# SGXNET Announcement

**AEM Holdings Ltd**
**(Registration No. 200006417D)**
**Unaudited Second Quarter and Half Year**
**Financial Statements and Dividend Announcement**
**For The Period Ended 30 June 2019**

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## 1. Financial Statements

## 1(a)(i). Consolidated Income Statement

| | Note | Quarterly Results | | | YTD Results | | |
|---|---|---|---|---|---|---|---|
| | | 2Q2019 S$'000 | 2Q2018 S$'000 | Change* % | 1H2019 S$'000 | 1H2018 S$'000 | Change* % |
| Revenue | | 97,919 | 72,658 | 34.8% | 150,635 | 138,308 | 8.9% |
| Other income | | 261 | 269 | -3.0% | 359 | 258 | 39.1% |
| Changes in inventories of finished goods and work-in-progress | A.2 | (794) | 9,433 | -108.4% | 14,832 | 13,304 | 11.5% |
| Raw materials and other consumables | A.2 | (61,978) | (59,221) | -4.7% | (110,163) | (106,302) | -3.6% |
| Staff costs | | (11,311) | (8,173) | -38.4% | (19,584) | (16,478) | -18.8% |
| Depreciation expense | | (981) | (263) | -273.0% | (2,062) | (525) | -292.8% |
| Amortisation of intangible assets | | (409) | (77) | -431.2% | (840) | (160) | -425.0% |
| Operating lease expenses | | (509) | (1,066) | 52.3% | (872) | (1,944) | 55.1% |
| Legal and professional fees | | (373) | (553) | 32.5% | (820) | (1,304) | 37.1% |
| Sales and marketing expenses | | (2,695) | (1,265) | -113.0% | (4,253) | (2,446) | -73.9% |
| Other expenses | | (147) | (200) | 26.5% | (344) | (972) | 64.6% |
| Finance expenses | | (44) | (12) | -266.7% | (57) | (17) | -235.3% |
| Share of gain/ (loss) of equity-accounted investee | | 45 | (11) | 509.1% | 134 | (192) | 169.8% |
| **Profit before taxation** | | **18,984** | **11,519** | **64.8%** | **26,965** | **21,530** | **25.2%** |
| Income tax expenses | | (3,276) | (2,024) | -61.9% | (4,661) | (3,817) | -22.1% |
| **Profit for the period** | | **15,708** | **9,495** | **65.4%** | **22,304** | **17,713** | **25.9%** |
| **Profit attributable to:** | | | | | | | |
| Owners of the Company | | **15,708** | **9,495** | **65.4%** | **22,304** | **17,713** | **25.9%** |

** Increase/(Decrease) in Earnings*

## 1(a)(ii). Consolidated Comprehensive Income Statement

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Profit for the period** | | **15,708** | **9,495** | **65.4%** | **22,304** | **17,713** | **25.9%** |
| Other comprehensive income | | | | | | | |
| Foreign currency translation differences | | 418 | 1,370 | -69.5% | (428) | 589 | -172.7% |
| Share of foreign currency translation difference of equity-accounted investee | | 173 | 60 | 188.3% | (43) | (14) | -207.1% |
| **Other comprehensive gain/ (loss) for the period, net of tax** | | **591** | **1,430** | -58.7% | **(471)** | **575** | -181.9% |
| **Total comprehensive income for the period** | | **16,299** | **10,925** | **49.2%** | **21,833** | **18,288** | **19.4%** |
| **Total comprehensive income attributable to:** | | | | | | | |
| Owners of the Company | | **16,299** | **10,925** | **49.2%** | **21,833** | **18,288** | **19.4%** |

** Increase/(Decrease) in Earnings*

## 1(a)(iii). Explanatory Notes to Consolidated Income Statement

**A.1 Profit for continuing operation is arrived at after crediting/(charging) the following items:**

| | | Quarterly Results | | | YTD Results | | |
|---|---|---|---|---|---|---|---|
| | Note | 2Q2019 S$'000 | 2Q2018 S$'000 | Change* % | 1H2019 S$'000 | 1H2018 S$'000 | Change* % |
| Government grant income | | 47 | 73 | -35.6% | 131 | 132 | -0.8% |
| Interest income | | 112 | 52 | 115.4% | 199 | 113 | 76.1% |
| Exchange gain/ (loss), net | A.1(a) | 93 | 140 | -33.6% | 12 | (449) | 102.7% |
| Inventory obsolescence reversal /(allowance) | A.1(b) | - | 78 | -100.0% | (44) | 453 | -109.7% |

** Increase/(Decrease) in Earnings*

**A.1 (a)** Exchange gain in 2Q2019 and 1H2019 arose mainly due to favourable movements in foreign exchange rates between United States dollar and Singapore dollar.

