AEM HOLDINGS LIMITED

POWERING
INNOVATION & CONNECTIVITY

ANNUAL REPORT 2018

VISION

To enable our customers to deliver parts per billion assurance in an interconnected world.

MISSION

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

CORE VALUES

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

QUALITY POLICY

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

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

CONTENTS

GROWTH OF **BUSINESS**

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

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

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

CHAIRMAN'S **STATEMENT**

Dear Fellow Shareholders,

On behalf of the Board of Directors (the "**Board**") of AEM Holdings Limited (the "**Company**") and its group of companies ("**AEM**" or the "**Group**"), I am pleased to present our Annual Report for the financial year ended 31 December 2018 ("**FY2018**").

Overview

For those who became shareholders recently in 2018, welcome. For those who have been with us longer, you will know that AEM's journey and evolution is not easily summarized with just a review of our annual financial performance. Many years ago, AEM started as an automation company, and over time, focused on automating the aspects of the semiconductor back-end test. We were fortunate to have worked with leading edge customers who recognized our solid engineering core and pushed us to innovate with them. Since 2011, we have invested substantially in our engineering capabilities, from R&D to manufacturing to field service support. This enabled us to grow globally with our customers and to become a full-fledged product engineering company. We also expanded our R&D repertoire beyond mechanical engineering to include electrical/electronics and software. Where the gaps were significant, we made acquisitions. Today, AEM stands as a niche but global company that is focused on helping our customers deliver exceptional quality through vigorous testing at the lowest possible cost. As the world deploys 5G networks and develops new mission critical applications that run on them, we are optimistic, standing on the foundation that we have built over the years, that AEM will remain relevant, and perhaps even lead in the growing market for testing solutions. With that, I will go into the review of FY 2018.

FY 2018 has been another year of achievements for AEM. At the start of 2018, we put forward a set of growth targets that we shared with our investors. I am extremely pleased to announce that the team at AEM delivered on our targets despite a slowdown in the last quarter of 2018, primarily due to the global trade disputes. The Group generated revenue of S$262.3 million and operating profit before tax of S$42.6 million in FY2018. Throughout 2018, we continued to invest in our engineering and secured follow-on projects from our key customer to develop hybrid extensions to our existing handlers. These new projects are expected to deliver meaningful revenue in 2020 and beyond, while our current handlers continue to be deployed.

Vertical and Horizontal Acquisitions

In late 2017, we completed the acquisition of InspiRain Technologies Pte Ltd, which opened up the radio frequency and advanced networking testing markets for us. As our business continued to generate a healthy level of operating cash flow, we explored opportunities for other meaningful acquisitions to further enhance our technological capabilities and solutions offerings.

In March 2018, we completed the acquisition of the 100% stake in Afore Oy ("**Afore Oy**") and the 100% stake in IRIS Solution Pte Ltd ("**IRIS Solution**"). Afore Oy, based in Finland, is an industry pioneer and global leader in wafer-level Microelectromechanical Systems ("**MEMS**") testing and handling solutions. MEMS devices are penetrating the vast landscape of the digital economy, from mobile phones to advanced heart sensors, autonomous vehicles, wearable electronics, and many other industrial and consumer applications. Research shows that the MEMS market is expected to grow at a CAGR of 17.5% in the 2018-2023 period to reach US$31 billion in 2023[1]. Against this backdrop, MEMS testing and handling with a current market size of US $100 million, is expected to grow commensurately. Afore Oy, as the only commercial-scale wafer-level solution available today, has a 6% global market share now and is well positioned for the next phase of growth. The acquisition is highly synergistic with AEM's global footprint in engineering, manufacturing, field support and sales.

I am also delighted to highlight that Afore Oy together with Bluefors recently developed a first-of-its-kind tool for wafer level probing at cryogenic temperatures of below 4 Kelvin. The new solution is developed for Intel's quantum computing program, and we are hopeful that this new tool can help us grow into new markets in the quantum computing field that require testing and characterisation at temperatures near absolute zero.

1 https://electroiq.com/2018/06/the-mems-market-is-showing-a-17-5-cagr-between-2018-and-2023/

IRIS Solution engages in the research, development and integration of advanced machine vision solutions that are used in test handlers. Its world-class capability in vision systems design not only complements AEM's current product portfolio, but also helps differentiate our solutions in the semiconductor and industrial sectors. The acquisition of IRIS Solution has been accretive to AEM on both net income and EBITDA basis.

Equipped for Growth Opportunities in the New 5G Era

In October 2018, we were selected by Huawei Technologies Co., Ltd. ("**Huawei**") for the testing and development of its high-performance short reach cabling links for Huawei's 5G backhaul network. As part of the project, we are co-authoring the standards for the test solution, in collaboration with China Electronics Technology Group Corporation No.23 Research Institute. We are on schedule to deliver the first solution for the testing of the 100Gbps links in 2019. This is a testament by the largest telecom equipment supplier in the world on AEM's advanced test technology and our ability to customize the test solution. The combined advantage of AEM's high performance communications cabling test system and our expertise in automating the test environment will enable us to achieve the stringent quality and cost targets for 5G component testing.

The world is in the early stages of the next technological revolution supported by 5G networks. 5G networks are intended to bring massive data transmission and computation together with billions of devices, and provide the world with new and often mission critical applications. According to IHS Markit, 5G has the potential to unlock up to US$12.3 trillion of revenue across a broad range of industries[2]. We are strategically positioned to tap the growth brought by this technological revolution, and we are committed to playing a meaningful role in a thriving 5G economy, capitalizing on our existing capabilities and innovative solutions.

Improved Liquidity and Shareholding Structure

In June 2018, we completed the bonus share issue on the basis of three bonus shares for every one existing ordinary share. The goal was to increase the issued share capital in line with our business growth and expansion, to encourage trading liquidity and to reward our shareholders for their continuing support of AEM. Our shares' trading liquidity has improved significantly over the past few quarters. The improved liquidity, together with our strong business fundamentals, increasingly makes investing in AEM a viable option for many global funds. As of 25 March 2019, AEM was included in over 400 S&P sector indices.

In July 2018, AEM was awarded Best Managed Board – Silver Award in the "Companies with market capitalisation of S$300 million to S$1 billion" category in Singapore Corporate Awards 2018, in recognition of our exemplary corporate governance. AEM also won Best Investor Relations in the PR Awards 2018, in March 2018, and The Charger Award (Technology Category) 2018, in January 2019. We will continue to step-up our investor relations efforts to educate the investment community on AEM's investment merits and the company's growth potential.

2 https://www.technologyreview.com/s/603770/the-5g-economy-how-5g-will-impact-global-industries-the-economy-and-you/

CHAIRMAN'S **STATEMENT**

A Strengthened Management Team

Our ex-Chief Executive Officer, Mr. Charles Cher Lew Siang retired in March 2018, after 4 years of dedicated service. Our former Chief Operating Officer, Mr. Chok Yean Hung, was subsequently promoted to be the Group's CEO. Yean Hung has over 30 years of management and technical experience in the semiconductor industry, and is uniquely qualified with his deep knowledge of our business, strong rapport with our key customer, and the respect he receives from our staff.

In addition to Yean Hung's promotion, we also strengthened the leadership team with Mr Goh Meng Kiang being promoted to VP of Operations, the addition of industry veteran Mr Chua Tat Ming as VP of Engineering, Mr Vesa Hentonnen as MD of Afore Oy, Mr Darren Lim as Scientist of the Vision Laboratory, and Mr. Harshang Pandya as GM of our Test & Measurement Division. I believe the combined energies of our expanded management team add depth and breadth to the leadership at AEM, as we take on increasingly diversified growth opportunities globally.

Financial Flexibility to Charter Growth and Reward Shareholders

Our net cash position of S$58.6 million and strong balance sheet enabled us to structure our acquisitions in an accretive manner for our shareholders, and will continue to provide us with financial flexibility and options in future acquisitions.

The strong financial position also allows us to remain committed to our current dividend policy to reward our shareholders. For FY2018, we proposed final dividend of 1.9 Singapore cents per ordinary share. Together with the interim dividend of 1.5 Singapore cents, the payout for the year is 25% of the operating net profit.

We also repurchased 1.3 million shares (or 0.48% of the total issued shares[3]) in the open market under the share buyback mandate in FY2018. The shares purchased were added to treasury shares for future use.

3 Excluding treasury shares as at the date of the share buy-back resolution

Appreciation

We have built a solid foundation to grow the business in tandem with the growing MEMS testing market and the expected growth in the 5G economy. While geopolitical events and trade tensions still cast uncertainties in the near term, we have firm belief in the long-term outlook for the business fields we operate in. With vision, dedication and a pragmatic approach, we are building a company for the future, a company that will last.

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

30 March 2019

Loke Wai San
Executive Chairman

CEO'S **STATEMENT**

Dear Shareholders,

I was honoured to be appointed as the Group CEO in early 2018. Over the past seven years working at AEM, I participated in and witnessed AEM's each step of growth. Building on the business foundation and the collective efforts of our management team and all employees, we made financial year 2018 ("FY2018") another successful year as we move further towards capitalising opportunities in the emerging global 5G economy.

Financial Overview

Our revenue was primarily generated by the Equipment Systems Solutions ("ESS") business, which increased by 19.5% year-on-year ("yoy") to S$256.6 million. The growth was supported by the increased deliveries of test handlers and pans/kits to our major customer. Precision Components ("PCS") business generated slightly lower revenue of S$5.7 million in FY2018 compared to S$6.8 million in FY2017, due to a decrease in demand from customers and the utilisation of capacity for components manufacturing for ESS business. Overall, Group's revenue increased by 18.4% yoy to S$262.3 million in FY2018.

The initial ramp phase of our test handlers for our key customer since 2016 started to taper in the fourth quarter of 2018. In line with which, raw materials and consumables cost and inventory changes excluding stock obsolescence increased by 16.2% yoy to S$173.4 million in FY2018. However, the increase in cost was lower than the increase in revenue, as the cost reduction initiatives that we introduced in FY2018 across the Group yielded results.

Operating profit before tax increased 11.5% from S$38.2 million in FY2017 to S$42.6 million in FY2018. Operating profit before tax margin declined slightly from 17.2% in FY2017 to 16.2% in FY2018 mainly due to the intangible amortisation expenses increased by S$627,000 on the acquisition of Afore Oy and InspiRain Technologies Pte Ltd ("InspiRain") and higher staff costs for the acquired businesses and additional headcount to drive business development, enhancement and development projects.

Net profit increased 4.1% from S$32.2 million in FY2017 to S$33.5 million in FY2018. The net profit was arrived at after accounting for several one-off charges in FY2018: (1) One-off staff compensation and restructuring expenses of S$0.6 million to achieve a better staff and talent mix to be able to respond to market dynamics, (2) Property gain tax of S$0.6 million on the sale of Malacca property in 2016, and (3) S$1.3 million fair value adjustment of contingent consideration relating to the acquisition of InspiRain for the probable achievement of the key performance indicators (KPI) as set out in the sale and purchase agreement.

In FY2018, the Group generated cash flows from operating activities of S$34.0 million, and maintained a healthy balance sheet with net cash position of S$58.6 million as at 31 December 2018.

Operational Overview and Outlook

As the initial ramp phase of our test handlers is near completion, we expect to enter a rolling upgrade phase starting 2019. New equipment sales will continue, and will be driven by the pace of new platform launch by our key customer, its market share, and the commissioning of new manufacturing sites. Sales of our kits and pans for our test handlers will also continue to support our revenue in 2019.

In FY2018, the Group received sales orders worth S$110 million for delivery in 2019. These orders, together with sales orders worth S$64 million secured in the first three months of 2019 brought the current order book for 2019 to S$174 million[1]. In view of the current business plan of our major customer and as the order book continues to grow, we expect FY2019 revenue to be between S$180 million to S$210 million, and capital expenditures to be between S$3 million to S$5 million. Meanwhile, we continue to work on new R&D projects with our key customer for new product launches in 2020 and beyond.

We have also been working towards diversifying our customer base through our test handler solution platform and I am happy to highlight that we have secured a memory manufacturer as a client, with the scheduled delivery of our first commercial solution to this new customer in the first half of 2019.

1 As of 21 March 2019

Our acquisition of InspiRain has started to yield results with the recently announced contract win to supply cable-testing solutions for Huawei's 5G rollout in China. We will provide test solutions developed in collaboration with China Electronics Technology Group Corporation No.23 Research Institute for qualifying high-performance short reach cabling links for Huawei's 5G backhaul network, and we will deliver the first test solution for this contract in 2019.

In addition to InspiRain, our two acquisitions completed in 2018 have also started to contribute their synergistic value to AEM. Afore Oy's wafer-level testing solutions are set to improve the efficiency and reduce the cost of MEMS testing. I am also delighted to highlight that Afore Oy has developed a new cryogenic tool to make full 12" wafer probing at cryogenic temperatures below 4 Kelvin possible. This first-of-its-kind tool is developed with Bluefors which is a market leader of cryogen-free dilution refrigerator systems in the world. This tool initially is catered for Afore Oy's esteemed customer, Intel as the client identified the need for a quantum testing tool to collect more data about quantum chips called "qubits." Addressing the issue, this new tool allows up to 100 times faster throughput in sample characterisation and will dramatically help speeding up the developments of cryogenic quantum devices, electronics and detectors. Beyond Intel, with this new tool, Afore Oy and Bluefors aim to break into new markets and benefit companies and research institutes to speed up the development of devices that need testing and characterisation in temperatures near absolute zero.

Our last acquisition, IRIS Solution's vision inspection systems, which are used in our test handlers, are expected to bring further cost savings for AEM.

Conclusion

AEM has been building up a solid foundation over the past few years to serve customers' demand for advanced test technology and customized test solutions. As technologies advance rapidly to change our everyday life, our innovative, engineering-focused solutions will play an increasingly important role in the thriving and evolving 5G economy. I look forward to bringing AEM's business to the next level and creating value for our customers and shareholders, together with my fellow management team and all our employees.

30 March 2019

Chok Yean Hung
Executive Chairman

GLOBAL **FOOTPRINT**

Global platform provides merger synergies through both growth and global operating efficiencies

MANUFACTURING FACILITIES AND FIELD ENGINEERING SERVICE SITES

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

BOARD OF **DIRECTORS**

LOKE WAI SAN

Executive Chairman and Director

Position	Executive Chairman and Director
Age	50
Qualifications	Masters of Business Administration/University of Chicago Bachelor of Science in Electrical and Electronics Engineering/Lehigh Unviersity

Mr. Loke Wai San has been the Chairman of AEM since 2011. He is also the founder and CEO of private equity fund adviser Novo Tellus Capital Partners.

Mr. Loke brings over 25 years of global technology management and investment experience to AEM. Since 2011, Mr. Loke has worked with the management team at AEM to strengthen its relationship with its key customer through improving AEM's R&D, global product delivery and support capabilities. He has also provided leadership for AEM's acquisitions in 2017 and 2018, and continues to do so.

From 2000 to 2010, Mr. Loke 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. Mr. Loke is also an independent director on the Board of Sunningdale Tech Limited.

BASIL CHAN

Independent Director

Position	Independent Director Chairman of Audit & Risk Management Committee, Remuneration Committee
Age	68
Qualifications	Bachelor of Science (Economics) Honours, major Business Administration, University of Wales Institute of Science and Technology, UK Fellow Member of the Institute of Chartered Accountants/England and Wales Member of ISCA Fellow Member of the Singapore Institute of Directors

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

BOARD OF **DIRECTORS**

LOH KIN WAH

Independent Director
(with effect from 4 May 2018)

Position	Independent Director
Age	64
Qualifications	Bachelor of Science, Chemical Engineering (Honours)/University of Malaya, Kuala Lumpur Post graduate certified diploma in accounting and finance/ACCA, United Kingdom

Mr. Loh has extensive leadership experience in the semiconductor industry. He is currently Chairman of Synesys Technologies Holding Pte Ltd, a member of the Supervisory Board of BESI BV, Netherlands, and of the Supervisory Board of AMS AG, Austria. Over the last 10 years, his appointments include Vice Chairman of Ampleon BV, Netherland, Executive Vice President, Global Sales and Marketing of NXP Semiconductors, Netherlands. Mr. Loh was the President and CEO of Qimonda AG, Munich, Germany. Qimonda AG was a memory company that was spun-off from Infineon Technologies in 2006, to form at the time the second largest Dynamic random-access memory (DRAM) company in the world. Prior to the spin-off, Mr. Loh was the Executive Vice President, Communications Group of Infineon Technologies AG, Munich Germany. Mr. Loh previously served in a variety of capacities at Siemens AG. While he was in charge of the production of Siemens Components Singapore, he was instrumental in setting up the production facilities in Batam, Indonesia and Wuxi, China.

ADRIAN CHAN PENGEE

Lead Independent Director

Position	Lead Independent Director and Chairman of Nominating Committee
Age	54
Qualifications	Bachelor of Laws (Honours) from National University of Singapore.

Adrian Chan Pengee is Head of the Corporate Department and a Senior Partner at Lee & Lee. He is the Vice-Chairman of the Singapore Institute of Directors and a member of the Legal Service Commission and Singapore Management University's Enterprise Board. He is also a Board member of the Accounting and Corporate Regulatory Authority of Singapore ("ACRA"). Mr. Chan serves on the Executive Council of the Association of Small and Medium Enterprises as its Honorary Secretary. In addition, the SGX has appointed him to its Catalist Advisory Panel to review Catalist Sponsor and Registered Professional applications.

He currently chairs the Panel of the Institute of Corporate Law at ACRA. He chairs the Corporate Governance and Regulations Interest Group of the Singapore International Chamber of Commerce, and is a member of the Board of Shared Services for Charities Limited, which is a registered charity and an Institution of a Public Character, and the Institutional Review Board of the Singapore Polytechnic. He currently serves on the Pro-Enterprise Panel, chaired by the Head of Civil Service and supported by the Ministry of Trade & Industry, which addresses feedback from the private sector on unnecessary or outdated government rules that hinder businesses and stifle entrepreneurship with a view to eliminating red-tape.

Mr. Chan is also an independent director on the Boards of several publicly listed companies on the Singapore Stock Exchange, namely, Yoma Strategic Holdings Ltd, Ascendas Funds Management (S) Limited, Hong Fok Corporation Limited, Best World International Limited and Bowsprit Capital Corporation Limited.

BOARD OF **DIRECTORS**

JAMES TOH BAN LENG

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

Position	Non-Executive, Non-Independent Director
Age	54
Qualifications	MBA from the Wharton School of the University of Pennsylvania Master's degree in Sustainable Building Design from the University of Nottingham Bachelor of Science degree in physics with electrical engineering from M.I.T.

James Toh is a co-founder and anchor investor of the Novo Tellus PE Fund 1 and Fund 2, which focuses on buyouts of small/mid-cap technology and industrial companies.

James started his career at management consulting firm Booz Allen & Hamilton (1989-90) and subsequently at A.T. Kearney (1994-95), where he focused on Strategy consulting and Mergers and Acquisitions advisory work.

Since 1996, James has been Managing Director of family owned ACT Holdings Pte Ltd, which primarily invests in real estate in Singapore and the USA. Beginning in 1997, James built the ACT Group's Singapore development division with numerous award-winning developments include the Gambier Court at Kim Yam Road, and Empire Lofts at Mosque Street, both of which won the URA Heritage Award. The ACT Group in Singapore is known for doing innovative residential developments, specializing in luxury landed properties, apartments and conservation projects. In the last twenty years, the group has completed over 20 developments in Singapore.

From 2010, James broadened the ACT group's real estate investment in the USA through its joint venture with Tribridge Residential, a leading multi-family residential manager and developer based in Atlanta, Georgia, USA. Via this platform, the group invests in apartment communities in fast growing cities in Southeast USA, such as Charlotte, Nashville, Jacksonville, and Raleigh/Durham.

James also serves as President of the MIT Club of Singapore from 2015 to 2019.

LAVI ALEXANDER LEV

Independent Director
(With effect from 1 April 2019)

Position	Independent Director
Age	62
Qualifications	Bachelor of Science in Electrical Engineering from Technion – Israel Institute of Technology/Certified Professional Executive Coach

Mr. Lavi has 35 years of Silicon Valley and Asia experience. Throughout his professional career, he served as CEO, President, General Manger, and VP of R&D in the semiconductor chip design, Electronic Design Automation (EDA) software, test equipment, contract manufacturing, and 3D printing industries. Some of his achievements include: the design of the first Pentium Microprocessor (Intel) and the first UltraSparc Microprocessor (Sun Microsystems); the development of the technology that powers the Nintendo and Sony video games consoles (Silicon Graphics); the business responsibility for the $1B EDA software of Cadence Design Systems; the 10x growth of the contract manufacturing business of Ultra Clean Technology (UCT) in Asia; and the deployment of Southeast Asia's largest 3D printing service bureau in Singapore. Most recently, Lavi was the President of UCT Asia. Prior to moving to Asia, Lavi was the CEO of Credence Systems (NASDAQ: XCRA).

