AEM HOLDINGS LIMITED

ANNUAL REPORT 2015

CONSOLIDATING **OUR STRENGTHS** FOR SUCCESS

VISION

Smart automation for the world.

MISSION

AEM advances by making our customers successful. We accomplish this through our core strengths in engineering, manufacturing solutions and active engagements with customers.

CORE VALUES

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

CONTENTS

Consolidating Our Strengths for Success	1
Chairman's Statement	2
CEO's Statement	3
Corporate Structure	4
Board of Directors	5
Management Profile	8
Core Business	9
Business and Financial Review	11
Corporate Social Responsibility	16
Corporate Information	IBC

CONSOLIDATING **OUR STRENGTHS** FOR SUCCESS

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

2015 was a successful year for our Company where many of our engineering programmes at our Equipment Systems Solutions unit started to ramp commercially. We began the year shipping laboratory units of our latest high-density test handlers to our key customer. Throughout the year, we fine-tuned the performance of our test handlers, and by the end of Q4 2015, we were ready to ship production units. The progress is reflected in our financials. In 2015, our revenue increased to $47.6 million from $30.9 million in 2014, and net profit after tax increased to $5.8 million from a loss of $27.3 million in the previous financial year. As at 15 March 2016, our order book stood at $24.5 million.

Looking beyond the financial results of 2015, we are pleased with the foundation that we have laid for our company. In 2015, we saw the initial fruits of over 4 years of engineering investment in our high-density test handlers. Our development program with one of the world's largest semiconductor companies represents a paradigm shift in how semiconductor chips are tested. This program is important for our company, as it not only represents a multi-year migration for our customer, but it also enables us to apply our intellectual property to assembly and test solutions in other industries. So, we cannot stand still…

In 2016, we plan to increase our engineering resources to support the current and offshoot programs, and will aim to be profitable while doing so. We also expect to strengthen our product marketing team to work with new customers to solve their complex assembly and test handling needs. You as shareholders have been patient with our progress, and we are grateful for your support. Therefore, commensurate with our profitable results, the Board is recommending a first and final tax-exempt one-tier dividend of 1 cent per share for the year, subject to your approval at the forthcoming Annual General Meeting.

Our improved performance in 2015 would not have been possible without the trust, patience, and support that you have given us over the years. I would like to thank all our shareholders and customers for their confidence in AEM, and a special thank you to our employees for their hard work and dedication.

LOKE WAI SAN
Non-Executive Chairman

CEO'S STATEMENT

Dear Shareholders,

For the financial year ended 31 December 2015, our revenues rose by 54.3%, increasing from $30.9 million to $47.6 million. The key contributor this year was our Equipment Systems business, which saw a 82.0% rise in revenue, accounting for 86.2% of AEM's total revenue. Affected by the slowdown in the semiconductor industry, our Precision Equipment segment that accounted for 12.1% of the Group's revenue reported a 23.8% revenue decrease. Plating and Other Services came in with a 8.0% rise in revenue, making up approximately 1.7% of our total revenue.

Our revenue this year was driven largely by sales of laboratory systems machines. Our margin maintained relatively constant which rose with the increase in revenue. Into the new financial year, we expect the contributions from our equipment sales to continue and dominate as the major revenue contributor. The new machines designed and developed by our engineers have been delivered to our key customer for evaluation and testing. These machines were subsequently approved. Into the new year, we will be delivering high volume manufacturing machines that will be used for production in the factories. When shipped, their contributions will help to boost our revenue stream in the new financial year.

Organisationally, we are constantly evaluating our business, realigning and reallocating resources to areas that can improve our performance. In line with this strategy, we exited from the plating business, which other than being a small revenue contributor, is an area that is difficult to scale. This move will enable us to divert our resources to business areas that are securing higher orders and growing demands.

People are a very important component of our business. In FY2015, staff costs rose by 8.4%, rising from $11.2 million to $12.2 million as we geared up our engineering and field service support team. We are also providing trainings and various courses to help our employees grow and develop themselves. I am confident that we will be able to help everyone hone their skills and develop a strong and dedicated team at AEM.

The reorganisation efforts over the last two years have freed up resources which we have been able to redirect to our growth business. The result at the close of FY2015 is a net profit after tax of $5.8 million representing an improvement of 121.2% compared to the net loss of $27.3 million in FY2014.

Our reorganisation in 2014 got us back on track and what we have seen in 2015 is only a beginning. We are building a tremendous amount of capabilities within the Group, paving the way for our growth in the future. By continuing our efforts in designing, developing and building new equipment, we have created a niche for ourselves. It is our pride to claim that our world-class machines are "Designed, Developed and Built in Singapore" for our world-class customer.

As our business grow, we will need to look for more avenues to support our working capital needs. To date, we have relied solely on internal sources to fund our operations. However, going forward, it may be helpful for us to consider financing from financial institutions to complement our growth. Moreover, as Singapore looks to increasingly focus on research and development, AEM is both a proven candidate and a good fit to showcase our country's capabilities. We are looking forward to bringing AEM onto a new growth platform through which we can deliver values to both our stakeholders and our customers.

CHARLES CHER LEW SIANG
Executive Director and Chief Executive Officer

CORPORATE STRUCTURE

MANUFACTURING FACILITIES

Country	Locations	Entities	Activities/Businesses
Singapore	Serangoon North	• AEM Holdings Ltd ("AEH") • AEM Singapore Pte. Ltd. ("ASG")	• Corporate Headquarters • Equipment Systems Solutions • Precision Component Solutions
Malaysia	Penang	• AEM Microtronics (M) Sdn. Bhd. ("AMM")	• Equipment Systems Solutions • Precision Component Solutions
China	Suzhou	• AEM (Suzhou) Co., Ltd. ("ASZ")	• Equipment Systems Solutions • Precision Component Solutions

BOARD OF DIRECTORS

Position : **Non-Executive Chairman and Non-Independent Director**
Chairman of Remuneration Committee
Age : **47**
Qualifications : **Masters of Business Administration / University of Chicago**
Bachelor of Science in Electrical and Electronics Engineering / Lehigh University

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

Position : **Executive Director and Chief Executive Officer**
Age : **55**
Qualification : **Bachelor of Science, Marketing and Management**
University of Oregon, USA

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

BOARD OF DIRECTORS

Position	:	**Independent Director** **Chairman of Audit Committee**
Age	:	**65**
Qualifications	:	**Bachelor of Science (Economics) Honours, major Business Administration, University of Wales Institute of Science and Technology, UK** **Member of the Institute of Chartered Accountants / England and Wales** **Member of ISCA** **Fellow Member of the Singapore Institute of Directors**

Mr. 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 from 2002 to 2013. 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 33 years of audit, financial and general management experience having held senior financial positions in both private and listed companies. Mr. Chan is also an independent non-executive director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely Yoma Strategic Holdings Ltd, Grand Banks Yachts Limited, Global Invacom Group Limited, Singapore eDevelopment Limited and SBI Offshore Ltd. In the last 3 years, he previously sat on the Boards of Teledata (Singapore) Ltd.

Position	:	**Independent Director** **Chairman of Nominating Committee**
Age	:	**41**
Qualification	:	**Bachelor of Science (Electrical Engineering with Dean's Award)** **Stanford University, USA**

Mr. 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.


有限公司


AEM
AEM MICROTRONICS (M) SDN. BHD.

MANAGEMENT PROFILE

SOH WAI KONG

Position	:	Director – Finance & HR
Age	:	47
Qualifications	:	Bachelor of Accountancy / Nanyang Technological University Chartered Accountants, Certified Internal Auditors

Mr. Soh has more than 22 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.

TEYU SOI SENG

Position	:	General Manager – AEM Singapore
Age	:	52
Qualifications	:	Bachelor of Engineering degree in Satellite telecommunications / University of Surrey, United Kingdom

Mr. Teyu has more than 25 years of experiences in global supply chain management, operations management and engineering experiences in imaging and printing industry. He started his career with Singapore Air Force and then proceeded to join Hewlett Packard (S) Pte Ltd as an Electrical Engineer in 1993. He became an Engineering Section Manager in 1994 and held various positions as Purchasing Manager, Supply Chain Manager and Emerging Business Development Manager for a period of 14 years with HP. He later joined Venture Corporation in 2006 as Global Supply Chain Senior Manager and became Operations Senior Manager. He joined AEM on 29 July 2014.

YEAP KIAN YONG

Position	:	Director – Operations
Age	:	47
Qualifications	:	Bachelor of Science / National University of Singapore

Mr. Yeap has more than 22 years of management and operation experience in multiple industries, of which more than 19 years is in Semiconductor industry. Mr. Yeap started his career as Production Supervisor with Wearnes Automation Pte Ltd in 1992 and thereafter joined Texas Instruments (S) Pte Ltd in 1993 and eventually became a Section Manager in 1997. He had made advancements in his career over the years to hold management positions in companies including Sonic Clean Pte Ltd and EEMS Suzhou Co., Ltd. He joined the Company on 6 August 2012.

GOH MENG KIANG

Position	:	Director – Quality Assurance
Age	:	54
Qualifications	:	Bachelor of Electrical & Electronics Engineering / National University of Singapore

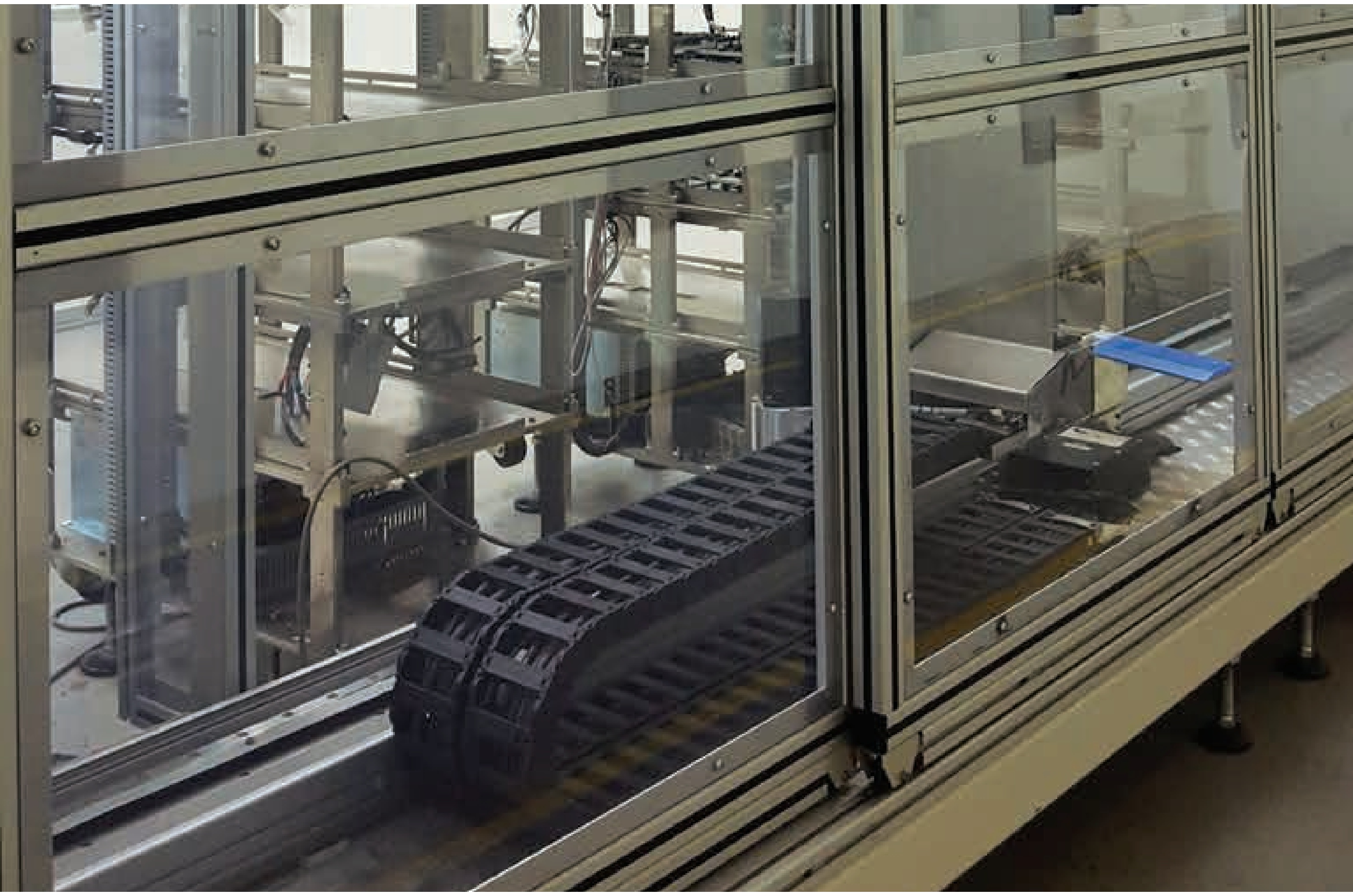
Mr. Goh has more than 22 years of management and technical experience in the Semiconductor industries with companies such as ASE, EEMS and UTAC. He was a Vice President Operations in ASE before joining AEM in March 2013. He is also a founding member for Ellipsiz Test Singapore Pte Ltd and EEMS Test Singapore Pte Ltd. Upon graduation, he joined Texas Instruments Singapore as a Product and Test Engineer for memory devices. Mr. Goh has 1 world-wide patent US5796246 for test methodologies with Texas Instruments. While in TI Singapore, Mr. Goh has taken on many roles. He was a Manager responsible for Military Products and also a Test Equipment Manager. From 1998 onwards Mr. Goh has been involved in many OSAT companies such as STATS (also known as Stats Chippac), UTAC, EEMS and ASE . He joined AEM on 18 March 2013.

