaction

During the year, the Group acquired a subsidiary by means of issuance of treasury shares and deferred cash and shares consideration (see note 7).

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2018.

1 DOMICILE AND ACTIVITIES

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

The principal activities of the Company are those relating to an investment holding company. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (SGD), which is the Company's functional currency. All financial information presented in Singapore dollars 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 FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 4 – measurement of recoverable amount of property, plant and equipment
- Note 7 – measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired
- Note 8 – classification of investment and measurement of fair value of the identifiable assets and liabilities for the associate acquired
- Note 9 – valuation of inventories
- Note 10 – recoverability of trade receivables
- Note 29 – determination of the date when control is lost for discontinued operation

NOTES TO THE
FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

Measurement of fair value

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the following amendments for the first time for the annual period beginning on 1 January 2017:

- *Disclosure Initiative (*Amendments to FRS 7);
- *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to FRS 12); and
- *Clarification of the scope of FRS 112* (Improvements to FRSs 2016).

From 1 January 2017, as a result of the amendments to FRS 7, the Group has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 14).

Other than the amendments to FRS 7, the adoption of these amendments did not have any significant impact on the current or prior period and is not likely to affect future periods.

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation

Business combinations

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

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any Non-controlling interests 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 profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

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

Investments in associates (equity-accounted investees)

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

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control 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 of the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

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

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

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 retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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

Foreign operations

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies (Cont'd)

Foreign operations (Cont'd)

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

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

3.3 Property, plant and equipment

Recognition and measurement

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

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

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

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

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.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

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

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

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

3.4 Intangible assets 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 and joint ventures, 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 and joint ventures.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets and goodwill (Cont'd)

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 since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative years are as follows:

Technology	15 years
Computer software	3 years

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

3.5 Financial instruments

Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Non-derivative financial assets comprise loans and receivables.

Loans and receivables

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

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Loans and receivables (Cont'd)

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

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

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

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

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

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

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

Share capital

Ordinary shares

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

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

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Financial guarantee contracts

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

3.6 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

Non-financial assets

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

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

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

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

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

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

3.7 Non-current assets held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Lease payments

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

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

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

Determining whether an arrangement contains a lease

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

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

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

3.9 Inventories

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Provisions

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

Warranties

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

Site restoration

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

3.11 Tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Tax (Cont'd)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.12 Revenue recognition

Sale of goods

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

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

Rendering of services

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

3.13 Employee benefits

Defined contribution plans

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

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Employee benefits (Cont'd)

Short-term employee benefits

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

Share-based payments

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

3.14 Finance income and finance costs

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

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

3.15 Discontinued operations

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Key management compensation

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

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

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

3.18 Segment reporting

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

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

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

3.19 Full convergence with International Financial Reporting Standards and adoption of new standards

Applicable to 2018 financial statements

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Full convergence with International Financial Reporting Standards and adoption of new standards (Cont'd)

Applicable to 2018 financial statements (Cont'd)

The Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I). As a result, this will be the last set of financial statements prepared under the current FRS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The Group does not expect the application of the above standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 1

When the Group adopts SFRS(I) in 2018, the Group will apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparatives may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but these are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Full convergence with International Financial Reporting Standards and adoption of new standards (Cont'd)

SFRS(I) 1 (Cont'd)

Foreign currency translation reserve (FCTR)

The Group plans to elect the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for all foreign operations to nil at the date of transition, and reclassify the cumulative FCTR of $11,004,000 as at 1 January 2017 determined in accordance with FRS at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group plans to adopt SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of SFRS(I) 15 retrospectively, except as described below, and the comparative period presented in the 2018 financial statements will be restated.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as completed contracts at the beginning of the earliest period presented, are not restated.

The expected impact upon the adoption of SFRS(I) 15 are described below.

Sale of goods

The Group currently recognises revenue from sale of goods when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Under SFRS(I) 15, revenue from the sale of goods will continue to be recognised at a point in time, as the Group does not meet the criteria to recognise revenue over time.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Full convergence with International Financial Reporting Standards and adoption of new standards (Cont'd)

SFRS(I) 9

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments and a new expected credit loss model for calculating impairment of financial assets.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings and reserves as at 1 January 2018.
- The following assessments have to be made on the basis of facts and circumstances that existed at 1 January 2018.

  – The determination of the business model within which a financial asset is held.
  – The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The expected potential impact on adoption of SFRS(I) 9 is not expected to be significant.

Applicable to financial statements for the year 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning after 1 January 2018:

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)

Mandatory effective date deferred

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group is still in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Group's preliminary assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Full convergence with International Financial Reporting Standards and adoption of new standards (Cont'd)

SFRS(I) 16

SFRS(I) 16 replaces existing lease accounting guidance. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if SFRS(I) 15 is also applied. SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group plans to adopt the standard when it becomes effective in 2019. The Group also expects the ROU assets recognised at date of initial application to be equal to their lease liabilities.

The Group is likely to elect the practical expedient not to reassess whether a contract contains a lease at the date of initial application, 1 January 2019. Accordingly, existing lease contracts that are still effective on 1 January 2019 continue to be accounted for as lease contracts under SFRS(I) 16. The Group has performed a preliminary assessment of the impact on its financial statements based on its existing operating lease arrangements (refer to note 24).

Until 2018, the approximate financial impact of the standard is unknown due to factors that impact calculation of lease liabilities such as discount rate, expected term of leases including renewal options and exemptions for short-term leases. The Group will continue to assess its portfolio of leases to calculate the impending impact of transition to the new standard.

The Group as lessee

The Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. The operating lease commitments on an undiscounted basis amount to approximately 3.9% of the consolidated total assets and 7.7% of consolidated total liabilities. Under the new standard, remaining lease payments of the operating leases will be recognised at their present value discounted using appropriate discount rate. In addition, the nature of expenses related to those leases will now change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. However, SFRS(I) 16 requires more extensive disclosures to be provided by a lessor.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost						
At 1 January 2016	31	434	6,313	1,621	13,180	21,579
Additions	24	14	151	36	380	605
Disposals	–	(18)	(370)	(99)	(420)	(907)
Effects from disposal of discontinued operation	–	(101)	(538)	(259)	(4,752)	(5,650)
Translation adjustment	(1)	–	77	10	(216)	(130)
At 31 December 2016	54	329	5,633	1,309	8,172	15,497
Acquisitions through business combinations (note 7)	–	1	–	1	–	2
Additions	–	111	715	653	533	2,012
Disposals	–	–	–	–	(209)	(209)
Translation adjustment	–	(21)	(456)	(77)	(326)	(880)
At 31 December 2017	54	420	5,892	1,886	8,170	16,422
Accumulated depreciation and impairment losses						
At 1 January 2016	31	434	5,577	1,490	10,811	18,343
Depreciation charge for the year	2	5	148	83	464	702
Disposals	–	(18)	(370)	(99)	(387)	(874)
Reversal of impairment loss for the year	–	–	–	–	(213)	(213)
Effects from disposal of discontinued operation	–	(101)	(448)	(259)	(3,813)	(4,621)
Translation adjustment	(1)	–	85	2	(152)	(66)
At 31 December 2016	32	320	4,992	1,217	6,710	13,271
Depreciation charge for the year	2	11	184	106	309	612
Disposals	–	–	–	–	(209)	(209)
Translation adjustment	1	(19)	(384)	(59)	(414)	(875)
At 31 December 2017	35	312	4,792	1,264	6,396	12,799
Carrying amounts						
At 1 January 2016	–	–	736	131	2,369	3,236
At 31 December 2016	22	9	641	92	1,462	2,226
At 31 December 2017	19	108	1,100	622	1,774	3,623

The Group acquired manufacturing equipment through finance leases (note 14). These leases provide the Group with the option to become the owner of the equipment subject to certain terms and conditions. The carrying amount of the leased assets was $174,000 (2016: $247,000) as of year-end.