**A.1 (b)** Allowance for inventory obsolescence of S$44,000 in 1H2019 was made for slow-moving inventory.

**A.2 Raw Material and Other Consumables**

| | Quarterly Results | | | YTD Results | | |
|---|---|---|---|---|---|---|
| | 2Q2019 S$'000 | 2Q2018 S$'000 | Change* % | 1H2019 S$'000 | 1H2018 S$'000 | Change* % |
| Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence | (794) | 9,355 | -108.5% | 14,876 | 12,851 | 15.8% |
| Raw materials and consumables cost | (61,978) | (59,221) | -4.7% | (110,163) | (106,302) | -3.6% |
| Material cost before allowance and reversal for inventory obsolescence | (62,772) | (49,866) | -25.9% | (95,287) | (93,451) | -2.0% |
| Inventory obsolescence reversal/ (allowance) | - | 78 | -100.0% | (44) | 453 | -109.7% |
| Total | (62,772) | (49,788) | -26.1% | (95,331) | (92,998) | -2.5% |

** Increase/(Decrease) Earnings*

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S$49.9 million in 2Q2018 to S$62.8 million in 2Q2019, representing an increase of 25.9% and increased from S$93.5 million in 1H2018 to S$95.3 million in 1H2019, representing an increase of 2.0%. Material margin improved in 2Q2019 and 1H2019 mainly due to favourable change in product mix and higher engineering development revenue.

## 1(b)(i). Statement of Financial Position

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 30-Jun-19 S$'000 | 31-Dec-18 S$'000 | 30-Jun-19 S$'000 | 31-Dec-18 S$'000 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 5,651 | 5,725 | 29 | 21 |
| Right of use assets | B.1 | 3,056 | - | - | - |
| Intangible assets and goodwill | | 17,380 | 17,717 | - | - |
| Subsidiaries | | - | - | 26,781 | 26,578 |
| Associate | | 4,250 | 4,153 | 4,667 | 4,667 |
| Deferred tax asset | | 57 | 57 | - | - |
| | | **30,394** | **27,652** | **31,477** | **31,266** |
| **Current assets** | | | | | |
| Inventories | B.2 | 44,387 | 27,433 | - | - |
| Contract cost | | 221 | 788 | - | - |
| Trade and other receivables | B.3 | 50,206 | 17,965 | 6,109 | 7,111 |
| Contract assets | | 2,717 | 3,702 | - | - |
| Cash and cash equivalents | B.4 | 57,371 | 58,890 | 2,061 | 950 |
| | | **154,902** | **108,778** | **8,170** | **8,061** |
| **Total assets** | | **185,296** | **136,430** | **39,647** | **39,327** |
| | | | | | |
| **Equity Attributable to Owners of the Company** | | | | | |
| Share capital | 1(d)(i) | 45,786 | 45,786 | 45,786 | 45,786 |
| Other Reserves | 1(d)(i) | (302) | 95 | 1,262 | 1,188 |
| Accumulated gains/ (losses) | 1(d)(i) | 60,748 | 43,623 | (15,416) | (13,678) |
| | 1(d)(i) | **106,232** | **89,504** | **31,632** | **33,296** |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Financial liabilities | 1(b)(ii) | - | 49 | - | - |
| Lease liabilities | B.1 | 1,285 | - | - | - |
| Trade and other payables | | 907 | 907 | 907 | 907 |
| Deferred tax liabilities | | 1,750 | 1,878 | - | - |
| Provisions | | 461 | 426 | - | - |
| | | **4,403** | **3,260** | **907** | **907** |
| **Current liabilities** | | | | | |
| Financial liabilities | 1(b)(ii) | - | 210 | - | - |
| Lease liabilities | B.1 | 1,894 | - | - | - |
| Trade and other payables | B.5 | 61,892 | 33,094 | 5,758 | 3,812 |
| Contract liabilities | | 2,038 | 2,607 | - | - |
| Current tax payable | | 8,305 | 7,284 | 1,350 | 1,312 |
| Provisions | | 532 | 471 | - | - |
| | | **74,661** | **43,666** | **7,108** | **5,124** |
| **Total liabilities** | | **79,064** | **46,926** | **8,015** | **6,031** |
| | | | | | |
| **Total equity and liabilities** | | **185,296** | **136,430** | **39,647** | **39,327** |

**B.1** The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and lease liability represents its obligation to make lease payments.

**B.2** The increase in inventories was mainly due to an increase in inventory builds for the fulfillment of sales orders.

**B.3** Trade and other receivables increased mainly due to the increased sales in 2Q2019 as compared to the previous quarter.