SEAH BOON SENG

Position	:	Director – Business Management
Age	:	51
Qualifications	:	Bachelor of Electrical and Electronics Engineering / National University of Singapore

Mr. Seah has more than 26 years of management, business development, sales & marketing, customer service, program management, planning and quality experience in 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 and Solar 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 Test Handlers, Wafer Handling Systems, Laser Marking, Laser De-Flashing, Vision Inspection and Unique Handling Systems.

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

CORE BUSINESS

PRECISION COMPONENT SOLUTIONS (PCS)

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

We have state-of-the-art machines, consisting of 5 axis CNC, Turn Mill, EDM and Wire Cut machines that enable us to deliver a broad range of customized precision engineering solutions with metals as well as plastics (such as Vespel and 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.

BUSINESS AND FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

	FY2015 S$'000	FY2014 S$'000	Change*
Revenue	**47,611**	**30,860**	***54%***
Materials, consumables and inventory changes, excluding stock obsolescence	(26,318)	(16,861)	***-56%***
Staff costs	(12,191)	(11,249)	***-8%***
Depreciation and amortisation	(1,262)	(1,890)	***33%***
Other expenses net other income	(4,629)	(5,115)	***10%***
Total expenses net other income	**(44,400)**	**(35,115)**	***-26%***
(Loss)/Profit before impairment and tax	**3,211**	**(4,255)**	***175%***
Impairment loss reversed/(made)	763	(25,187)	***103%***
Profit/(loss) before taxation	**3,974**	**(29,442)**	***113%***
Tax credit	1,808	2,134	***-15%***
Profit/(loss) for the year	**5,782**	**(27,308)**	***121%***
Loss from discontinued operations	–	(12,636)	***100%***
Profit/(loss) for the year including discontinued operations	**5,782**	**(39,944)**	***114%***

* *Increase/(Decrease) Earnings*

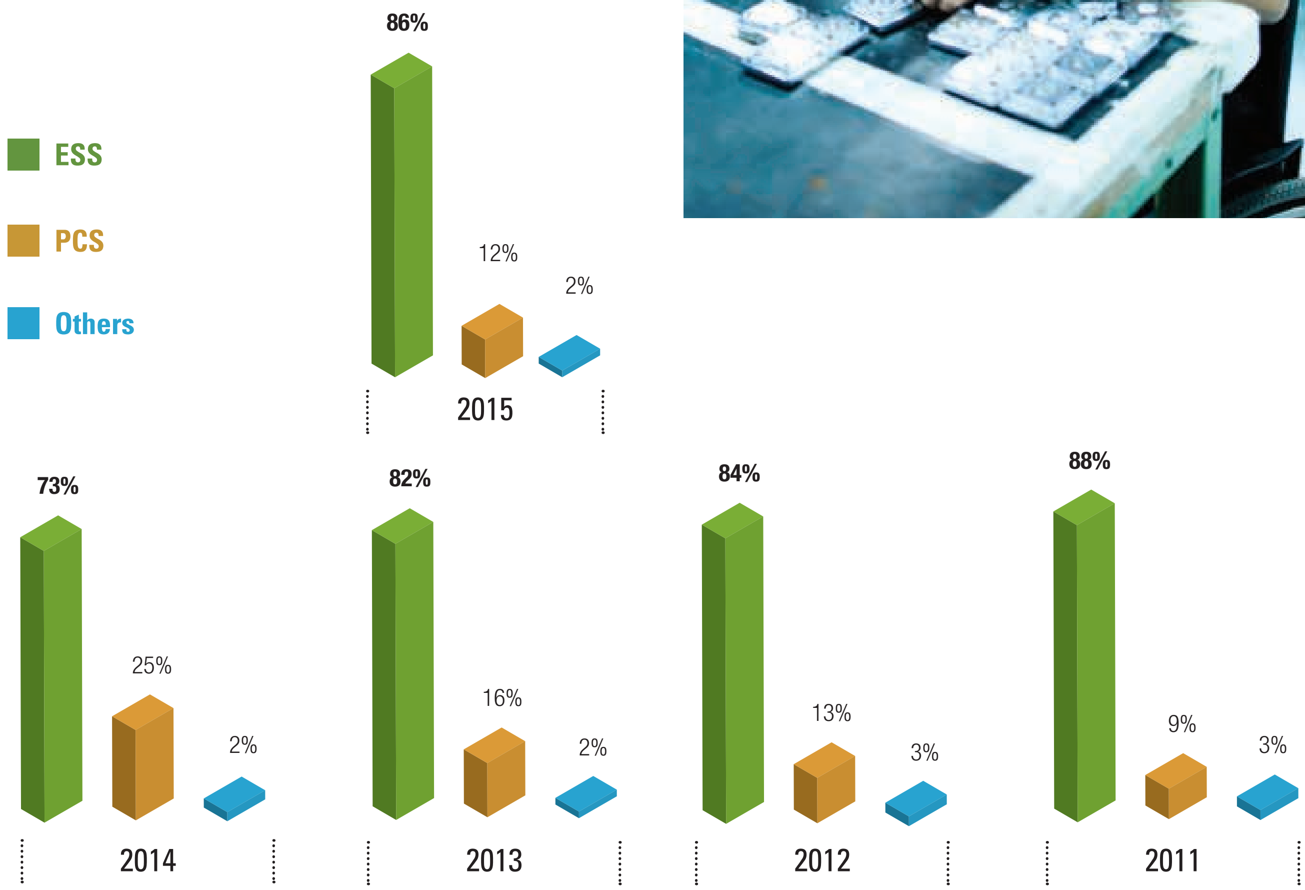
BUSINESS AND FINANCIAL REVIEW

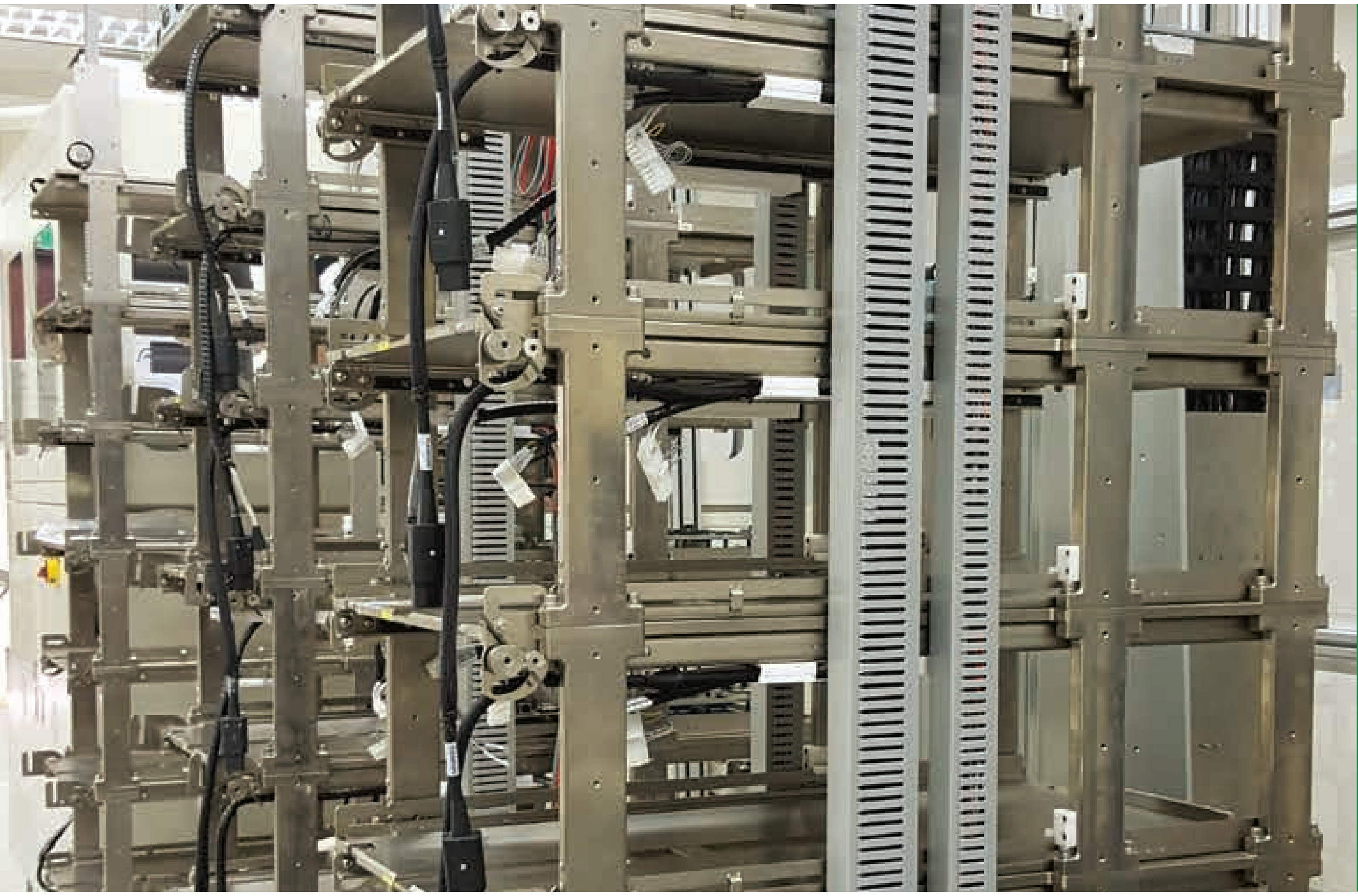
In FY2015, profit before tax was S$4.0 million compared to a loss of S$29.4 million in FY2014. Including the net tax credit, profit after tax was S$5.8 million in FY2015 compared to a loss of S$27.3 million in FY2014.

The Group's total revenue in FY2015 amounted to S$47.6 million, it was 54.3% higher than the revenue of S$30.9 million reported for FY2014. This was mainly due to higher sales in Equipments Systems ("ESS") which increased by 82.0% comparing FY2014 and FY2015 as a result of the increase in equipment and kits sales, including shipments of our new high-density test handlers. Sales from the Precision Components ("PCS") business reduced by 23.8% from FY2014 to FY2015 mainly due to the reduction in orders and channelling the capacity to produce components for our equipment sales.

In line with the higher revenue, raw materials and consumables costs were also higher. After taking into consideration the changes in inventories and excluding provisions made for inventory obsolescence of $1.1 million, raw materials and consumables costs rose from S$16.9 million in FY2014 to S$26.3 million in FY2015, representing an increase of 56.1%.