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FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Company				
Cost				
At 1 January 2016	437	408	34	879
Additions	–	3	–	3
Disposals	(370)	(99)	(18)	(487)
At 31 December 2016	67	312	16	395
Additions	–	6	–	6
At 31 December 2017	67	318	16	401
Accumulated depreciation				
At 1 January 2016	402	405	21	828
Depreciation charge for the year	9	3	2	14
Disposals	(370)	(99)	(18)	(487)
At 31 December 2016	41	309	5	355
Depreciation charge for the year	8	2	2	12
At 31 December 2017	49	311	7	367
Carrying amounts				
At 1 January 2016	35	3	13	51
At 31 December 2016	26	3	11	40
At 31 December 2017	18	7	9	34

In 2016, as part of the completion of the disposal of AEM (Suzhou) Co., Ltd., the assets that were previously impaired belonging to the non-plating business were transferred to a newly incorporated subsidiary. New business plans were identified for this subsidiary in 2016 to further focus on the Precision Component Solutions ("PCS") business. The recoverable amount of the subsidiary that included these plant and equipment was estimated based on the present value of the future cash flows expected to be derived from the subsidiary, using a pre-tax discount rate of 8.62%. The recoverable amount of the subsidiary was estimated to be higher than its carrying amount and hence impairment loss of $213,000 recognised in 2015 was reversed in 2016.

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5 INTANGIBLE ASSETS

Group	Goodwill $'000	Technology $'000	Computer software $'000	Total $'000
Cost				
At 1 January 2016	–	–	2,428	2,428
Additions	–	–	4	4
Disposals	–	–	(87)	(87)
Translation adjustment	–	–	19	19
At 31 December 2016	–	–	2,364	2,364
Additions	–	–	439	439
Acquisitions through business combination (note 7)	1,230	1,819	–	3,049
Translation adjustment	–	–	(97)	(97)
At 31 December 2017	1,230	1,819	2,706	5,755
Accumulated amortisation				
At 1 January 2016	–	–	2,211	2,211
Amortisation charge for the year	–	–	153	153
Disposals	–	–	(87)	(87)
Translation adjustment	–	–	22	22
At 31 December 2016	–	–	2,299	2,299
Amortisation charge for the year	–	20	66	86
Translation adjustment	–	–	(79)	(79)
At 31 December 2017	–	20	2,286	2,306
Carrying amounts				
At 1 January 2016	–	–	217	217
At 31 December 2016	–	–	65	65
At 31 December 2017	1,230	1,799	420	3,449

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONT'D)

Company	Computer software $'000
Cost	
At 1 January 2016	1,277
Disposals	(87)
At 31 December 2016	1,190
Disposals	–
At 31 December 2017	1,190
Accumulated amortisation	
At 1 January 2016	1,240
Amortisation charge for the year	36
Disposals	(87)
At 31 December 2016	1,189
Amortisation charge for the year	1
Disposals	–
At 31 December 2017	1,190
Carrying amounts	
At 1 January 2016	37
At 31 December 2016	1
At 31 December 2017	–

Impairment testing for CGUs containing Goodwill

Goodwill was recognised from the acquisition of a new subsidiary, InspiRain Technologies Pte. Ltd. during the year as the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. The key assumptions to determine the fair values are described in note 7.

The estimated recoverable amount of InspiRain Technologies Pte. Ltd. exceeded its carrying amount by approximately $259,000 and hence, no impairment loss was recorded.

6 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost	**13,200**	10,945
Allowance for impairment	**(286)**	(751)
	12,914	10,194

In 2016, the Group carried out a review of the recoverable amounts of its investment in certain subsidiaries in view of the continuing losses in these subsidiaries. The recoverable amount, estimated based on value in use, exceeded the carrying value of these investments. The estimate of value in use was determined using a pre-tax discount rate of 8.62%. Based on the assessment, no impairment loss was recognised.

No further impairment loss was recognised for the investments in subsidiaries in 2017.

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2017 %	2016 %
AEM Singapore Pte. Ltd.*[1]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	**100**	100
AEM Microtronics (M) Sdn. Bhd.[2]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	**100**	100
AEM Platronics (S) Pte. Ltd.	Inactive	Singapore	**–#**	100
AEM Platronics (M) Sdn. Bhd.	Inactive	Malaysia	**–#**	100
AEM Microtronics (Suzhou) Co., Ltd.[3^]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	**100**	100
AEM China (S) Pte. Ltd.[1]	Investment holding company	Singapore	**100**	100
AEM International (US) Ltd.	Engineering services	United States of America	**100**	100
Tianjin Ever Technologies Co., Ltd.	Inactive	People's Republic of China	**100**	100
InspiRain Technologies Pte. Ltd.[1]	Business of research, development and production of advanced communications and industrial test solutions	Singapore	**100****	–

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FINANCIAL STATEMENTS

6 INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

1 Audited by KPMG Singapore
2 Audited by other member firms of KPMG International
3 Audited by Suzhou Deheng Certified Public Accountants
* Significant subsidiary as defined under the Listing Manual of the Singapore Exchange.
# The Group completed the liquidation of AEM Platronics (S) Pte. Ltd. and AEM Platronics (M) Sdn. Bhd. during the year.
** In September 2017, the Group acquired InspiRain Technologies Pte. Ltd.
^ In May 2016, the Group incorporated AEM Microtronics (Suzhou) Co., Ltd.

7 ACQUISITION OF A SUBSIDIARY

On 30 September 2017, the Group acquired 100% of the shares and voting interests in InspiRain Technologies Pte Ltd ("InspiRain"), obtaining control of InspiRain.

Taking control of InspiRain enables the Group to leverage on strong technical capabilities and deep experience in creating test solutions for global industrial customers. The Group will help InspiRain develop its global distribution and commercial traction for its products.

InspiRain did not contribute to the Group's results for the three months ended 31 December 2017 and would not have contributed significantly to the Group's results if the acquisition had occurred on 1 January 2017. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

Consideration transferred

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

	Note	$'000
Treasury shares transferred (600,000 ordinary shares)	12	1,524
Deferred consideration		1,195
Total consideration		2,719

Treasury shares transferred

The fair value of the treasury shares transferred was based on the listed share price of the Company at 30 September 2017 of $2.54 per share.

Deferred consideration

Deferred consideration comprise cash and share payments.

The Group will pay the selling shareholders a cash consideration of $500,000 in one years' time and will transfer the selling shareholders 300,000 shares in tranches of 100,000 shares each over the next three years.