**B.4** In 1H2019, the Group generated cash flows from operating activities of S$7.7 million, it paid for dividend of S$5.1 million, capital expenditure of S$1.4 million and acquisition of own shares of S$1.2 million.

**B.5** The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.

## 1(b)(ii). Group Borrowings and Debt Securities

| | Group | Group | Group | Group |
|---|---|---|---|---|
| | 30-Jun-19 | 30-Jun-19 | 31-Dec-18 | 31-Dec-18 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| | Secured | Unsecured | Secured | Unsecured |
| ***Amount repayable in one year or less, or on demand*** | | | | |
| - Short term borrowing | - | - | 156 | - |
| - Finance lease liabilities | - | - | 54 | - |
| | **-** | **-** | **210** | **-** |
| ***Amount repayable after one year*** | | | | |
| - Finance lease liabilities | - | - | 49 | - |
| | **-** | **-** | **49** | **-** |
| **Total** | **-** | **-** | **259** | **-** |

Short term borrowing as at 31 December 2018 was secured by a floating charge on business assets of Afore Oy that were being financed.

## 1(c). Consolidated Cash Flow Statement

| | Note | 2Q2019 S$'000 | 2Q2018 S$'000 | 1H2019 S$'000 | 1H2018 S$'000 |
|---|---|---|---|---|---|
| **Profit for the period** | | **15,708** | **9,495** | **22,304** | **17,713** |
| Adjustments for: | | | | | |
| Depreciation and amortisation | | 1,390 | 340 | 2,902 | 685 |
| (Reversal)/ allowance for inventory obsolescence | | - | (78) | 44 | (453) |
| Interest income | | (112) | (52) | (199) | (113) |
| Interest expense | | 44 | 12 | 57 | 17 |
| Equity-settled transactions | | 246 | 45 | 494 | 529 |
| Tax expense | | 3,276 | 2,024 | 4,661 | 3,817 |
| Share of (profit)/ loss from equity accounted investee, net of tax | | (45) | 11 | (134) | 192 |
| **Operating profit before working capital changes** | | **20,507** | **11,797** | **30,129** | **22,387** |
| | | | | | |
| Changes in: | | | | | |
| Inventories | | (263) | (9,684) | (17,118) | (12,596) |
| Contract costs | | 137 | - | 561 | - |
| Contract assets | | 1,312 | - | 937 | - |
| Trade and other receivables | | (21,809) | 10,068 | (31,618) | 737 |
| Contract liabilities | | (716) | - | (549) | - |
| Trade and other payables | | 14,075 | (1,727) | 29,025 | 6,539 |
| Provisions | | 86 | 247 | 95 | 472 |
| **Cash from operating activities** | | **13,329** | **10,701** | **11,462** | **17,539** |
| Tax paid | | (3,593) | (3,238) | (3,736) | (3,303) |
| **Net cash from operating activities** | | **9,736** | **7,463** | **7,726** | **14,236** |
| **Investing activities** | | | | | |
| Interest received | | 112 | 52 | 199 | 113 |
| Purchase of property, plant and equipment | | (192) | (427) | (833) | (944) |
| Acquisition of intangible assets | | (267) | (49) | (519) | (66) |
| Acquisition of subsidiaries, net of cash acquired | | - | - | - | (8,555) |
| **Net cash used in investing activities** | | **(347)** | **(424)** | **(1,153)** | **(9,452)** |
| **Financing activities** | | | | | |
| Payment of lease liabilities | | (611) | - | (1,207) | - |
| Interest paid | | (44) | (12) | (57) | (17) |
| Repayment of finance lease liabilities | | (103) | (83) | (103) | (90) |
| Repayment of borrowings | | (79) | - | (156) | - |
| Own shares acquired | | (1,022) | (209) | (1,188) | (379) |
| Proceeds from share options exercised | | 25 | - | 108 | - |
| Dividends paid | | (5,142) | (4,385) | (5,142) | (4,385) |
| **Net cash used in financing activities** | | **(6,976)** | **(4,689)** | **(7,745)** | **(4,871)** |
| | | | | | |
| **Net increase/ (decrease) in cash and cash equivalents** | | **2,413** | **2,350** | **(1,172)** | **(87)** |
| Cash and cash equivalents at beginning of period | | 54,693 | 42,986 | 58,890 | 46,095 |
| Effect of exchange rate changes on balances held in foreign currencies | | 265 | 934 | (347) | 262 |
| **Cash and cash equivalents at end of period** | | **57,371** | **46,270** | **57,371** | **46,270** |