REVENUE BY BUSINESS SEGMENT





	2011 exc MCT	2012 exc MCT	2013 exc MCT	2014 exc MCT	2015
Revenue by Business Segment (in S$ million)					
Equipments Systems (ESS)	78.0	51.7	37.2	22.5	41.0
Precision Components (PCS)	8.0	8.0	7.3	7.6	5.8
Others	2.7	2.1	1.1	0.8	0.8
	88.7	**61.8**	**45.6**	**30.9**	**47.6**

Note:–
"exc MCT" stands for excluding Microcircuit Technology (S) Pte Ltd which has been disposed in December 2014.

BUSINESS AND FINANCIAL REVIEW

Staff costs increased by 8.4% from S$11.2 million in FY2014 to S$12.2 million in FY2015. This was mainly due to increased headcount in the engineering and field service team in order to expand the ESS business.

Depreciation cost and amortisation of intangible assets decreased by 33.2% from S$1.9 million in FY2014 to S$1.3 million in FY2015 mainly due to the intangible assets relating to capitalised cost of developments being written off at the end of 2014.

The net impairment gain of $763,000 in FY2015 consists mainly of gains from reversal of sales rebates provision of $2.0 million, property, plant and equipment impairment reversal for the vacant land and factory building in Malacca of $597,000 offset by losses from liquidation of a dormant subsidiary of $512,000, property, plant and equipment impairment loss recognised of $213,000 and provision for slow moving inventory of S$1.1 million.

Other expenses decreased by 7.7% from S$6.4 million in FY2014 to S$5.9 million in FY2015 mainly due to lower rental expenses offset by higher sales and administrative expenses.

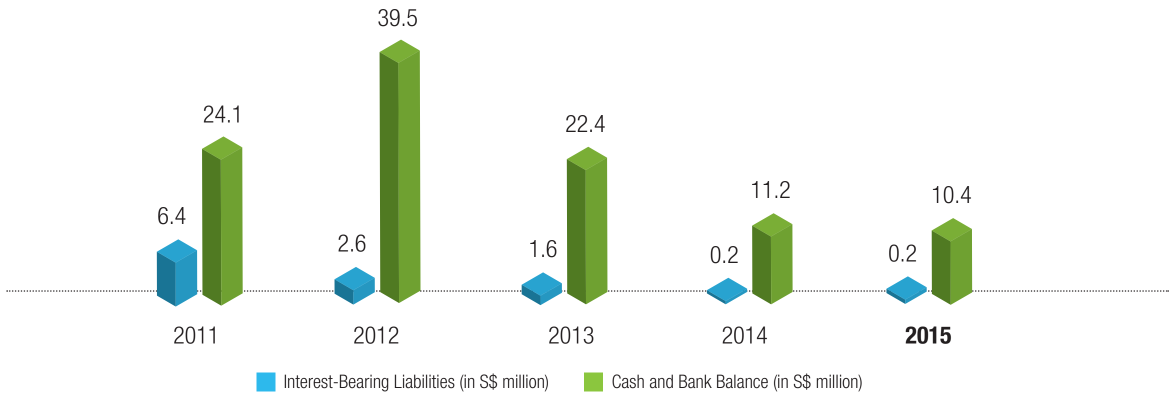
The Company claimed for certain tax incentives which were previously pending for review by the tax authority. Upon closure of the review, the provision and tax refund of S$2,606,000 has been recognized as tax credit. An utilization of deferred tax asset of S$776,000 has been recorded in 4Q2015 as a result of the likely utilization of capital allowance brought forward to offset the tax liability on the profit of the Company. As a result of the reversal of provision for tax payable and net utilisation of the deferred tax, a net tax credit of S$1,808,000 was presented.

FINANCIAL PERFORMANCE BY BUSINESS SEGMENT (CONTINUING OPERATIONS)

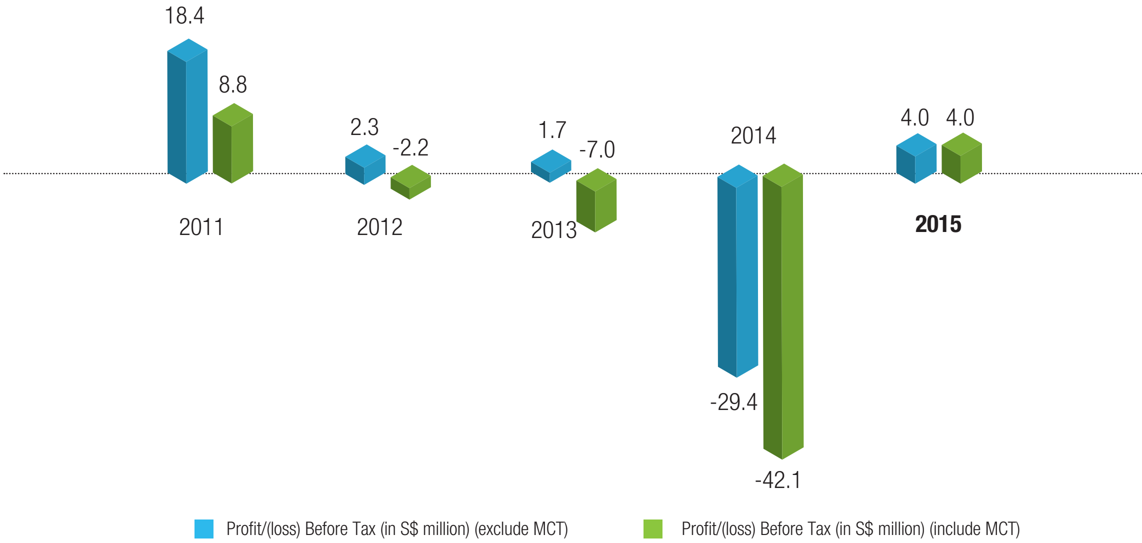
	Revenue for the year			Net profit/(loss)for the year		
	FY2015 S$'000	FY2014 S$'000	Change	FY2015 S$'000	FY2014 S$'000	Change
Equipments Systems (ESS)	41,031	22,545	82%	5,939	(11,144)	153%
Precision Components (PCS)	5,766	7,563	-24%	(931)	(61)	NM
Others	814	753	8%	774	(16,103)	105%
	47,611	30,861	54%	5,782	(27,308)	121%

FINANCIAL POSITION AND CASH FLOW

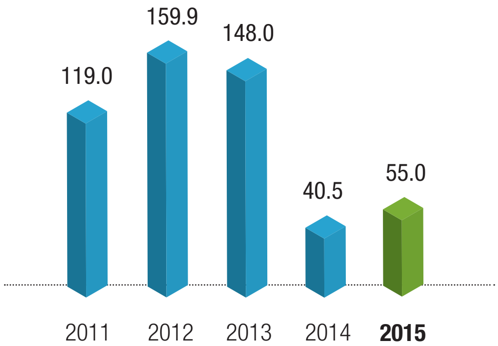
As at 31 December 2015, the Group had a cash balance of S$10.4 million compared to its financial liabilities of S$162,000. The reduction in cash and bank balances was mainly due to payments made for trade and material purchases as a result of the increase in sales in FY2015.



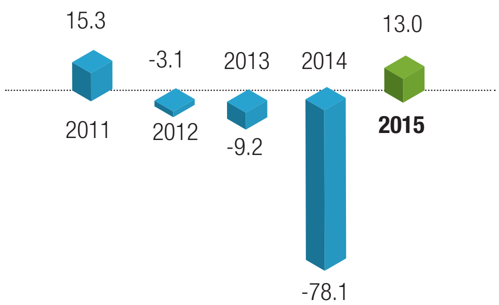
Cash Flow Statement (in S$ million)	2011	2012	2013	2014	2015
Cash from/(used in) operating activities	17.4	4.0	3.4	-8.2	-1.6
Cash (used in)/from investing activities	-0.9	-6.4	-19.3	-4.5	0.9
Cash (used in)/from financing activities	-13.4	21.9	-2.2	1.6	-0.4
Net increase/(decrease) in cash	3.1	19.5	-18.1	-11.1	-1.1
Cash & cash equivalents	21.7	39.5	22.4	11.2	10.4



NET ASSET VALUE PER ORDINARY SHARE (in cents)



DILUTED EARNINGS PER SHARE (in cents) (include MCT)



CORPORATE SOCIAL **RESPONSIBILITY**

CORPORATE SOCIAL RESPONSIBILITY – 2015

In 2015, we worked in conjunction with Maple Lifestyle, a corporate social responsibility event company to reach out to the needy. Termed "Home Visit and Grocery Distribution Programme", this is a part of the Project A.C.E. ("Adopt a Community Event") organized by Maple Lifestyle.

Through this program, our staff packed and distributed groceries to the residents staying in rented flats. The area of distribution was in Whampoa at Jalan Tenteram. With our combined efforts, we visited 150 residents at their flats and presented them with groceries for their daily needs.

With our concerted efforts, we were able to complete our distribution in time. It was an extremely rewarding experience to play our part in helping the needy and letting them know that we care.

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

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

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

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

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

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

In 2015, directors were provided with training in areas such as the review and proposed amendments to the Companies Act and update of changes to Listing rules of SGX-ST. Audit Committee members also attended briefing sessions on the latest Financial Reporting Standards developments and ACRA's Financial Reporting Surveillance programme. A director of the Company attended a course on Understanding the Regulatory Environment in Singapore conducted by the Singapore Institute of Directors.

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

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 5
- Audit Committee 5
- Remuneration Committee 1
- Nominating Committee 1

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

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San *(Chairman)*	5	5	5	5	1	1	1	1
Basil Chan	5	5	5	5	1	1	1	1
Keith Toh Hsiang-Wen*	4	3	3	3	NA	NA	NA	NA
Charles Cher Lew Siang	5	5	NA	NA	NA	NA	NA	NA
Adrian Chan Pengee**	2	2	2	2	1	1	1	1

* Keith Toh Hsiang-Wen became a director on 6 February 2015.
** Adrian Chan Pengee resigned as a director on 29 April 2015.

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

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

Board Composition and Guidance

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

The Company believes that there should be a strong and independent element on the Board to exercise objective judgment on corporate affairs. Our current Board comprises four directors, of whom three members of the Board are non-executive. All the non-executive directors, with the exception of Mr Loke Wai San, are independent. Mr Loke is non-independent as he is the Director of New Earth Group which manages Novo Tellus PE Fund 1, L.P., the sole member of Orion Phoenix which is a substantial shareholder of the Company. Mr Basil Chan and Mr. Keith Toh are considered to be independent as they have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interest of the Company. The independent directors meet regularly without the presence of Management to discuss issues relating to the Company.

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

Chairman and Chief Executive Officer ("CEO")

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

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

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

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

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

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

BOARD MEMBERSHIP

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

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

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

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC evaluates the Board's effectiveness as a whole and the contribution of each director to the effectiveness of the Board. It also determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. The NC has reviewed, as a routine matter, the candidacy of Mr. Basil Chan with particular regard to the Guideline 2.4 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years. After discussion, the NC is satisfied that Mr. Basil Chan continues to serve effectively as an independent director at the Company. In arriving at this view, the committee 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, with Mr. Keith Toh appointed and Mr. Adrian Chan departing the board in 2015;
b) The complementary mix of skills contributed by the directors on the Company's board; and
c) Mr. Chan's ability to continue acting as an independent director, given he does not have any equity stake in the Company and his record of independent directorship at the Company during his tenure.

The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the directors of the Company. The NC has decided to implement a higher standard of independence as compared to that prescribed by the Code as it requires the independent directors to be independent from all substantial shareholders and not merely 10% shareholders.

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

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

Each independent director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2015. The NC has reviewed and is satisfied with the independence of the independent directors. Currently, the Company does not have any alternate director.

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

Board Performance

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

The NC periodically reviews the Board's performance and its ability to steer the Group in the right direction. It has adopted a system of evaluating the effectiveness of the Board's performance as a whole, through principally a self-assessment process on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company.