The Group has included $1,195,000 as deferred consideration, which represents its fair value at the date of acquisition. At 31 December 2017, the deferred consideration had increased to $1,433,000, which represents its fair value at 31 December 2017.

NOTES TO THE
FINANCIAL STATEMENTS

7 ACQUISITION OF A SUBSIDIARY (CONT'D)

Acquisition-related costs

The Group incurred acquisition-related costs of $92,000 on legal fees and due diligence costs. These costs have been included in 'other expenses'.

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	$'000
Property, plant and equipment	4	2
Intangible assets	5	1,819
Trade and other receivables		13
Deferred tax liabilities	16	(309)
Trade and other payables		(36)
Total identifiable net assets		1,489

Measurement of fair values

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

Asset required	Valuation technique
Intangible assets	*Cost approach*: The cost approach considers the costs required to reproduce the intangible asset and a developer's profit mark-up.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration	2,719
Fair value of identifiable net assets	1,489
Goodwill	1,230

The goodwill is attributable mainly to the skills and technical talent of InspiRain's work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

8 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Unquoted shares, at cost	**4,133**	4,499	**4,667**	4,667

Acquisition of equity-accounted investee

In 2016, the Group acquired 21.19% of equity interests in Novoflex Pte Ltd (Novoflex) for a cash consideration of $4,667,000. Novoflex acquired 100% of the shares in Smartflex Technology Pte Ltd (SFT) and Smartflex Innovation Pte Ltd (SFI) for a cash consideration of $26,080,000. SFT is a leading outsourced assembly & test company for smart card modules used in banking while SFI has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking. Management believes that the investment partnership can provide both immediate and long term benefits to the Group, including diversification of risk away from the cyclical semiconductor industry, lower business concentration with one key customer, earnings accretion, positive synergies with the Novoflex's holding companies, and complementary growth opportunities. Novoflex is equity-accounted.

In 2017, the purchase price allocation was finalised, with no restatement of prior year's recognised amounts.

Details of associate are as follows:

Name of associate	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group 2017 %	2016 %
Novoflex Pte Ltd[1]	Investment holding company with full control of SFT and SFI	Singapore	**21.2**	21.2

1 Audited by Ernst & Young Singapore

NOTES TO THE FINANCIAL STATEMENTS

8 INVESTMENT IN AN ASSOCIATE (CONT'D)

Acquisition of equity-accounted investee (Cont'd)

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

	2017 $'000	2016 $'000
Revenue	**44,601**	11,993
Loss after tax	**(493)**	(2,118)
Total comprehensive loss	**(493)**	(2,118)
Attributable to investee's shareholders	**(493)**	(2,118)
Non-current assets	**20,230**	25,165
Current assets	**22,863**	17,769
Non-current liabilities	**(3,966)**	(7,918)
Current liabilities	**(19,622)**	(13,796)
Net assets	**19,505**	21,220
Attributable to investee's shareholders	**19,505**	21,220
Group's interest in net assets of investee at acquisition date	**4,499**	4,000
Group's contribution during the year	**–**	667
Group's share of:		
– loss after tax	**(105)**	(449)
Total comprehensive loss	**(105)**	(449)
Translation adjustment	**(261)**	281
Carrying amount of interest in investee at end of the year	**4,133**	4,499

9 INVENTORIES

	Group	
	2017 $'000	2016 $'000
Raw materials	**7,840**	2,716
Work-in-progress	**24,042**	13,623
Finished goods	**3,888**	777
Goods in-transit	**33**	327
	35,803	17,443

Stock obsolescence is estimated based on future customer demands. In 2017, the reversal of inventories previously written-down by the Group amounted to $692,000 (2016: $801,000). There was no write-down of inventories to net realisable value in 2016 and 2017. The write-down and reversal are included in the changes in inventories of finished goods and work-in-progress.

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10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables	**21,082**	15,345	**–**	–
Other receivables	**2,153**	2,168	**326**	3
Amounts due from subsidiaries:				
– trade, net of impairment losses of $126,000 (2016: nil)	**–**	–	**4,197**	3,417
– non-trade, net of impairment losses of $1,195,000 (2016: $1,169,000)	**–**	–	**245**	266
Deposits	**242**	179	**64**	65
	23,477	17,692	**4,832**	3,751
Prepayments	**80**	85	**9**	7
	23,557	17,777	**4,841**	3,758

Trade and other receivables

The Group's primary exposure to credit risk arises through its trade and other receivables. The Group utilises its historical experience in the collection of its receivables to estimate any impairment losses. Management believes that no additional credit risk beyond the impairment losses already provided for is inherent in the Group's trade and other receivables.

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

	Gross 2017 $'000	**Impairment losses 2017 $'000**	Gross 2016 $'000	Impairment losses 2016 $'000
Group				
Not past due	**19,727**	–	15,917	–
Past due 0-30 days	**3,296**	–	1,225	–
Past due 31-120 days	**206**	–	238	–
Past due 121-365 days	**6**	–	133	–
	23,235	–	17,513	–
Company				
Not past due	**1,340**	4	1,670	–
Past due 0-30 days	**916**	9	418	–
Past due 31-120 days	**2,360**	20	1,009	–
Past due 121-365 days	**1,448**	1,263	1,758	1,169
More than one year	**25**	25	–	–
	6,089	1,321	4,855	1,169

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

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables (Cont'd)

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Balance at 1 January	**–**	325	**1,169**	21,154
Impairment loss recognised	**–**	–	**152**	593
Effects from disposal of a subsidiary	**–**	(246)	**–**	–
Write-off	**–**	(80)	**–**	(20,578)
Translation on consolidation	**–**	1	**–**	–
Balance at 31 December	**–**	–	**1,321**	1,169

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**28,719**	6,310	**2,384**	914
Fixed deposits with banks	**17,376**	–	**–**	–
Cash and cash equivalents	**46,095**	6,310	**2,384**	914

As at 31 December 2017, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.02% (2016: 0.02%). Interest rates are repriced monthly.

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12 SHARE CAPITAL

	Number of Shares			
	Share capital		Treasury shares	
	2017	2016	**2017**	2016
	'000	'000	**'000**	'000
Company				
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**45,113**	45,113	**(2,348)**	(752)
Purchase of treasury shares	**–**	–	**(638)**	(1,596)
Bonus share issue*	**21,671**	–	**–**	–
Issue of treasury shares to management under Performance Share Plan	**–**	–	**667**	–
Exercise of share options	**–**	–	**452**	–
Issued in business combination	**–**	–	**600**	–
At 31 December	**66,784**	45,113	**(1,267)**	(2,348)

* On 18 April 2017, the Group completed a bonus share issue of 1 additional share for every 2 ordinary shares held.

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

During the year, the Company purchased 638,000 (2016: 1,596,000) of its own shares from the open market and as at the end of 31 December 2017, the treasury shares balance was 1,267,000 (2016: 2,348,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 65,517,000 (2016: 42,765,000).

During the year, 667,000 shares were issued out of the treasury shares under the Performance Share Plan (2016: nil), 452,000 shares were issued out of the treasury shares for share options exercised (2016: nil), 600,000 shares were issued out of the treasury shares as a result of the acquisition of InspiRain (see note 7) (2016: nil).