## 1(d)(i). Statements of Changes in Equity

| | Share capital S$'000 | Reserve for own shares S$'000 | Other reserves S$'000 | Share compensation reserve S$'000 | Currency translation reserve S$'000 | Retained earnings S$'000 | Total Equity S$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **As at 1 Jan 2018** | **39,737** | **(2,173)** | **1,146** | **3,232** | **(2,683)** | **18,551** | **57,810** |
| **Changes in equity for the period** | | | | | | | |
| Profit for the period | - | - | - | - | - | 8,218 | 8,218 |
| Foreign currency translation differences | - | - | - | - | (855)* | - | (855) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(855)** | **8,218** | **7,363** |
| Own shares acquired | - | (170) | - | - | - | - | (170) |
| Issue of shares related to business combination | 5,518 | - | - | - | - | - | 5,518 |
| Treasury shares reissued pursuant to share plans | - | 934 | 1,362 | (2,296) | - | - | - |
| Issue of shares pursuant to share plans | 486 | - | - | - | - | - | 486 |
| **Total transactions with owners for the period** | **6,004** | **764** | **1,362** | **(2,296)** | **-** | **-** | **5,834** |
| **As at 31 Mar 2018** | **45,741** | **(1,409)** | **2,508** | **936** | **(3,538)** | **26,769** | **71,007** |
| Profit for the period | - | - | - | - | - | 9,495 | 9,495 |
| Foreign currency translation differences | - | - | - | - | 1,430 * | - | 1,430 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **1,430** | **9,495** | **10,925** |
| Own shares acquired | - | (209) | - | - | - | - | (209) |
| Issue of shares pursuant to share plans | 45 | - | - | - | - | - | 45 |
| Dividend declared | - | - | - | - | - | (4,385) | (4,385) |
| **Total transactions with owners for the period** | **45** | **(209)** | **-** | **-** | **-** | **(4,385)** | **(4,549)** |
| **As at 30 Jun 2018** | **45,786** | **(1,618)** | **2,508** | **936** | **(2,108)** | **31,879** | **77,383** |

** The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currencies are not SGD.*

## 1(d)(i). Statements of Changes in Equity (Cont'd)

| | Share capital S$'000 | Reserve for own shares S$'000 | Other reserves S$'000 | Share compensation reserve S$'000 | Currency translation reserve S$'000 | Retained earnings S$'000 | Total Equity S$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **As at 1 Jan 2019** | **45,786** | **(2,331)** | **1,500** | **2,172** | **(1,246)** | **43,623** | **89,504** |
| Effect of adoption of SFRS (I) 16 | - | - | - | - | - | (37) | (37) |
| **Changes in equity for the period** | | | | | | | |
| Profit for the period | - | - | - | - | - | 6,596 | 6,596 |
| Foreign currency translation differences | - | - | - | - | (1,062)* | - | (1,062) |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **(1,062)** | **6,596** | **5,534** |
| Own shares acquired | - | (166) | - | - | - | - | (166) |
| Treasury shares reissued on settlement of contingent consideration | - | 407 | 27 | - | - | - | 434 |
| Treasury shares reissued pursuant to share plans | - | 699 | 380 | (996) | - | - | 83 |
| Share-based payment transactions | - | - | - | 248 | - | - | 248 |
| **Total transactions with owners for the period** | **-** | **940** | **407** | **(748)** | **-** | **-** | **599** |
| **As at 31 Mar 2019** | **45,786** | **(1,391)** | **1,907** | **1,424** | **(2,308)** | **50,182** | **95,600** |
| Profit for the period | - | - | - | - | - | 15,708 | 15,708 |
| Foreign currency translation differences | - | - | - | - | 591 * | - | 591 |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **591** | **15,708** | **16,299** |
| Own shares acquired | - | (1,022) | - | - | - | - | (1,022) |
| Treasury shares reissued on settlement of contingent consideration | - | 43 | 183 | - | - | - | 226 |
| Treasury shares reissued pursuant to share plans | - | 122 | 58 | (155) | - | - | 25 |
| Share-based payment transactions | - | - | - | 246 | - | - | 246 |
| Dividend declared | - | - | - | - | - | (5,142) | (5,142) |
| **Total transactions with owners for the period** | **-** | **(857)** | **241** | **91** | **-** | **(5,142)** | **(5,667)** |
| **As at 30 Jun 2019** | **45,786** | **(2,248)** | **2,148** | **1,515** | **(1,717)** | **60,748** | **106,232** |