Lavi has extensive Merger and Acquisition experience, executing over 20 deals in Asia, Europe, and the U.S. totalling over $2B. He is the author of 11 issued U.S. patents and numerous papers covering semiconductor, Internet, EDA software, and consumer electronics technologies. Lavi is also a certified professional coach, specializing in coaching senior executives. He is an advisory board member of National Additive Manufacturing Innovation Cluster (NAMIC) and a board member of Anatomics Asia. He is also a member of the Singapore Institute of Directors.

MANAGEMENT **PROFILE**

CHOK YEAN HUNG

Position	Chief Executive Officer
Age	54
Qualifications	Bachelor of Electrical & Electronics Engineering (2nd Upper Honours)/National University of Singapore

Mr. Chok has more than 30 years of management and technical experience in the Semiconductor industry. He was a founding management team of Ellipsiz Test, EEMS Asia Pte. Ltd and United Test and Assembly Center Pte. Ltd (UTAC). He served as Senior Vice President of Operations at EEMS, overseeing both the Singapore and Suzhou sites. In UTAC, Mr. Chok was the Vice President of Test Operation from 1998 to 2004, managing Memory IC and Mix Signal ICs Test's manufacturing, engineering and development. Mr. Chok started his career as Product and Test Engineer in Texas Instruments (S) Pte. Ltd (TI) in year 1988 and eventually became a Product Engineering Manager. In 1998, he was elected as Senior Member of Technical Staff, of Texas Instruments Incorporation in recognition to his contributions. In the course of his career, Mr. Chok was awarded the Ministerial Citation for Excellence in Test Development from Singapore, National Science and Technology Board (NSTB) in 1997. He jointly holds patent with Texas Instruments, Dallas memory designers on `A Method in Testing Semiconductor Devices'. He joined the Company on 1 January 2012.

CHUA TAT MING

Position	Vice President – Engineering
Age	57
Qualifications	Bachelor of Mechanical & Production Engineering (Honors)/Nanyang Technological University Master of Sciences Industrial & Systems Engineering/National University of Singapore

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

GOH MENG KIANG

Position	Vice President – Operations
Age	57
Qualifications	Bachelor of Electrical & Electronics Engineering/National University of Singapore

Mr. Goh has more than 30 years of management and technical experience in the Semiconductor industries with companies such as ASE, EEMS and UTAC. He was a Vice President Operations in ASE before joining AEM in March 2013. He is also a founding member for Ellipsiz Test Singapore Pte Ltd and EEMS Test Singapore Pte Ltd. Upon graduation, he joined Texas Instruments Singapore as a Product and Test Engineer for memory devices. Mr. Goh has 1 world-wide patent US5796246 for test methodologies with Texas Instruments. While in TI Singapore, Mr. Goh has taken on many roles. He was a Manager responsible for Military Products and also a Test Equipment Manager. From 1998 onwards Mr. Goh has been involved in many OSAT companies such as STATS (also known as Stats Chippac), UTAC, EEMS and ASE. He joined AEM on 18 March 2013.

SOH WAI KONG

Position	Vice President – Finance & HR
Age	50
Qualifications	Bachelor of Accountancy/Nanyang Technological University Chartered Accountants, Certified Internal Auditors

Mr. Soh has more than 25 years of accounting, external and internal auditing, financial management experience in listed and multinational companies mainly in the manufacturing environment. He was previously Chief Financial Officer of Innovalues Limited and FerroChina Limited. He is responsible for the Group's financial reporting, costing, treasury, tax, IT, secretarial and human resources matters. He joined the Group on 1 June 2009.

MANAGEMENT **PROFILE**

YEAP KIAN YONG

Position	General Manager – AEM Singapore/Global Procurement Director
Age	50
Qualifications	Bachelor of Science/National University of Singapore

Mr. Yeap has more than 25 years of management and operation experience in multiple industries, of which more than 20 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.

MARK ALLEN DRURY

Position	: Director – Field Operations
Age	: 46
Qualifications	: A.S Degree in Electronics Engineering

Mr. Drury has more than 20 years experience as a High-Tech Service, Project and Operations Director in a customer service management, product and project management roles. Supporting automated test and ultra-clean automated material handling equipment and small turn parts for the semiconductor and solar industry. He worked for PRI Automation from May 1996 to May 2001 where he held the position of Regional Service Manager and grew the service organisation throughout SE Asia. PRI was amalgamated by Brooks Automation and Mark continued to support the expanding customer base and grew his role into the Regional Technical Support Manager for Asia. He created and developed a regional training university in Korea, creating new streams of service revenue. Mark Drury joined AEM on 11 August 2009. During his time with AEM he has successfully managed to reduce tool installation duration by more than 50%, with a major customer issuing him with a recognition award for this achievement. He has also developed customized service models that specifically cater to the specific needs of each individual site through the creation of the onsite service contracts.

SEAH BOON SENG

Position	Director – Business Management
Age	54
Qualifications	Bachelor of Electrical and Electronics Engineering/ National University of Singapore

Mr. Seah has more than 29 years of management, business development, sales & marketing, customer service, program management, planning and quality experience in the multinational companies and OSAT (Outsourced Semiconductor Assembly and Test) Semiconductor industries. Mr. Seah started his career as QRA Engineer with Texas Instruments (S) Pte Ltd in 1989 and eventually became a Planning Manager in 1996. He left Texas Instruments in 1998 to join a new OSAT start-up, United Test and Assembly Center (S) Pte Ltd in 1998, as Program Manager and eventually became a Vice-President in 2005. He joined the Company on 15 June 2015.

HARSHANG NILESHKUMAR PANDYA

Position	General Manager – Test and Measurement Solutions
Age	47
Qualifications	Bachelors in Electronics Engineering/ M.S. University, Vadodara, India Masters degree in Electrical Engineering/ Indian Institute of Technology, Bombay

Mr. Harshang has over 20 years of experience in developing test and measurement solutions ranging from textile to telecom. After working on various engineering management and product planning roles at Agilent Technologies, Harshang co-founded and managed two startup companies focusing on innovative RF and optical test systems for testing network infrastructure. He joined AEM as the General Manager of Test and Measurement Solutions business unit on 25 September 2017 after AEM's acquisition of InspiRain Technologies, a company he co-founded. Harshang is an inventor for six US patents. He frequently writes articles related to RF testing of cables and components in industry magazines.

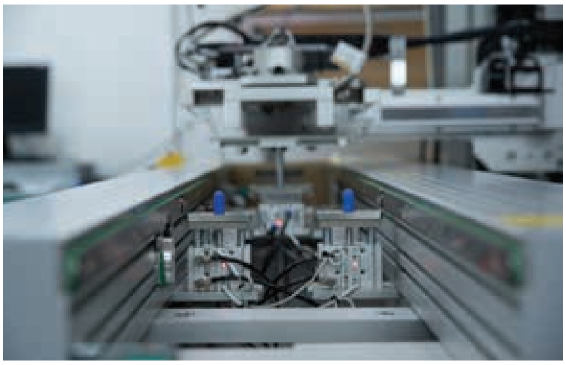
VESA HENTONNEN

Position	Managing Director – Afore Oy
Age	55
Qualifications	Bachelors of Science in Engineering Masters degree in Mechanical Engineering / Lappeenranta University of Technology, Finland

Mr. Vesa has over 30 years of experience in R&D and MEMS testing. He is a pioneer and inventor in MEMS testing. Vesa co-founded Afore Oy in 1995 to offer MEMS test cells and test handlers, tailored equipment and R&D services for MEMS industry and testing services (clean laboratory facility). Before he founded Afore Oy, he was the main designer in the consulting engineering offices of Copercon Oy / Jaakko Pöyry Oy. Vesa has several patents pertaining to MEMS testing. Beside his engineering degree, he has studied economics and business in graduate level. Vesa has been the Managing Director since the establishment of Afore Oy and continued in this position after he joined AEM on 28 February 2018 after AEM's acquisition of Afore Oy.

CORE **BUSINESS**

EQUIPMENT SYSTEMS SOLUTIONS (ESS)



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

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

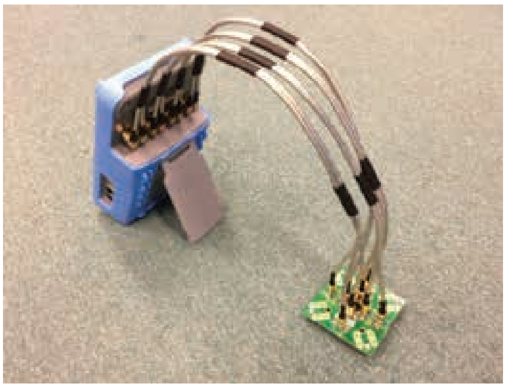
We have a dedicated team of business and technical professionals who strive to provide high value solutions to our customers with quality and speed.

TEST AND MEASUREMENT SOLUTIONS

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

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

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



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

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

MEMS TESTING SOLUTIONS THROUGH AFORE OY

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

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

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

Afore Oy has also developed a new cryogenic tool, which is developed to make full 12" wafer probing at cryogenic temperatures below 4 Kelvin possible. It will dramatically help speeding up the developments of cryogenic quantum devices, electronics and detectors. This new first-of-its-kind tool is developed with Bluefors, a market leader of cryogen-free dilution refrigerator systems.

CORE **BUSINESS**

MACHINE VISION SOLUTIONS THROUGH IRIS SOLUTION

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

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

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

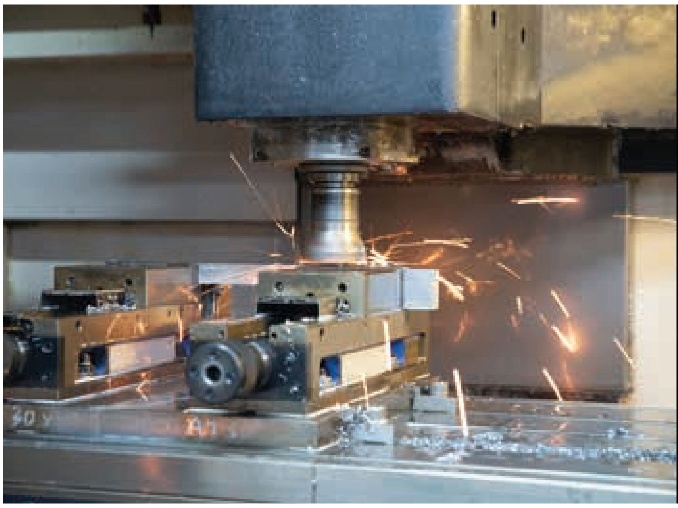
PRECISION COMPONENT SOLUTIONS (PCS)

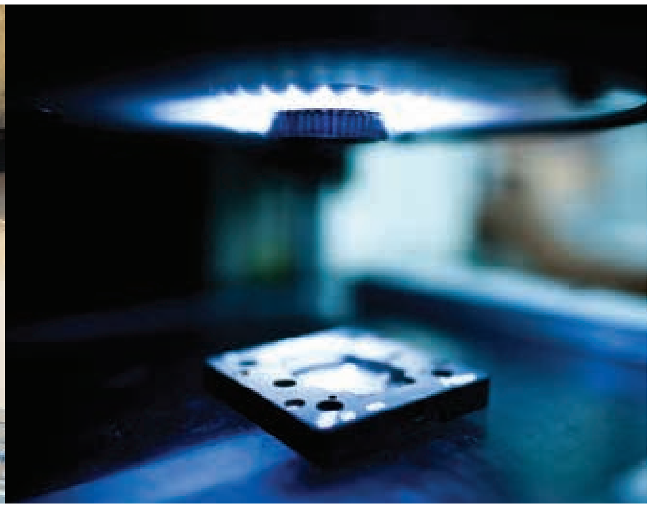
AEM specializes in high precision components and mechanical assemblies. We design, develop and manufacture precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.

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

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

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





FINANCIAL **HIGHLIGHTS**

REVENUE & PROFIT FOR THE YEAR

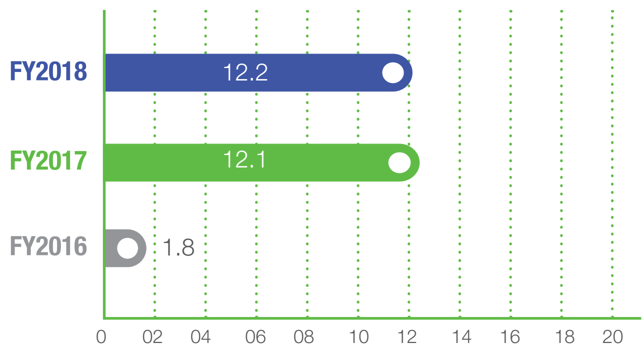
	FY2016 S$'000	FY2017 S$'000	FY2018 S$'000	FY2017 VS FY2018 Change
Revenue	**70,123**	**221,622**	**262,325**	**18.4%**
Materials, consumables and inventory changes, excluding stock obsolescence	(44,585)	(149,291)	(173,448)	-16.2%
Allowance for stock obsolescence reversed	801	692	226	-67.3%
Staff costs	(13,562)	(25,338)	(32,521)	-28.3%
Depreciation and amortisation	(818)	(698)	(1,871)	-168.1%
Other operating expenses, net	(5,179)	(8,828)	(12,381)	-40.2%
Finance (cost)/income, net	(5)	36	260	622.2%
Total expenses net other income	**(63,348)**	**(183,427)**	**(219,735)**	**-19.8%**
Operating profit before tax	**6,775**	**38,195**	**42,590**	**11.5%**
Non-operating expenses	(235)	(559)	(2,584)	-362.3%
Share of loss of equity-accounted investee	(449)	(105)	(38)	63.8%
Profit before taxation	**6,091**	**37,531**	**39,968**	**6.5%**
Tax expenses	(1,325)	(5,347)	(6,475)	-21.1%
Profit for the year	**4,766**	**32,184**	**33,493**	**4.1%**
Loss from discontinued operation	(109)	–	–	–
Profit for the year including discontinued operation	**4,657**	**32,184**	**33,493**	**4.1%**

Note: FY 2017 performance have been adjusted due to the effect of SFRS (I).

* *Increase/(Decrease) Earnings*

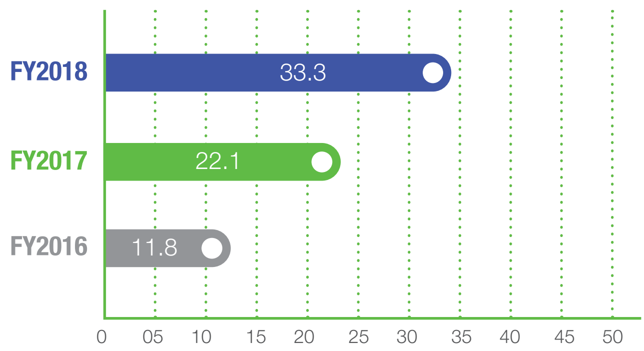
FINANCIAL **HIGHLIGHTS**

DILUTED EARNINGS PER SHARE
(in cents)



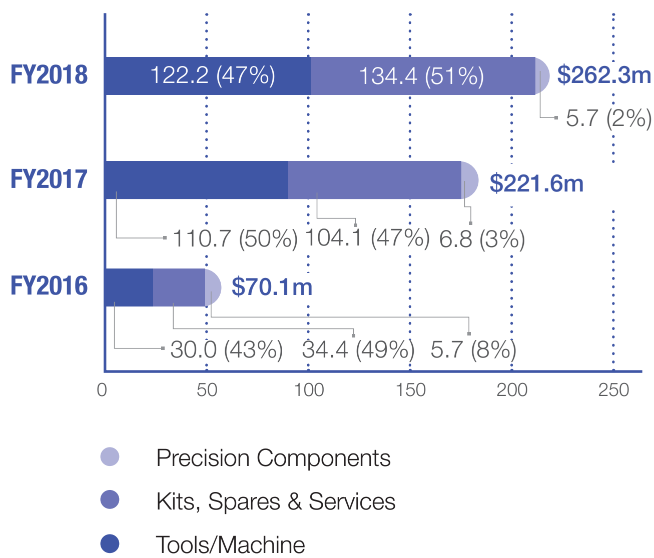
Note The above EPS figures have been adjusted for 3 bonus shares for 1 existing share issued on 4 June 2018, effects of SFRS (I) and contingently issuable shares in 2019.

NET ASSET VALUE PER ORDINARY SHARE
(in cents)

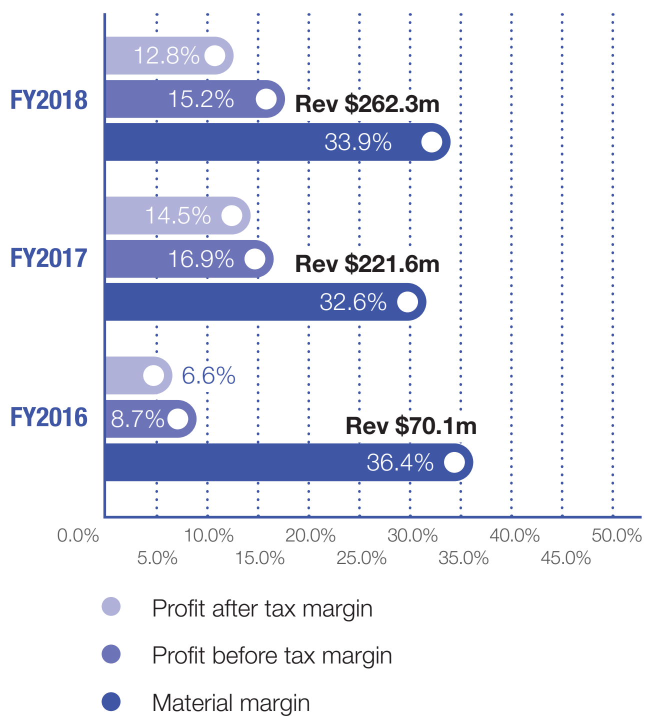


Note The above NAV per share figures have been adjusted for 3 bonus shares 1 existing share issued on 4 June 2018.

REVENUE BY SEGMENT



MARGINS



Note FY 2017 performance have been adjusted due to the effect of SFRS (I).

FINANCIAL **HIGHLIGHTS**

FINANCIAL POSITION & CASHFLOW

Financial Position	31-Dec-16 S$'000	31-Dec-17 S$'000	31-Dec-18 S$'000
Property, plant and equipment	2,226	3,623	**5,725**
Intangible assets and goodwill	65	3,449	**17,717**
Cash and cash equivalents	6,310	46,095	**58,890**
Current assets less current liabilites	23,691	47,191	**65,112**
Financial liabilities	85	7	**259**
Total equity	30,228	57,810	**89,504**
Net asset value per share (SG cents) [adjusted for bonus issue]	11.8	22.1	**33.3**

Cash Flow Statement	FY2016 S$'M	FY2017 S$'M	FY2018 S$'M
Net cash generated (used in)/from operating activities	-1.7	49.9	**34.0**
Net cash used in investing activities	-1.1	-2.4	**-13.2**
Net cash used in financing activities	-1.5	-6.4	**-9.2**
Net (decrease)/increase in cash	-4.3	41.1	**11.6**
Cash and cash equivalents	6.3	46.1	**58.9**

MANAGEMENT **DISCUSSION AND ANALYSIS**

OVERVIEW

AEM is a global provider of equipment systems solutions ("ESS") and manufacturing services. We help our customers deliver many of the most successful products in the 5G economy including microprocessors, high speed communications, IOT devices, and solar cells. By focusing on advanced manufacturing solutions for high-volume, high-growth products, we've developed valuable and long-term partnerships with our customers, keeping AEM on the forefront of manufacturing innovation worldwide. We enable our customers to have access to our network of global engineering, manufacturing, field support, and sales platforms worldwide.

OPERATIONS REVIEW

The commercial rollout of AEM's next-generation handler platforms to our major customer has resulted in the growth in operating performance for financial year ended 31 December 2018 ("FY2018"). AEM delivers on FY2018 guidance[1] and achieved 18.4% growth in revenue from S$221.6 million in the financial year ended 31 December 2017 ("FY2017") to S$262.3 million in FY2018. Operating profit before tax grew 11.5% from S$38.2 million in FY2017 to S$42.6 million in FY2018. Profit before tax grew 6.5% from S$37.5 million to S$40.0 million in FY2018.

MERGER AND ACQUISITION

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

FUTURE PROSPECTS

AEM's next-generation handler platform has been in high volume manufacturing since late 2016 and will be expected to have continued sales at a lower rate as it will be driven by new platform launches as well as commissioning of new manufacturing sites by our key customer. We have been working on the diversification of our customer base and we have secured a Memory manufacturer as a client for handler platform solution, with the scheduled delivery of our first commercial solution in the first half of 2019. AEM have also secured contract win to supply cable-testing solutions for Huawei's 5G rollout in China, providing test solutions developed in collaboration with China Electronics Technology Group Corporation No.23 Research Institute for qualifying high-performance short reach cabling links for Huawei's 5G backhaul network. We remain committed and focused to serving our customers' needs, and we expect capital expenditures to be between S$3 million to S$5 million in FY2019.