Capital management

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

13 RESERVES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Reserve for own shares	**(2,173)**	(1,264)	**(2,173)**	(1,264)
Other reserves	**1,146**	161	**985**	–
Share compensation reserve	**3,232**	759	**3,232**	759
Currency translation reserve	**(12,992)**	(11,004)	**–**	–
	10,787	(11,348)	**2,044**	(505)

Reserve for own shares

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

Other reserves

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

Share compensation reserve

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

Currency translation reserve

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations.

14 FINANCIAL LIABILITIES

	Group	
	2017	2016
	$'000	$'000
Non-current liabilities		
Finance lease liabilities	**–**	7
Current liabilities		
Finance lease liabilities	**7**	78
Total borrowings	**7**	85
Maturity of liabilities:		
Within 1 year	**7**	78
After 1 year but within 5 years	**–**	7
	7	85

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

NOTES TO THE
FINANCIAL STATEMENTS

14 FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2017 Face value $'000	2017 Carrying amount $'000	2016 Face value $'000	2016 Carrying amount $'000
Group						
Finance lease liabilities	3.1%	2018	**7**	**7**	88	85

The following are the contractual maturities of financial liabilities:

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Cash flows: Within 1 year $'000	Cash flows: Within 1 to 5 years $'000
Group				
2017				
Finance lease liabilities	**7**	**(7)**	**(7)**	**–**
Trade and other payables#	**52,027**	**(52,027)**	**(52,027)**	**–**
Recognised financial liabilities	**52,034**	**(52,034)**	**(52,034)**	**–**
2016				
Finance lease liabilities	85	(88)	(81)	(7)
Trade and other payables	16,713	(16,713)	(16,713)	–
Recognised financial liabilities	16,798	(16,801)	(16,794)	(7)
Company				
2017				
Trade and other payables#	**4,566**	**(4,566)**	**(4,566)**	**–**
2016				
Trade and other payables	1,149	(1,149)	(1,149)	–
Recognised financial liabilities	1,149	(1,149)	(1,149)	–
Intragroup financial guarantee	–	(222)	(222)	–
	1,149	(1,371)	(1,371)	–

\# Excludes tax recoverables

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

	Borrowings $'000	Finance lease liabilities $'000	Total $'000
Balance at 1 January 2017	**–**	**85**	**85**
Changes from financing cash flows			
Interest paid	**(16)**	**(3)**	**(19)**
Proceeds from borrowings	**1,351**	**–**	**1,351**
Repayment of borrowings	**(1,351)**	**–**	**(1,351)**
Repayment of finance lease liabilities	**–**	**(81)**	**(81)**
Total changes from financing cash flows	**(16)**	**(84)**	**(100)**
Liability-related			
Interest expense	**16**	**3**	**19**
Others	**–**	**3**	**3**
Total liability-related other changes	**–**	**6**	**22**
Balance at 31 December 2017	**–**	**7**	**7**

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15 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables	**41,775**	13,135	**–**	–
Accrued operating expenses	**7,292**	2,827	**2,112**	1,024
Deposits received	**1**	332	**–**	–
Other payables	**3,146**	419	**2,643**	125
	52,214	16,713	**4,755**	1,149

Accrued operating expenses include a provision for sales rebate of $399,000 (2016: $435,000) relating to the final cash settlement with a customer for products dispute in 2010.

Other payables include deferred consideration relating to the acquisition of a subsidiary of $1,433,000 (2016: nil).

16 DEFERRED TAX

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

	At 1 January 2016 $'000	Recognised in profit or loss (Note 22) $'000	Translation adjustment $'000	At 31 December 2016 $'000	Recognised in profit or loss (Note 22) $'000	Acquired in business combination (Note 7) $'000	Translation adjustment $'000	At 31 December 2017 $'000
Group								
Deferred tax liabilities								
Property, plant and equipment	78	–	(2)	76	(42)	–	1	35
Provisions	(21)	–	1	(20)	–	–	(1)	(21)
Intangible assets	–	–	–	–	–	309	–	309
Others	(14)	–	–	(14)	–	–	–	(14)
	43	–	(1)	42	(42)	309	–	309
Deferred tax assets								
Property, plant and equipment	(13)	(20)	1	(32)	214	–	(11)	171
Provisions	(75)	29	2	(44)	(141)	–	14	(171)
Tax loss carry-forward	(1,027)	1,027	–	–	–	–	–	–
	(1,115)	1,036	3	(76)	73	–	3	–
Company								
Deferred tax assets								
Property, plant and equipment	(2)	1	–	(1)	5	–	–	4
Provisions	(40)	37	–	(3)	(1)	–	–	(4)
Tax loss carry-forward	(286)	286	–	–	–	–	–	–
	(328)	324	–	(4)	4	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

16 DEFERRED TAX (CONT'D)

In 2016, deferred tax assets recognised in relation to tax losses carry-forward related to the Company and a subsidiary which suffered losses in prior years. The deferred tax assets were subsequently utilised against taxable profits.

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities	**309**	42	**–**	–
Deferred tax assets	**–**	(76)	**–**	(4)

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.

17 PROVISIONS

Group	Warranties $'000	Site restoration $'000
At 1 January 2016	210	261
Provisions made	29	–
Translation adjustment	4	5
Unwind of discount	–	14
At 31 December 2016	243	280
Provisions made	178	–
Translation adjustment	(26)	(21)
Unwind of discount	–	18
At 31 December 2017	**395**	**277**

	Group	
	2017	2016
	$'000	$'000
Non-current	**277**	280
Current	**395**	243
	672	523

Company	Site restoration $'000
At 1 January 2016	16
Unwind of discount	1
At 31 December 2016	17
Unwind of discount	1
At 31 December 2017	**18**

NOTES TO THE FINANCIAL STATEMENTS

17 PROVISIONS (CONT'D)

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

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

18 SHARE-BASED PAYMENT

Employee share options

The AEM Holdings Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 13 April 2015. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Keith Toh Hsiang-Wen
- Adrian Chan Pengee

Other information regarding the Scheme is set out below:

(i) The exercise price of the options shall be at up to a maximum discount of 20% to the market price immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. The subscription price shall not be less than the nominal amount of the share.

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

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

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

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

Market Price Options are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant.

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

NOTES TO THE
FINANCIAL STATEMENTS

18 SHARE-BASED PAYMENT (CONT'D)

Employee share options (Cont'd)

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 2017 $	**No. of options 2017 '000**	Weighted average exercise price 2016* $	No. of options 2016 '000
Outstanding at 1 January	**0.324**	**327**	–	–
Granted during the year*	**1.130**	**1,095**	0.324	327
Exercised during the year	**0.324**	**(452)**	–	–
Forfeited during the year	**0.324**	**(25)**	–	–
Outstanding at 31 December	**1.031**	**945**	0.324	327
Exercisable at 31 December	**0.324**	**1**	–	–

* Amounts were adjusted for the bonus share issue completed in April 2017 (see note 12).