** The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currencies are not SGD.*

## 1(d)(i). Statements of Changes in Equity (Cont'd)

| | Share capital S$'000 | Reserve for own shares S$'000 | Other reserves S$'000 | Share compensation reserve S$'000 | Retained earnings S$'000 | Total Equity S$'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **As at 1 Jan 2018** | **39,737** | **(2,173)** | **985** | **3,232** | **(21,844)** | **19,937** |
| **Changes in equity for the period** | | | | | | |
| Total comprehensive income | - | - | - | - | 918 | 918 |
| Own shares acquired | - | (170) | - | - | - | (170) |
| Issue of shares related to business combination | 5,518 | - | - | - | - | 5,518 |
| Treasury shares reissued pursuant to share plans | - | 934 | 1,362 | (2,296) | - | - |
| Issue of shares pursuant to share plans | 486 | - | - | - | - | 486 |
| **As at 31 Mar 2018** | **45,741** | **(1,409)** | **2,347** | **936** | **(20,926)** | **26,689** |
| Total comprehensive income | - | - | - | - | 13,873 | 13,873 |
| Own shares acquired | - | (209) | - | - | - | (209) |
| Issue of shares pursuant to share plans | 45 | - | - | - | - | 45 |
| Dividend declared | - | - | - | - | (4,385) | (4,385) |
| **As at 30 Jun 2018** | **45,786** | **(1,618)** | **2,347** | **936** | **(11,438)** | **36,013** |

| | Share capital S$'000 | Reserve for own shares S$'000 | Other reserves S$'000 | Share compensation reserve S$'000 | Retained earnings S$'000 | Total Equity S$'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| **As at 1 Jan 2019** | **45,786** | **(2,331)** | **1,347** | **2,172** | **(13,678)** | **33,296** |
| **Changes in equity for the period** | | | | | | |
| Total comprehensive income | - | - | - | - | 792 | 792 |
| Own shares acquired | - | (166) | - | - | - | (166) |
| Treasury shares reissued on settlement of contingent consideration | - | 407 | 27 | - | - | 434 |
| Treasury shares reissued pursuant to share plans | - | 699 | 380 | (996) | - | 83 |
| Share-based payment transactions | - | - | - | 248 | - | 248 |
| **As at 31 Mar 2019** | **45,786** | **(1,391)** | **1,754** | **1,424** | **(12,886)** | **34,687** |
| Total comprehensive income | - | - | - | - | 2,612 | 2,612 |
| Own shares acquired | - | (1,022) | - | - | - | (1,022) |
| Treasury shares reissued on settlement of contingent consideration | - | 43 | 183 | - | - | 226 |
| Treasury shares reissued pursuant to share plans | - | 122 | 58 | (155) | - | 25 |
| Share-based payment transactions | - | - | - | 246 | - | 246 |
| Dividend declared | - | - | - | - | (5,142) | (5,142) |
| **As at 30 Jun 2019** | **45,786** | **(2,248)** | **1,995** | **1,515** | **(15,416)** | **31,632** |

## 1(d)(ii). Changes in Share Capital

| | As at 30-Jun-19 | | As at 31-Dec-18 | | As at 30-Jun-18 | |
|---|---|---|---|---|---|---|
| | No. of shares | S$'000 | No. of shares | S$'000 | No. of shares | S$'000 |
| **Issued and fully paid shares** | | | | | | |
| At 1 January | 273,307,820 | 45,786 | 66,783,731 | 39,737 | 66,783,731 | 39,737 |
| Bonus shares issue* | - | - | 204,980,865 | - | 204,980,865 | - |
| Exercise of share options | - | - | 675,669 | 531 | 675,669 | 531 |
| Issue of shares related to business combination | - | - | 867,555 | 5,518 | 867,555 | 5,518 |
| **Total issued shares** | **273,307,820** | **45,786** | **273,307,820** | **45,786** | **273,307,820** | **45,786** |
| Less treasury shares balance | (3,302,418) | (2,248) | (4,261,084) | (2,331) | (3,367,084) | (1,618) |
| **Total issued shares less treasury shares reserve at end of period** | **270,005,402** | **43,538** | **269,046,736** | **43,455** | **269,940,736** | **44,168** |

**The Group issued 204,980,865 bonus shares on 4 June 2018.*

| | As at 30-Jun-19 | | As at 31-Dec-18 | | As at 30-Jun-18 | |
|---|---|---|---|---|---|---|
| | No. of shares | S$'000 | No. of shares | S$'000 | No. of shares | S$'000 |
| **Treasury shares** | | | | | | |
| At 1 January | (4,261,084) | (2,331) | (1,266,771) | (2,173) | (1,266,771) | (2,173) |
| Bonus shares issue* | - | - | (2,375,313) | - | (2,375,313) | - |
| Own shares acquired | (1,300,000) | (1,188) | (1,300,000) | (1,176) | (250,000) | (379) |
| Treasury shares reissued pursuant to Performance Share Plan | 1,286,666 | 720 | 525,000 | 934 | 525,000 | 934 |
| Treasury shares reissued on settlement of contingent consideration | 800,000 | 450 | - | - | - | - |
| Exercise of share options | 172,000 | 101 | 156,000 | 84 | - | - |
| **Treasury shares balance at end of period** | **(3,302,418)** | **(2,248)** | **(4,261,084)** | **(2,331)** | **(3,367,084)** | **(1,618)** |