FINANCIAL REVIEW

Revenue and net profit margin

We achieved revenue of S$262.3 million in FY2018, up 18.4% from FY2017. The increase was driven primarily by the growth in the ESS segment of the Group, resulting from the increase in orders from customers. Sales from ESS increased by 19.5% from S$214.8 million in FY2017 to S$256.6 million in FY2018 resulted mainly from test handlers and its related kits and pans sales. Revenue from the Precision Component Solutions business was lower by 16.4% from S$6.8 million in FY2017 to S$5.7 million in FY2018 due to decrease in demand from customers and utilisation of capacity for components manufacturing for ESS business.

Our net profit margin decreased from 14.5% for FY2017 to 12.8% for FY2018 despite higher revenue was primarily due to higher staff costs for the acquired business and additional headcount to drive business development as well as enhancement and development projects; higher amortisation expense resulted from acquired business and non-operating expenses of S$2.6 million that were incurred in FY2018.

[1] The guidance that the Group provided to the market was to achieve revenue of at least S$255 million and operating profit before tax of at least S$42 million in FY2018.

Raw materials and consumables cost

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, increased from S$149.3 million in FY2017 to S$173.5 million in FY2018, representing an increase of 16.2%. The raw materials and other consumables cost increase in FY2018 was lower than revenue increase was mainly due cost reduction initiatives.

Staff cost

Staff costs increased by 28.3% from S$25.3 million in FY2017 to S$32.5 million in FY2018 primarily due to the acquired business and additional headcount to handle the increased sales orders from customers and increased enhancement & development projects, as well as business development to promote long-term value for the organisation.

Depreciation and amortisation

Depreciation increased by 89.2% from S$0.6 million in FY2017 to S$1.2 million in FY2018 primarily due to higher renovation and equipment carrying value for FY2018. Amortisation of intangible assets was higher by S$627,000 from S$86,000 in FY2017 to S$713,000 in FY2018 mainly due to higher carrying value of intangible assets resulting from acquisition of subsidiaries.

Other expenses

Other expenses comprises operating lease expenses, legal and professional fees, sales and marketing expenses and other expenses. Other expenses increased by S$5.7 million from S$9.6 million in FY2017 to S$15.3 million in FY2018 primarily due to (1) sales and marketing expenses increased by S$2.9 million to S$4.4 million in FY2018 and (2) operating lease expenses increased by S$0.9 million to S$4.0 million in FY2018 mainly due to higher revenue; (3) non-operating expenses increased by S$2.0 million to S$2.6 million; and (4) foreign exchange loss increased by S$0.6 million to S$1.9 million in FY2018. The non-operating expenses of S$2.6 million were for the remeasurement of probable KPI achievement in relation to acquisition of InspiRain in 2017 of S$1.3 million, Malacca real property gain tax of S$0.6 million and M&A expenses of S$0.7 million.

Profit for the year

As a result of the above, operating profit before tax grew 11.5% from S$38.2 million in FY2017 to S$42.6 million in FY2018, profit before tax in FY2018 was S$40.0 million compared to S$37.5 million in FY2017. After taking into consideration tax expense of $6.5 million in FY2018 and S$5.4 million in FY2017, profit after tax was S$33.5 million in FY2018, compared to S$32.2 million in FY2017.

Property, plant and equipment

Our property, plant and equipment increased by S$2.1 million to S$5.7 million as at 31 December 2018 primarily due to acquisition of Afore Oy, equipment, renovation and installation for the increase in production and office space.

Intangible assets and goodwill

The increase in intangible assets and goodwill by S$14.3 million to S$17.7 million was mainly due to goodwill and intangibles arising from the acquisition of subsidiaries of S$13.1 million and purchase of software of S$1.4 million.

Inventories

The decrease in inventories of S$8.4 million or 23.4% to S$27.4 million as at 31 December 2018 was mainly due to lower material purchases.

Trade and other receivables

Our trade and other receivables decreased by S$5.6 million or 23.7% to S$18.0 million as at 31 December 2018 was due to the decrease in revenue of the Group in the fourth quarter of 2018.

Trade and other payables

Our trade and other payables decreased by S$18.2 million or 34.9% to S$34.0 million as at 31 December 2018 in line with the decrease in material purchases mentioned above as well as payments being made.

MATERIAL ACQUISITON

In FY2018, the Group acquired Afore Oy and IRIS Solution Pte Ltd for an aggregate consideration of S$12.6 million comprising cash and equity shares and S$0.6 million of cash respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and cash equivalents increased by S$12.8 million in FY2018 to S$58.9 million as at 31 December 2018 mainly due to increased cash flows from operating activities of S$34.0 million being generated in FY2018 arising mainly from the operating profit which was mainly offset by cash used for acquisition of subsidiaries, purchase of property, plant and equipment, purchase of intangible assets, dividend payments and repurchase of treasury shares.

CAPITAL EXPENDITURE

During the year ended 31 December 2018, the Group's capital expenditure consists mainly of additions to equipment, renovation and IT infrastructure amounting to S$2.9 million and software amounting to S$1.4 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, there were 441 (2017: 439) employees in the Group. Staff remuneration packages are determined by market conditions and the performance of the individual. The Group also provides other staff benefits including medical, dental and life insurance.

FINANCIAL RISK MANAGEMENT

Contingent liabilities
The Group did not have any significant contingent liabilities or outstanding guarantees in respect of obligations to any third parties as at 31 December 2018.

Charge on the Group's Assets
As at 31 December 2018, the Group did not have any significant charges pledged to banks to secure general banking facilities granted to the Group.

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

ISSUANCE OF THE COMPANY'S LISTED SECURITIES

During the year, the Group issued 675,669 (2017: nil) new shares for the purpose of share plans and 867,555 (2017: nil) new shares for the purpose of business acquisition.

PURCHASES OF THE COMPANY'S LISTED SECURITIES

During the year, the Group purchased 1,300,000 (2017: 638,400) ordinary shares as treasury shares, issued 525,000 (2017: 667,129) treasury shares under The Group's Performance Share Plan ("PSP"), issued 156,000 (2017: 452,000) treasury shares for share options exercised and there were no treasury shares issued (2017: 600,000) for the purpose of business combination.

As at 31 December 2018, the Company held 4,261,084 (2017: 1,266,771) ordinary shares as treasury shares.

PROPOSED FINAL DIVIDEND

The Board of Directors has recommended the payment of final dividend of 1.9 cents per ordinary share for the year ended 31 December 2018. Including the interim dividend of 1.5 cents per ordinary share paid on 14 September 2018, the total dividend payout for FY2018 amounted to 3.4 cents per ordinary share. The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting to be held on 29 April 2019 at 3.00pm. Upon shareholders' approval, the proposed final dividend will be paid on 31 May 2019 to shareholders, whose names shall appear on the register of members of the Company on 17 May 2019 before 5.00pm.

ABOUT THIS REPORT

AEM Holdings Ltd (hereafter referred to as "AEM" or the "Company") presents the Company's annual Sustainability Report (the "Report") which covers the Group's performance from 1 January 2018 to 31 December 2018 (the "reporting period").

The Report summarises AEM's key sustainability issues, our management approach as well as our related performance across the Company's operations. The Company has chosen the Global Reporting Initiative1 ("GRI") Standards as it is the most established international sustainability reporting standard. This Report is prepared in accordance with the GRI standards "Core" option. The Report incorporates the primary components of report content as set out by the SGX's "Comply or Explain" requirements on sustainability reporting under Listing Rules 711A and 711B.

AEM's material topics are identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. Detailed section reference with GRI Standards is found at GRI Index Page. The Sustainability Team has assessed that external assurance is not required as the Group has relied on our internal verifications for the accuracy of the Report.

AEM'S COMMITMENT TO SUSTAINABILITY

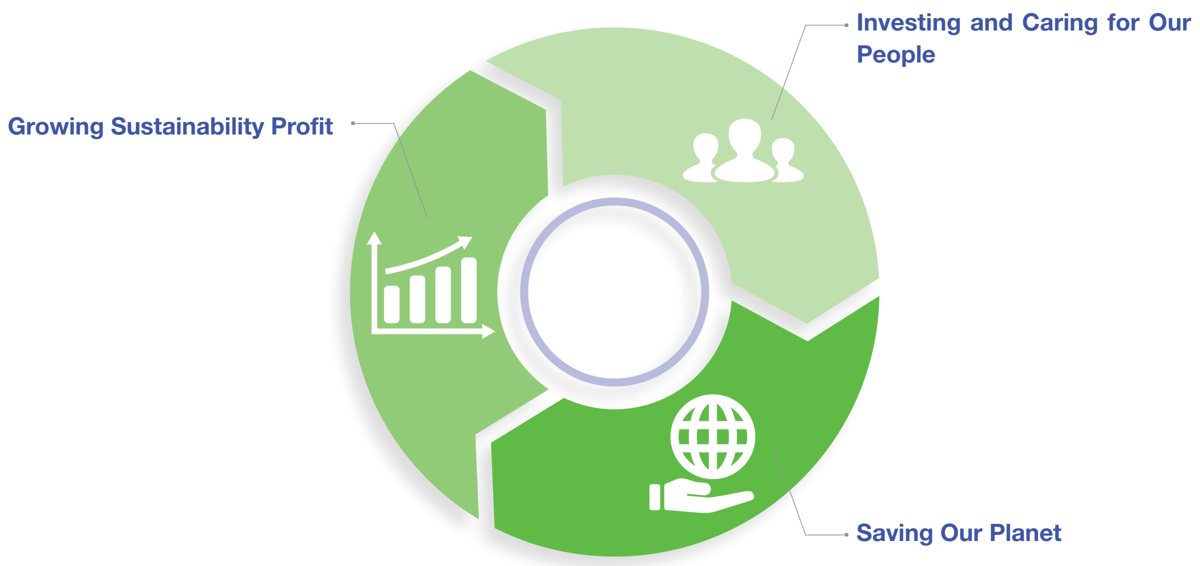
Governance and Statement of the Board

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

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

SUSTAINABILITY TARGETS

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



FOCUS	2018 PERFORMANCE	COMMITMENTS & TARGETS
Growing Sustainable Profit		
Corporate Governance • Strong leadership, organisation culture, sound strategies and system to achieve standing as world-class technological equipment manufacturer and service provider • High standards of corporate governance and effective enterprise risk management framework to enhance business resilience and agility • Integrated approach of ethical practice, corporate governance, financial discipline and management which drives accountability, improve decision making and create value for the long-term	– Regular Board and various Board committees' meetings and frequent engagements with management – Timely quarterly and full year results released on SGXNET, press release and results briefings – Awarded Best Managed Board – Silver Award 2018 in July 2018 – Awarded Best Investor Relations in the PR Awards 2018, in March 2018 – Achieved corporate transparency through frequent updates on financials targets and sales orders received	– Board and various Board committees to hold regular meetings and frequent engagements with management – Continue to provide timely results on SGXNET, press release and results briefings – Continue to provide frequent updates on financials targets and sales orders received
Economic Performance • Innovative solutions through R&D • Efforts focused on performance, energy efficiency, safety, security and system manageability. • Incentives to engineering and production related staff who offer improvement solutions to our manufacturing processes and solutions • Innovative solutions and continuous product improvement to serve our customers better. Cost reduction engineering initiatives and "lean" operations to drive productivity improvements. • Collaboration, regular engagements and assessments on our suppliers	– Achieved the financial targets as guided to investors with performance of S$262.3 million revenue and S$42.6 million operating PBT – Received the Charger Award (Technology Category) 2018, in January 2019 – Healthy engineering development projects and revenue from customers being received in 2018. Positive sign of customer satisfaction and close working relationship – 1 new patent being granted during the year and staff involved in inventing the product were being rewarded	– Commit to achieve the financial targets as guided to investors – Continue to provide innovative solutions to customers and work as partner to their engineering projects and development works – Continue to work on improving customer satisfaction and working relationship – Continue to encourage and incentivise employees to initiate and develop innovative ideas that can be patented

FOCUS	2018 PERFORMANCE	COMMITMENTS & TARGETS
Investing and Caring for our People		
• Safe working environment • Environment of respect, inclusion and equity • Uphold human rights and treatment of workers with dignity and respect • Technical and non-technical training and learning initiatives for staff • Develop, retain and reward performing employees through opportunities, fair employee benefits and policies • Continuous reviews, monitoring, improvements to work processes and environment safety • Programs and initiatives to prevent work related accident and injury through advice and guidance from external qualified safety consultant • Risk assessment framework and checklist for potential safety related issues for our workers and external vendors • Healthy workforce through sports, social and health related education talks and activities • Structured social and welfare programs including festive celebrations, staff appreciation functions and team building events	– Zero fatalities and 3 minor injuries occurred during the year compared to zero incidents and injuries. Safety and operational trainings were conducted and emphasized to create awareness – No incident of whistle blowing on employees related issues – There were 110 resignations during the year out of an average headcount of 505 staff. This translated to about 1.8% turnover a month. Majority of the resignations happened at the production department especially during the period of slowdown in production activities	– The Group will continue to emphasize work safety and risk management and hold training and briefings to employees – Annual declaration and confirmation by employees on compliance to AEM code of Business Conduct and Ethics – Whistle blowing procedures listed on website for ease of reference to employees and various stakeholders. – The Group will continue to reward employees with competitive remuneration and welfare packages, bonus, performance shares and stock options to attract and retain talents and staff – AEM shall continue to encourage diversity in our workforce in terms of gender, race and age groups
Saving our Planet		
• Annual community service projects and/or donation to the less fortunate groups • Compliance with Environmental Protection and Management regulations • Material suppliers to meet our environmental management requirements for materials and services supplied • Qualified vendors engaged to perform audits and tests on the Company regularly • Multiple energy saving initiatives on a continuous basis	– The Company visited Tembusu Senior Activity Centre to donate and pack food items for the seniors living around the neighbourhood – No incident of environmental issue – Energy consumed per monetary unit of sales reduced 5.6% (FY18 vs FY17) – Emission intensity reduced 10.6% (FY18 vs FY17)	– Encourage and promote employees' participation in community engagement activities and also continue to develop more partnerships with charitable organizations to improve the welfare of our community – The Group aims to maintain zero environmental issue – Continue to work on improving energy consumption efficiency and emission intensity

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

KEY STAKEHOLDERS ENGAGEMENT

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

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

MATERIAL TOPICS AND BOUNDARIES

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

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

ETHICS AND INTEGRITY

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

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

AEM takes a strong stance against corruption and malpractice in the Group. This is reflected in our commitment to customers through our agreements with them. To achieve the highest standards of integrity and accountability within our internal structure, the Group developed a Procedures for Reporting Improprieties for employees to voice out serious concerns about the Group's activities and operations directly to the Group's Independent Directors. Employees are also assured of the anonymity and confidentiality which accompanies the report. The Policy has been circulated to all employees and there were no reports received through the whistle blowing mechanism in FY2018.

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

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

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

OUR PEOPLE

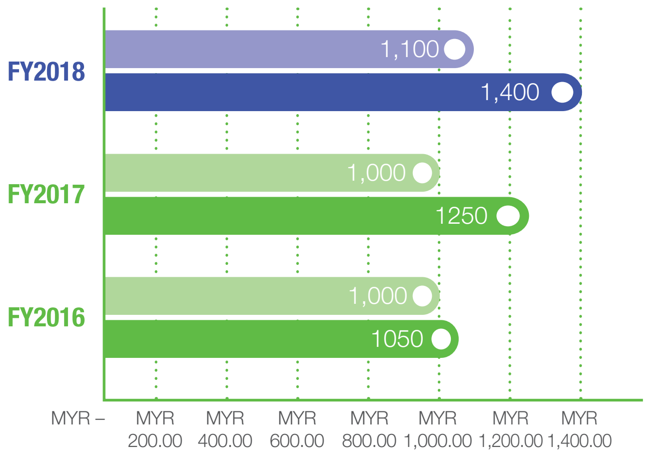
AEM is committed to create and uphold a respectful, harmonious, inclusive and equitable environment. Our policies promote and uphold human rights and the treatment of all employees with dignity and respect. We recruit dynamic individuals from various operating countries and is committed to their development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

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

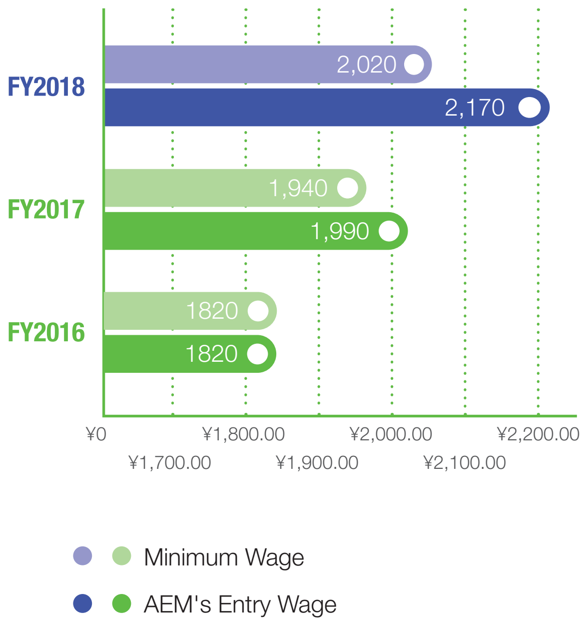
Employee Entry Wages *(GRI 202-1)*

AEM adheres to the minimum wage laws of the countries it is operating in (i.e. China and Malaysia). In FY2018, it pays higher entry wages than the minimum required to attract and retain employees. Information on AEM's entry wages in Singapore are excluded as there are no minimum wages regulations.

ENTRY WAGE COMPARISON (MALAYSIA)



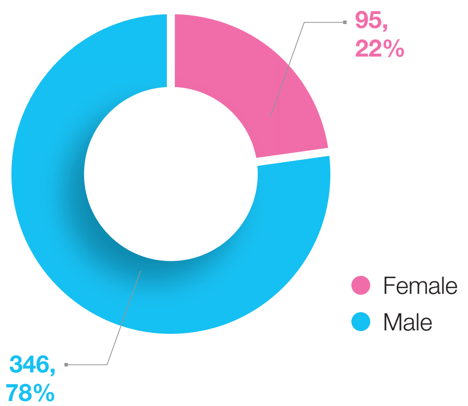
ENTRY WAGE COMPARISON (CHINA)



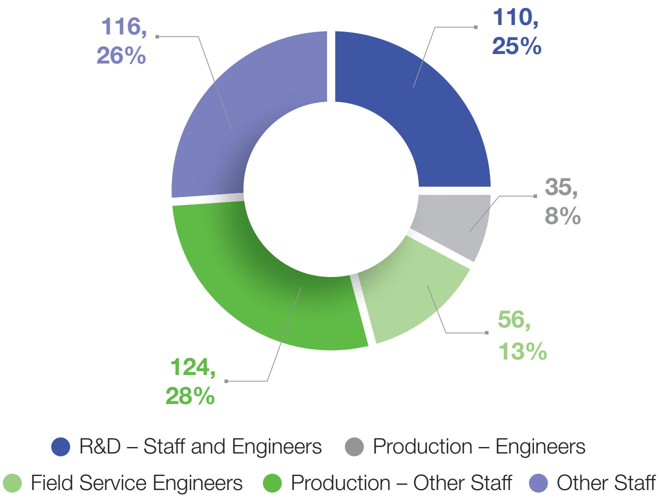
Diversity in the Workforce *(GRI 202-2, 401-1, 405-1)*

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

GENDER RATIO (DEC 2018)

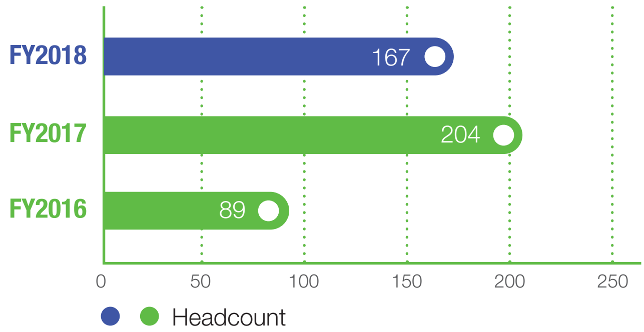


EMPLOYEES BY DEPARTMENT (DEC 2018)

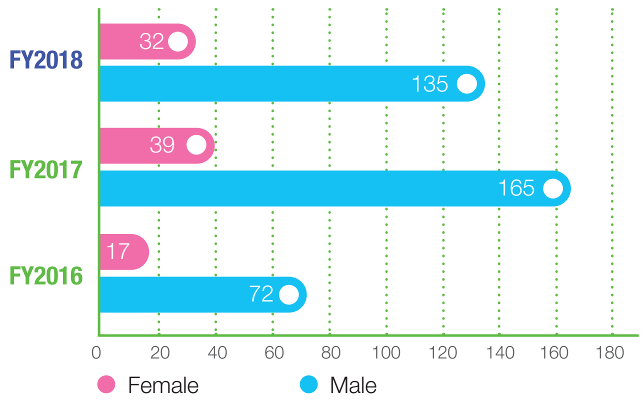


AEM practices non-discrimination and equal opportunities. Our new hires are employed based on merit and experiences and we seek to keep our turnover low by promoting employees' loyalty through benefits, safety and welfare. The following chart shows a breakdown of AEM's new hires by gender and turnover from FY2016 to FY2018.