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

Access to Information

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

Directors are regularly updated by Management on developments within the Group. The Board is provided with timely and adequate information, prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval. The Board also has separate and independent access to the Management and the Company Secretary at all times. The Board receives periodic financial statements, budgets and forecasts from Management to enable them to keep track of the Group's financial performance. All material variances between budgets and actual results are being explained.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

(i) the remuneration framework for directors and key management personnel, taking into consideration and benchmarking against the pay and employment conditions within the industry and with comparable companies; with a goal to motivate, recruit and retain employees and that the remuneration framework, the salary structure and package offered to executive directors and key management provide a fair system and avoid rewarding poor performance. When required, the RC is empowered to engage expert advice in discharging its responsibilities, at the Company's expense;

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

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

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

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

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

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

Level and Mix of Remuneration

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

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

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

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

The independent directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and the time that are required, the responsibilities of the independent directors and the need to pay competitive fees to attract, retain and motivate the independent directors. The independent directors are not over-compensated to the extent their independence may be compromised. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at annual general meetings.

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

AS AT 31 DECEMBER 2015

Disclosure on Remuneration

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

The remuneration bands and breakdown in percentage terms of the gross remuneration of the directors of the Company for the year ended 31 December 2015 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total
	%	%	%	%	%	%
Directors						
S$500,000 to S$750,000						
Charles Cher Lew Siang	–	66	16	18	–	100
	S$	S$	S$	S$	S$	S$
Below S$250,000						
Loke Wai San*	94,000	–	–	–	96,000	190,000
Keith Toh Hsiang-Wen**	63,250	–	–	–	–	63,250
Basil Chan	76,000	–	–	–	–	76,000
Adrian Chan Pengee**	23,000	–	–	–	–	23,000

* The director's and other fees for Mr Loke Wai San were paid to his employer, Novo Tellus Capital Partners.
** The directors' fee paid to Mr Keith Toh and Mr Adrian Chan were on a pro-rated basis based on the number of months they served as a director with the Company.

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

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

During the year, no director or employee was granted any share option under the AEM Holdings Share Option Scheme. In 2015, 3,124,000 (2014: 2,800,000) performance shares were granted to the Management of the Company under the Performance Share Plan (the shares granted and the number of shares as stated were before 10 for 1 share consolidation exercise in May 2015). Other than these, no other director was granted any performance shares under the Performance Share Plan during the year.

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

Key Management and Remuneration Policy

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

Name of personnel	Salaries (%)	Bonuses (%)	Other Allowances (%)	Share-based payment (%)	Total (%)
Below $250,000					
Soh Wai Kong	75%	9%	9%	7%	100%
Teyu Soi Seng	80%	10%	10%	0%	100%
Yeap Kian Yong	75%	15%	10%	0%	100%
Goh Meng Kiang	78%	10%	12%	0%	100%
Seah Boon Seng	80%	7%	13%	0%	100%

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

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

CORPORATE **GOVERNANCE**

AS AT 31 DECEMBER 2015

Risk Management and Internal Controls

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

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

The risk management and control procedures are reviewed by the AC and the Board and updated regularly to reflect changes in market conditions and the activities of the Group. The Board has received assurance from the Chief Executive Officer and the Finance Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems. Based on the work carried out by the internal auditors, the reviews undertaken by the external auditors, representations made by management to the Board and existing management controls that are in place, the Board is of the opinion (with the concurrence of the AC) that there are adequate internal controls in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and Information Technology Risks.

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

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

(i) Compliance risk

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

(ii) Operational risk

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

(iii) Financial risk

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

(iv) Investment risk

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

Audit Committee

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

The Audit Committee ("AC") comprises three members, all non-executive, and a majority of its members are independent including the Chairman. These members are suitably qualified and possess relevant accounting and/or related financial management expertise or experience for the effective discharge of their responsibilities as members of the AC.

The current members of the AC comprise the following:

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

The AC performs the following main functions:

- Reviews and approves the audit plans and scope of work of the internal and external auditors.
- Reviews the effectiveness of the internal controls, findings of the internal and external auditors and the response and follow-up actions from Management.
- Reviews the quarterly and full year announcements and the financial statements of the Group and of the Company, the Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.
- Reviews the requirements for approval and disclosure of interested persons transactions.
- Nominates the external auditors for appointment or re-appointment and reviews the level of audit fees, cost effectiveness of the audit and the independence and objectivity of the external auditors.

CORPORATE **GOVERNANCE**

AS AT 31 DECEMBER 2015

- Investigates any matters reported to the Committee about improprieties in matters of financial reporting or other matters within its terms of reference.
- Reviews and approves the Corporate Governance and Control policies of the Group.

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

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

For the financial year ended 31 December 2015, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the Singapore Exchange Securities Trading Limited in relation to the appointment of our auditors.

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

Internal Audit

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

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

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

Shareholder Rights

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

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

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

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

COMMUNICATION WITH SHAREHOLDERS

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

The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNET and where appropriate also directly to Shareholders, analysts, the media and its employees. The announcements of the Group's results and material developments are released through SGXNET to the SGX's and the Company's website in a timely manner to ensure fair disclosure of information. The Board provides the Shareholders a balanced and clear assessment of the Group's performance, financial position and prospects on a quarterly basis.

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

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

Conduct of Shareholder Meetings

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

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

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

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

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

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

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2015

DEALINGS IN SECURITIES

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

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. There were no interested person transactions for the financial year ended 31 December 2015.

DIVIDEND POLICY

The Company does not have a fixed dividend policy. The Board targets to pay a consistent final dividend after its full year results taking into consideration the available profit, the cash flow generated, the capital expenditure needs of the Group and whether there is any business investment opportunity on the horizon.

The Board has proposed a final tax exempt (one-tier) dividend of $0.01 per ordinary share for the financial year ended 31 December 2015.

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 2015.

In our opinion:

(a) the financial statements set out on pages FS36 to FS91 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 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

DIRECTORS

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

Loke Wai San
Basil Chan
Charles Cher Lew Siang
Keith Toh Hsiang-Wen

DIRECTORS' INTERESTS

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

	Holdings at beginning of the year*	**Holdings at end of the year**
Name of director and corporation in which interests are held		
AEM Holdings Ltd		
Charles Cher Lew Siang		
– ordinary shares, fully paid (direct interest)	50,000	275,500

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

* *On 26 May 2015, the Group completed a share consolidation of 10 existing issued ordinary shares into 1 ordinary share. Accordingly, retrospective adjustments have been made to the number of shares at the beginning of the 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 2016.

DIRECTORS' 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:

- Loke Wai San (Chairman)
- Basil Chan
- Adrian Chan Pengee (Resigned on 29 April 2015)
- Keith Toh Hsiang Wen

Other information regarding the Scheme is set out below:

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

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

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

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

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

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

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

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

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

Performance share plan

The performance share plan ("the Plan") of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 29 April 2008 to attract, recruit, retain and encourage higher performance goals and recognise achievements.

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

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

Participants	Shares awards granted & released during the year*	Aggregate shares awards granted & released at end of the year
Other key executives	312,400	4,462,400

* *On 26 May 2015, the Group completed a share consolidation of 10 existing issued ordinary shares into 1 ordinary share. Accordingly, retrospective adjustments have been made to the number of shares at the beginning of the year, and those granted and release during the year.*

Audit committee

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

- Basil Chan (Chairman), non-executive director
- Adrian Chan Pengee, non-executive director (Resigned on 29 April 2015)
- Keith Toh Hsiang Wen, non-executive director
- Loke Wai San

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

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

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

Charles Cher Lew Siang
Director

28 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Company
AEM Holdings Ltd

Report on the financial statements

We have audited the accompanying financial statements of AEM Holdings Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS36 to FS91.

Management's responsibility 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 Singapore Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

Members of the Company
AEM Holdings Ltd

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2016

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Assets					
Property, plant and equipment	4	**3,236**	6,163	**51**	61
Intangible assets	5	**217**	381	**37**	89
Investment in subsidiaries	6	**–**	–	**10,194**	10,194
Deferred tax assets	15	**1,115**	1,796	**328**	328
Non-current assets		**4,568**	8,340	**10,610**	10,672
Assets held for sale	7	**2,551**	–	**–**	–
Inventories	8	**8,896**	9,057	**–**	–
Trade and other receivables	9	**10,375**	7,482	**3,809**	4,374
Cash and cash equivalents	10	**10,363**	11,152	**3,680**	3,328
Current assets		**32,185**	27,691	**7,489**	7,702
Total assets		**36,753**	36,031	**18,099**	18,374
Equity					
Share capital	11	**39,737**	39,737	**39,737**	39,737
Reserves	12	**(13,075)**	(13,868)	**(259)**	(461)
Accumulated losses		**(2,160)**	(7,942)	**(22,711)**	(24,525)
Total equity attributable to owners of the Group		**24,502**	17,927	**16,767**	14,751
Liabilities					
Financial liabilities	13	**86**	–	**–**	–
Deferred tax liabilities	15	**43**	49	**–**	–
Provisions	16	**261**	–	**16**	–
Non-current liabilities		**390**	49	**16**	–
Financial liabilities	13	**76**	202	**–**	–
Trade and other payables	14	**11,122**	15,490	**1,235**	3,542
Current tax payable		**453**	2,164	**81**	81
Provisions	16	**210**	199	**–**	–
Current liabilities		**11,861**	18,055	**1,316**	3,623
Total liabilities		**12,251**	18,104	**1,332**	3,623
Total equity and liabilities		**36,753**	36,031	**18,099**	18,374

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

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Continuing operations			
Revenue	18	**47,611**	30,860
Other income		**3,844**	2,435
Changes in inventories of finished goods and work-in-progress		**(1,244)**	(5,907)
Raw materials and other consumables		**(26,151)**	(17,198)
Staff costs		**(12,191)**	(11,249)
Depreciation of property, plant and equipment		**(1,005)**	(1,000)
Amortisation of intangible assets		**(257)**	(890)
Other expenses		**(6,664)**	(26,530)
Results from operating activities		**3,943**	(29,479)
Finance income		**58**	48
Finance costs		**(27)**	(11)
Net finance income	19	**31**	37
Profit/(loss) before tax	20	**3,974**	(29,442)
Tax credit	21	**1,808**	2,134
Profit/(loss) from continuing operations		**5,782**	(27,308)
Discontinued operation			
Loss from discontinued operation (net of tax)	28	**–**	(12,636)
Profit/(loss) for the year		**5,782**	(39,944)
Profit/(loss) attributable to:			
Owners of the Company		**5,782**	(34,603)
Non-controlling interests		**–**	(5,341)
Profit/(loss) for the year		**5,782**	(39,944)
Earnings/(loss) per share	22		
– Basic		**12.99 cents**	(78.13) cents
– Fully diluted		**12.99 cents**	(78.13) cents
Earnings/(loss) per share – continuing operations	22		
– Basic		**12.99 cents**	(61.66) cents
– Fully diluted		**12.99 cents**	(61.66) cents
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**493**	1,499
Effect of liquidation of dormant subsidiaries, reclassified to profit or loss		**98**	(1,118)
Other comprehensive income for the year, net of tax		**591**	381
Total comprehensive income/(loss) for the year		**6,373**	(39,563)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**6,373**	(34,859)
Non-controlling interests		**–**	(4,704)
Total comprehensive income/(loss) for the year		**6,373**	(39,563)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2015

Group	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Share compensation reserve $'000	Currency translation reserve $'000	Merger reserve $'000	Accumulated profits/ (losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2014, as restated	39,737	(910)	214	230	(15,270)	139	26,661	50,801	14,331	65,132
Total comprehensive loss for the year										
Loss for the year	–	–	–	–	–	–	(34,603)	(34,603)	(5,341)	(39,944)
Other comprehensive income/(loss)										
Foreign currency translation difference	–	–	–	–	862	–	–	862	637	1,499
Effect of liquidation of dormant subsidiaries	–	–	–	–	(979)	(139)	–	(1,118)	–	(1,118)
Total comprehensive loss for the year	–	–	–	–	(117)	(139)	(34,603)	(34,859)	(4,704)	(39,563)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Own shares acquired	–	(36)	–	–	–	–	–	(36)	–	(36)
Issue of shares under Performance Share Plan (Note 17)	–	255	–	–	–	–	–	255	–	255
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	2,642	2,642
Effect of disposal of a subsidiary	–	–	–	–	1,766	–	–	1,766	(12,269)	(10,503)
Total transactions with owners	–	219	–	–	1,766	–	–	1,985	(9,627)	(7,642)
At 31 December 2014	39,737	(691)	214	230	(13,621)	–	(7,942)	17,927	–	17,927