**The Group issued 204,980,865 bonus shares on 4 June 2018.*

## 1(d)(iii). Share Options

| Date of grant of options | Exercise price per share | Options outstanding at 1 Jan 2019 | Options granted | Options exercised | Options forfeited/ expired | Options outstanding at period end | Exercise Period |
|---|---|---|---|---|---|---|---|
| 27 February 2017 | $0.196* | 540,000 | - | - | - | 540,000 | 28 Feb 2018 - 26 Feb 2027 |
| 23 August 2017 | $0.627* | 380,000 | - | (172,000) | - | 208,000 | 24 Aug 2018 - 22 Aug 2027 |
| 15 January 2019 | $0.890 | - | 3,414,638 | - | - | 3,414,638 | 16 Jan 2020 - 14 Jan 2029 |
| **Total** | | **920,000** | **3,414,638** | **(172,000)** | **-** | **4,162,638** | |

**Exercise price was adjusted due to the Group issued 204,980,865 bonus shares on 4 June 2018*

As at 30 June 2019, the number of share options of the company outstanding was 4,162,638 (30 June 2018: 1,076,000). There were 172,000 options being exercised in 1H2019 (1H2018: 675,669).

## 1(d)(iv). Treasury Shares

As at 30 June 2019, the treasury shares balance was 3,302,418 (30 June 2018: 3,367,084). The total number of issued ordinary shares excluding treasury shares at the end of the period was 270,005,402 (30 June 2018: 269,940,736).

## 2. Statement on Audit

*Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice*

The figures have not been audited or reviewed.

## 3. Auditors' Report

*Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)*

Not applicable.

## 4. Accounting Policies

*Whether the same accounting policies and methods of computations as in the issuer's most*

Other than the adoption of SFRS(I) 16 as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2018.

## 5. Changes in Accounting Policies

*If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.*

The Group and the Company have adopted SFRS(I) 16 Leases on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 has been recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company have applied the practical expedient to grandfather the definition of a lease on transition. This means that SFRS(I) 16 has been applied to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

As at 1 January 2019, the Group has recognised ROU assets of S$4,246,000, lease liabilities of S$4,283,000, and a decrease in accumulated profits of S$37,000. The Company did not have any material impact from the initial application of SFRS(I) 16 as at 1 January 2019.

## 6. Earnings Per Share

*Earnings per ordinary share for the period for continuing operations based on net profit attributable to shareholders after deducting any provision for preference dividends*

| | Group | | Group | |
|---|---|---|---|---|
| | 2Q2019 | 2Q2018 | 1H2019 | 1H2018 |
| (i) a) EPS based on weighted average number of ordinary shares in issue | 5.81 cents | 3.49 cents | 8.25 cents | 6.56 cents |
| Weighted average number of shares in issue | 270,564,022 | 271,813,212 | 270,247,178 | 269,940,736 |
| (ii) a) EPS based on a fully diluted basis | 5.76 cents | 3.50 cents | 8.18 cents | 6.58 cents |
| Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares | 272,864,980 | 271,137,543 | 272,548,137 | 269,265,067 |

## 7. Net Asset Value Per Share

| | Group | | Company | |
|---|---|---|---|---|
| | 30-Jun-19 | 31-Dec-18 | 30-Jun-19 | 31-Dec-18 |
| Net asset value per share | 39.3 cents | 33.3 cents | 11.7 cents | 12.4 cents |

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 270,005,402 ordinary shares as at 30 June 2019 (31 December 2018: 269,046,736).

## 8. Group Performance Review

*Analysis of Consolidated Income Statement*

| | Quarterly Results | | | YTD Results | | |
|---|---|---|---|---|---|---|
| | 2Q2019 S$'000 | 2Q2018 S$'000 | Change % | 1H2019 S$'000 | 1H2018 S$'000 | Change % |
| Equipment Systems Solutions ("ESS") | 94,914 | 71,067 | 33.6% | 143,899 | 136,152 | 5.7% |
| System Level Test & Inspection ("SLT-i") | 1,270 | 859 | 47.8% | 3,096 | 1,221 | 153.6% |
| Micro-Electro-Mechanical Systems ("MEMS") | 688 | 467 | 47.3% | 2,258 | 604 | 273.8% |
| Test and Measurement Solutions ("TMS") | 1,047 | 265 | 295.1% | 1,382 | 331 | 317.5% |
| **Total** | **97,919** | **72,658** | **34.8%** | **150,635** | **138,308** | **8.9%** |

Revenue from ESS increased 33.6% from S$71.1 million in 2Q2018 to S$94.9 million in 2Q2019 and increased 5.7% from S$136.2 million in 1H2018 to S$143.9 million in 1H2019 mainly due to an increase in orders from our main customer.