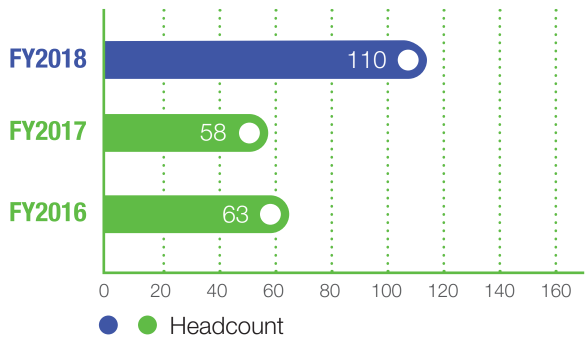
NEW HIRES



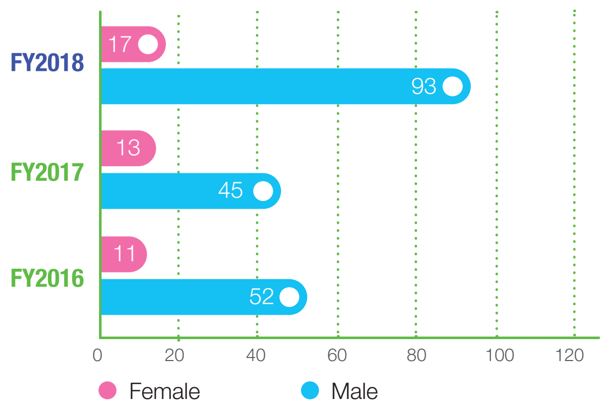
NEW HIRE BY GENDER



NUMBER OF RESIGNATIONS



NUMBER OF RESIGNATIONS BY GENDER



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

	Singapore	Malaysia	China	US	Vietnam	Finland	Total
Local	14	0	2	1	0	2	19
Foreigner	2	1	0	0	1	0	4
Total	16	1	2	1	1	2	23
% of local vs total	88%	0%	100%	100%	0%	100%	83%

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

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

Employees of AEM are entitled to a range of benefits including hospital and surgical insurance, workmen compensation insurance, group personal accident insurance, medical and dental healthcare benefits as well as hospitalisation leaves. For AEM's Management, there is a performance share plan to reward good performance or long service to the company. We also support the government's pro-family policies and follows MOM regulations with regards to parental and childcare leave.

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

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

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

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

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

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

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

Economic Topics

Financial Assistance Received from Government
(GRI 201-4)

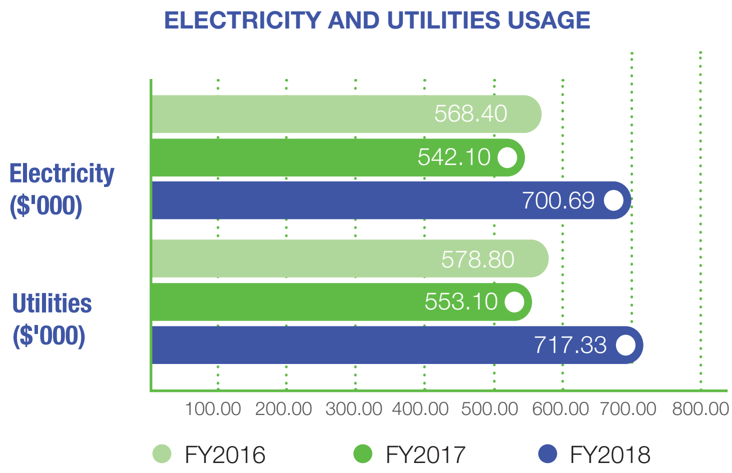
AEM had received subsidies of $349,000 from the government in 2018 to improve our operations and productivity. These grants include subsidies for operations cost, development costs and wage credit grants.

Environmental Topics

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

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

As a result of AEM's efforts to reduce electricity consumption, our energy consumption in kWh increased only by 11.4% in FY2018 despite the revenue has increased by 18.4%. The electricity cost however has increased 29.3% due to higher energy consumption and average electricity rate in FY2018.



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

Year	Actual Consumption (kWh)	Turnover (Revenue in millions, SGD)	Energy consumed per monetary unit of sales (kWh/$)
FY2016	3,030,000	70.1	0.043
FY2017	3,950,000	221.6	0.018
FY2018	4,400,000	262.3	0.017

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

Year	Total direct CO_2 or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO_2 or Carbon Equivalent Emissions (Metric Tons)	Turnover (Revenue in millions, SGD)	Emissions Intensity (MT/$'000)
FY2016	N.A.	2,255	70.1	0.032168
FY2017	N.A.	2,940	221.6	0.013267
FY2018	N.A.	3,111	262.3	0.011860

Water Discharge *(GRI 306-1)*

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

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

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

AEM complies with all National Environment Agency's (NEA) environmental laws and regulations. There are no fines or non-compliance by AEM for the past 9 years.

Health and Safety

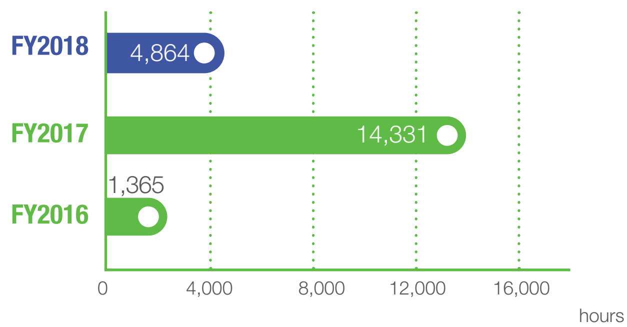
Workplace Health and Safety *(GRI 403-1, 403-2, 403-4)*

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

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

There were 3 recorded incidents of minor injuries in FY2018 and we aim to improve this by continuing to observe stringent standards of safety in our operations.

TOTAL TRAINING HOURS FOR THE YEAR



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

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

In FY2018, each employee has 11.1 hours of training on average. The total number of training hours decreased from 14,331 hours in FY2017 to 4,864 hours in FY2018. The reduction in FY2018 compared to FY2017 was mainly due to the jump in headcount especially in the manufacturing and engineering divisions and more training was conducted in 2017 to prepare for the increase in production activity and engineering projects.

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

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

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

In August 2018, we visited Tembusu Senior Activity Centre, a community-based elder care facility which serves elderly folks from rental flats and studio units in the Eunos area. The centre allows the elderly to gather to mingle and have games to keep themselves mentally active.

Our staff and management gathered at the centre to organise and pack food items donated by AEM to be distributed to some of the elderly living around the area. After packing the items, we moved on to deliver the food bundles to their door steps.

With our combined efforts, we were able to visit around 100 beneficiaries and presented them with food items for their daily needs. It is a meaningful experience for all of us to contribute our efforts towards the wellness of our seniors and at the same time, we managed to get active and 'enjoyed' the hot sun.

SGX FIVE PRIMARY COMPONENTS INDEX

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

GRI STANDARDS CONTENT INDEX

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

GRI Standards	Disclosure Content	Annual Report Section Reference
102-14	Statement from senior decision-maker	Chairman's Statement, CEO's Statement
102-15	Key impacts, risks, and opportunities	Chairman's Message, CEO's Statement, Giving Back to the Community, AEM's Commitment to Sustainability
102-16	Values, principles, standards, and norms of behaviour	Ethics and Integrity
102-17	Mechanisms for advice and concerns about ethics	Ethics and Integrity
102-18	Governance structure	Corporate Structure
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements
102-46	Defining report content and topic boundaries	Reporting Practice
102-47	List of material topics	Reporting Practice
102-48	Restatements of information	N.A., first report
102-49	Changes in reporting	N.A., first report
102-50	Reporting period	About This Report
102-51	Date of most recent report	N.A. as this is the first report issued
102-52	Reporting cycle	About This Report
102-53	Contact point for questions regarding the report	Contacts
102-54	Claims of reporting in accordance with the GRI Standards	About This Report
102-55	GRI content index	GRI Standards Content Index
102-55	External assurance	About This Report

GRI INDICATORS

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

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

CONTACTS

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

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Tel: +65 6438 2990
Email: romil@financialpr.com.sg/reyna@financialpr.com.sg

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

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Loke Wai San
Executive Chairman & Director

Basil Chan
Independent Director

Adrian Chan Pengee
Lead Independent Director

Loh Kin Wah
Independent Director

James Toh Ban Leng
Non-Executive Director

Lavi Alexander Lev
Independent Director

CHIEF EXECUTIVE OFFICER

Chok Yean Hung

AUDIT & RISK MANAGEMENT COMMITTEE

Basil Chan *(Chairman)*
Adrian Chan Pengee
James Toh Ban Leng

REMUNERATION COMMITTEE

Basil Chan (Chairman)
Adrian Chan Pengee
James Toh Ban Leng

NOMINATING COMMITTEE

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

JOINT COMPANY SECRETARIES

Soh Wai Kong
Kevin Cho Form Po

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Tel: (65) 6483 1811
Fax: (65) 6483 1822
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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

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

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

PRINCIPAL BANKERS

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

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

FINANCIAL **CONTENTS**

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

BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

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

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

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

The Company is responsible for arranging and funding the training of directors. 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 2018, directors were provided with training and briefing sessions in areas such as the latest Financial Reporting Standards developments that are relevant to the Company's financial statements, Code of Corporate Governance 2018 and updates on SGX listing rules changes conducted by KPMG and ACRA's Financial Reporting Surveillance programme.

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

The Board conducts regular scheduled meetings during the year and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require. The number of scheduled meetings held by the Board and Board Committees during the year were:

- Board 6
- Audit and Risk Management Committee 4
- Remuneration Committee 5
- Nominating Committee 4

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

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance
Loke Wai San (Executive Chairman)	6	6	NA	NA	NA	NA	4	4
Basil Chan	6	6	4	4	5	5	4	4
Adrian Chan Pengee	6	6	4	4	5	5	4	4
James Toh Ban Leng*	4	4	3	3	2	2	NA	NA
Loh Kin Wah*	3	3	NA	NA	NA	NA	NA	NA
Charles Cher Lew Siang**	2	2	NA	NA	NA	NA	NA	NA
Keith Toh Hsiang-Wen**	2	2	1	1	1	1	NA	NA

* Mr. James Toh Ban Leng and Mr. Loh Kin Wah became a Director of the Company on 5 April 2018 and 4 May 2018 respectively.
** Mr. Charles Cher Lew Siang and Mr. Keith Toh Hsiang-Wen resigned as a director on 31 March 2018 and 5 April 2018 respectively.

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

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

Board Composition and Guidance

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

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

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

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

Executive Chairman and Chief Executive Officer ("CEO")

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

The roles of the Executive Chairman and CEO are separate and held by two individuals who have no familial relationship with each other. The division of responsibilities between them is clearly established in writing and agreed by the Board. Service contracts or letter of appointments stating the duties and responsibilities of the Executive Chairman and CEO have been entered into between the Company and them.

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

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

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

Board Membership

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

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

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

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

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committee.

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

a) The need to ensure both continuity and renewal on the board, as reflected in the current balance of directorship tenures;
b) The complementary mix of skills contributed by the directors on the Company's board; and
c) The ability to continue to act as Independent Directors and their records of independent directorship at the Company during their tenures.

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the directors of the Company so that sufficient time and attention can be given to the affairs of the Company. In connection with this limit on the maximum number of listed directorships, as at the date of this report, Mr. Adrian Chan has a temporary overlap between his recent appointment to the board of Bowsprit Capital Corporation Limited and his impending retirement from Global Investment Ltd's board in the coming 2019 AGM, which the Nominating Committee and the Board of the Company have approved.

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 shareholders with 10% or more shareholdings in the Company.

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

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

Each Independent Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2018. 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 8 to 10 of this Annual Report.

Board Performance

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

The NC periodically reviews the Board's performance and its ability to steer the Group in the right direction. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where appropriate, the NC will consider such engagement. It has adopted a system of evaluating the effectiveness of the Board's performance as a whole, through principally a self-assessment process on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company. The completed evaluation forms were submitted to one of the Joint Company Secretaries for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board operates effectively and each director is contributing to the overall effectiveness of the Board.

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 Management and the Joint Company Secretaries at all times.

The Joint Company Secretaries are 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 Joint Company Secretaries are decisions taken by the Board as a whole. The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfill and discharge their duties and responsibilities as directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

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

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

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

- Basil Chan (RC Chairman),
- Adrian Chan Pengee, and
- James Toh Ban Leng

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

Level and Mix of Remuneration

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

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

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

The RC takes into account the industry norms and standards, the Group's performance as well as the contribution and performance of each director and key management when determining the remuneration packages and the award of the variable component. The performance conditions, which included targets for sales and operating profit before tax, have been achieved during the year.

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.

Disclosure on Remuneration

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

The remuneration bands and breakdown of the gross remuneration (inclusive of the value of performance shares) of the directors and CEO of the Company (in percentage terms or absolute amount) and units of share options granted for the year ended 31 December 2018 are set out below:

	Directors' Fees	Fixed Salary & Allowance	Variable Bonus	Performance Shares	Total	Share Options (unit)
Directors (executive)						
S$1,000,000 to S$1,250,000	**%**	**%**	**%**	**%**	**%**	
Loke Wai San	–	47	24	29	100	880,000
Up to S$250,000	**%**	**%**	**%**		**%**	
Charles Cher Lew Siang**	–	100	–	–	100	–
Directors (non-executive)	**S$**	**S$**	**S$**		**S$**	
Basil Chan	79,000	–	–	–	79,000	–
Adrian Chan Pengee	74,500	–	–	–	74,500	–
James Toh Ban Leng*	47,250	–	–	–	47,250	–
Loh Kin Wah*	33,333	–	–	–	33,333	–
Keith Toh Hsiang-Wen**	16,250	–	–	–	16,250	–
CEO						
S$500,000 to S$750,000	**%**	**%**	**%**		**%**	
Chok Yean Hung	–	47	24	29	100	760,000

* Mr. James Toh Ban Leng and Mr. Loh Kin Wah became a Director of the Company on 5 April 2018 and 4 May 2018 respectively.
** Mr. Charles Cher Lew Siang and Mr. Keith Toh Hsiang-Wen resigned as a Director on 31 March 2018 and 5 April 2018 respectively.

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

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

On 15 January 2019, 3,414,638 (2017: 943,737) share options under the AEM Holdings Share Option Scheme and 1,286,666 (2017: 965,693) performance shares under the Performance Share Plan have been granted to a director and employees of the Company based on the financial performance of 2018. (Note: the number of share options and performance shares granted for 2017 have not been restated for the bonus issue of 3 bonus shares for every 1 existing share allotted on 4 June 2018).

Key Management and Remuneration Policy

The remuneration bands of our top 5 key management personnel (who are not directors or CEO of the Company) are disclosed below and the total remuneration paid to the top 5 key management personnel was S$1,475,000:

Name of personnel	Fixed Salary & Allowance (%)	Variable Bonus (%)	Performance Shares (%)	Total (%)
S$250,001 to S$500,000				
Goh Meng Kiang	55%	21%	24%	100%
Chua Tat Ming	65%	20%	15%	100%
Soh Wai Kong	68%	21%	11%	100%
Yeap Kian Yong	59%	22%	19%	100%
Darren Lim Seong Liang	66%	20%	14%	100%

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

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

A framework has been established and the Board continues through the ARC and Management, to improve and, enhance it on a continuing basis. The system of operational, financial, compliance and information technology 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, Finland and China and is therefore exposed to changes in government regulations and any unfavourable political development which may limit the realisation of business opportunities and investments in these countries. In addition, the Group's business operations are exposed to economic uncertainties that affect the global economy and international capital markets. Although such risks are beyond the Company's control, the Board and Management consistently keep themselves 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.

(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. 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.

(v) Information technology (IT) risk

IT risk includes breakdown, disruption, viruses, scams and malicious attacks on its infrastructure, application systems, hardware and network. The Group has in place the necessary and up-to-date IT controls, maintenance and monitoring methodologies. A structured way of implementing and testing new software and applications is adopted to ensure requirements and specifications are met. Appropriate measures are put in place to safeguard against data security and loss of information so as to ensure business continuity.

Audit and Risk Management Committee

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

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

The current members of the ARC comprise the following:

- Basil Chan (ARC Chairman),
- Adrian Chan Pengee, and
- James Toh Ban Leng

The ARC performs the following main functions:

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

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

The ARC 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 ARC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARC is satisfied that the external auditors are able to meet their audit obligations and has recommended the re-appointment of the external auditors at the forthcoming annual general meeting of the Company.

For the financial year ended 31 December 2018, 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 ARC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the Board of Directors through the Joint Company Secretaries. It has a well- defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Group.

Every year, employees are required to submit an AEM Code of Business Conduct and Ethics Declaration Form acknowledging a high standard of business conduct and ethics have been upheld. The AEM Code of Business Conduct and Ethics can be found on our website at https://www.aem.com.sg/.

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

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

Significant matters	How the ARC reviewed these matters and what decisions were made
Valuation of inventories	The ARC recognises that the Group manufactures highly customised tools and consumables based on both committed orders and estimated future demands. To assess and ascertain that the carrying values of the inventories are not materially misstated, the ARC reviewed the accuracy in the inventory count, costing methodologies adopted by the Group, the ageing of the various classes of inventories and obtained assurance from Management that detailed impairment testing had been undertaken using appropriate methodologies and assumptions. As a result of the above procedures, the ARC was satisfied that correct accounting treatment had been adopted and consistently applied in the inventories valuation to ensure the accuracy of reported inventories.
Accounting for acquisition of a subsidiary	During the year, the Group acquired Afore Oy, a company based in Finland supplying test equipment for the MEMS industry and related markets. The ARC recognises the allocation of the purchase price involves judgement and estimates. The ARC considered the appropriateness and reasonableness of the valuation methodology adopted by Management and reviewed the projected cash flows, revenue growth, profitability and the discount rate used. The ARC was satisfied that the purchase consideration and subsequent allocation of the purchase price had been appropriately adopted and recorded.

Internal Audit

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

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

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

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.

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

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

Conduct of Shareholder Meetings

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

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

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

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

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

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

DEALINGS IN SECURITIES

The Company has adopted its own internal compliance code to guide its officers with regard to dealings in securities of the Company while in possession of price-sensitive information and which prohibits its officers from dealing in securities of the Company during the relevant blackout periods of 2 weeks for quarterly and 1 month for yearly results prior to the announcement of the Group's results. Directors, Key Management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. Directors and employees are prohibited under the internal compliance code and Securities and Futures Act from communicating, or causing to be communicated, directly or indirectly, unpublished material price sensitive information to another person for the latter to trade in the securities of the Company. Officers 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.

MATERIAL CONTRACTS

Except as disclosed on SGXNET or herein for the financial year ended 31 December 2018, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. Currently, there is no shareholders' mandate for interested person transaction pursuant to Rule 920 of the Listing Manual of SGX-ST.

The details of the interested person transactions during the financial year ended 31 December 2018 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Novo Tellus Capital Partners Pte Ltd ("**Novo Tellus**")[1]	S$353,000[2]	–

Notes:

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

(2) This amount represents the professional fee of S$280,000 paid by the Company to Novo Tellus for advisory services in merger and acquisition activities of the Group and the Group's share of the consultancy services fee of S$73,000 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

DIVIDEND POLICY

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

The Board of Directors has proposed a final tax exempt (one-tier) dividend of 1.9 cents per ordinary share for the financial year ended 31 December 2018. Including the interim dividend of 1.5 cents per ordinary share paid on 14 September 2018, the total dividend payout for FY2018 amounted to 3.4 cents per ordinary share.

DIRECTORS' **STATEMENT**

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 65 to 148 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 2018 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 (International); and

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

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

DIRECTORS

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

Loke Wai San	
Basil Chan	
Adrian Chan Pengee	
James Toh Ban Leng	(Appointed on 5 April 2018)
Loh Kin Wah	(Appointed on 4 May 2018)

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 children) in shares, debentures, warrants or share options in the Company (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at beginning of the year (restated for bonus issue on 4 June 2018)	Holdings at end of the year
AEM Holdings Ltd			
Loke Wai San			
– ordinary shares, fully paid (direct interest)	123,750	495,000	5,380,644
– ordinary shares, fully paid (deemed interest)	15,583,353	62,333,412	–
– share options to subscribe for ordinary shares at:			
– S$0.786 per share between 28 February 2018 to 26 February 2027	101,250	405,000	–

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at beginning of the year (restated for bonus issue on 4 June 2018)	Holdings at end of the year
AEM Holdings Ltd			
Basil Chan			
– ordinary shares, fully paid (direct interest)	24,750	99,000	180,000
– share options to subscribe for ordinary shares at:			
– S$0.786 per share between 28 February 2018 to 26 February 2027	20,250	81,000	–
Adrian Chan Pengee			
– ordinary shares, fully paid (direct interest)	–	–	60,000
James Toh Ban Leng			
– ordinary shares, fully paid (direct interest)	–	–	13,806,620
– ordinary shares, fully paid (deemed interest)	15,583,353	62,333,412	7,196,772
Loh Kin Wah			
– ordinary shares, fully paid (direct interest)	–	–	500,000

By virtue of section 4(5) of the Securities and Futures Act, Loke Wai San and James Toh Ban Leng are deemed to have interests in the Company through their shareholding in New Earth Group[1] at the beginning of the financial year.