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2015

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

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2015

	Note	**2015 $'000**	2014 $'000
Cash flows from operating activities			
Profit/(loss) for the year		**5,782**	(39,944)
Adjustments for:			
Provision for/(reversal of) impairment loss on trade and other receivables	9	**79**	(774)
Impairment loss on property, plant and equipment	4	**213**	2,798
Depreciation of property, plant and equipment	4	**1,005**	4,256
Reversal of impairment loss on assets held for sale	4	**(597)**	–
Intangible assets written off	5	**–**	3,417
Amortisation of intangible assets	5	**257**	1,131
Allowance made for stock obsolescence	20	**1,077**	6,257
Reversal of provision for sales rebates	14	**(2,034)**	–
(Gain)/loss on disposal of property, plant and equipment	20	**(12)**	281
Loss/(gain) on liquidation of subsidiaries	20	**512**	(1,118)
Loss on disposal of a subsidiary	20	**–**	14,730
Finance costs		**27**	33
Finance income		**(58)**	(52)
Equity-settled share-based payment expenses		**283**	255
Provision reversed for warranties	16	**(4)**	(60)
Provision made for site restoration	16	**248**	–
Tax credit	21	**(1,808)**	(2,134)
		4,970	(10,924)
Changes in working capital:			
Inventories		**(337)**	(1,138)
Trade and other receivables		**(5,044)**	2,605
Trade and other payables		**(1,801)**	1,191
Cash used in operating activities		**(2,212)**	(8,266)
Tax refunded		**650**	61
Net cash used in operating activities		**(1,562)**	(8,205)
Cash flows from investing activities			
Acquisition of intangible assets	5	**(79)**	(2,023)
Interest received		**58**	52
Proceeds from disposal of property, plant and equipment		**119**	4
Acquisition of property, plant and equipment	4	**(603)**	(5,531)
Proceeds from disposal of a subsidiary, net of cash disposed of	28	**–**	3,014
Loan repaid by a former subsidiary		**1,417**	–
Net cash from/(used in) investing activities		**912**	(4,484)
Cash flows from financing activities			
Interest paid		**(14)**	(33)
Repayment of finance lease liabilities		**(84)**	–
Repayment of bank loans		**(211)**	(973)
Capital injection from non-controlling interests of a subsidiary	6	**–**	2,642
Repurchase of own shares		**(81)**	(36)
Net cash (used in)/from financing activities		**(390)**	1,600
Net decrease in cash and cash equivalents		**(1,040)**	(11,089)
Cash and cash equivalents at 1 January		**11,152**	22,370
Effect of exchange rate fluctuations on cash held		**251**	(129)
Cash and cash equivalents at 31 December	10	**10,363**	11,152

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 2016.

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 Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (“SGD”), which is the Company’s functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

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

- Note 4 – measurement of recoverable amount of property, plant and equipment
- Note 8 – valuation of inventories
- Note 9 – recoverability of trade receivables

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 26 – financial risk management

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

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

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

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

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)

Business combinations (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.

Transactions eliminated on consolidation

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

Subsidiaries, associates and jointly controlled entities in the separate financial statements

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

NOTES TO
THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Depreciation

Depreciation is based on the cost of an asset less its residual value. 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.

NOTES TO
THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

Depreciation (Cont'd)

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

Leasehold land	99 years
Leasehold buildings	30 to 50 years
Motor vehicles	5 to 10 years
Furniture and fittings	3 to 10 years
Renovation and installation	3 to 10 years
Computers	3 years
Plant and equipment	3 to 10 years

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

3.4 Intangible assets

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 3 years from the date the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Non-derivative financial assets (Cont'd)

Loans and receivables

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

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

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

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

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

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

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

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 loans and borrowings, and trade and other payables.

Share capital

Ordinary shares

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Non-current assets held for sale

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

3.8 Lease payments

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

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

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

Determining whether an arrangement contains a lease

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Inventories

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

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

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

3.10 Provisions

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

Warranties

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

Site restoration

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

3.11 Tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Tax (Cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO
THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Segment reporting

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

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

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

3.19 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Financial Reporting Standard FRS 115 "Revenue from Contracts with Customers"

The Standard replaces the presently existing guidelines regarding recognition of revenue from contracts with customers and provides two approaches for recognition of revenue: at one point in time or over time. The model includes five stages for analysis of transactions in order to determine the timing of recognition of the revenue and the amount thereof. In addition, the Standard provides new disclosure requirements that are more extensive than those currently in effect.

The Standard is mandatory for adoption for annual periods commencing on 1 January 2018, with the possibility of early adoption. The Standard includes various alternatives with respect to the transitional rules, such that companies may choose one of the following alternatives when applying the Standard for the first time: full retroactive application, full retroactive application with practical relaxations or application of the Standard commencing from the initial application date, while adjusting the balance of the retained earnings as at this date for transactions that have not yet been completed. The Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

Financial Reporting Standard FRS 109 "Financial Instruments"

This is the final version of the Standard, which includes updated provisions for classification and measurement of financial instruments, as well as a new model for measurement of impairment in value of financial assets. These provisions are added to the Section regarding Hedge Accounting – General, which was published in 2013.

The Standard is mandatory for adoption for annual periods commencing on 1 January 2018, with the possibility of early adoption. The Standard is to be applied retroactively, except in a number of circumstances. The Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land $'000	Leasehold buildings $'000	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Construction in-progress $'000	Total $'000
Cost									
At 1 January 2014	941	4,462	36	601	9,249	1,528	58,065	11,542	86,424
Additions	–	–	–	294	908	130	2,054	16	3,402
Disposals	–	–	–	–	(87)	(20)	(1,147)	–	(1,254)
Effects from disposal of a subsidiary	–	–	–	(481)	(4,864)	(87)	(60,352)	(118)	(65,902)
Reclassification from construction-in-progress	–	–	–	–	26	30	11,954	(12,010)	–
Translation adjustment	(26)	(138)	(1)	24	439	38	2,757	601	3,694
At 31 December 2014	915	4,324	35	438	5,671	1,619	13,331	31	26,364
Additions	–	–	–	1	287	48	267	–	603
Disposals	–	–	–	–	(2)	(73)	(543)	–	(618)
Effects from liquidation of a dormant subsidiary	–	–	–	(21)	(5)	(15)	–	–	(41)
Reclassification from construction-in-progress	–	–	–	–	32	–	–	(32)	–
Reclassification to assets held for sale (Note 7)	(782)	(3,613)	–	–	–	–	–	–	(4,395)
Translation adjustment	(133)	(711)	(4)	16	330	42	125	1	(334)
At 31 December 2015	–	–	31	434	6,313	1,621	13,180	–	21,579
Accumulated depreciation and impairment losses									
At 1 January 2014	15	161	36	509	8,193	1,322	44,102	–	54,338
Depreciation charge for the year	11	115	–	46	406	126	3,552	–	4,256
Disposals	–	–	–	–	(87)	(14)	(868)	–	(969)
Impairment for the year	526	2,233	–	–	–	–	39	–	2,798
Effects from disposal of a subsidiary	–	–	–	(144)	(3,833)	(51)	(38,740)	–	(42,768)
Translation adjustment	(14)	(77)	(1)	21	407	34	2,176	–	2,546
At 31 December 2014	538	2,432	35	432	5,086	1,417	10,261	–	20,201
Depreciation charge for the year	4	26	–	7	191	126	651	–	1,005
Disposals	–	–	–	–	(2)	(70)	(439)	–	(511)
(Reversal of)/impairment loss for the year	(114)	(483)	–	–	–	–	213	–	(384)
Effects from liquidation of a dormant subsidiary	–	–	–	(21)	(5)	(15)	–	–	(41)
Reclassification to assets held for sale (Note 7)	(342)	(1,502)	–	–	–	–	–	–	(1,844)
Translation adjustment	(86)	(473)	(4)	16	307	32	125	–	(83)
At 31 December 2015	–	–	31	434	5,577	1,490	10,811	–	18,343
Carrying amounts									
At 1 January 2014	926	4,301	–	92	1,056	206	13,963	11,542	32,086
At 31 December 2014	377	1,892	–	6	585	202	3,070	31	6,163
At 31 December 2015	–	–	–	–	736	131	2,369	–	3,236

NOTES TO
THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During 2014, the Group acquired manufacturing equipment where relevant finance leases (note 13) subsequently commenced in 2015. The carrying amount of the leased assets was $225,000 as of year end. These leases provide the Group with the option to become the owner of the equipment subject to certain terms and conditions.

Company	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost				
At 1 January 2014	400	405	18	823
Additions	22	3	16	41
At 31 December 2014	422	408	34	864
Additions	15	–	–	15
At 31 December 2015	437	408	34	879
Accumulated depreciation and impairment loss				
At 1 January 2014	357	387	18	762
Depreciation charge for the year	31	9	1	41
At 31 December 2014	388	396	19	803
Depreciation charge for the year	14	9	2	25
At 31 December 2015	402	405	21	828
Carrying amounts				
At 1 January 2014	43	18	–	61
At 31 December 2014	34	12	15	61
At 31 December 2015	35	3	13	51

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

During the year, the Group recognised an impairment loss of $213,000 with respect to the property, plant and equipment of a loss-making subsidiary, belonging to the "PCS" operating segment as disclosed in note 25. The recoverable amount of the CGU was based on the fair value of the CGU's property, plant and equipment which the Group had received an offer for as at 31 December 2015 and was subsequently sold in February 2016, as disclosed in note 29.

On 28 July 2015, the management entered into a contract for the sale of leasehold land and building which were subsequently reclassified to assets held for sale. Due to the higher selling price of $2,863,000 compared to the previously impaired carrying amount, a reversal of impairment loss amounted to $597,000 has been recognised (note 7).

NOTES TO
THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS

Group	Development costs $'000	Computer software $'000	Patents $'000	Total $'000
Cost				
At 1 January 2014	8,354	2,628	926	11,908
Additions	1,786	237	–	2,023
Disposals/Write-off	(4,395)	–	–	(4,395)
Effects from disposal of a subsidiary	(6,046)	(522)	(973)	(7,541)
Translation adjustment	301	71	47	419
At 31 December 2014	–	2,414	–	2,414
Additions	–	79	–	79
Disposals/Write-off	–	(122)	–	(122)
Translation adjustment	–	57	–	57
At 31 December 2015	–	2,428	–	2,428
Accumulated amortisation and impairment loss				
At 1 January 2014	1,072	2,213	119	3,404
Amortisation charge for the year	703	238	190	1,131
Disposals/Write-off	(978)	–	–	(978)
Effects from disposal of a subsidiary	(827)	(474)	(334)	(1,635)
Translation adjustment	30	56	25	111
At 31 December 2014	–	2,033	–	2,033
Amortisation charge for the year	–	257	–	257
Disposals/Write-off	–	(122)	–	(122)
Translation adjustment	–	43	–	43
At 31 December 2015	–	2,211	–	2,211
Carrying amounts				
At 1 January 2014	7,282	415	807	8,504
At 31 December 2014	–	381	–	381
At 31 December 2015	–	217	–	217

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONT'D)

Company	Computer software $'000
Cost	
At 1 January 2014	1,224
Additions	53
At 31 December 2014/31 December 2015	1,277
Accumulated amortisation	
At 1 January 2014	1,137
Amortisation charge for the year	51
At 31 December 2014	1,188
Amortisation charge for the year	52
At 31 December 2015	1,240
Carrying amounts	
At 1 January 2014	87
At 31 December 2014	89
At 31 December 2015	37

6 INVESTMENT IN SUBSIDIARIES

	Company	
	2015	2014
	$'000	$'000
Unquoted equity shares, at cost	**10,945**	10,945
Allowance for impairment	**(751)**	(751)
	10,194	10,194

During the year, the Group carried out a review of the recoverable amounts of its investment in subsidiaries in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on value in use. The estimate of value in use was determined using a pre-tax discount rate of 8.02% (2014: 9.83%).