Revenue from SLT-i increased 47.8% from S$859,000 in 2Q2018 to S$1.3 million in 2Q2019 and increased 153.6% from S$1.2 million in 1H2018 to S$3.1 million in 1H2019 mainly due to increase in orders from new and existing customers.

Revenue from MEMS increased 47.3% from S$467,000 in 2Q2018 to S$688,000 in 2Q2019 and increased 273.8% from S$604,000 in 1H2018 to S$2.3 million in 1H2019 mainly due to sales from new projects.

Revenue from TMS increased 295.1% from S$265,000 in 2Q2018 to S$1.0 million in 2Q2019 and increased 357.6% from S$331,000 in 1H2018 to S$1.4 million in 1H2019 mainly due to increase in orders from new customers.

As a result of the above, the Group recorded a 34.8% increase in its total revenue from S$72.7 million in 2Q2018 to S$97.9 million in 2Q2019 and 8.9% increase from S$138.3 million in 1H2018 to S$150.6 million in 1H2019.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S$49.9 million in 2Q2018 to S$62.8 million in 2Q2019, representing an increase of 25.9% and increased from S$93.5 million in 1H2018 to S$95.3 million in 1H2019, representing an increase of 2.0%. Material margin improved in 2Q2019 and 1H2019 mainly due to favourable change in product mix and higher engineering development revenue.

Depreciation expense increased 273.0% from S$263,000 in 2Q2018 to S$981,000 in 2Q2019 and 292.8% from S$525,000 in 1H2018 to S$2.1 million in 1H2019 mainly due to additional depreciation charge incurred upon the recognition of ROU assets as a result of the adoption of the new SFRS(I) 16 Leases as well as higher carrying value from renovation and equipment expenditure in 2018. Operating lease expenses (comprises of short-term leases with lease terms less than 12 months) in 2Q2019 and 1H2019 compared to 2Q2018 and 1H2018 was lower mainly due to lower rental expenses upon the recognition of the ROU assets, offset by the increase in operating lease expenses arising from the acquisition of Afore Oy.

Amortisation of intangible assets increased from S$77,000 in 2Q2018 to S$409,000 in 2Q2019 and S$160,000 in 1H2018 to S$840,000 in 1H2019 due to the higher carrying value of intangible assets in 2Q2019 and 1H2019 resulted mainly from the acquisition of Afore Oy and IRIS Solution Pte Ltd in 2018.

Staff costs increased 38.4% in 2Q2019 as compared to 2Q2018 was mainly due to higher bonus provision. Staff costs increased 18.8% in 1H2019 as compared to 1H2018 was due to higher bonus provision and additional headcount for business development and engineering project and from Afore Oy acquired in March 2018.

Legal and professional fees decreased 32.5% in 2Q2019 from S$553,000 in 2Q2018 to S$373,000 mainly due to lower professional fees incurred on software support and legal fee. Legal and professional fees decreased 37.1% in 1H2019 from S$1.3 million to S$820,000 mainly due to lower merger and acquisition expenses incurred in 1H2019.

Sales and marketing expenses increased 113.0% from S$1.3 million in 2Q2019 to S$2.7 million in 2Q2019 and 73.9% from S$2.4 million in 1H2018 to S$4.3 million in 1H2019 mainly due to higher warranty, exhibition, packing and other marketing expenses.

Other expenses decreased 64.6% from S$972,000 in 1H2018 to S$344,000 in 1H2019 mainly due to foreign exchange loss included in 1H2018.

After taking into consideration the above and tax expenses of S$3.3 million in 2Q2019 and S$4.7 million in 1H2019, profit after tax increased 65.4% from S$9.5 million in 2Q2018 to S$15.7 million in 2Q2019 and increased 25.9% from S$17.7 million in 1H2018 to S$22.3 million in 1H2019.

## 8. Group Performance Review (Cont'd)

*Analysis of Statement of Financial Position*

Trade and other receivables increased mainly due to the increased sales in 2Q2019 as compared to the previous quarter.

In 1H2019, the Group generated cash flows from operating activities of S$7.7 million, it paid for dividend of S$5.1 million, capital expenditure of S$1.4 million and acquisition of own shares of S$1.2 million.

The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.

## 9. Prospect vs Actual Results

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

In our financial guidance dated 25 July 2019, we stated that we expect to achieve revenue between S$265 million to S$280 million in FY2019.