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:

	23 August 2017		
	Tranche 1	**Tranche 2**	**Tranche 3**
Fair value at grant date	**$0.590**	**$0.660**	**$0.720**
Share price at grant date	**$2.540**	**$2.540**	**$2.540**
Exercise price	**$2.510**	**$2.510**	**$2.510**
Expected volatility (weighted average)	**40%**	**40%**	**40%**
Expected life (weighted average)	**3**	**4**	**5**
Expected dividends	**0.0245**	**0.0245**	**0.0245**
Risk-free interest rate (based on government bonds)	**1.490**	**1.560**	**1.680**

	27 February 2017		
	Tranche 1	**Tranche 2**	**Tranche 3**
Fair value at grant date	**$0.153**	**$0.167**	**$0.180**
Share price at grant date*	**$0.793**	**$0.793**	**$0.793**
Exercise price*	**$0.786**	**$0.786**	**$0.786**
Expected volatility (weighted average)	**40%**	**40%**	**40%**
Expected life (weighted average)	**3**	**4**	**5**
Expected dividends	**0.0245**	**0.0245**	**0.0245**
Risk-free interest rate (based on government bonds)	**1.386**	**1.522**	**1.693**

* Prices were adjusted for the bonus share issue in April 2017 (see note 12).

NOTES TO THE
FINANCIAL STATEMENTS

18 SHARE-BASED PAYMENT (CONT'D)

Employee share options (Cont'd)

		12 May 2016	
	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	$0.087	$0.093	$0.107
Share price at grant date*	$0.333	$0.333	$0.333
Exercise price*	$0.324	$0.324	$0.324
Expected volatility (weighted average)	36%	36%	36%
Expected life (weighted average)	3	4	5
Expected dividends	$0.010	$0.010	$0.010
Risk-free interest rate (based on government bonds)	1.208	1.385	1.563

* Prices were adjusted for the bonus share issue in April 2017 (see note 12).

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour. In 2017, the Group recognised $162,000 (2016: $29,000) expenses for share options granted.

Performance Share Plan

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.

During the year, the Group recognised $2,296,000 (2016: $500,000) performance share expenses for 525,000 (2016: 597,000) performance shares granted subsequent to reporting date to certain key management personnel. The weighted average fair value of the shares was $4.37 (2016: $0.860) per share, based on the closing share price of the Company at the reporting date and the discount for the sale restriction moratorium on the performance shares grant.

	Group	
	2017	2016
	$'000	$'000
Share compensation reserve		
At 1 January	**759**	230
Issue of shares options	**162**	29
Performance shares	**2,311**	500
	3,232	759

NOTES TO THE FINANCIAL STATEMENTS

19 REVENUE

Group	Continuing operations 2017 $'000	Continuing operations 2016 $'000	Discontinue operations (Note 29) 2017 $'000	Discontinue operations (Note 29) 2016 $'000	Consolidated 2017 $'000	Consolidated 2016 $'000
Sale of goods	**212,451**	65,322	**–**	30	**212,451**	65,352
Revenue from services rendered	**9,171**	4,801	**–**	–	**9,171**	4,801
	221,622	70,123	**–**	30	**221,622**	70,153

20 NET FINANCE INCOME/(COSTS)

	Group 2017 $'000	Group 2016 $'000
Interest income on fixed deposits	**36**	16
Other interest income	**37**	–
Finance income	**73**	16
Interest expense on finance lease liabilities	**(3)**	(7)
Interest expense on secured bank loan	**(16)**	–
Unwind of discount on site restoration provision	**(18)**	(14)
Finance costs	**(37)**	(21)
Net finance income/(costs)	**36**	(5)

NOTES TO THE FINANCIAL STATEMENTS

21 PROFIT FOR THE YEAR

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

	2017 $'000	2016 $'000
Continuing operations		
Audit fees paid/payable to:		
– auditors of the Company	**185**	170
– other auditors	**2**	20
Non-audit fees paid/payable to		
– auditors of the Company	**40**	16
Reversal of allowance for stock obsolescence	**(692)**	(696)
Contributions to defined contribution plans included in staff costs	**1,720**	1,267
Directors' fees	**343**	325
Equity-settled share-based payment expenses	**2,473**	529
Foreign exchange loss	**1,362**	347
(Gain)/loss on disposal of property, plant and equipment	**(3)**	8
Loss/(gain) on liquidation of subsidiaries	**695**	(15)
Loss on disposal of subsidiaries	**–**	463
Reversal of impairment loss on property, plant and equipment	**–**	(213)
Operating lease expense	**2,017**	1,591
Provision made for warranties	**178**	29
Rental income	**–**	(17)
Research and development costs included in staff costs, materials, overheads and depreciation expense	**3,510**	3,025
Discontinued operations		
Reversal of stock obsolescence		(105)
Contributions to defined contribution plans included in staff costs		9
Operating lease expense		4

22 TAX EXPENSE

	Group	
	2017 $'000	2016 $'000
Current tax expense		
Current year	**5,970**	370
Over provision in prior years	**(654)**	(81)
	5,316	289
Deferred tax expense		
Origination and reversal of temporary differences	**56**	757
(Over)/under provision in prior years	**(25)**	279
	31	1,036
Total tax expense	**5,347**	1,325

NOTES TO THE
FINANCIAL STATEMENTS

22 TAX EXPENSE (CONT'D)

	Group	
	2017	2016
	$'000	$'000
Reconciliation of effective tax rate		
Profit before tax from continuing operations	**36,836**	6,091
Income tax using Singapore tax rate of 17%	**6,262**	1,035
Effect of different tax rates in other countries	**23**	(68)
Effect of results from equity-accounted investee presented net of tax	**18**	76
Tax exempt income	**(54)**	(75)
Tax incentives	**(661)**	(777)
Expenses not deductible for tax purposes	**526**	96
(Over)/under provision in prior years	**(679)**	198
Change in unrecognised temporary differences	**(33)**	–
Current year losses for which no deferred tax asset was recognised	**93**	222
Others	**(148)**	618
	5,347	1,325

23 EARNINGS PER SHARE

The calculation of basic earnings per share was based on net profit attributable to ordinary shareholders of profit $31,489,000 (2016: $4,657,000) and the weighted average of 65,075,000 (2016: 65,382,000*) shares outstanding during the year.

The diluted earnings per share is based on net profit attributable to ordinary shareholders of profit $31,489,000 (2016: $4,657,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 66,330,000 (2016: 65,695,000*) calculated as follows:

	Group					
	2017			2016		
	Continuing operations $'000	**Discontinued operation $'000**	**Total $'000**	Continuing operations $'000	Discontinued operation $'000	Total $'000
Basic and diluted earnings per share is based on:						
Profit attributable to ordinary shareholders	**31,489**	**–**	**31,489**	4,766	(109)	4,657

* On 18 April 2017, the Group completed a bonus share issue of 1 additional share for every 2 ordinary shares held. The weighted average number of ordinary shares outstanding for 2016 has been retrospectively adjusted for the effects of the bonus share issue.