Based on the assessment, no impairment loss was recognised.

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2015 %	2014 %
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]	Manufacturing of automated machines and related parts for the semiconductor industry	Malaysia	**100**	100
AEM (Hong Kong) Co., Limited	Trading of automated equipment and parts used in semiconductor manufacturing process	Hong Kong	**–#**	100
AEM Platronics (S) Pte. Ltd.[1]	Inactive	Singapore	**100**	100
AEM Platronics (M) Sdn. Bhd.[3]	Inactive	Malaysia	**100**	100
Qualitek Electronics (M) Sdn. Bhd.[3]	Manufacturing of printed circuit boards	Malaysia	**100**	100
AEM (Suzhou) Co., Ltd.[4]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components and provision of plating services	People's Republic of China	**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
Microcircuit Technology (M) Sdn. Bhd.[3]	Inactive	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

KPMG Singapore is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-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 Ahmad Abdullah & Goh
4 Audited by Suzhou Deheng Certified Public Accountants
** Significant subsidiary as defined under the Listing Manual of the Singapore Exchange.*
 # The Group has liquidated AEM (Hong Kong) Co., Limited during the year and recognised a loss of $512,000 upon the liquidation. This loss is recorded in profit or loss.

7 ASSETS HELD FOR SALE

	Group	
	2015	2014
	$'000	$'000
Leasehold land	**440**	–
Leasehold building	**2,111**	–
	2,551	–

The Group entered into a sale and purchase agreement on 28 July 2015 to sell its leasehold land and building in Malaysia. The legal title will be transferred upon completion of sale subject to the receipt of the full purchase price of RM8,000,000 ($2,863,000), of which RM800,000 ($264,000) had been collected as at 31 December 2015. The remaining payment was outstanding as at year end. These assets were reclassified from property, plant and equipment (note 4) and classified as assets held for sale as of year end.

8 INVENTORIES

	Group	
	2015	2014
	$'000	$'000
Raw materials	**1,865**	2,397
Work-in-progress	**6,055**	3,880
Finished goods	**969**	2,780
Goods in-transit	**7**	–
	8,896	9,057

In 2015, the write-down of inventories to net realisable value amounted to $1,077,000 (2014: $6,270,000). There was no reversal of write-down by the Group in 2015 (2014: $26,000). The write-down and reversal are included in the changes in inventories of finished goods and work-in-progress.

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Trade receivables	**9,285**	5,628	**–**	–
Impairment losses	**(246)**	(399)	**–**	–
	9,039	5,229	**–**	–
Other receivables	**1,052**	1,801	**14**	1,292
Impairment losses	**(79)**	–	**(11)**	–
	973	1,801	**3**	1,292
Amounts due from subsidiaries:				
– trade, net of impairment losses of $1,042,000 (2014: $1,042,000)	**–**	–	**2,928**	2,500
– non-trade, net of impairment losses of $20,112,000 (2014: $20,047,000)	**–**	–	**707**	520
	10,012	7,030	**3,638**	4,312
Prepayments	**122**	130	**66**	3
Deposits	**241**	322	**105**	59
	10,375	7,482	**3,809**	4,374

Trade and other receivables

The Group's primary exposure to credit risk arises through its trade and other receivables. The Group utilises its historical experience in the collection of its receivables to estimate any impairment losses. Management believes that no additional credit risk beyond the impairment losses already provided for is inherent in the Group's trade and other receivables. The maximum exposure to credit risk for trade receivables of the Group as at 31 December 2015 for the top three customers is $7,942,000 (2014: $3,927,000).

NOTES TO THE FINANCIAL STATEMENTS

9 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables (Cont'd)

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

	Gross 2015 $'000	Impairment losses 2015 $'000	Gross 2014 $'000	Impairment losses 2014 $'000
Group				
Not past due	**9,567**	**–**	6,542	–
Past due 0-30 days	**195**	**–**	156	–
Past due 31-120 days	**195**	**–**	241	–
Past due 121-365 days	**66**	**11**	91	–
More than one year	**314**	**314**	399	399
	10,337	**325**	7,429	399
Company				
Not past due	**104**	**–**	1,233	–
Past due 0-30 days	**209**	**–**	153	–
Past due 31-120 days	**611**	**–**	737	–
Past due 121-365 days	**1,838**	**11**	1,063	–
More than one year	**22,030**	**21,143**	22,215	21,089
	24,792	**21,154**	25,401	21,089

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

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

	Group		Company	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Balance at 1 January	**399**	1,353	**21,089**	21,089
Impairment loss recognised/(reversed)	**79**	(774)	**65**	–
Effects from liquidation of subsidiary	**(116)**	–	**–**	–
Utilisation	**–**	(191)	**–**	–
Translation on consolidation	**(37)**	11	**–**	–
Balance at 31 December	**325**	399	**21,154**	21,089

NOTES TO
THE FINANCIAL STATEMENTS

10 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**7,908**	9,373	**2,045**	3,328
Fixed deposits with banks	**2,455**	1,779	**1,635**	–
Cash and cash equivalents	**10,363**	11,152	**3,680**	3,328

As at 31 December 2015, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.06% (2014: 0.02%). Interest rates reprice monthly.

11 SHARE CAPITAL

		Company Number of shares	
	Note	**Share Capital '000**	**Treasury Shares '000**
Issued and fully paid ordinary shares, with no par value:			
At 1 January 2014		451,127	(10,000)
Purchase of treasury shares		–	(450)
Issue of shares under Performance Share Plan	17	–	2,800
At 31 December 2014/1 January 2015		451,127	(7,650)
Issue of shares under Performance Share Plan	17	–	3,124
At 26 May 2015 (before share consolidation*)		451,127	(4,526)
At 26 May 2015 (after share consolidation*)		45,113	(453)
Purchase of treasury shares		–	(299)
At 31 December 2015		45,113	(752)

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

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

During the year, the Company purchased 299,000 (2014: 450,000) of its own shares from the open market and as at the end of 31 December 2015, the treasury shares balance was 752,000 (2014: 7,650,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 44,361,000 (2014: 443,477,000).

During the year, 3,124,000 (2014: 2,800,000) shares were issued out of the treasury shares to certain key management personnel under the Performance Share Plan. There was no sale, transfer or cancellation of treasury shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

11 SHARE CAPITAL (CONT'D)

Capital management

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

The Group has set a maximum limit of 1:1 for its "total borrowings: net tangible assets" ratio. As at 31 December 2015, its "total borrowings: net tangible assets" ratio was 0.01 (2014: 0.01). Total borrowings comprise secured bank loans while net tangible asset is calculated as total equity less intangible assets.

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.

12 RESERVES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Reserve for own shares	**(489)**	(691)	**(489)**	(691)
Capital reserve	**214**	214	**–**	–
Share compensation reserve	**230**	230	**230**	230
Currency translation reserve	**(13,030)**	(13,621)	**–**	–
	(13,075)	(13,868)	**(259)**	(461)

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

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

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

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

NOTES TO
THE FINANCIAL STATEMENTS

13 FINANCIAL LIABILITIES

	Group 2015 $'000	Group 2014 $'000
Non-current liabilities		
Finance lease liabilities	**86**	–
Current liabilities		
Secured bank loans	**–**	202
Finance lease liabilities	**76**	–
	76	202
Total borrowings	**162**	202

Maturity of liabilities:

	Group 2015 $'000	Group 2014 $'000
Within 1 year	**76**	202
After 1 year but within 5 years	**86**	–
	162	202

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

Terms and debt repayment schedule

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

	Nominal interest rate %	**Year of maturity**	**2015 Face value $'000**	**2015 Carrying amount $'000**	2014 Face value $'000	2014 Carrying amount $'000
Group						
SGD floating rate loans	SOR*+2.5%	2015	**–**	**–**	202	202
Finance lease liabilities	3.1%	2018	**172**	**162**	–	–
Total interest-bearing liabilities			**172**	**162**	202	202

* *SOR: SWAP offer rate*

NOTES TO
THE FINANCIAL STATEMENTS

13 FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule (Cont'd)

The following are the contractual maturities of financial liabilities:

		Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000
Group				
2015				
Finance lease liabilities	**162**	**(172)**	**(82)**	**(90)**
Trade and other payables	**11,122**	**(11,122)**	**(11,122)**	**–**
	11,284	**(11,294)**	**(11,204)**	**(90)**
2014				
Floating rate loans	202	(204)	(204)	–
Trade and other payables	15,490	(15,490)	(15,490)	–
	15,692	(15,694)	(15,694)	–
Company				
2015				
Trade and other payables	**1,235**	**(1,235)**	**(1,235)**	**–**
Recognised financial liabilities	**1,235**	**(1,235)**	**(1,235)**	**–**
Intragroup financial guarantee	**–**	**(227)**	**(227)**	**–**
	1,235	**(1,462)**	**(1,462)**	**–**
2014				
Trade and other payables	3,542	(3,542)	(3,542)	–
Recognised financial liabilities	3,542	(3,542)	(3,542)	–
Intragroup financial guarantee	–	(9,026)	(9,026)	–
	3,542	(12,568)	(12,568)	–

NOTES TO
THE FINANCIAL STATEMENTS

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Trade payables	**7,453**	5,311	**–**	–
Accrued operating expenses	**2,728**	6,181	**1,012**	3,209
Deposits received	**302**	3,579	**–**	207
Other payables	**639**	419	**223**	126
	11,122	15,490	**1,235**	3,542

Accrued operating expenses include a provision for sales rebate of $426,000 (2014: $2,479,000) relating to the agreement that the Company entered into with a customer in 2012. A former subsidiary of the Company, which was disposed off in 2014, was a defendant for alleged damages and compensation arising from the sales of products in 2010 by the subsidiary to that customer. The Company subsequently entered into a settlement agreement by entering into a sales rebate agreement with the customer. The sales rebate agreement expired in December 2015 where the customer exercised their contractual right for a final cash settlement equivalent to 15% of the residual rebate amount. A reversal of $2,034,000 was thus made to the remaining unutilised provision balance.

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

NOTES TO
THE FINANCIAL STATEMENTS

15 DEFERRED TAX

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

	At 1 January 2014 $'000	Recognised in profit or loss (Note 21) $'000	Translation adjustment $'000	At 31 December 2014 $'000	Recognised in profit or loss (Note 21) $'000	Translation adjustment $'000	At 31 December 2015 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	671	(719)	48	–	–	78	78
Trade and other payables	–	(25)	1	(24)	–	3	(21)
Others	–	76	(3)	73	–	(87)	(14)
	671	(668)	46	49	–	(6)	43
Deferred tax assets							
Property, plant and equipment	–	(124)	–	(124)	119	(8)	(13)
Trade and other payables	–	(72)	(1)	(73)	1	(3)	(75)
Tax loss carry-forward	–	(1,534)	(65)	(1,599)	663	(91)	(1,027)
Others	(68)	68	–	–	–	–	–
	(68)	(1,662)	(66)	(1,796)	783	(102)	(1,115)
Company							
Deferred tax liabilities							
Property, plant and equipment	87	(87)	–	–	–	–	–
Deferred tax assets							
Property, plant and equipment	–	(2)	–	(2)	–	–	(2)
Trade and other payables	–	(40)	–	(40)	–	–	(40)
Tax loss carry-forward	–	(286)	–	(286)	–	–	(286)
	–	(328)	–	(328)	–	–	(328)

Deferred tax assets recognised in relation to tax losses carry-forward were related to the Company and a subsidiary which suffered losses in prior years. The Group expects growth over the next 5 years within its “Equipment systems and solutions” segment due to the development of next-generation platforms which provide significant capability advances over its predecessors. The expected future sales are expected to generate sufficient future taxable profits against which these deferred tax assets can be utilized.