By virtue of Section 7 of the Act,

- James Toh Ban Leng is deemed to have interests in the Company through his shareholding in A.C.T. Holdings Pte Ltd at the end of the financial year;
- Loke Wai San, Basil Chan and James Toh Ban Leng are deemed to have interests in other subsidiaries of the Company, all of which are wholly-owned, at the beginning and at the end of the financial year; and
- Adrian Chan Pengee and Loh Kin Wah are deemed to have interests in other subsidiaries of the Company, all of which are wholly-owned, at the end of the financial year.

On 15 January 2019, Loke Wai San was granted 333,333 performance shares and 880,000 share options. Except for the performance shares and share options granted to Loke Wai San, there were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

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

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

1 New Earth Group is the General Partner of NovoTellus PE Fund 1, L.P., the sole member of Orion Phoenix. Orion Phoenix owned shares in the Company.

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 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng (from 5 April 2018)

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, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. 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 second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.

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

(iv) 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 except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

(v) 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.

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

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

Date of grant of options	Exercise price per share (S$)	Outstanding at 1 January 2018	Granted	Bonus issue	Exercised	Forfeited/ expired	Outstanding at 31 December 2018	Exercise Period
12/5/2016	0.324*	931	–	–	(931)	–	–	13/5/2017-11/5/2026
27/2/2017	0.196**	809,738	–	405,000**	(674,738)	–	540,000	28/2/2018-26/2/2027
23/8/2017	0.627***	134,000	–	402,000***	(156,000)	–	380,000	24/8/2018-22/8/2027
		944,669	**–**	**807,000**	**(831,669)**	**–**	**920,000**	

* Prices and number of options adjusted for the bonus shares issue on 18 April 2017.
** Prices and number of options adjusted for the bonus shares issues on 18 April 2017 and 4 June 2018.
*** Prices and number of options adjusted for the bonus shares issue on 4 June 2018.

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

	Number of options to subscribe for ordinary shares				
	Options granted for financial year ended 31 December 2018	**Aggregate options granted since the commencement to 31 December 2018+**	**Aggregate options exercised since the commencement to 31 December 2018**	**Aggregate options forfeited since the commencement to 31 December 2018**	**Aggregate options outstanding at 31 December 2018**
Directors					
Loke Wai San	–	101,250	(101,250)	–	–
Basil Chan	–	20,250	(20,250)	–	–
Others					
Company	–	1,208,669	(749,669)	(25,000)	434,000
Subsidiaries	–	898,500	(412,500)	–	486,000
Total	–	2,228,669	(1,283,669)	(25,000)	920,000

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

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

No options have been granted at a discount.

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

There were no (2017: 943,738#) options granted to the directors and employees under the Scheme during the financial year. Subsequent to the end of the financial year, the Company granted 3,414,638 options on 15 January 2019 to the directors and employees under the Scheme.

Comprising 809,738 options adjusted for the bonus shares issue on 18 April 2017 and 4 June 2018 and 134,000 options adjusted for the bonus shares issue on 4 June 2018.

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

Performance share plan

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

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

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

Participants	**Shares awards granted & released during the year***	**Aggregate shares awards granted & released at end of the year**
Under PSP 2008		
Directors and key executives	–	5,059,529
Under PSP 2017		
Directors and key executives	525,000	595,000

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

	Shares granted during FY2018*	**Aggregate shares granted since commencement of PSP 2017 to the end of 2018**
Loke Wai San	175,000	175,000
Basil Chan	20,000	20,000
Adrian Chan Pengee	15,000	15,000

* The above disclosed shares granted have not been adjusted for the bonus shares issue on 4 June 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

- Basil Chan (Chairman), non-executive independent director
- James Toh Ban Leng, non-executive director
- Adrian Chan Pengee, non-executive independent director

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

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Loke Wai San
Director

Basil Chan
Director

30 March 2019

MEMBERS OF THE COMPANY
AEM HOLDINGS LTD

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AEM Holdings Ltd (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 65 to 148.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

<table>
<tr><td colspan="2">Acquisition of Afore Oy
(Refer to note 7 to the financial statements)</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group acquired 100% of the issued share capital of Afore Oy ("Afore"), a micro-electro-mechanical systems test solutions provider, pursuant to a share purchase agreement signed on 31 January 2018.

This is a key audit focus area as accounting for the acquisition required the Group to make a number of judgments and estimates in relation to the identification and the determination of the fair value of net identifiable assets acquired at the acquisition date.

The fair value of technology and customer contract were assessed to be $6,011,000 and $2,206,000 respectively. Goodwill of $4,376,000 arose from the acquisition.</td><td>We have reviewed the share purchase agreement to assess the classification of the investment.

We reviewed the purchase price allocation prepared by management which included comparing the methodologies to generally accepted market practices and relevant supporting analysis and testing the reasonableness of the key assumptions used in deriving the allocated values.

We also considered the adequacy of disclosures for this acquisition.</td></tr>
<tr><td colspan="2">Findings

The estimates applied by the Group in determining the purchase price consideration and subsequent allocation of the purchase price were within an acceptable range. We also find the disclosure of the significant acquisition to be appropriate.</td></tr>
</table>

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

Other information

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

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2019

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Assets							
Property, plant and equipment	4	**5,725**	3,623	2,226	**21**	34	40
Intangible assets	5	**17,717**	3,449	65	**–**	–	1
Investments in subsidiaries	6	**–**	–	–	**26,578**	12,914	10,194
Investment in an associate	8	**4,153**	4,133	4,499	**4,667**	4,667	4,667
Deferred tax assets	16	**57**	–	76	**–**	–	4
Non-current assets		**27,652**	11,205	6,866	**31,266**	17,615	14,906
Inventories	9	**27,433**	35,803	17,443	**–**	–	–
Contract costs	19	**788**	–	–	**–**	–	–
Trade and other receivables	10	**17,965**	23,557	17,777	**7,111**	4,841	3,758
Contract assets	19	**3,702**	–	–	**–**	–	–
Cash and cash equivalents	11	**58,890**	46,095	6,310	**950**	2,384	914
Current assets		**108,778**	105,455	41,530	**8,061**	7,225	4,672
Total assets		**136,430**	116,660	48,396	**39,327**	24,840	19,578
Equity							
Share capital	12	**45,786**	39,737	39,737	**45,786**	39,737	39,737
Reserves	13	**95**	(478)	(344)	**1,188**	2,043	(505)
Accumulated profits/(losses)		**43,623**	18,551	(9,165)	**(13,678)**	(21,844)	(20,831)
Total equity attributable to owners of the Group		**89,504**	57,810	30,228	**33,296**	19,936	18,401
Liabilities							
Financial liabilities	14	**49**	–	7	**–**	–	–
Trade and other payables	15	**907**	–	–	**907**	–	–
Deferred tax liabilities	16	**1,878**	309	42	**–**	–	–
Provisions	17	**426**	277	280	**–**	18	17
Non-current liabilities		**3,260**	586	329	**907**	18	17
Financial liabilities	14	**210**	7	78	**–**	–	–
Trade and other payables	15	**33,094**	52,214	16,713	**3,812**	4,755	1,149
Contract liabilities	19	**2,607**	–	–	**–**	–	–
Current tax payable		**7,284**	5,648	805	**1,312**	131	11
Provisions	17	**471**	395	243	**–**	–	–
Current liabilities		**43,666**	58,264	17,839	**5,124**	4,886	1,160
Total liabilities		**46,926**	58,850	18,168	**6,031**	4,904	1,177
Total equity and liabilities		**136,430**	116,660	48,396	**39,327**	24,840	19,578

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Revenue	19	**262,325**	221,622
Other income		**367**	176
Changes in inventories of finished goods and work-in-progress		**(7,150)**	13,531
Raw materials and other consumables		**(166,072)**	(162,130)
Staff costs		**(32,521)**	(25,338)
Depreciation of property, plant and equipment		**(1,158)**	(612)
Amortisation of intangible assets		**(713)**	(86)
Operating lease expenses		**(3,953)**	(3,016)
Legal and professional fees		**(2,086)**	(1,682)
Sales and marketing expenses		**(4,430)**	(1,578)
Other expenses		**(4,863)**	(3,287)
Results from operating activities		**39,746**	37,600
Finance income		**300**	73
Finance costs		**(40)**	(37)
Net finance income	20	**260**	36
Share of equity-accounted investee's losses (net of tax)	8	**(38)**	(105)
Profit before tax		**39,968**	37,531
Tax expense	21	**(6,475)**	(5,347)
Profit for the year		**33,493**	32,184
Profit attributable to:			
Owners of the Company		**33,493**	32,184
Profit for the year	22	**33,493**	32,184
Earnings per share	23		
Basic earnings per share		**12.31 cents**	12.36 cents
Diluted earnings per share		**12.21 cents**	12.13 cents
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**1,379**	(2,422)
Share of foreign currency translation difference of equity-accounted investee		**58**	(261)
Other comprehensive income for the year, net of tax		**1,437**	(2,683)
Total comprehensive income for the year		**34,930**	29,501
Total comprehensive income attributable to:			
Owners of the Company		**34,930**	29,501
Total comprehensive income for the year		**34,930**	29,501

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 1 January 2017	39,737	(1,264)	161	759	–	(9,165)	30,228
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	32,184	32,184
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	(2,422)	–	(2,422)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(261)	–	(261)
Total comprehensive income for the year	–	–	–	–	(2,683)	32,184	29,501
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,960)	–	–	–	–	(1,960)
Issue of shares related to business combination	–	376	1,148	–	–	–	1,524
Issue of shares options	–	–	–	162	–	–	162
Treasury shares reissued pursuant to share plans	–	675	(163)	–	–	–	512
Share-based payment transactions (Note 18)	–	–	–	2,311	–	–	2,311
Final dividend of 1.3* cent per share in respect of 2016	–	–	–	–	–	(846)	(846)
Interim dividend of 2.5* cent per share in respect of 2017	–	–	–	–	–	(1,641)	(1,641)
Interim dividend of 3.0* cent per share in respect of 2017	–	–	–	–	–	(1,981)	(1,981)
Total transactions with owners	–	(909)	985	2,473	–	(4,468)	(1,919)
At 31 December 2017	39,737	(2,173)	1,146	3,232	(2,683)	18,551	57,810

* Dividends were declared subsequent to bonus issue on 18 April 2017. Amounts not adjusted for bonus issue on 4 June 2018.

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 1 January 2018	39,737	(2,173)	1,146	3,232	(2,683)	18,551	57,810
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	33,493	33,493
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	1,379	–	1,379
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	58	–	58
Total comprehensive income for the year	–	–	–	–	1,437	33,493	34,930
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,176)	–	–	–	–	(1,176)
Issue of shares related to business combination	5,518	–	(1,022)	–	–	–	4,496
Issue of shares pursuant to share plans	531	–	–	–	–	–	531
Treasury shares reissued pursuant to share plans	–	1,018	1,376	(2,296)	–	–	98
Share-based payment transactions (note 18)	–	–	–	1,236	–	–	1,236
Final dividend of 6.5** cent per share in respect of 2017	–	–	–	–	–	(4,385)	(4,385)
Interim dividend of 1.5*** cent per share in respect of 2018	–	–	–	–	–	(4,036)	(4,036)
Total transactions with owners	6,049	(158)	354	(1,060)	–	(8,421)	(3,236)
At 31 December 2018	45,786	(2,331)	1,500	2,172	(1,246)	43,623	89,504

** Dividends declared on 26 February 2018 prior to bonus issue on 4 June 2018. Amounts not adjusted for bonus issue.

*** Dividends declared on 31 July 2018 subsequent to bonus issue on 4 June 2018.

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year		**33,493**	32,184
Adjustments for:			
Depreciation of property, plant and equipment		**1,158**	612
Amortisation of intangible assets		**713**	86
Reversal of allowance for stock obsolescence		**(226)**	(692)
Loss/(gain) on disposal of property, plant and equipment		**18**	(3)
Net finance income		**(260)**	(36)
Share of loss of equity-accounted investee, net of tax		**38**	105
Equity-settled share-based payment expenses		**1,236**	2,473
Remeasurement of contingent consideration	7	**1,250**	–
Tax expense		**6,475**	5,347
		43,895	40,076
Changes in:			
Inventories		**10,713**	(19,584)
Contract cost		**(772)**	–
Trade and other receivables		**7,006**	(7,269)
Contract assets		**(3,647)**	–
Trade and other payables		**(19,147)**	36,789
Contract liabilities		**1,002**	–
Provisions		**197**	178
Cash generated from operating activities		**39,247**	50,190
Tax paid		**(5,157)**	(275)
Net cash from operating activities		**34,090**	49,915
Cash flows from investing activities			
Acquisition of intangible assets		**(1,868)**	(439)
Interest received		**300**	73
Proceeds from disposal of property, plant and equipment		**4**	3
Acquisition of property, plant and equipment		**(2,858)**	(2,012)
Payment of deferred consideration relating to acquisition of subsidiary in prior year		**(500)**	–
Acquisition of subsidiaries, net of cash acquired	7	**(8,318)**	–
Net cash used in investing activities		**(13,240)**	(2,375)
Cash flows from financing activities			
Interest paid		**(33)**	(19)
Proceeds from borrowings		**–**	1,351
Repayment of borrowings		**(263)**	(1,351)
Repayment of finance lease liabilities		**(8)**	(81)
Repurchase of own shares		**(1,176)**	(1,960)
Proceeds from exercise of share options		**629**	147
Dividends paid		**(8,372)**	(4,468)
Net cash used in financing activities		**(9,223)**	(6,381)
Net increase in cash and cash equivalents		**11,627**	41,159
Cash and cash equivalents at 1 January		**46,095**	6,310
Effect of exchange rate fluctuations on cash held		**1,168**	(1,374)
Cash and cash equivalents at 31 December	11	**58,890**	46,095

Significant non-cash transaction

In 2018, the Group acquired a subsidiary by means of issuance of ordinary shares and cash consideration. In 2017, the Group acquired a subsidiary by means of issuance of treasury shares and deferred cash and shares consideration (see note 7).

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

NOTES TO THE **FINANCIAL STATEMENTS**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2019.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (FRS). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in note 30.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

- Note 7 – identification of assets acquired and liabilities assumed
- Note 19 – revenue recognition: whether revenue is recognised over time or at a point in time

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

- Note 5 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts
- Note 7 – measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired
- Note 9 – valuation of inventories

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 fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

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

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

- Note 5 – impairment of intangible assets and goodwill
- Note 7 – acquisition of subsidiaries
- Note 18 – share-based payment
- Note 27 – financial risk management

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 January 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 January 2017

For acquisitions from 1 January 2017, the Group measures goodwill at the date of acquisition as the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

Acquisitions before 1 January 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 January 2017. Goodwill arising from acquisitions before 1 January 2017 has been carried forward from the previous FRS framework as at the date of transition.

Subsidiaries

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

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

Loss of control

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

Investments in associates (equity-accounted investees)

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transactions eliminated on consolidation

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

Subsidiaries and associates in the separate financial statements

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

3.2 Foreign currencies

Foreign currency transactions

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currencies (Continued)

Foreign operations (Continued)

Foreign currency differences are recognised in other comprehensive income. Since 1 January 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3.3 Property, plant and equipment

Recognition and measurement

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

Depreciation

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

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

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

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

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

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

3.4 Intangible assets and goodwill

Goodwill

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

Subsequent measurement

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill (Continued)

Research and development

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

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

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

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

Technology	15 – 20 years
Customer relationships	10 years
Computer software	3 years
Capitalised development costs	4 years

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and Subsequent Measurement

Non-derivative financial assets – Policies applicable from 1 January 2018

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

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

Financial assets at amortised cost

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

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

Financial assets at FVTPL

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and Subsequent Measurement (Continued)

Business Model Assessment

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

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

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

Assessment of Whether Contractual Cash Flows are Solely Payments of Principal and Interest

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(ii) Classification and Subsequent Measurement (Continued)

Subsequent Measurement and Gains and Losses

Financial assets at amortised cost

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

Financial assets at FVTPL

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

Non-derivative financial assets – Policies applicable before 1 January 2018

Non-derivative financial assets comprises loans and receivables.

Loans and receivables

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

Loans and receivables comprised cash and cash equivalents, trade and other receivables and deposits (excluding prepayments).

Cash and cash equivalents comprised cash balances and bank deposits.

Non-derivative financial liabilities

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

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise finance lease liabilities, loans and borrowings and trade and other payables.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(iii) Derecognition

Financial assets

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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset.

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

(vi) Share capital

Ordinary shares

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

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

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

(vii) Financial guarantee contracts

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

3.6 Impairment

(i) Non-derivative financial assets and contract assets

Policies applicable from 1 January 2018

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

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

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

Simplified approach

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) ***Non-derivative financial assets and contract assets*** *(Continued)*

Policies applicable from 1 January 2018 (Continued)

General approach

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

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

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

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

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) ***Non-derivative financial assets and contract assets*** *(Continued)*

Policies applicable from 1 January 2018 (Continued)

Measurement of ECLs

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

Credit-impaired Financial Assets

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

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

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

Presentation of loss allowance for ECLs in the balance sheet

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

Write-off

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) ***Non-derivative financial assets and contract assets*** *(Continued)*

Policy applicable before 1 January 2018

A financial asset not carried at FVTPL (including an interest in an associate) was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included 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 would enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlated with defaults or the disappearance of an active market for a security.

Loans and receivables

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

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

Policy applicable before 1 January 2018 (Continued)

Loans and receivables (Continued)

In assessing collective impairment, the Group used 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 were such that the actual losses were likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost was 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 were recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continued to be recognised. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease could be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) Associates

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

(iii) Non-financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(iii) Non-financial assets (Continued)

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

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

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

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

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

3.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Lease payments

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

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

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

Determining whether an arrangement contains a lease

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

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

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

3.9 Inventories

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Tax (Continued)

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.

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

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

3.12 Revenue recognition

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue recognition (Continued)

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

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

3.13 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 payment transactions

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

3.14 Finance income and finance costs

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Finance income and finance costs (Continued)

Finance costs comprise unwinding of the discount on provision for site restoration and 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 Earnings per share

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

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

3.16 Segment reporting

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

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

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

3.17 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in note 31.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost						
At 1 January 2017	54	329	5,633	1,309	8,172	15,497
Acquisitions through business combinations (note 7)	–	1	–	1	–	2
Additions	–	111	715	653	533	2,012
Disposals	–	–	–	–	(209)	(209)
Translation adjustment	–	(21)	(456)	(77)	(326)	(880)
At 31 December 2017	54	420	5,892	1,886	8,170	16,422
Acquisitions through business combinations (note 7)	31	–	19	–	301	351
Additions	64	114	1,545	603	532	2,858
Disposals	–	(8)	(33)	(9)	(7)	(57)
Translation adjustment	(5)	9	167	40	55	266
At 31 December 2018	**144**	**535**	**7,590**	**2,520**	**9,051**	**19,840**
Accumulated depreciation and impairment losses						
At 1 January 2017	32	320	4,992	1,217	6,710	13,271
Depreciation charge for the year	2	11	184	106	309	612
Disposals	–	–	–	–	(209)	(209)
Translation adjustment	1	(19)	(384)	(59)	(414)	(875)
At 31 December 2017	35	312	4,792	1,264	6,396	12,799
Depreciation charge for the year	20	24	390	352	372	1,158
Disposals	–	(3)	(24)	–	(8)	(35)
Translation adjustment	(1)	(13)	136	22	49	193
At 31 December 2018	**54**	**320**	**5,294**	**1,638**	**6,809**	**14,115**
Carrying amounts						
At 1 January 2017	22	9	641	92	1,462	2,226
At 31 December 2017	19	108	1,100	622	1,774	3,623
At 31 December 2018	**90**	**215**	**2,296**	**882**	**2,242**	**5,725**

The Group acquired manufacturing equipment through finance leases (note 14). These leases provide the Group with the option to become the owner of the equipment subject to certain terms and conditions. The carrying amount of the leased assets was $269,000 (31 December 2017: $174,000; 1 January 2017: $247,000) as of year-end.