NOTES TO THE FINANCIAL STATEMENTS

23 EARNINGS PER SHARE (CONT'D)

Weighted average number of ordinary shares

	Group	
	2017	2016
	'000	'000
Issued ordinary shares at 1 January (excluding treasury shares)	**42,765**	44,361
Bonus share issue*	**21,671**	21,794
Effect of performance shares issued	**512**	–
Effect of share options exercised	**61**	–
Effect of shares issued for business combination	**141**	–
Effect of own shares held	**(75)**	(773)
Weighted average number of ordinary shares (basic) during the year	**65,075**	65,382

Weighted average number of ordinary shares (diluted)

	Group	
	2017	2016*
	'000	'000
Weighted average number of ordinary shares (basic)	**65,075**	65,382
Effect of share options on issue	**730**	313
Effect of performance shares granted but not issued	**525**	–
Weighted average number of ordinary shares (diluted) during the year	**66,330**	65,695

* On 18 April 2017, the Group completed a bonus share issue of 1 additional share for every 2 ordinary shares held. The weighted average number of ordinary shares outstanding for 2016 has been retrospectively adjusted for the effects of the bonus share issue.

24 COMMITMENTS

Operating lease commitments

At 31 December 2017, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2017	2016
	$'000	$'000
Payable:		
– Within 1 year	**2,237**	1,883
– After 1 year but within 5 years	**2,322**	3,783
	4,559	5,666

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

NOTES TO THE FINANCIAL STATEMENTS

24 COMMITMENTS (CONT'D)

Sub-lease receivables

At 31 December 2017, the Group has sub-lease income receivable under non-cancellable operating leases as follows:

	Group	
	2017	2016
	$'000	$'000
Receivable:		
– Within 1 year	**–**	10
– After 1 year but within 5 years	**–**	2
	–	12

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2017	2016
	$'000	$'000
Advisory fee paid to a private equity firm of which a director is a partner	**313**	96

Key management personnel compensation comprised:

	Group	
	2017	2016
	$'000	$'000
Short-term employee benefits	**3,961**	2,201
Share based payment	**2,119**	711
Post-employment benefits	**276**	162
	6,356	3,074

NOTES TO THE FINANCIAL STATEMENTS

26 SEGMENT INFORMATION

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

The Group's reportable segments are as follows:

- Equipment systems solutions (ESS)

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

- Precision component solutions (PCS)

  Designing, developing and manufacturing precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.

- Plating & chemicals (PLT)

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

- Others

  Non allocated, dormant companies and other activities.

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

NOTES TO THE FINANCIAL STATEMENTS

26 SEGMENT INFORMATION (CONT'D)

Information about reportable segments:

	ESS $'000	PCS $'000	Others $'000	PLT (Discontinued) $'000	Total $'000
2017					
Revenue	**214,795**	**6,827**	**–**	**–**	**221,622**
Depreciation and amortisation	**(477)**	**(221)**	**–**	**–**	**(698)**
Finance income	**71**	**2**	**–**	**–**	**73**
Finance costs	**(35)**	**(2)**	**–**	**–**	**(37)**
Tax expense	**(5,178)**	**(169)**	**–**	**–**	**(5,347)**
Share of loss of equity-accounted investee	**–**	**–**	**(105)**	**–**	**(105)**
Profit/(loss) for the year	**31,030**	**1,258**	**(799)**	**–**	**31,489**
Reportable segment assets	**110,814**	**5,846**	**–**	**–**	**116,660**
Reportable segment liabilities	**55,076**	**3,774**	**–**	**–**	**58,850**
Other segment information					
Equity-accounted investee	**–**	**–**	**4,133**	**–**	**4,133**
Expenditure for non-current assets	**2,266**	**185**	**–**	**–**	**2,451**
Other material non-cash items:					
Loss on disposal/liquidation of subsidiaries	**–**	**–**	**(695)**	**–**	**(695)**
Reversal of allowance made for stock obsolescence	**692**	**–**	**–**	**–**	**692**
2016					
Revenue	64,436	5,687	–	30	70,153
Depreciation and amortisation	(752)	(66)	–	(37)	(855)
Finance income	12	1	3	–	16
Finance costs	(19)	(2)	–	–	(21)
Tax expense	(1,218)	(107)	–	–	(1,325)
Share of loss of equity-accounted investee	–	–	(449)	–	(449)
Profit/(loss) for the year	5,870	(641)	(463)	(109)	4,657
Reportable segment assets	43,451	4,945	–	–	48,396
Reportable segment liabilities	16,125	2,043	–	–	18,168
Other segment information					
Equity-accounted investee	–	–	4,499	–	4,499
Expenditure for non-current assets	390	215	–	–	605
Other material non-cash items:					
Loss on disposal/liquidation of subsidiaries	–	–	(448)	–	(448)
Reversal of allowance made for stock obsolescence	396	300	–	105	801
Reversal of impairment loss on plant and equipment	–	213	–	–	213

NOTES TO THE FINANCIAL STATEMENTS

26 SEGMENT INFORMATION (CONT'D)

Geographical information

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

	2017		2016	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	$'000	**$'000**	$'000	$'000
Singapore	**2,856**	**10,227**	2,258	6,127
Malaysia	**89,886**	**796**	20,501	510
China	**12,581**	**182**	3,851	229
USA	**51,026**	**–**	23,193	–
Vietnam	**57,316**	**–**	18,846	–
Other countries	**7,957**	**–**	1,474	–
	221,622	**11,205**	70,123	6,866

Major customers

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

	ESS		**PCS**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Customer A	**212,251**	54,995	**418**	189

27 FINANCIAL RISK MANAGEMENT

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

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

NOTES TO THE
FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONT'D)

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.

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

At the reporting date, three major customers accounted for 95% (2016: 93%) of total trade receivables of the Group. There is no other concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

(a) Foreign currency risk of reporting subsidiaries

The functional currency of the Group's key operating subsidiary is the US dollar (USD) as the sales revenues are mostly denominated in the US dollar. This subsidiary accounts for a substantial proportion of the Group's revenue and has transactional currency exposures arising from materials purchases and local operating overheads that are denominated in currencies other than US dollar. The primary currency giving rise to this exposure is mainly the Singapore dollar.

Exposure to foreign currency transaction risk is monitored on an on-going basis and the Group endeavours to manage its exposure through adjustments of its products selling prices and natural hedges by sourcing supplies in the same functional currency. Currencies other than the US dollar are bought as and when required.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Foreign currency risk (Cont'd)

(a) Foreign currency risk of reporting subsidiaries (Cont'd)

Foreign currency translation exposure arises when the monetary assets and liabilities of the key operating subsidiary denominated in currencies other than the US dollar at the reporting date are retranslated to the US dollar functional currency at the exchange rate at the reporting date. The currency with the primary translation risk is the Singapore dollar for the US dollar functional currency subsidiary.

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

(b) Foreign currency risk of the Group and Company

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

	31 December 2017		31 December 2016	
	SGD	**USD**	SGD	USD
Group	**$'000**	**$'000**	$'000	$'000
Trade and other receivables	**2,172**	**19,895**	4,664	42
Cash and cash equivalents	**5,498**	**39,667**	930	589
Trade and other payables	**(31,628)**	**(18,560)**	(4,123)	(36)
	(23,958)	**41,002**	1,471	595
Company				
Cash and cash equivalents	**–**	**400**	–	439

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	Group Profit or loss		**Company Profit or loss**	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
SGD	**2,396**	(147)	**–**	–
USD	**(4,100)**	(60)	**(40)**	(44)

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

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FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (Cont'd)

Foreign currency risk (Cont'd)

(c) *Translation risk arising from reporting of Group consolidated results in SGD*

The Group reports its consolidated results in SGD. The assets and liabilities of the operations, denominated in foreign currencies, are translated to Singapore dollars at exchange rates prevailing at the reporting date. Exchange differences arising on such translation are recognised directly in equity. The currencies giving rise to this risk are primarily the US dollar and secondarily the Malaysian Ringgit (MYR) and Chinese Renminbi (RMB). The Group does not hedge its foreign currency consolidation translation exposure.