NOTES TO
THE FINANCIAL STATEMENTS

15 DEFERRED TAX (CONT'D)

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

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities	**43**	49	**–**	–
Deferred tax assets	**(1,115)**	(1,796)	**(328)**	(328)

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.

16 PROVISIONS

	Warranties	Site restoration
	$'000	$'000
Group		
At 1 January 2014	246	–
Provisions reversed	(60)	–
Translation adjustment	13	–
At 31 December 2014	199	–
Provisions (reversed)/made	(4)	248
Translation adjustment	15	–
Unwind of discount	–	13
At 31 December 2015	210	261
Non-current	–	261
Current	210	–
	210	261

	Site restoration
	$'000
Company	
At 1 January 2015	**–**
Provisions made	**15**
Unwind of discount	**1**
At 31 December 2015	**16**

NOTES TO THE FINANCIAL STATEMENTS

16 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.

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

17 SHARE-BASED PAYMENT

Employee share options

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

- Loke Wai San (Chairman)
- Basil Chan
- Adrian Chan Pengee (Resigned on 29 April 2015)
- Keith Toh Hsiang Wen

Other information regarding the Scheme is set out below:

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

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

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

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

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

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

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

There is no option outstanding at 31 December 2015 and 2014.

NOTES TO
THE FINANCIAL STATEMENTS

17 SHARE-BASED PAYMENT (CONT'D)

Performance share plan

The performance share plan ("the Plan") of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 29 April 2008 to attract, recruit, retain and encourage higher performance goals and recognise achievement.

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

During the year, 3,124,000 (2014: 2,800,000) performance shares were granted to certain key management personnel. The weighted average fair value of the shares granted was $0.091 (2014: $0.077) per share, based on the closing share price of the Company at the grant dates.

There was no movement in share compensation reserves under the Plan during the year.

18 REVENUE

	Continuing operations		Discontinued operations (Note 28)		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Group						
Sale of goods	**46,797**	30,107	**–**	4,314	**46,797**	34,421
Revenue from services rendered	**814**	753	**–**	–	**814**	753
	47,611	30,860	**–**	4,314	**47,611**	35,174

19 FINANCE INCOME AND FINANCE COSTS

	Group	
	2015	2014
	$'000	$'000
Interest income on fixed deposits	**54**	48
Other interest income	**4**	–
Finance income	**58**	48
Interest expense on finance lease liabilities	**(12)**	–
Interest expense on secured bank loan	**(2)**	(11)
Unwind of discount on site restoration provision	**(13)**	–
Finance costs	**(27)**	(11)
Net finance income	**31**	37

NOTES TO
THE FINANCIAL STATEMENTS

20 PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	2015 $'000	2014 $'000
Audit fees paid/payable to:		
– auditors of the Company	146	167
– other auditors	17	16
Non-audit fees paid/payable to		
– auditors of the Company	17	14
– other auditors	3	2
Allowance made for stock obsolescence	1,077	6,244
Contributions to defined contribution plans included in staff costs	1,222	1,015
Directors' fees	352	239
Foreign exchange gain	(741)	(443)
(Gain)/loss on disposal of property, plant and equipment	(12)	281
Loss/(gain) on liquidation of subsidiaries	512	(1,118)
Loss on disposal of a subsidiary	–	14,730
Impairment loss on property, plant and equipment	213	2,798
Reversal of impairment loss on assets held for sale	(597)	–
Intangible assets written off	–	3,417
Operating lease expense	1,958	2,822
Reversal of provision for warranties	(4)	(60)
Rental income	(295)	(1,122)
Research and development costs included in staff costs, materials, overheads and depreciation expense	2,946	3,033
Provision for/(reversal of) impairment loss on trade and other receivables	79	(774)

NOTES TO
THE FINANCIAL STATEMENTS

21 TAX CREDIT

	Group	
	2015	2014
	$'000	$'000
Current tax (credit)/expense		
Current year	**–**	58
(Over)/underprovision in prior years	**(2,591)**	138
	(2,591)	196
Deferred tax expense/(credit)		
Recognition of tax effect of previously unrecognised tax losses	**(461)**	–
Change in unrecognised temporary differences	**475**	–
Origination and reversal of temporary differences	**769**	(1,887)
Overprovision in prior years	**–**	(443)
	783	(2,330)
Total tax credit	**(1,808)**	(2,134)

Reconciliation of effective tax rate

Profit/(loss) before tax	**3,974**	(29,442)
Income tax using Singapore tax rate of 17%	**676**	(5,005)
Effect of different tax rates in other countries	**(101)**	(344)
Expenses not deductible for tax purposes	**169**	2,937
Over provision in prior years	**(2,591)**	(305)
Income not subject to tax	**(439)**	(102)
Change in unrecognised temporary differences	**475**	390
Current year losses for which no deferred tax asset was recognised	**395**	222
Recognition of tax effect of previously unrecognised tax losses	**(461)**	–
Others	**69**	73
	(1,808)	(2,134)

NOTES TO THE FINANCIAL STATEMENTS

22 EARNINGS/(LOSS) PER SHARE

The basic earnings per share is based on net profit attributable to ordinary shareholders of profit $5,782,000 (2014: a loss of $34,603,000) and the weighted average of 44,514,000 (2014: 44,287,500*) shares outstanding during the year.

The diluted earnings per share is based on net profit attributable to ordinary shareholders of profit $5,782,000 (2014: a loss of $34,603,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 44,514,000 (2014: 44,287,500*), calculated as follows:

	Group					
	2015			2014		
	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/(loss) attributable to ordinary shareholders	**5,782**	**–**	**5,782**	(27,308)	(7,295)	(34,603)

	Number of shares	
	2015 '000	2014 '000
Weighted average number of ordinary shares used in calculation of basic earnings per share	**44,514**	44,288*
Weighted average number of ordinary issued and potential shares assuming full conversion	**44,514**	44,288*

*: *The weighted average number of ordinary shares outstanding has been retrospectively adjusted for effects of the 10 for 1 share consolidation which happened on 26 May 2015.*

NOTES TO THE FINANCIAL STATEMENTS

23 COMMITMENTS

Operating lease commitments

At 31 December 2015, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2015	2014
	$'000	$'000
Payable:		
– Within 1 year	**1,517**	2,102
– After 1 year but within 5 years	**4,000**	5,565
	5,517	7,667

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

Capital commitments

Authorised and contracted for	**199**	194

As at 31 December 2015, the Group has entered into contracts to purchase plant and equipment for $199,000 (2014: $194,000).

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2015	2014
	$'000	$'000
Advisory fee paid to a private equity firm of which a director is a partner	**96**	96
Professional fees paid to a legal firm of which a director is a partner	**–**	15

Key management personnel compensation comprised:

	Group	
	2015	2014
	$'000	$'000
Short-term employee benefits	**1,811**	1,623
Post-employment benefits	**133**	125
	1,944	1,748

NOTES TO THE FINANCIAL STATEMENTS

25 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.
- Others
  Developing processes and associated chemical product formulations for surface finishing in the electronics industry. The other activities refer to the investment holding activities by the holding company.

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

25 SEGMENT INFORMATION (CONT'D)

Information about reportable segments:

	ESS $'000	PCS $'000	Others $'000	Total $'000
2015				
Total revenue from external customers	41,030	5,767	814	47,611
Inter-segment revenue	250	620	1,256	2,126
Reportable segment revenue	41,280	6,387	2,070	49,737
Depreciation and amortisation	(572)	(375)	(315)	(1,262)
Finance income	4	–	54	58
Finance costs	(15)	–	(12)	(27)
Tax credit/(expense)	1,809	–	(1)	1,808
Profit/(loss) for the year	5,939	(931)	774	5,782
Reportable segment assets	23,412	4,782	24,696	52,890
Reportable segment liabilities	8,252	1,992	38,658	48,902
Other segment information				
Expenditure for non-current assets	250	44	555	849
Other material non-cash items:				
Loss on liquidation of a dormant subsidiary	–	–	512	512
Impairment loss on trade receivables	65	2	–	67
Allowance made for stock obsolescence	882	195	–	1,077
Impairment loss on property, plant and equipment	–	213	–	213
Reversal of impairment loss on assets held for sale	–	–	(597)	(597)
Reversal of provision for sales rebates	–	–	(2,034)	(2,034)

NOTES TO THE FINANCIAL STATEMENTS

25 SEGMENT INFORMATION (CONT'D)

	ESS $'000	PCS $'000	Others $'000	Total $'000
2014				
Total revenue from external customers	22,544	7,563	753	30,860
Inter-segment revenue	2,175	–	–	2,175
Reportable segment revenue	24,719	7,563	753	33,035
Depreciation and amortisation	(1,291)	(399)	(200)	(1,890)
Finance income	35	12	1	48
Finance costs	(11)	–	–	(11)
Tax credit	2,022	100	12	2,134
Loss for the year	(11,144)	(61)	(16,103)	(27,308)
Reportable segment assets	27,740	6,183	17,561	51,484
Reportable segment liabilities	15,171	2,651	40,389	58,211
Other segment information				
Expenditure for non-current assets	1,174	25	654	1,853
Other material non-cash items:				
Gain on liquidation of dormant subsidiaries	–	–	(1,118)	(1,118)
Loss on disposal of a subsidiary	–	–	14,730	14,730
Impairment loss on/(reversal of) trade receivables	1	5	(780)	(774)
Allowance made/(reversed) for stock obsolescence	6,049	203	(8)	6,244
Impairment loss on property, plant and equipment	–	–	2,798	2,798
Intangible assets written off	3,417	–	–	3,417

NOTES TO THE FINANCIAL STATEMENTS

25 SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment revenues, assets and liabilities

	2015	2014
	$'000	$'000
Revenues		
Total revenue for reportable segments	**49,737**	37,349
Elimination of inter-segment revenue	**(2,126)**	(2,175)
Elimination of discontinued operation	**–**	(4,314)
Consolidated revenue	**47,611**	30,860
Assets		
Total assets for reportable segments	**52,890**	51,484
Elimination of inter-segment balances	**(16,137)**	(15,453)
Consolidated total assets	**36,753**	36,031
Liabilities		
Total liabilities for reportable segments	**48,902**	58,211
Elimination of inter-segment balances	**(36,651)**	(40,107)
Consolidated total liabilities	**12,251**	18,104

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.

	2015		2014	
	Revenue	**Non-current assets**	Revenue	Non-current assets
	$'000	**$'000**	$'000	$'000
Singapore	**1,773**	**2,835**	2,631	3,709
Malaysia	**8,014**	**599**	5,754	3,580
China	**4,519**	**1,134**	3,819	1,050
USA	**29,980**	**–**	12,838	1
Indonesia	**–**	**–**	126	–
Vietnam	**2,053**	**–**	4,325	–
Other countries	**1,272**	**–**	1,367	–
	47,611	**4,568**	30,860	8,340

NOTES TO
THE FINANCIAL STATEMENTS

25 SEGMENT INFORMATION (CONT'D)

Major customers

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

	ESS		PCS	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Customer A	**38,328**	23,159	**197**	273

26 FINANCIAL RISK MANAGEMENT

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

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

Credit risk

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

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 86% (2014: 70%) 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.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

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

Foreign currency risk of reporting subsidiaries

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

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

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

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

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 2015		31 December 2014	
	SGD	**USD**	SGD	USD
	$'000	**$'000**	$'000	$'000
Group				
Trade and other receivables	**2,490**	**49**	446	123
Cash and cash equivalents	**1,452**	**3,146**	2,301	398
Trade and other payables	**(3,868)**	**(20)**	(2,042)	(12)
Financial liabilities	**–**	**–**	(202)	–
	74	**3,175**	503	509
Company				
Cash and cash equivalents	**–**	**2,472**	–	60

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

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 2014.

	Group		**Company**	
	Profit or loss		**Profit or loss**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
SGD	**(7)**	(50)	**–**	–
USD	**(318)**	(51)	**(247)**	(6)

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.

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 2015			31 December 2014		
	USD	**MYR**	**RMB**	USD	MYR	RMB
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Group						
Net assets	**16,054**	**3,963**	**1,892**	9,709	4,719	2,279

NOTES TO
THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

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 2014.