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Company				
Cost				
At 1 January 2017	67	312	16	395
Additions	–	6	–	6
At 31 December 2017	67	318	16	401
Additions	–	14	–	14
Disposal	(33)	–	(8)	(41)
At 31 December 2018	**34**	**332**	**8**	**374**
Accumulated depreciation				
At 1 January 2017	41	309	5	355
Depreciation charge for the year	8	2	2	12
At 31 December 2017	49	311	7	367
Depreciation charge for the year	7	6	1	14
Disposal	(23)	(1)	(4)	(28)
At 31 December 2018	**33**	**316**	**4**	**353**
Carrying amounts				
At 1 January 2017	26	3	11	40
At 31 December 2017	18	7	9	34
At 31 December 2018	**1**	**16**	**4**	**21**

5 INTANGIBLE ASSETS

Group	Goodwill $'000	Technology $'000	Customer relationships $'000	Computer software $'000	Development costs $'000	Other $'000	Total $'000
Cost							
At 1 January 2017	–	–	–	2,364	–	–	2,364
Acquisitions through business combination (note 7)	1,230	1,819	–	–	–	–	3,049
Additions	–	–	–	439	–	–	439
Translation adjustment	–	–	–	(97)	–	–	(97)
At 31 December 2017	1,230	1,819	–	2,706	–	–	5,755
Acquisitions through business combination (note 7)	4,764	6,011	2,300	–	–	6	13,081
Additions	–	–	–	1,393	475	–	1,868
Translation adjustment	–	–	–	56	–	(1)	55
At 31 December 2018	5,994	7,830	2,300	4,155	475	5	20,759
Accumulated amortisation							
At 1 January 2017	–	–	–	2,299	–	–	2,299
Amortisation charge for the year	–	20	–	66	–	–	86
Translation adjustment	–	–	–	(79)	–	–	(79)
At 31 December 2017	–	20	–	2,286	–	–	2,306
Amortisation charge for the year	–	187	198	325	1	2	713
Translation adjustment	–	–	–	24	(1)	–	23
At 31 December 2018	–	207	198	2,635	–	2	3,042
Carrying amounts							
At 1 January 2017	–	–	–	65	–	–	65
At 31 December 2017	1,230	1,799	–	420	–	–	3,449
At 31 December 2018	5,994	7,623	2,102	1,520	475	3	17,717

5 INTANGIBLE ASSETS (CONTINUED)

Company	**Computer software $'000**
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	1,190
Accumulated amortisation	
At 1 January 2017	1,189
Amortisation charge for the year	1
At 31 December 2017	1,190
Amortisation charge for the year	–
At 31 December 2018	1,190
Carrying amounts	
At 1 January 2017	1
At 31 December 2017	–
At 31 December 2018	–

Impairment testing for CGUs containing Goodwill

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

		Group	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Equipment systems solutions			
– Micro-Electro-Mechanical Systems (MEMS) testing solutions	**4,376**	–	–
– Machine vision solutions	**388**	–	–
– Test and measurement solutions	**1,230**	1,230	–
	5,994	1,230	–

MEMS testing solutions

This CGU relates to the newly acquired subsidiary, Afore Oy, where the fair value of the acquisition was determined during the year (see note 7). There were no adverse changes to the operations or business plans for the CGU and hence, fair value determined at acquisition date is deemed to approximate the fair value as at 31 December 2018 and no impairment was recorded.

5 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGUs containing Goodwill (Continued)

Test and measurement solutions

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (see note 2.4).

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

Group	**31 Dec 2018 %**
Discount rate	**10.0**
Terminal value growth rate	**0.0**
Revenue growth rate (compounded annual growth rate)	**14.0**

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

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

Revenue growth was projected taking into account the estimated sales volume and price growth for the next five years. It was assumed that the sales volume would increase in line with forecast industry growth and inflation over the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $13,310,000 and no impairment was recorded.

The recoverable amount as at 31 December 2017 was determined based on the fair value at acquisition date as the CGU was newly acquired in September 2017 and the fair value of the acquisition was deemed to approximate the fair value as at 31 December 2017. As the recoverable amount was equal to the carrying amount of the CGU, no impairment was recorded.

6 INVESTMENTS IN SUBSIDIARIES

	Company		
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Unquoted equity shares, at cost	**26,864**	13,200	10,945
Allowance for impairment	**(286)**	(286)	(751)
	26,578	12,914	10,194

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

No impairment loss was recognised for the investments in subsidiaries in 2018 (2017: nil).

Details of subsidiaries are as follows:

			Effective equity held by the Group		
Name of subsidiaries	**Principal activities**	**Country of incorporation**	**31 Dec 2018 %**	**31 Dec 2017 %**	**1 Jan 2017 %**
AEM Singapore Pte. Ltd.[1*]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	**100**	100	100
AEM Microtronics (M) Sdn. Bhd.[2]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	**100**	100	100
AEM Platronics (S) Pte. Ltd.	Inactive	Singapore	**–[#]**	–[#]	100
AEM Platronics (M) Sdn. Bhd.	Inactive	Malaysia	**–[#]**	–[#]	100
AEM Microtronics (Suzhou) Co., Ltd.[3]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	**100**	100	100

6 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
AEM China (S) Pte. Ltd.[1]	Investment holding company	Singapore	**100**	100	100
AEM International (US) Ltd.	Engineering services	United States of America	**100**	100	100
Tianjin Ever Technologies Co., Ltd.	Inactive	People's Republic of China	**100**	100	100
InspiRain Technologies Pte. Ltd.[1]	Inactive	Singapore	**100**	100**	–
Afore Oy[2]	Micro-Electro-Mechanical Systems test solutions provider	Finland	**100**[+]	–	–
IRIS Solution Pte. Ltd.	Research, development, and integration of advance machine vision solutions to manufacturers	Singapore	**100**[+]	–	–

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

1 Audited by KPMG Singapore
2 Audited by other member firms of KPMG International
3 Audited by Suzhou Deheng Certified Public Accountants
* Significant subsidiary as defined under the Listing Manual of the Singapore Exchange.
# The Group completed the liquidation of AEM Platronics (S) Pte. Ltd. and AEM Platronics (M) Sdn. Bhd. in FY2017.
** In September 2017, the Group acquired InspiRain Technologies Pte. Ltd.
+ In February and March 2018, the Group acquired Afore Oy and IRIS Solution Pte Ltd respectively.

7 ACQUISITION OF SUBSIDIARIES

Acquisitions in 2018

On 28 February 2018 and 2 March 2018, the Group acquired 100% of the shares and voting interests in Afore Oy ("Afore") and IRIS Solution Pte Ltd ("IRIS"), obtaining control of Afore and IRIS respectively.

Taking control of both Afore and IRIS enables the Group to enhances its product range and services that the Group can offer to semiconductors and industrial sections. The acquisitions are expected to yield significant business synergies for the Group.

For the ten months ended 31 December 2018, Afore contributed revenue of $6,916,000 and profit of $462,000 to the Group's results and IRIS contributed revenue of $1,329,000 and net profit of $534,000 to the Group's results.

If the acquisitions had occurred on 1 January 2018, management estimates that the consolidated revenue would have been $262,546,000 and net profit of $32,971,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

Consideration transferred

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

		Acquisition of:		
		Afore	**IRIS**	**Total**
	Note	**$'000**	**$'000**	**$'000**
Equity shares issued (867,000* ordinary shares)	12	4,496	–	4,496
Cash		8,107	576	8,683
Total consideration		12,603	576	13,179

Equity shares issued

The weighted average fair value of ordinary shares issued of $5.19* per share was based on the listed share price of the Company at 28 February 2018 adjusted for sale restriction moratorium.

* Shares were issued prior to the bonus issue on 4 June 2018 and amounts are not adjusted for the bonus issue. See note 12.

Cash

As at 31 December 2018, $76,000 relating to the acquisition of IRIS is unpaid and included in other payables (see note 15).

Acquisition-related costs

The Group incurred acquisition-related costs of $772,000 on legal fees and due diligence costs. These costs have been included in 'legal and professional fees'.

7 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2018 (Continued)

Identifiable assets acquired and liabilities assumed

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

		Acquisition of:		
		Afore	IRIS	Total
	Note	$'000	$'000	$'000
Property, plant and equipment	4	332	19	351
Intangible assets	5	8,223	94	8,317
Cash		304	61	365
Inventories		1,360	–	1,360
Trade and other receivables		956	99	1,055
Net deferred tax liabilities	16	(1,581)	(16)	(1,597)
Trade and other payables		(848)	–	(848)
Tax payables		–	(69)	(69)
Financial liabilities		(519)	–	(519)
Total identifiable net assets		8,227	188	8,415

Measurement of fair values

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

Asset required	Valuation technique
Intangible assets	
• Technology	*Relief-from-royalty method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents or trademarks being owned.
• Customer contracts	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

The trade receivables comprise gross contractual amounts of $1,055,000, all of which are expected to be collectible.

7 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Measurement of fair values (Continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Acquisition of: Afore $'000	IRIS $'000	Total $'000
Total consideration	12,603	576	13,179
Fair value of identifiable net assets	(8,227)	(188)	(8,415)
Goodwill	4,376	388	4,764

The goodwill is attributable mainly to skills and technical talent of the work force and synergies expected to be achieved from integrating the companies into the Group's existing business.

None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisition in 2017

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

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

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

Consideration transferred

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

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

7 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition in 2017 (Continued)

Consideration transferred (Continued)

Treasury shares transferred

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

Deferred consideration

Deferred consideration comprise cash and share payments.

As at 31 December 2017, the Group had a deferred cash consideration of $500,000 payable in one years' time and will transfer the selling shareholders 300,000* shares in tranches of 100,000* shares each over the next three years.

The deferred cash consideration of $500,000 was paid in 2018. None of the deferred share payments were settled in 2018.

The Group has included $1,195,000 as deferred consideration, which represents its fair value at the date of acquisition. At 31 December 2018, the deferred consideration amounted to $966,000 (31 December 2017: $1,433,000; 1 January 2017: nil).

* Number of shares not adjusted for bonus issue on 4 June 2018.

Contingent consideration

The Group has agreed to transfer the selling shareholders 400,000* shares in tranches of 100,000* shares each over the next three years if the acquiree's revenue exceeds the annual target of between $1,000,000 to $4,000,000 and gross profit margin of at least 30%. As at 31 December 2017, the Group determined the fair value of the contingent consideration to be zero as there was no historical track record or sales contracts entered into for the products.

Subsequent to the acquisition, the operations of InspiRain was incorporated into the test and measurement solutions segment. In 2018, InspiRain secured a contract with a customer and achieved its 2018 target and the fair value of the contingent consideration was remeasured based on the revised forecast of the test and measurement solutions segment. At 31 December 2018, the Group has remeasured and recognised $1,250,000 of contingent consideration payable to the selling shareholders.

* Number of shares not adjusted for bonus issue on 4 June 2018.

Acquisition-related costs

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

7 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition in 2017 (Continued)

Identifiable assets acquired and liabilities assumed

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

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

Measurement of fair values

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

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

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

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

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

8 INVESTMENT IN AN ASSOCIATE

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Unquoted shares	**4,153**	4,133	4,499	**4,667**	4,667	4,667

8 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of associate are as follows:

Name of associate	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Novoflex Pte Ltd[1] ("Novoflex")	Investment holding company with full control of Smartflex Technology Pte Ltd, a leading outsourced assembly & test company for smart card modules used in banking and Smartflex Innovation Pte Ltd, a company that has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking	Singapore	**21.2**	21.2	21.2

1 Audited by Ernst & Young Singapore

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

	2018 $'000	2017 $'000
Revenue	**56,765**	44,601
Loss after tax	**(181)**	(493)
Total comprehensive loss	**(181)**	(493)
Attributable to investee's shareholders	**(181)**	(493)
Non-current assets	**18,208**	20,230
Current assets	**25,819**	22,863
Non-current liabilities	**(2,262)**	(3,966)
Current liabilities	**(22,166)**	(19,622)
Net assets	**19,599**	19,505
Attributable to investee's shareholders	**19,599**	19,505

8 INVESTMENT IN AN ASSOCIATE (CONTINUED)

	2018 $'000	2017 $'000
Group's interest in net assets of investee at beginning of the year	**4,133**	4,499
Group's share of:		
– loss after tax	**(38)**	(105)
Total comprehensive loss	**(38)**	(105)
Translation adjustment	**58**	(261)
Carrying amount of interest in investee at end of the year	**4,153**	4,133

	1 Jan 2017 $'000
Non-current assets	25,165
Current assets	17,769
Non-current liabilities	(7,918)
Current liabilities	(13,796)
Net assets	21,220
Group's share of net assets	4,499
Carrying amount of interest in investee	4,499

9 INVENTORIES

	Note		Group	
		31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Raw materials		**6,434**	7,840	2,716
Work-in-progress		**18,567**	24,042	13,623
Finished goods		**2,213**	3,888	777
Goods in-transit		**219**	33	327
		27,433	35,803	17,443

Stock obsolescence is estimated based on future customer demands. In 2018, the reversal of inventories previously written-down by the Group amounted to $226,000 (31 December 2017: $692,000; 1 January 2017: $801,000). There was no write-down of inventories to net realisable value in 2017 and 2018. The reversal is included in the changes in inventories of finished goods and work-in-progress.

10 TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Trade receivables	**15,957**	21,082	15,345	**–**	–	–
Other receivables	**868**	1,545	1,545	**209**	326	3
Amounts due from subsidiaries:						
– trade	**–**	–	–	**3,471**	4,197	3,417
– non-trade	**–**	–	–	**3,347**	245	266
Deposits	**954**	850	802	**64**	64	65
	17,779	23,477	17,692	**7,091**	4,832	3,751
Prepayments	**186**	80	85	**20**	9	7
	17,965	23,557	17,777	**7,111**	4,841	3,758

Amounts due from subsidiaries

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The ECL for these amounts is disclosed in note 27.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 27.

11 CASH AND CASH EQUIVALENTS

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Cash at bank and in hand	**54,779**	28,719	6,310	**950**	2,384	914
Fixed deposits with banks	**4,111**	17,376	–	**–**	–	–
Cash and cash equivalents	**58,890**	46,095	6,310	**950**	2,384	914

As at 31 December 2018, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.07% (31 December 2017: 0.02%; 1 January 2017: 0.02%). Interest rates are repriced monthly.

12 SHARE CAPITAL

	Number of Shares			
	Share capital		Treasury shares	
	2018	2017	2018	2017
	'000	'000	'000	'000
Company				
Issued and fully paid ordinary shares, with no par value:				
At 1 January	**66,784**	45,113	**(1,267)**	(2,348)
Purchase of treasury shares	**–**	–	**(1,300)**	(638)
Bonus share issue	**204,981***	21,671**	**(2,375)**	–
Issue of treasury shares to management under Performance Share Plan	**–**	–	**525**	667
Exercise of share options	**676**	–	**156**	452
Issued in business combination	**867**	–	**–**	600
At 31 December	**273,308**	66,784	**(4,261)**	(1,267)

* On 4 June 2018, the Group completed a bonus share issue of 3 additional shares for every 1 ordinary shares held.

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

Ordinary shares

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

During the year, 676,000 ordinary shares were issued out of the ordinary shares for share options exercised (2017: nil) and 867,000 ordinary shares were issued out of ordinary shares as a result of the acquisition of Afore Oy (see note 7) (2017: nil).

During the year, the Company purchased 1,300,000 (2017: 638,000) of its own shares from the open market and as at the end of 31 December 2018, the treasure shares balance was 4,261,000 (31 December 2017: 1,267,000; 1 January 2017: 2,348,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 269,047,000 (31 December 2017: 65,517,000; 1 January 2017: 42,765,000).

Treasury shares

During the year, 525,000 shares were issued out of the treasury shares under the Performance Share Plan (2017: 667,000),156,000 shares were issued out of the treasury shares for share options exercised (2017: 452,000) and 2,375,000 shares were alloted to treasury shares due to the bonus share issue on 4 June 2018 (2017: nil).

Capital management

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

12 SHARE CAPITAL (CONTINUED)

Capital management (Continued)

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.

13 RESERVES

		Group			**Company**	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**	**31 Dec 2018 $'000**	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Reserve for own shares	**(2,331)**	(2,173)	(1,264)	**(2,331)**	(2,173)	(1,264)
Other reserves	**1,500**	1,146	161	**1,347**	984	–
Share compensation reserve	**2,172**	3,232	759	**2,172**	3,232	759
Currency translation reserve	**(1,246)**	(2,683)	–	**–**	–	–
	95	(478)	(344)	**1,188**	2,043	(505)

Reserve for own shares

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

Other reserves

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

Share compensation reserve

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

Currency translation reserve

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company.

14 FINANCIAL LIABILITIES

	Group 31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Non-current liabilities			
Finance lease liabilities	**49**	–	7
Current liabilities			
Finance lease liabilities	**54**	7	78
Secured bank loan	**156**	–	–
	210	7	78
Total financial liabilities	**259**	7	85
Maturity of liabilities:			
Within 1 year	**210**	7	78
After 1 year but within 5 years	**49**	–	7
	259	7	85

As at 31 December 2018, the finance lease liabilities are secured by a fixed charge on the equipment being financed and the secured bank loans of the Group are secured over property, plant and equipment and inventories with carrying amounts of $1,399,000.

As at 31 December 2017 and 1 January 2017, the finance lease liabilities are secured by a corporate guarantee 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	31 Dec 2018 Face value $'000	31 Dec 2018 Carrying amount $'000	31 Dec 2017 Face value $'000	31 Dec 2017 Carrying amount $'000	1 Jan 2017 Face value $'000	1 Jan 2017 Carrying amount $'000
Group								
Secured Loan	2.50%	2019	**157**	**156**	–	–	–	–
Finance lease liabilities	0.55%-3.10%	2018 – 2021	**103**	**103**	7	7	88	88
			260	**259**	**7**	**7**	88	85

The Company does not have any borrowings or finance lease liabilities as at 31 December 2018, 31 December 2017 and 1 January 2017.

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 27.

14 FINANCIAL LIABILITIES (CONTINUED)

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

	Borrowings $'000	Finance lease liabilities $'000	Total $'000
Balance at 1 January 2017	–	85	85
Changes from financing cash flows			
Interest paid	(16)	(3)	(19)
Proceeds from borrowings	1,351	–	1,351
Repayment of borrowings	(1,351)	–	(1,351)
Repayment of finance lease liabilities	–	(81)	(81)
Total changes from financing cash flows	(16)	(84)	(100)
Liability-related			
Interest expense	16	3	19
Others	–	3	3
Total liability-related other changes	16	6	22
Balance at 31 December 2017	–	7	7
Balance at 1 January 2018	**–**	**7**	**7**
Changes from financing cash flows			
Interest paid	**(33)**	*****	**(33)**
Repayment of borrowings	**(263)**	**–**	**(263)**
Repayment of finance lease liabilities	**–**	**(8)**	**(8)**
Total changes from financing cash flows	**(296)**	**(8)**	**(304)**
Changes arising from obtaining control of subsidiaries	**417**	**102**	**519**
The effect of changes in foreign exchange rates	**2**	**2**	**4**
Liability-related			
Interest expense	**33**	*****	**33**
Total liability-related other changes	**33**	*****	**33**
Balance at 31 December 2018	**156**	**103**	**259**

* Less than $1,000

15 TRADE AND OTHER PAYABLES

	Group			Company		
	31 Dec 2018 $'000	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**	**31 Dec 2018 $'000**	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
Trade payables	**21,383**	41,775	13,135	**–**	–	–
Amount due to subsidiaries (non-trade)	**–**	–	–	**380**	–	–
Accrued operating expenses	**9,055**	7,292	2,827	**1,424**	2,112	1,024
Deposits received	*****	1	332	**–**	–	–
Other payables	**3,563**	3,146	419	**2,915**	2,643	125
	34,001	52,214	16,713	**4,719**	4,755	1,149
Current	**33,094**	52,214	16,713	**3,812**	4,755	1,149
Non-current	**907**	–	–	**907**	–	–
	34,001	52,214	16,713	**4,719**	4,755	1,149

* Less than $1,000

Accrued operating expenses include a provision for sales rebate of $71,000 (31 December 2017: $399,000; 1 January 2017: $435,000) relating to the final cash settlement with a customer for products dispute in 2010.

Other payables include deferred and contingent consideration relating to the acquisition of subsidiaries of $2,292,000 (31 December 2017: $1,433,000; 1 January 2017: nil).

Market and liquidity risks

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 27.

Outstanding balances with related parties are unsecured.