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

	31 December 2017			31 December 2016		
	USD	**MYR**	**RMB**	USD	MYR	RMB
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Group						
Net assets	**51,164**	**968**	**1,134**	24,445	794	1,127

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would decrease net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

	31 December 2017	31 December 2016
	$'000	$'000
Group		
USD (10% strengthening)	**(5,116)**	(2,445)
MYR (10% strengthening)	**(97)**	(79)
RMB (10% strengthening)	**(113)**	(113)

Estimation of fair value

Financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

28 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's statements of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statements of financial position.

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements:

	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities offset in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000
Company			
31 December 2017			
Financial assets			
Amounts due from subsidiaries:			
– trade	**4,197**	**–**	**4,197**
– non-trade	**319**	**(74)**	**245**
Total	**4,516**	**(74)**	**4,442**
31 December 2016			
Financial assets			
Amounts due from subsidiaries:			
– trade	3,417	–	3,417
– non–trade	281	(15)	266
Total	3,698	(15)	3,683

There are no financial assets and liabilities that are offset in the Group's statement of financial position; or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- amounts due from subsidiaries – amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

28 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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

Company

31 December 2017

Types of financial assets	**Net amounts $'000**	**Line item in statement of financial position**	**Carrying amount in statement of financial position $'000**	**Financial assets not in scope of offsetting disclosures $'000**	**Note**
Amounts due from subsidiaries:		Current trade and other receivables			
– trade	**4,197**		**4,841**	**399**	**10**
– non-trade	**245**				

31 December 2016

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

NOTES TO THE FINANCIAL STATEMENTS

29 DISCONTINUED OPERATIONS

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

	Note	Group 2016 $'000
Results of discontinued operation		
Revenue		30
Expenses		(139)
Loss from operating activities		(109)
Tax		–
Loss from operating activities, net of tax		(109)
Loss for the year		(109)
Basic loss per share (cents)	23	(0.17)
Diluted loss per share (cents)	23	(0.17)

In 2016, $109,000 of the loss from discontinued operations was attributable to the owners of the Company.

In 2016, $4,766,000 of profit from continuing operations was attributable to the owners of the Company.

	Group 2016 $'000
Cash flows from discontinued operation	
Net cash used in operating activities	(116)
Net cash used in investing activities	(7)
Effect of exchange rate fluctuations on cash held	80
Net cash outflow for the year	(43)

NOTES TO THE
FINANCIAL STATEMENTS

29 DISCONTINUED OPERATIONS (CONT'D)

Effect of disposal on the financial position of the Group

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

30 SUBSEQUENT EVENTS

a) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of 6.5 cents per share for the year. The total amount of dividends expected to be paid is $4,378,000. The dividend will be paid on 31 May 2018 upon approval.

b) On 31 January 2018, the Board of Directors has announced the grants of 525,000 shares under the Performance Share Plan as a reward to certain key management personnel for target performance achieved in 2017. The corresponding employee expenses have been recognised in 2017. The share price on the date of grant was $4.97.

c) On 23 February 2018, the Board of Directors has announced to undertake a bonus issue of 3 new ordinary shares for every 1 ordinary share held for the purpose of encouraging trading liquidity of the shares and to give due recognition to shareholders for their continuing support for the Company. The approval-in-principle by the Singapore Exchange Securities Trading Limited for the dealing in, listing of and quotation for the bonus shares on the Official List of the Main Board of the SGX-ST was received on 13 March 2018.

d) On 28 February 2018, the Group completed the acquisition of 100% of the shares and voting interest in Afore Oy, a privately-owned company based in Finland for an aggregate consideration of €7,579,000 (approximately S$12,326,000). The consideration comprises cash consideration of €4,971,000 (approximately S$8,085,000) and 867,555 of the Company's ordinary shares (valued at approximately S$4,241,000 or €2,608,000).

NOTES TO THE FINANCIAL STATEMENTS

30 SUBSEQUENT EVENTS (CONT'D)

Afore Oy is a leading micro-electro-mechanical systems test solutions provider and acquiring Afore Oy will provide the Group with high-performance test capabilities and solutions in the Micro-Electro-Mechanical Systems ("MEMS") market. The Group intends to leverage on Afore Oy's capabilities to expand its product and customer portfolio in the semiconductor and industrials sectors. The combination of the Group and Afore Oy should yield significant business synergies through the combination of Afore Oy's products and technology capabilities with the Group's global sales, manufacturing and field support networks. The combined company should be well positioned to provide high-performance MEMS test solutions to large, advanced manufacturers worldwide.

The Group is in the process of carrying out the purchase price allocation exercise to ascertain the fair values of the net assets acquired.

e) On 2 March 2018, the Group completed the acquisition of 100% of the shares and voting interest in IRIS Solution Pte Ltd ("IRIS Solution"), a privately-owned company based in Singapore, for an aggregate cash consideration of $1,500,000.

IRIS Solution is a company incorporated in Singapore and engaged in the business of research, development and integration of machine vision solutions and acquiring IRIS Solution will provide the Group with know-how and innovative technical capabilities in creating machine vision test solutions for global industrial customers. This would deepen the capabilities of the Group and enhance the product range and services that the Group can offer to semiconductor and industrial sectors.

The Group is in the process of carrying out the purchase price allocation exercise to ascertain the fair values of the net assets acquired.

INFORMATION ON SHAREHOLDINGS

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	85	3.11%	3,433	0.01%
100 – 1,000	665	24.36%	458,725	0.68%
1,001 – 10,000	1,548	56.70%	5,682,124	8.42%
10,001 – 1,000,000	422	15.46%	24,055,197	35.65%
1,000,001 AND ABOVE	10	0.17%	37,278,330	55.24%
	2,730	100%	67,477,809	100%

Number of issued shares	:	68,269,580
Number of issued shares (excluding treasury shares)	:	67,477,809
Number/Percentage of Treasury Shares	:	791,771 (1.17%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 15 March 2018, approximately 80.364% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Top Twenty Shareholders as at 15 March 2018