	31 December 2015 $'000	31 December 2014 $'000
Group		
USD (10% strengthening)	**(1,605)**	(971)
MYR (10% strengthening)	**(396)**	(472)
RMB (10% strengthening)	**(189)**	(228)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's debt obligations.

The Group's variable-rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

There is no formal hedging policy with respect to interest rate exposure. The Group's policy is to manage interest cost using a mix of fixed and variable rate debts.

There is no exposure to interest rate risk at 31 December 2015 as the SGD floating rate loans had been fully repaid in 2015. The finance lease liabilities is subject to a fixed interest rate of 3.1% and hence there is no exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (Cont'd)

Cash flow sensitivity for variable rate instruments

A change of 100 bp in interest rates at the reporting date would increase/(decrease) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp Decrease $'000**
Group				
31 December 2015				
Variable rate instruments	–	–	–	–
31 December 2014				
Variable rate instruments	(2)	2	(2)	2

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.

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the current market interest rates at 31 December and are as follows:

	2015 %	2014 %
Secured floating rate loans	–	3.26%

NOTES TO
THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rates used in determining fair values (Cont'd)

The fair values of recognised financial liabilities, which are not carried at fair value in the statement of financial position as at 31 December, are presented in the following table:

	Note	**2015** Carrying amount $'000	**2015** Fair value $'000	2014 Carrying amount $'000	2014 Fair value $'000
Group					
Financial liabilities					
Secured floating rate loans	13	**–**	**–**	202	194
Unrecognised gain			–		8

27 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.

NOTES TO
THE FINANCIAL STATEMENTS

27 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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 2015			
Financial assets			
Amounts due from subsidiaries:			
– trade	**2,931**	**(3)**	**2,928**
– non-trade	**1,009**	**(302)**	**707**
Total	**3,940**	**(305)**	**3,635**
31 December 2014			
Financial assets			
Amounts due from subsidiaries:			
– trade	2,503	(3)	2,500
– non-trade	820	(300)	520
Total	3,323	(303)	3,020

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

27 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

The table below reconcile 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 2015

Types of financial assets	**Net amounts $'000**	**Line item in statement of financial position**	**Carrying amount in statement of financial position $'000**	**Financial assets not in scope of offsetting disclosures $'000**	**Note**
Amounts due from subsidiaries:		**Current trade and other receivables**	**3,809**	**174**	**9**
– trade	**2,928**				
– non-trade	**707**				

31 December 2014

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	4,374	1,354	9
– trade	2,500				
– non-trade	520				

NOTES TO THE FINANCIAL STATEMENTS

28 DISCONTINUED OPERATIONS

In December 2014, the Group sold its entire 57.73% interest in Microcircuit Technology (S) Pte Ltd ("MCT"). The former subsidiary was not previously presented as a discontinued operation or classified as held for sale as at 31 December 2013 and thus the comparative statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations. Management committed to a plan to sell this subsidiary in 2014 following the continuing losses made by the subsidiary in prior years.

	Note	Group 2014 $'000
Results of discontinued operation		
Revenue		4,314
Expenses		(16,950)
Loss from operating activities		(12,636)
Tax		–
Loss from operating activities, net of tax		(12,636)
Loss for the year		(12,636)
Basic loss per share (cents)	22	(1.64)
Diluted loss per share (cents)	22	(1.64)

$7,295,000 of the loss from discontinued operations was attributable to the owners of the Company.

$27,308,000 of loss from continuing operations was attributable to the owners of the Company.

	Group 2014 $'000
Cash flows from discontinued operation	
Net cash used in operating activities	(7,277)
Net cash used in investing activities	(5,628)
Net cash generated from financing activities	5,621
Effect of exchange rate fluctuations on cash held	93
Net cash outflow for the year	(7,191)

NOTES TO THE FINANCIAL STATEMENTS

28 DISCONTINUED OPERATIONS (CONT'D)

Effect of disposal on the financial position of the Group

	Group 2014 $'000
Property, plant and equipment	23,134
Intangible assets	5,906
Inventories	1,803
Trade and other receivables	1,750
Cash and cash equivalents	643
Trade and other payables	(3,881)
Financial liabilities	(465)
Net assets and liabilities	28,890
Non-controlling interest	(12,269)
Foreign currency translation differences	1,766
Group's share of net assets and liabilities	18,387
Loss on disposal of a subsidiary	(14,730)
Consideration received, satisfied in cash	3,657
Cash proceeds from disposal	
Consideration received, satisfied in cash	3,657
Cash and cash equivalents disposed of	(643)
Net cash inflow	3,014

29 SUBSEQUENT EVENTS

On 1 February 2016, the Group entered into an equity transfer agreement with Jiangsu Yunyi Electric Co., Ltd to sell its 100% equity shareholding in AEM (Suzhou) Co., Ltd ("ASZ") for a consideration of $1,448,000 (RMB6,630,000). The completion of sale is conditional upon ASZ transferring its non-plating business assets, inventories, businesses, staff, rental arrangements, operating rights, liabilities and receivables to another entity. Management expects the sale to complete by May 2016.

The Board of Directors of the Group is recommending a first and final tax exempt one-tier dividend of 1 cent per share for the year. The total amount of dividends expected to be paid is $445,000. Upon the approval of the proposed dividend payment at the forthcoming Annual General Meeting, the dividends will be paid on 27 May 2016.

INFORMATION ON **SHAREHOLDINGS**

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	64	2.46%	2,498	0.01%
100 – 1,000	764	29.35%	586,341	1.33%
1,001 – 10,000	1,431	54.98%	5,819,140	13.22%
10,001 – 1,000,000	339	13.02%	18,367,203	41.73%
1,000,001 AND ABOVE	5	0.19%	19,235,947	43.71%
	2,603	100%	44,011,129	100%

Number of issued shares	:	45,112,629
Number of issued shares (excluding treasury shares)	:	44,011,129
Number/Percentage of Treasury Shares	:	1,101,500 (2.44%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 18 March 2016, approximately 65.39% 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 18 March 2016

S/No.	Name	No. of Shares	Percentage
1	CIMB SEC (S'PORE) PTE LTD	12,395,226	28.16%
2	TOK KIAN YOU	2,946,116	6.69%
3	TEN SOO LAN @ TEO SOO LAN	1,765,040	4.01%
4	DBS NOMINEES PTE LTD	1,065,200	2.42%
5	OCBC SECURITIES PRIVATE LTD	1,064,365	2.42%
6	CHOK YEAN HUNG	636,300	1.45%
7	TAN WEY LING	636,100	1.45%
8	OCBC NOMINEES SINGAPORE	599,780	1.36%
9	TAN CHAI PENG	581,100	1.32%
10	RHB SECURITIES SINGAPORE PTE LTD	502,300	1.14%
11	TAN MEI MUI	472,200	1.07%
12	GORDON CAI ZHEN QIANG	460,000	1.05%
13	UNITED OVERSEAS BANK NOMINEES	419,400	0.95%
14	DBSN SERVICES PTE LTD	362,500	0.82%
15	LIU WENYING	349,000	0.79%
16	TAM KWOK WING	334,000	0.76%
17	ONG ENG BOON	310,000	0.70%
18	LEE DAH KHANG	302,500	0.69%
19	GOH GEOK LING	289,400	0.66%
20	CHER LEW SIANG CHARLES	275,500	0.63%
		25,766,027	58.54%

INFORMATION ON SHAREHOLDINGS

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	No of Shares			
Name of Shareholders	**Direct Int**	**%**	**Deemed Int**	**%**
Orion Phoenix	12,018,312	27.31	–	–
Novo Tellus PE Fund 1, L.P.[1]	–	–	12,018,312	27.31
Tok Kian You	2,946,116	6.69	–	–

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

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2016 Annual General Meeting of the Company will be at 8 Wilkie Road #03-08 Wilkie Edge Singapore 228095 on Thursday, 28 April 2016 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 2015 with the Auditors' Report thereon. — Resolution 1

2. To declare a final exempt (one-tier) dividend of S$0.01 per ordinary share for the year ended 31 December 2015. — Resolution 2

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

   Mr Basil Chan (Article 103)

   [See Explanatory Note (i)]

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

   Mr Cher Lew Siang Charles (Article 103)

5. To approve the Directors' fees of $239,000 for the financial year ending 31 December 2016, payable quarterly in arrears. — Resolution 5

6. To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 6

AS SPECIAL BUSINESS

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

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorized and empowered to:

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

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

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

   (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,

NOTICE OF
ANNUAL GENERAL MEETING

provided that:

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

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

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

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

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

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

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

[See Explanatory Note (ii)]

8. **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** Resolution 8

"That:

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

NOTICE OF ANNUAL GENERAL MEETING

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 shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time."

[See Explanatory Note (iii)]

9. **Share Purchase Mandate Renewal** Resolution 9

"That:

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

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

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

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

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

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

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

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

In this Resolution:

"Maximum Limit" means that number of issued Shares representing ten per cent (10%) of the issued ordinary share capital of the Company as at the date of the passing of this Resolution; and

NOTICE OF
ANNUAL GENERAL MEETING

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

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

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

where:–

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

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

[See Explanatory Note (iv)]

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

<u>Explanatory Notes:</u>

(i) Mr Basil Chan shall, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and as a member of the Nominating and Remuneration Committees. 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.

(ii) The proposed Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(iii) The proposed Resolution 8 above, if passed, will empower the Directors to take certain actions relating to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan. 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, provided that the aggregate number of shares to be issued and allotted shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 7.

NOTICE OF
ANNUAL GENERAL MEETING

(iv) The proposed Resolution 9 above, if passed, will empower the Directors of the Company from the date of above Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to ten per cent (10%) of the issued shares in the capital of the Company as at the date of this Resolution at a Maximum Price (as defined in Resolution 9 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 9 above) is set out in the Letter to Shareholders dated 8 April 2016.

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 17 May 2016 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of S$0.01 per ordinary share in respect of the financial year ended 31 December 2015 ("Proposed Final Dividend"). The Proposed Final Dividend, if approved by shareholders at the 2016 Annual General Meeting, will be paid on 27 May 2016.

Duly completed transfers received by the Company's Share Registrar, Intertrust Singapore Corporate Services Pte Ltd at 3 Anson Road #27-01 Singapore 079909 up to the close of business at 5:00 p.m. on 16 May 2016 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 16 May 2016 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: 8 April 2016

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

(a) A member entitled to attend and vote at a general meeting is entitled to appoint no more than two proxies to attend and vote on his behalf. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy.

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

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
- (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
- (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(c) If a proxy is to be appointed, the form must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not less than 48 hours before the meeting.

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

Personal Data Privacy:

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

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AEM HOLDINGS LTD.

Registration Number: 200006417D

(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

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

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

of ____

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2016 Annual General Meeting of the Company to be held at 8 Wilkie Road #03-08 Wilkie Edge Singapore 228095 on Thursday, 28 April 2016 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 2015		
2	Approval of Final Dividend		
3	Re-election of Mr Basil Chan as Director		
4	Re-election of Mr Chew Lew Siang Charles as Director		
5	Approval of Directors' fees for the year ending 31 December 2016		
6	Re-appointment of KPMG LLP as Auditors		
7	Proposed Share Issue Mandate		
8	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		
9	Share Purchase Mandate		

Dated this __________ day of ____________________ 2016

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 general meeting. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative.

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

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

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

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

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 52 Serangoon North Avenue 4 Singapore 555853 not later than 48 hours before the time set for the Annual General Meeting.

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

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

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

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2016.

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CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Non-Executive:

Loke Wai San
Chairman & Non-Executive Director

Basil Chan
Independent Director

Keith Toh Hsiang-Wen
Independent Director

Executive:

Charles Cher Lew Siang
Chief Executive Officer

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Soh Wai Kong

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

Audit Partner-in-charge
Chu Sook Fun
Since Financial Year 2011

PRINCIPAL BANKERS

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

DBS Bank
6 Shenton Way
DBS Building Tower One
Singapore 068809

Standard Chartered Bank
6 Battery Road
Singapore 049909

AEM HOLDINGS LIMITED

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Registration No. 200006417D