16 DEFERRED TAX

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

	At 1 January 2017 $'000	Recognised in profit or loss (Note 21) $'000	Acquired in business combination (Note 7) $'000	Translation adjustment $'000	At 31 December 2017 $'000	Recognised in profit or loss (Note 21) $'000	Acquired in business combination (Note 7) $'000	Translation adjustment $'000	At 31 December 2018 $'000
Group									
Deferred tax liabilities									
Property, plant and equipment	76	(42)	–	1	35	(7)	–	(3)	**25**
Trade and other payables	(20)	–	–	(1)	(21)	(15)	–	2	**(34)**
Intangible assets	–	–	309	–	309	(84)	1,661	–	**1,886**
Others	(14)	–	–	–	(14)	15	–	–	**1**
	42	(42)	309	–	309	(91)	1,661	(1)	**1,878**
Deferred tax assets									
Property, plant and equipment	(32)	214	–	(11)	171	191	(64)	9	**307**
Provisions	(44)	(141)	–	14	(171)	(186)	–	(7)	**(364)**
	(76)	73	–	3	–	5	(64)	2	**(57)**
Company									
Deferred tax assets									
Property, plant and equipment	(1)	5	–	–	4	(1)	–	–	**3**
Provisions	(3)	(1)	–	–	(4)	1	–	–	**(3)**
	(4)	4	–	–	–	–	–	–	**–**

16 DEFERRED TAX (CONTINUED)

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

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Deferred tax liabilities	**1,878**	309	42	**–**	–	–
Deferred tax assets	**(57)**	–	(76)	**–**	–	(4)

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

17 PROVISIONS

Group	Warranties $'000	Site restoration $'000
At 1 January 2017	243	280
Provisions made	178	–
Translation adjustment	(26)	(21)
Unwind of discount	–	18
At 31 December 2017	395	277
Provisions made	328	132
Translation adjustment	11	10
Provisions utilised	(263)	–
Unwind of discount	–	7
At 31 December 2018	**471**	**426**

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Non-current	**426**	277	280
Current	**471**	395	243
	897	672	523

17 PROVISIONS (CONTINUED)

Company	**Site restoration $'000**
At 1 January 2017	17
Unwind of discount	1
At 31 December 2017	18
Provisions reversed	(18)
At 31 December 2018	–

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

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

18 SHARE-BASED PAYMENT

Description of the share-based payment arrangements

At 31 December 2018, the Group has the following share-based payment arrangements:

Employee share options (equity-settled)

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 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng (from 5 April 2018)

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, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. 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 second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.

18 SHARE-BASED PAYMENT (CONTINUED)

Description of the share-based payment arrangements (Continued)

Employee share options (equity-settled) (Continued)

(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) 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 except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

(v) 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.

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

Performance Share Plan (equity-settled)

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

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

18 SHARE-BASED PAYMENT (CONTINUED)

Measurement of fair values

Employee share options (equity-settled)

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

Grant Date	23 Aug 17	27 Feb 17	12 May 16
Fair value at grant date	$0.590-$0.720	$0.153-$0.180	$0.087-$0.107
Share price at grant date	$0.635**	$0.198**	$0.333*
Exercise price	$0.627**	$0.196**	$0.324*
Expected volatility (weighted average)	40%	40%	36%
Expected life (years)	3-5	3-5	3-5
Expected dividends	0.0245	0.0245	0.010
Risk-free interest rate (based on government bonds)	1.490-1.680	1.386-1.693	1.208-1.563

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

** Prices were adjusted for the bonus share issue in June 2018 (see note 12).

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

In 2018, the Group recognised $78,000 (2017: $162,000) expenses for share options granted.

Performance Share Plan (equity-settled)

The weighted average fair value of the shares was $0.90 (2017: $1.94*) per share, based on the closing share price of the Company at the reporting date (2017: closing share price and the discount for the sale restriction moratorium on the performance shares grant).

During the year, the Group recognised $1,158,000 for 1,287,000 performance shares granted on 15 January 2019 for the performance year 2018 to certain key management personnel.

In 2017, the Group recognised $2,311,000 for 1,192,000* performance shares comprising 667,000* performance shares granted in 2017 and 525,000* performance shares granted on 31 January 2018 for the performance year 2017 to certain key management personnel.

* Shares issued prior to the bonus issue in June 2018. Fair value and number of shares not adjusted for the corresponding effect (see note12).

18 SHARE-BASED PAYMENT (CONTINUED)

Reconciliation of outstanding share options

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

	Weighted average exercise price 2018 $	No. of options 2018 '000	Weighted average exercise price 2017 $	No. of options 2017 '000
Outstanding at 1 January	**1.031**	**945**	0.324	327
Granted during the year	**–**	**–**	1.130	1,095
Adjustment for bonus issue*	**–**	**807**	–	–
Exercised during the year	**0.755**	**(832)**	0.324	(452)
Forfeited during the year	**–**	**–**	0.324	(25)
Outstanding at 31 December	**0.374**	**920**	1.031	945
Exercisable at 31 December	**0.374**	**920**	0.324	1

* Amounts adjusted for the bonus share issue completed in April 2017 and June 2018 (see note 12).

The options outstanding at 31 December 2018 have an exercise price in the range of $0.196 to $0.627, adjusted for the bonus share issue on 4 June 2018 (31 December 2017: $0.196 to $0.627; 1 January 2017: $0.324) and a weighted-average contractual life of 8.6 years (31 December 2017: 7.9 years; 1 January 2017: 9.4 years)

	Group	
	2018 $'000	**2017 $'000**
Share compensation reserve		
At 1 January	**3,232**	759
Shares options granted	**78**	162
Settlement of share-based payment transactions	**(2,296)**	–
Share-based payment transactions	**1,158**	2,311
	2,172	3,232

19 REVENUE

	Group	
	2018	**2017**
Group	**$'000**	**$'000**
Revenue from contracts with customers		
– Sale of goods	**249,188**	212,451
– Services	**13,137**	9,171
	262,325	221,622

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

Sale of goods

Nature of goods	Machines, equipment and components
When revenue is recognised	***Machines, equipment and components, excluding prototype machines*** Revenue from the sale of machines, equipment and components are recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. ***Prototype machines*** The Group has assessed that revenue from the sale of prototype machines qualify for over time revenue recognition as the prototype machines are highly customised and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.

19 REVENUE (CONTINUED)

Sale of goods (Continued)

Significant payment terms	***Machines, equipment and components, excluding prototype machines*** Payment is due 30 days upon delivery of the goods to the customers. ***Prototype machines*** Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value for the achievement exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.
Obligations for warranties	All products comes with warranty terms of two years, under which customers are able to return and replace any defective products. The Group reviews its estimate of warranties and records a provision for its obligations for warranties (see note 17).

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. As at 31 December 2018, $788,000 (31 December 2017: nil; 1 January 2017: nil) of costs incurred to fulfil a contract was capitalised.

19 REVENUE (CONTINUED)

Services

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

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

Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is disclosed in note 26 with the Group's reportable segments. The following table disaggregates revenue by the timing of revenue recognition.

	Group	
	2018	**2017**
	$'000	**$'000**
Timing of revenue recognition		
Products transferred at a point in time	**240,336**	212,451
Products and services transferred over time	**21,989**	9,171
	262,325	221,622

Contract balances

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

		Group	
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	$'000	**$'000**	**$'000**
Contract assets	**3,702**	–	–
Contract liabilities	**(2,607)**	–	–

19 REVENUE (CONTINUED)

Services (Continued)

Contract balances (Continued)

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

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

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

	Contract assets		**Contract liabilities**	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Increases due to cash received, excluding amounts recognised as revenue during the year	**–**	–	**(2,607)**	–
Recognition of revenue, net of receivables recognised	**3,702**	–	**–**	–

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

Transaction price allocated to the remaining performance obligations

Revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date was $1,797,000 which is expected to be recognised in 2019.

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

- the performance obligation is part of a contract that has an original expected duration of one year or less; or

- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

20 NET FINANCE INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Interest income on fixed deposits	**135**	36
Other interest income	**165**	37
Finance income	**300**	73
Interest expense on finance lease liabilities	*****	(3)
Interest expense on secured bank loan	**(33)**	(16)
Unwind of discount on site restoration provision	**(7)**	(18)
Finance costs	**(40)**	(37)
Net finance income	**260**	36

* Less than $1,000

21 TAX EXPENSE

	Group	
	2018	**2017**
	$'000	**$'000**
Current tax expense		
Current year	**6,790**	5,970
Over provision in prior years	**(229)**	(654)
	6,561	5,316
Deferred tax expense		
Origination and reversal of temporary differences	**(79)**	56
Over provision in prior years	**(7)**	(25)
	(86)	31
Total tax expense	**6,475**	5,347
Reconciliation of effective tax rate		
Profit before tax	**39,968**	37,531
Income tax using Singapore tax rate of 17%	**6,795**	6,380
Effect of different tax rates in other countries	**33**	23
Effect of results from equity-accounted investee presented net of tax	**6**	18
Tax exempt income	**(1)**	(54)
Tax incentives	**(877)**	(661)
Expenses not deductible for tax purposes	**818**	408
Over provision in prior years	**(236)**	(679)
Change in unrecognised temporary differences	**11**	(33)
Current year losses for which no deferred tax asset was recognised	**–**	93
Others	**(74)**	(148)
	6,475	5,347

22 PROFIT FOR THE YEAR

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

	2018 $'000	2017 $'000
Audit fees paid/payable to:		
– auditors of the Company	**268**	185
– other auditors	**11**	2
Non-audit fees paid/payable to auditors of the Company	**60**	40
Reversal of allowance for stock obsolescence	**(226)**	(692)
Contributions to defined contribution plans included in staff costs	**1,972**	1,720
Directors' remuneration:		
– Fees	**250**	234
– Others	**–**	109
Equity-settled share-based payment expenses	**1,236**	2,473
Remeasurement of contingent consideration (see note 7)	**1,250**	–
Foreign exchange loss	**1,941**	1,362
Loss/(gain) on disposal of property, plant and equipment	**18**	(3)
Provision made for:		
– Site restoration	**132**	–
– Warranties	**328**	178
Rental income	**(3)**	–
Research and development costs included in staff costs, materials, overheads and depreciation expense	**4,914**	3,510

23 EARNINGS PER SHARE

The calculation of basic earnings per share was based on net profit attributable to ordinary shareholders of profit $33,493,000 (2017: $32,184,000) and the weighted average of 272,020,000 (2017: 260,302,000*) shares outstanding during the year.

The diluted earnings per share is based on net profit attributable to ordinary shareholders of $33,493,000 (2017: $32,184,000 and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 274,227,000 (2017: 265,322,000*) calculated as follows:

* On 4 June 2018, the Group completed a bonus share issue of 3 additional shares for every 1 ordinary shares held. The weighted average number of ordinary shares outstanding for 2017 has been retrospectively adjusted for the effects of the bonus share issue.

	Group	
	2018 $'000	2017 $'000
Basic and diluted earnings per share is based on:		
Profit attributable to ordinary shareholders	**33,493**	32,184

23 EARNINGS PER SHARE (CONTINUED)

Weighted average number of ordinary shares

	Group	
	2018	**2017**
	'000	**'000**
Issued ordinary shares at 1 January (excluding treasury shares)	**65,517**	42,765
Bonus share issue*	**204,981**	216,898
Issue of new ordinary shares	**1,543**	–
Effect of performance shares issued	**460**	512
Effect of share options exercised	**41**	61
Effect of shares issued for business combination	**–**	141
Effect of own shares held	**(522)**	(75)
Weighted average number of ordinary shares (basic) during the year	**272,020**	260,302

* On 4 June 2018, the Group completed a bonus share issue of 3 additional shares for every 1 ordinary shares held. The weighted average number of ordinary shares outstanding for 2017 has been retrospectively adjusted for the effects of the bonus share issue.

Weighted average number of ordinary shares (diluted)

	Group	
	2018	**2017**
	'000	**'000**
Weighted average number of ordinary shares (basic)	**272,020**	260,302
Effect of share options on issue	**920**	2,920
Effect of performance shares granted but not issued	**1,287**	2,100
Weighted average number of ordinary shares (diluted) during the year	**274,227**	265,322

24 COMMITMENTS

Operating lease commitments

At 31 December 2018, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Payable:		
– Within 1 year	**2,540**	2,237
– After 1 year but within 5 years	**636**	2,322
	3,176	4,559

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

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2018	**2017**
	$'000	**$'000**
Advisory fee paid to a private equity firm of which two directors are shareholders and partners	**353**	313

Key management personnel compensation

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

Key management personnel compensation comprised:

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits	**4,850**	3,961
Share based payment	**857**	2,119
Post-employment benefits	**326**	276
	6,033	6,356

26 SEGMENT INFORMATION

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

The Group's reportable segments are as follows:

- Equipment systems solutions (ESS)

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

- Precision component solutions (PCS)

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

- Others

  Non allocated, dormant companies and other activities.

26 SEGMENT INFORMATION (CONTINUED)

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.

Information about reportable segments:

	ESS $'000	PCS $'000	Others $'000	Total $'000
2018				
Revenue	**256,617**	**5,708**	**–**	**262,325**
Depreciation and amortisation	**(1,664)**	**(207)**	**–**	**(1,871)**
Finance income	**300**	**–**	**–**	**300**
Finance costs	**(40)**	**–**	**–**	**(40)**
Tax expense	**(6,388)**	**(87)**	**–**	**(6,475)**
Share of loss of equity-accounted investee	**–**	**–**	**(38)**	**(38)**
Profit/(loss) for the year	**33,088**	**443**	**(38)**	**33,493**
Reportable segment assets	**131,808**	**4,622**	**–**	**136,430**
Reportable segment liabilities	**43,854**	**3,072**	**–**	**46,926**
Other segment information				
Equity-accounted investee	**–**	**–**	**4,153**	**4,153**
Expenditure for non-current assets	**4,467**	**243**	**–**	**4,710**
Other material non-cash items:				
– Reversal of allowance made for stock obsolescence	**226**	**–**	**–**	**226**
– Remeasurement of contingent consideration in relation to the acquisition of InspiRain	**(1,250)**	**–**	**–**	**(1,250)**
2017				
Revenue	214,795	6,827	–	221,622
Depreciation and amortisation	(477)	(221)	–	(698)
Finance income	71	2	–	73
Finance costs	(35)	(2)	–	(37)
Tax expense	(5,178)	(169)	–	(5,347)
Share of loss of equity-accounted investee	–	–	(105)	(105)
Profit/(loss) for the year	31,031	1,258	(105)	32,184
Reportable segment assets	110,814	5,846	–	116,660
Reportable segment liabilities	55,076	3,774	–	58,850
Other segment information				
Equity-accounted investee	–	–	4,133	4,133
Expenditure for non-current assets	2,266	185	–	2,451
Other material non-cash items:				
– Reversal of allowance made for stock obsolescence	692	–	–	692

26 SEGMENT INFORMATION (CONTINUED)

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.

	2018		2017	
	Revenue $'000	Non-current assets $'000	Revenue $'000	Non-current assets $'000
Singapore	**3,626**	**17,960**	2,856	10,227
Finland	**5,271**	**8,556**	–	–
Malaysia	**90,121**	**768**	89,886	796
China	**71,712**	**240**	12,581	182
USA	**37,518**	**8**	51,026	–
Vietnam	**51,457**	**–**	57,316	–
Other countries	**2,620**	**–**	7,957	–
	262,325	**27,532**	221,622	11,205

Major customers

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

	ESS		PCS	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Customer A	**246,011**	212,251	**530**	418

27 FINANCIAL RISK MANAGEMENT

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

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

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

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

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

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

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

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

Exposures within each credit risk grade are segmented by the customer's credit ratings where available, or industry classification. An ECL rate is calculated for each segment based on probabilities of default and loss given default. Lifetime probabilities of default are based on historical data supplied by Standards and Poor's for each credit rating. Loss given default parameters generally reflect an assumed recovery rate of 100%.

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

At the reporting date, the Group's most significant customer accounted for 76% (31 December 2017: 90%; 1 January 2017: 88%) of total trade receivables of the Group. There is no other concentration of credit risk at the Group level. There is no concentration of customers' credit risk at the Company level.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables (excluding deposits and prepayments) and contract assets as at 31 December 2018:

2018 Group	**Equivalent credit rating**	**Credit impaired**	**Gross and net carrying amount $'000**
External credit ratings at least Baa3 from Moody's		No	**12,176**
Other customers (based on industry):			
– Electronics	BBB	No	**6,307**
– Government	AAA	No	**557**
– Others	BBB	No	**1,487**
			20,527

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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

There was no impairment loss recognised on trade and other receivables and contract assets in 2017 and 2018 as the amount of ECL on these balances is insignificant.

2018 Company	Equivalent credit rating	Credit impaired	Gross $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	AAA	No	209	–	209
Amounts due from subsidiaries:					
– Trade	BBB	No	3,471	–	3,471
– Trade	CCC	Yes	126	(126)	–
– Non-trade	BBB	No	3,347	–	3,347
– Non-trade	CCC	Yes	1,195	(1,195)	–
			8,348	(1,321)	7,027

Comparative information under FRS39

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

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

	Gross 31 Dec 2017 $'000	Impairment losses 31 Dec 2017 $'000	Gross 1 Jan 2017 $'000	Impairment losses 1 Jan 2017 $'000
Group				
Not past due	19,119	–	15,294	–
Past due 0-30 days	3,296	–	1,225	–
Past due 31-120 days	206	–	238	–
Past due 121-365 days	6	–	133	–
	22,627	–	16,890	–
Company				
Not past due	1,340	4	1,670	–
Past due 0-30 days	916	9	418	–
Past due 31-120 days	2,360	20	1,009	–
Past due 121-365 days	1,448	1,263	1,758	1,169
More than one year	25	25	–	–
	6,089	1,321	4,855	1,169

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

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

Comparative information under FRS39 (Continued)

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

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.

In 2017, the Company recognised an impairment loss on trade receivables of $152,000.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $3,347,000 (31 December 2017: $245,000; 1 January 2017: $266,000). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. The Company uses a similar approach for assessment of ECLs for these receivables to those used for trade and other receivables. Impairment on these balances has been measured on the lifetime expected loss basis which reflects the low credit risk of the exposures, except for balances that are credit-impaired, in which case the estimate of loss is based on a lifetime probability of default derived from historical data supplied by Standards and Poor's for a credit rating of CCC.

Other than credit-impaired balances, the amount of the allowance on the remaining balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $58,890,000 and $950,000, respectively at 31 December 2018 (31 December 2017: $46,095,000 and $2,384,000; 1 January 2017: $6,310,000 and $914,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Baa1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the lifetime expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for trade and other receivables.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Exposure to liquidity risk

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

		Cash flows		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000
Group				
31 December 2018				
Finance lease liabilities	**103**	**(103)**	**(54)**	**(49)**
Trade and other payables#	**33,831**	**(33,831)**	**(32,924)**	**(907)**
Secured loan	**156**	**(157)**	**(157)**	**–**
	34,090	**(34,091)**	**(33,135)**	**(956)**
Group				
31 December 2017				
Finance lease liabilities	7	(7)	(7)	–
Trade and other payables#	52,027	(52,027)	(52,027)	–
	52,034	(52,034)	(52,034)	–
1 January 2017				
Finance lease liabilities	85	(88)	(81)	(7)
Trade and other payables#	16,584	(16,584)	(16,584)	–
	16,669	(16,672)	(16,665)	(7)
Company				
31 December 2018				
Trade and other payables#	**4,609**	**(4,609)**	**(3,702)**	**(907)**
31 December 2017				
Trade and other payables#	4,566	(4,566)	(4,566)	–
1 January 2017				
Trade and other payables#	1,083	(1,083)	(1,083)	–
Recognised financial liabilities	1,083	(1,083)	(1,083)	–
Intragroup financial guarantee	–	(222)	(222)	–
	1,083	(1,305)	(1,305)	–

Excludes tax recoverables of $170,000 and $110,000 at the Group and Company level (31 December 2017: $187,000 and $189,000; 1 January 2017: $129,000 and $66,000) respectively.

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

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

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

Foreign currency risk

(a) *Foreign currency risk of reporting subsidiaries*

The functional currency of the Group's key operating subsidiary is 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.

(b) *Foreign currency risk of the Group and Company*

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

	31 Dec 2018		**31 Dec 2017**		**1 Jan 2017**	
	SGD	**USD**	**SGD**	**USD**	**SGD**	**USD**
Group	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade and other receivables	**1,225**	**136**	1,741	14	4,664	42
Cash and cash equivalents	**15,701**	**438**	7,952	420	930	589
Trade and other payables	**(15,572)**	**(11)**	(16,837)	(115)	(4,123)	(36)
	1,354	**563**	(21,644)	319	1,471	595
Company						
Cash and cash equivalents	**–**	**92**	–	400	–	439

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

(b) Foreign currency risk of the Group and Company (Continued)

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 2017.

	Group Profit or loss		**Company Profit or loss**	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
SGD	**(135)**	2,164	**–**	–
USD	**(56)**	(32)	**(9)**	(40)

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.

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

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

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

		Group	
Net assets	**31 Dec 2018 $'000**	**31 Dec 2017 $'000**	**1 Jan 2017 $'000**
USD	**67,297**	51,164	24,445
MYR	**1,938**	968	794
RMB	**1,282**	1,134	1,127
EUR	**5,156**	–	–

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

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

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 2017.