S/No.	Name	No. of Shares	Percentage
1	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	12,424,902	18.41%
2	DBS NOMINEES PTE LTD	6,951,717	10.30%
3	CITIBANK NOMINEES SINGAPORE PTE LTD	3,733,024	5.53%
4	HSBC (SINGAPORE) NOMINEES PTE LTD	2,731,300	4.05%
5	MAYBANK KIM ENG SECURITIES PTE LTD	2,658,050	3.94%
6	DB NOMINEES (SINGAPORE) PTE LTD	2,361,400	3.50%
7	BPSS NOMINEES SINGAPORE (PTE.) LTD.	2,135,700	3.17%
8	RAFFLES NOMINEES (PTE) LTD	1,765,480	2.62%
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,295,145	1.92%
10	CHER LEW SIANG CHARLES	1,221,612	1.81%
11	UNITED OVERSEAS BANK NOMINEES (PTE) LIMITED	918,100	1.36%
12	MERRILL LYNCH (SINGAPORE) PTE LTD	838,200	1.24%
13	OCBC SECURITIES PRIVATE LTD	755,770	1.12%
14	POH BOON KHER MELVIN (FU WENKE MELVIN)	700,000	1.04%
15	GORDON CAI ZHEN QIANG	670,000	0.99%
16	PHILLIP SECURITIES PTE LTD	647,306	0.96%
17	OCBC NOMINEES SINGAPORE PTE LTD	601,020	0.89%
18	RONIE TAN CHOO SENG	500,000	0.74%
19	ONG ENG BOON	465,000	0.69%
20	YEO WEI HUANG	457,500	0.68%
		43,831,226	64.96%

INFORMATION ON SHAREHOLDINGS

Substantial Shareholders as at 15 March 2018

	No of Shares			
Name of Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Orion Phoenix[1]	11,583,353	17.166	–	–
Novo Tellus PE Fund 1, L.P.[2]	–	–	11,583,353	17.166

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

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

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2018 Annual General Meeting of the Company will be held at Serangoon Gardens Country Club (Casuarina room), 22 Kensington Park Road Singapore 557271 on Thursday, 26 April 2018 at 3:00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2017 with the Auditors' Report thereon. Resolution 1

2. To declare a final exempt (one-tier) dividend of 6.50 cents per ordinary share for the year ended 31 December 2017. Resolution 2

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

   Mr Basil Chan (Regulation 109)

   Note: Mr Basil Chan shall, upon re-election as Director of the Company, remain as Chairman of the Audit & Risk Management Committee and Remuneration Committee and as a member of the Nominating Committee. Mr Basil Chan shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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

   Mr Adrian Chan Pengee (Regulation 119)

   Note: Mr Adrian Chan Pengee shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit & Risk Management Committee and Remuneration Committee. Mr Adrian Chan Pengee shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-elect the following Director retiring pursuant to the Company's Constitution: Resolution 5

   Mr James Toh Ban Leng (Regulation 119)

   Note: Mr James Toh Ban Leng shall, upon re-election as Director of the Company, remain as a member of the Audit & Risk Management Committee and Remuneration Committee.

6. To approve the Directors' fees of $287,000 for the financial year ending 31 December 2018, payable quarterly in arrears. Resolution 6

7. To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 7

NOTICE OF
ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without amendments:

8. **Proposed Share Issue Mandate** Resolution 8

"That pursuant to Section 161 of the Companies Act, Cap. 50. and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

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

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

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(A) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (A) above, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

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

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

[See Explanatory Note (i)]

9. **Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017** Resolution 9

"That:

(a) approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the AEM Holdings Employee Share Option Scheme 2014 and/or grant awards in accordance with the provisions of the AEM Performance Share Plan 2017; and

(b) approval be and is hereby given to the Directors to exercise full powers of the Company to issue and allot shares in the capital of the Company as may be required to be issued and allotted, in connection with or pursuant to the exercise of the options granted under the AEM Holdings Employee Share Option Scheme 2014 and/or the vesting of awards under the AEM Performance Share Plan 2017;

provided that the aggregate number of shares to be issued and allotted pursuant to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan 2017 shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time."

[See Explanatory Note (ii)]

10. **Share Purchase Mandate Renewal** Resolution 10

"That:

(a) for the purposes of the Companies Act of Singapore, Chapter 50 (the "**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire fully paid issued ordinary shares in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:–

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may from the time being be listed and quoted ("**Other Exchange**"); and/or

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ANNUAL GENERAL MEETING

(ii) off-market purchase(s) if effected otherwise than on the SGX-ST or, as the case may be, other Exchange in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:–

(i) the date on which the next annual general meeting of the Company is held; and

(ii) the date by which the next annual general meeting of the Company is required by law to be held; and

(c) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such other acts and things as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

In this Resolution:

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

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

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

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

where:–

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

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ANNUAL GENERAL MEETING

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off market purchase."

[See Explanatory Note (iii)]

11. To transact any other business which may be properly transacted at an Annual General Meeting.

Explanatory Notes:

(i) The proposed Resolution 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(ii) The proposed Resolution 9 above, if passed, will empower the Directors to take certain actions relating to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan 2017. Directors may exercise their power to issue and allot shares in the Company pursuant to the exercise of options under the AEM Holdings Employee Share Option Scheme 2014 or the vesting of the awards under the AEM Performance Share Plan 2017, provided that the aggregate number of shares to be issued and allotted shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 8.

(iii) The proposed Resolution 10 above, if passed, will empower the Directors of the Company from the date of above Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Resolution at a Maximum Price (as defined in Resolution 10 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 10 above) is set out in the Letter to Shareholders dated 11 April 2018.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of AEM Holdings Ltd. (the "Company") will be closed on 23 May 2018 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of 6.50 cents per ordinary share in respect of the financial year ended 31 December 2017 ("Proposed Final Dividend"). The Proposed Final Dividend, if approved by shareholders at the 2018 Annual General Meeting, will be paid on 31 May 2018.

Duly completed transfers received by the Company's Share Registrar, Intertrust Singapore Corporate Services Pte Ltd at 77 Robinson Road #13-00, Robinson 77, Singapore 068896 up to the close of business at 5:00 p.m. on 22 May 2018 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5:00 p.m. on 22 May 2018 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final Dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order of the Board

Soh Wai Kong
Company Secretary

Date: 11 April 2018

Notes:

a) A member entitled to attend and vote at a general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

b) Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at a general meeting. Relevant intermediary is either:
   (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
   (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
   (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not less than 72 hours before the meeting.

d) A proxy need not be a member of the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

AEM HOLDINGS LTD.

Registration No: 200006417D

PROXY FORM

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ______________________________ NRIC/Passport No./Registration No. ______________

of ____

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2018 Annual General Meeting of the Company to be held at Serangoon Gardens Country Club (Casuarina room), 22 Kensington Park Road Singapore 557271 on Thursday, 26 April 2018 at 3:00 p.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
1	Directors' Statement and Audited Accounts for the year ended 31 December 2017		
2	Approval of Final Dividend		
3	Re-election of Mr Basil Chan as Director		
4	Re-election of Mr Adrian Chan Pengee as Director		
5	Re-election of Mr James Toh Ban Leng as Director		
6	Approval of Directors' fees for the year ending 31 December 2018		
7	Re-appointment of KPMG LLP as Auditors		
8	Proposed Share Issue Mandate		
9	Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017		
10	Share Purchase Mandate Renewal		

Dated this __________ day of ________________ 2018

Total number of Shares held

____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative. A proxy need not be a member of the Company.

3. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the general meeting. Relevant intermediary is either:

    (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

    (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or

    (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not less than 72 hours before the time set for the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorized in writing or by an authorised officer of the corporation.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2018.

AEM HOLDINGS LIMITED

52 Serangoon North Avenue 4, Singapore 555853

Tel: (65) 6483 1811 Fax: (65) 6483 1822

www.aem.com.sg

Registration No. 200006417D