The Group achieved revenue of S$150.6 million in 1H2019.

## 10. Business Outlook

*Commentary of significant trends and competitive conditions of the industry and any known factors or events that may affect the Group*

The need for complex semiconductor chip integration for mission-critical applications such as 5G, EV, Industry 4.0 and data centricity has been rising. The challenge for semiconductor manufacturers is to contain the cost-of-test while increasing test coverage and assurance. AEM's integrated smart testing capabilities and handling solutions will play an important role in big data analytics and the interconnected 5G world in the future.

1H2019 has been a record half for AEM as our key customer introduces new products based on more advanced semiconductor nodes. AEM's test handlers which are optimised for testing complex logic chips subsequently saw an increase in demand. On 25 July 2019, the Group announced sales orders worth S$255 million for delivery in FY2019, and revised its revenue guidance for FY2019 to be between S$265 million to S$280 million. Capital expenditure is expected to be between S$4 million to S$7 million for FY2019 to support engineering and business development for future customer programs. The sales momentum for our high-density handler will be closely linked to the timing and pace at which our main customer replaces legacy platforms with our equipment, sales seasonality, its market share, and new product/program launches. The Group also expects continued sales of its kits and pans which go into our existing installed base of equipment at our customer's sites.

AEM has been working towards diversifying our customer base through its AMPS (Asynchronous Modular Parallel Smart platform) initiative. The Group has delivered early commercial systems to a memory manufacturer and is working on securing new orders from this customer. AEM also aims to develop accounts with other semiconductor manufacturers for solutions through its AMPS initiative.

The MEMs testing solutions division (Afore) recently received an equipment order for its wafer-level environmental sensor test solutions from a major German sensor supplier in the automotive and consumer industries. This is an important first step in a multi-year sales process.

On the TMS Group, it has delivered optical fiber cable-test equipment to Huawei for its high-performance short reach cabling links for 5G backhaul network. It is currently working with Huawei, CETC23 and their suppliers to offer them additional systems and solutions.

## 11. Dividends

***(a) Current Financial Period Reported On***

Any dividend recommended for the current financial period reported on? Yes.

| | |
|---|---|
| Name of Dividend | Interim |
| Dividend Type | Cash |
| Dividend Rate | 2.0 cents per ordinary share |
| Tax Rate | Tax Exempt One-Tier |

***(b) Corresponding Period of the Immediately Preceding Financial Year***

| | |
|---|---|
| Name of Dividend | Interim |
| Dividend Type | Cash |
| Dividend Rate | 1.5 cents per ordinary share |
| Tax Rate | Tax Exempt One-Tier |

## 11. Dividends (Cont'd)

***(c) Date Payable***

Payment will be made on 13 September 2019.

***(d) Books Closure Date***

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 30 August 2019 for the preparation of the proposed dividend. Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 30 August 2019 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 30 August 2019 will be entitled to the proposed dividend.

***(e) Dividend Policy***

Our dividend policy is based on a payout of annual dividends, including interim dividends of not less than 25% of the Group consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders. This is subject to the Group's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.

## 12. Statement on Dividends

*If no dividend has been declared (recommended), a statement to that effect*

Not applicable.

## 13. Interested Person Transactions

*If no IPT mandate has been obtained, a statement to that effect*

No IPT mandate has been obtained.

| 6 Months Period Ended 30 June 2019 | | |
|---|---|---|
| **Name of interested person** | **Note** | **Aggregate Value S$'000** |
| Novo Tellus Capital Partners Pte Ltd ("Novo Tellus") | 1 | 96 |
| Kerem Pte Ltd ("Kerem") | 2 | 10 |

Note 1: Novo Tellus is a company controlled by Mr. Loke Wai San, the Executive Chairman of the Company and Mr. James Toh Ban Leng, a Director of the Company.

The above value represents the professional fee of S$60,000 paid by the Company to Novo Tellus for advisory services in merger and acquisition activities of the Group and the Group's share of the consultancy services fee of S$36,000 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

Note 2: Kerem is a company controlled by Mr. Lavi Alexander Lev, a Director of the Company.

The above value represents the professional fee of S$10,000 paid by the Company to Kerem for business and project advisory services.

## 14. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the period ended 30 June 2019, to be false or misleading in any material respect.

## 15. Confirmation by the Directors and Officers Pursuant to Rule 720(1) of the Listing Manual

The Group confirms that it has procured undertakings from all its Directors and Executive Officers.

## 16. Person Occupying a Managerial Position

*Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11). If there are no such persons, the issuer must make an appropriate negative statement.*

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

**BY ORDER OF THE BOARD**

Loke Wai San
Executive Chairman
8 August 2019