		Group	
	31 Dec 2018	**31 Dec 2018**	**31 Dec 2018**
	$'000	**$'000**	**$'000**
USD (10% strengthening)	**(6,730)**	**(5,116)**	**(2,445)**
MYR (10% strengthening)	**(194)**	**(97)**	**(79)**
RMB (10% strengthening)	**(128)**	**(113)**	**(113)**
EUR (10% strengthening)	**(516)**	**–**	**–**

Interest rate risk

The Group and Company does not have any financial instruments with variable interest rates as at 31 December 2018 (31 December 2017: nil; 1 January 2017: nil). Hence, interest rate risk is insignificant for the Group and Company.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values

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

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

Measurement of fair value

Contingent consideration of $1,250,000 is measured at fair value (Level 3). The following table shows the valuation technique used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company Contingent consideration	*Discounted cash flow:* The fair value is estimated considering (i) quoted prices for the Group's listed securities and (ii) the probability of achieving targets for the remaining years based on the present value of expected future cash flows from the test and measurement solutions segment, discounted using a risk-adjusted discount rate.	Expected cash flows *See note 5.*	The estimated fair value would decrease if the expected cash flows were lower, resulting in the targets not achieved.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	'000	**'000**	**'000**	**'000**
At 1 January	**–**	–	**–**	–
Remeasurement of contingent consideration	**1,250**	–	**1,250**	–
At 31 December	**1,250**	–	**1,250**	–

28 OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments presented in the statement of financial position $'000
Company			
31 December 2018			
Financial assets			
Amounts due from subsidiaries:			
– trade	**3,471**	**–**	**3,471**
– non-trade	**3,347**	**–**	**3,347**
Total	**6,818**	**–**	**6,818**
Financial liabilities			
Amount due to subsidiaries (non-trade)	**380**	**–**	**380**
31 December 2017			
Financial assets			
Amounts due from subsidiaries:			
– trade	4,197	–	4,197
– non-trade	319	(74)	245
Total	4,516	(74)	4,442

28 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments presented in the statement of financial position $'000
Company			
1 January 2017			
Financial assets			
Amounts due from subsidiaries:			
– trade	3,417	–	3,417
– non-trade	281	(15)	266
Total	3,698	(15)	3,683

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

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

- amounts due from subsidiaries – amortised cost
- amounts due to subsidiaries – amortised cost

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

29 SUBSEQUENT EVENTS

a) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of 1.9 cents per share for the year. The total amount of dividends expected to be paid is $5,112,000. The dividend will be paid on 31 May 2019 upon shareholder approval.

b) On 16 January 2019, the Board of Directors has announced the grants of 1,287,000 shares under the Performance Share Plan. The corresponding employee expenses have been recognised in 2018. The share price on the date of grant was $0.90.

c) On 16 January 2019, the Board of Directors has announced the grants of 3,415,000 share options under the Employee Share Option Scheme. No expense has been recognised in 2018 as the grant date of the share options are subsequent to the reporting date. The share options have a vesting period of one year.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) (SFRS(I)). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) at 31 December 2017 that are applicable for annual period beginning on 1 January 2018.

As stated in note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of the opening SFRS(I) statement of financial position at 1 January 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

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

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

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 9 and SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

Summary of quantitative impact

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's financial positions as at 1 January 2017, 31 December 2017 and 1 January 2018 and the Group's profit or loss and other comprehensive income for the year ended 31 December 2017. There were no material adjustments to the Group's statement of cash flows for the year ended 31 December 2017 arising on the transition to SFRS(I).

Other than the change in classification of the Company's financial assets as disclosed below, there was no impact to the Company's financial position as at 1 January 2017, 31 December 2017 and 1 January 2018 on the initial application of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Reconciliation of the Group's equity
Consolidated statement of financial position

Group		31 December 2017			1 January 2018	
	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000	SFRS(I) 9 $'000	SFRS(I) framework $'000
Assets						
Non-current assets		**11,205**	**–**	**11,205**	**–**	**11,205**
Current assets		**105,455**	**–**	**105,455**	**–**	**105,455**
Total assets		**116,660**	**–**	**116,660**	**–**	**116,660**
Equity						
Share capital		**39,737**	**–**	**39,737**	**–**	**39,737**
Reserves	A(i)	**(10,787)**	**10,309**	**(478)**	**–**	**(478)**
Accumulated profits/(losses)	A(i)	**28,860**	**(10,309)**	**18,551**	**–**	**18,551**
Total equity attributable to owners of the Group		**57,810**	**–**	**57,810**	**–**	**57,810**
Liabilities						
Non-current liabilities		**586**	**–**	**586**	**–**	**586**
Current liabilities		**58,264**	**–**	**58,264**	**–**	**58,264**
Total liabilities		**58,850**	**–**	**58,850**	**–**	**58,850**
Total equity and liabilities		**116,660**	**–**	**116,660**	**–**	**116,660**

Group		1 January 2017		
	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Assets				
Non-current assets		6,866	–	6,866
Current assets		41,530	–	41,530
Total assets		48,396	–	48,396
Equity				
Share capital		39,737	–	39,737
Reserves	A(i)	(11,348)	11,004	(344)
Accumulated profits/(losses)	A(i)	1,839	(11,004)	(9,165)
Total equity attributable to owners of the Group		30,228	–	30,228
Liabilities				
Non-current liabilities		329	–	329
Current liabilities		17,839	–	17,839
Total liabilities		18,168	–	18,168
Total equity and liabilities		48,396	–	48,396

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Consolidated Statement of Comprehensive Income
Year ended 31 December 2017

	Note	FRS framework $'000	SFRS(I) 1 $'000	SFRS(I) framework $'000
Revenue		221,622	–	221,622
Other income		176	–	176
Changes in inventories of finished goods and work-in-progress		13,531	–	13,531
Raw materials and other consumables		(162,130)	–	(162,130)
Staff costs		(25,338)	–	(25,338)
Depreciation of property, plant and equipment		(612)	–	(612)
Amortisation of intangible assets		(86)	–	(86)
Other expenses	A(i)	(10,258)	695	(9,563)
Results from operating activities		36,905	695	37,600
Finance income		73	–	73
Finance costs		(37)	–	(37)
Net finance income		36	–	36
Share of equity-accounted investee's losses (net of tax)		(105)	–	(105)
Profit before tax		36,836	695	37,531
Tax expense		(5,347)	–	(5,347)
Profit for the year		31,489	695	32,184
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation difference		(2,422)	–	(2,422)
Share of foreign currency translation difference of equity-accounted investee		(261)	–	(261)
Effect of disposal/liquidation of subsidiaries, reclassified to profit or loss		695	(695)	–
Other comprehensive income for the year, net of tax		(1,988)	(695)	(2,683)
Total comprehensive income for the year		29,501	–	29,501
Total comprehensive income attributable to:				
Owners of the Company		29,501	–	29,501
Total comprehensive income for the year		29,501	–	29,501

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

Notes to the reconciliations

A SFRS(I) 1

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory except ions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Foreign currency translation reserve (FCTR)

The Group considers that restating FCTR to comply with current SFRS(I) 1-21 The *Effects of Changes in Foreign Exchange Rates* may not be practicable as certain acquisitions and disposals were transacted at dates that preceded the statutory record keeping periods.

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

The loss on liquidation of a foreign operation in 2017 of $695,000 was excluded and resulted in an increase in profit for the year ended 31 December 2017 by the same amount.

By electing this optional exemption, the cumulative FCTR loss decreased by $10,309,000 and accumulated profits decreased by the same amount as at 31 December 2017.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

B SFRS(I) 15

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

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information presented for 2017 has been restated.

The Group has applied the following practical expedients as allowed under SFRS(I).

- Completed contracts that began and ended in the same annual reporting period in 2017 and contracts completed at 1 January 2017 are not restated.
- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.
- For the year ended 31 December 2017, the Group did not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue.

Sale of goods

The Group manufactures and sells machines, equipment and components. The Group previously recognised revenue from such sales upon delivery to the customers. Under SFRS(I) 15, revenue continues to be recognised at a point in time for machines, equipment and components except for prototype machines, as although the machines are highly customised to the requirements of the customer, the Group does not have an enforceable right to payment for costs incurred to date at a reasonable margin, if the contract is terminated for reasons other than the Group's failure to perform as promised.

Under SFRS(I) 15, revenue from the sale of prototype machines is recognised over time as the machines are highly customised to the requirements of the customer, and the Group has a right to payment for costs incurred to date, including a reasonable margin, if the contract is terminated for reasons other than the Group's failure to perform as promised.

Services

The Group provides field support services and non-recurring engineering services. The Group previously recognised revenue from such sales as the services were being rendered. Under SFRS(I) 15, revenue continues to be recognised over time as services are being rendered.

Where applicable the Group applies the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the Group has a right to consideration from the customers in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

There is no quantitative impact on initial application of SFRS(I) 15.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

C SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new 'expected credit loss' (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated profits and reserves as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

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

- The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.
  - The determination of the business model within which a financial asset is held;
  - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

C SFRS(I) 9 (Continued)

(i) Classification of financial assets and financial liabilities

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument; or FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous FRS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's financial assets as at 1 January 2018.

				1 January 2018	
Group	**Note**	**Original classification under FRS 39**	**New classification under SFRS(I) 9**	**Original carrying amount under FRS 39 $'000**	**New carrying amount under SFRS(I) 9 S$'000**
Financial assets					
Trade and other receivables	(i)	Loans and other receivables	Amortised cost	**23,477**	**23,477**
Cash and cash equivalents		Loans and other receivables	Amortised cost	**46,095**	**46,095**
Total financial assets				**69,572**	**69,572**
Company					
Financial assets					
Trade and other receivables	(i)	Loans and other receivables	Amortised cost	**4,832**	**4,832**
Cash and cash equivalents		Loans and other receivables	Amortised cost	**2,384**	**2,384**
Total financial assets				**7,216**	**7,216**

(i) Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. There was no impact on the opening accumulated profits of the Group and Company at 1 January 2018 on transition to SFRS(I) 9.

30 EXPLANATION OF TRANSITION TO SFRS(I) AND ADOPTION OF NEW STANDARDS (CONTINUED)

C SFRS(I) 9 (Continued)

(ii) Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in FRS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments. The adoption of the new impairment model under SFRS(I) does not affect the carrying amount of intra-group financial guarantee contracts at 1 January 2018, as the amount initially recognised less the cumulative amount of income recognised in accordance with SFRS(I) 15 is higher than the estimated ECL amount.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade receivables and contract assets, separately in the statement of profit or loss. There was no additional impairment loss recognised in relation to trade receivables and contract assets upon initial application.

Impairment losses on other financial assets are presented under 'other expenses', similar to the presentation under FRS 39, and not presented separately in the statement of profit or loss due to materiality considerations.

Additional information about how the Group measure the allowance for impairment is described in note 3.6.

There was no additional impairment loss recognised upon initial application at the Group and Company level.

(iii) Transition impact on equity

There was no transition impact on equity arising from the initial application of SFRS(I) 9.

31 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

Applicable to 2019 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Applicable to 2021 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective data deferred

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

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

31 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)

SFRS(I) 16 (Continued)

The Group and the Company plan to apply SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

i. The Group and the Company as lessee

The Group and the Company expect to measure lease liabilities by applying a single discount rate to their portfolio of warehouse and factory facilities leases. Furthermore, the Group and the Company are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Company are expected to use hindsight in determining the lease term.

The Group and the Company expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every five years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets of $4,246,000, an increase in lease liabilities of $4,283,000, and a decrease in accumulated profits of $37,000. The Company does not expect impact from the initial application of SFRS(I) 16 as at 1 January 2019.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

No significant impact is expected for the Group’s and the Company’s finance leases.

ii. The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively. No material impact is expected as the Group does not have any sub-leases in which the Group entities or the Company is a lessor.

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	29	0.66	1,415	0.00
100 – 1,000	268	6.08	162,200	0.06
1,001 – 10,000	2,324	52.72	13,069,704	4.83
10,001 – 1,000,000	1,759	39.90	77,533,672	28.63
1,000,001 AND ABOVE	28	0.64	179,992,011	66.48
TOTAL	**4,408**	**100.00**	**270,759,002**	**100.00**

Number of issued shares	:	273,307,820
Number of issued shares (excluding treasury shares)	:	270,759,002
Number/Percentage of Treasury Shares	:	2,548,818 (0.933%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 19 March 2019, approximately 81.2% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	36,498,712	13.48
2	BPSS NOMINEES SINGAPORE (PTE.) LTD.	20,236,400	7.47
3	CITIBANK NOMINEES SINGAPORE PTE LTD	14,300,681	5.28
4	TOH BAN LENG JAMES	13,806,620	5.10
5	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	12,930,100	4.78
6	RAFFLES NOMINEES (PTE.) LIMITED	9,788,700	3.62
7	A C T HOLDINGS PTE LTD	7,196,772	2.66
8	PHILLIP SECURITIES PTE LTD	6,093,857	2.25
9	LOKE WAI SAN	5,713,977	2.11
10	DB NOMINEES (SINGAPORE) PTE LTD	5,620,200	2.08
11	UOB KAY HIAN PRIVATE LIMITED	4,054,200	1.50
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,025,584	1.49
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,559,200	1.31
14	OCBC SECURITIES PRIVATE LIMITED	3,494,079	1.29
15	VESA HENTTONEN	3,470,220	1.28
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,326,102	1.23
17	DBSN SERVICES PTE. LTD.	3,314,608	1.22
18	SOH CHOOI LAI	3,150,000	1.16
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,107,180	1.15
20	POH BOON KHER MELVIN (FU WENKE MELVIN)	2,600,000	0.96
	TOTAL	**166,287,192**	**61.42**

AS AT 19 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

	No of Shares			
Name of Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
James Toh Ban Leng[1]	13,806,620	5.10	7,196,772	2.66
Aberdeen Asset Management PLC[2]	–	–	18,738,900	6.92

(1) The deemed interest arises as Mr. James Toh Ban Leng is a shareholder of A.C.T. Holdings Pte Ltd which owns 7,196,772 shares in the Company.

(2) Aberdeen Asset Management PLC is the parent company of its subsidiaries who act as the investment managers for various clients/funds and have the power to exercise, or control the exercise of, a right to vote attached to the securities and has the power to dispose of, or control the disposal of, the securities. The registered holder(s) of the securities is the client's or fund's custodian.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of the Company will be held at Block 52 Serangoon North Avenue 4, #03-01, Singapore 555853 on Monday, 29 April 2019 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 2018 with the Auditors' Report thereon. Resolution 1

2. To declare a final exempt (one-tier) dividend of 1.90 cents per ordinary share for the year ended 31 December 2018. Resolution 2

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

   Mr Loke Wai San (Regulation 109)

   Note: Mr Loke Wai San shall, upon re-election as a Director of the Company, remain as the Executive Chairman of the Company and as a member of the Nominating Committee.

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

   Mr Loh Kin Wah (Regulation 119)

   Note: Mr Loh Kin Wah shall upon re-election as a Director of the Company remain as an Independent Non-Executive Director of the Company.

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

   Mr Lavi Alexander Lev (Regulation 119)

   Note: Mr Lavi Alexander Lev shall upon re-election as a Director of the Company remain as an Independent Non-Executive Director of the Company.

6. To approve the Directors' fees of $305,000 (2018: $250,333) for the financial year ending 31 December 2019, payable quarterly in arrears. Resolution 6

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[See Explanatory Note (i)]

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

"That:

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

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

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

[See Explanatory Note (ii)]

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

"That:

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

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

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

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

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

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

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

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

In this Resolution:

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

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

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

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

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

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

[See Explanatory Note (iii)]

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

Explanatory Notes:

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

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

(iii) The proposed Resolution 10 above, if passed, will empower the Directors of the Company from the date of above Meeting until the date of the next AGM, or the date by which the next AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Resolution at a Maximum Price (as defined in Resolution 10 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 10 above) is set out in the Letter to Shareholders dated 12 April 2019.

NOTICE OF BOOK CLOSURE

As stated in the Notice of Book Closure set out in the Company's announcement dated 25 February 2019, the Company wishes to notify shareholders that the Register of Members and Share Transfer Books of AEM Holdings Ltd. (the "Company") will be closed on 17 May 2019 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of 1.90 cents per ordinary share in respect of the financial year ended 31 December 2018 ("Proposed Final Dividend"). The Proposed Final Dividend, if approved by shareholders at the 2019 AGM, will be paid on 31 May 2019.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. up to the close of business at 5:00 p.m. on 17 May 2019 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 17 May 2019 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
Joint Company Secretary
Date: 12 April 2019

Notes:

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

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

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

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

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

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

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

Personal Data Privacy:

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

ADDITIONAL INFORMATION ON DIRECTORS
SEEKING RE-APPOINTMENT

Pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the following additional information on Mr Loke Wai San, Mr Loh Kin Wah and Mr. Lavi Alexander Lev, all of whom are seeking re-appointment as Directors at 2019 Annual General Meeting is set out below:

	Mr Loke Wai San	**Mr Loh Kin Wah**	**Mr Lavi Alexander Lev**
Date of Appointment	30 September 2011	4 May 2018	1 April 2019
Date of Last-Re-Appointment	27 April 2017	–	–
Age	50	64	62
Country of Principal Residence	Singapore	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr Loke Wai San as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr Loh Kin Wah as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr Lavi Alexander Lev as Director of the Company.
Whether the appointment is executive, and if so the area of responsibility	Executive	Non-Executive	Non-Executive
Job Title	Chairman	Director	Director
Professional Qualifications	Master of Business Administration and Bachelor of Science in Electrical and Electronics Engineering	Bachelor of Science, Chemical Engineering (Honours). Post Graduate Certified Diploma in Accounting and Finance	– Bachelor of Science in Electrical Engineering – Certified Professional Executive Coach
Working Experience and occupation(s) in the past 10 years	– Managing Director of Novo Tellus Capital Partners – Managing Director of Baring Private Equity Asia & Head of Baring Asia's US office and subsequently co-head for Southeast Asia	– Chairman of Synesys Technologies Pte Ltd Singapore – Member of the Supervisory Board of BESI BV Netherlands, and of the Supervisory Board of AMS AG, Austria – EVP of Global Sales and Marketing of NXP Semiconductors, Netherlands – President and CEO of Qimonda AG, Munich, Germany.	– President of Asia at UCT Pte Ltd – CEO of L&O Wireless – President & CEO of Credence Systems – 11 Granted US patents in the fields of Semiconductor, Internet technology, EDA software and Consumer Electronics

		Mr Loke Wai San	Mr Loh Kin Wah	Mr Lavi Alexander Lev
Shareholding interest in the listed issuer and its subsidiaries		5,713,977 ordinary shares and 880,000 share options	500,000 ordinary shares	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries		None	None	None
Conflict of Interest (including any competing business)		None	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company		Yes	Yes	Yes
Other principal commitments including directorships				
Past (for the last 5 years)		– Director of Luma Holdings	– Director of Ampleon BV Netherlands	– President of Asia at UCT Pte Ltd
Present		– Managing Director of Novo Tellus Capital Partners – Independent Director of Sunningdale Tech Limited – Director of Novoflex Pte Ltd – Director of NTCP Knowledge Sdn Bhd – Director of NTCP SPV V	– Member of Supervisory Board, BESI BV, Netherlands – Member of Supervisory Board, AMS AG, Austria – Chairman of Synesys Technolgies Pte Ltd, Singapore – Director of Majuta International Pte Ltd, Singapore	– Advisory Board Member – National Additive Manufacturing Innovation Cluster (NAMIC) – Board Member – Anatomics Asia – Managing Director, Kerem Pte Ltd
Information required pursuant to Listing Rule 704(7)				
a	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

		Mr Loke Wai San	Mr Loh Kin Wah	Mr Lavi Alexander Lev
b	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c	Whether there is any unsatisfied judgment against him?	No	No	No
d	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

		Mr Loke Wai San	Mr Loh Kin Wah	Mr Lavi Alexander Lev
f	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

		Mr Loke Wai San	Mr Loh Kin Wah	Mr Lavi Alexander Lev
j	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

AEM HOLDINGS LTD.
Company Registration No: 200006417D
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. 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 ordinary shares in the capital of 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/members of AEM HOLDINGS LTD. (the "Company"), hereby appoint

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the 2018 Annual General Meeting of the Company to be held at 52 Serangoon North Avenue 4, Singapore 555853 on Monday, 29 April 2019 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 Financial Statements for the year ended 31 December 2018		
2	Approval of Final Dividend		
3	Re-election of Mr Loke Wai San as Director		
4	Re-election of Mr Loh Kin Wah as Director		
5	Re-election of Mr Lavi Alexander Lev as Director		
6	Approval of Directors' fees for the year ending 31 December 2019		
7	Re-appointment of KPMG LLP as Auditors		
8	Proposed Share Issue Mandate		
9	Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017		
10	Share Purchase Mandate Renewal		

Dated this ______ day of ____________ 2019

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 only have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you. (in both the Register of Members and the Depository Register..

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

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

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

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

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

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

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

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

7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

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. The Company shall not be responsible to confirm not be liable for the rejection of any incomplete or invalid proxy instrument. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

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AEM HOLDINGS LIMITED

52 Serangoon North Avenue 4, Singapore 555853

Tel: (65) 6483 1811 Fax: (65) 6483 1822

www.aem.com.sg

Registration No. 200006417D