

SGXNET Announcement



AEM Holdings Ltd.
(Registration No. 200006417D)

CLARIFICATION ON ANNOUNCEMENT OF INTERNAL STOCK-TAKING EXERCISE – SHORTFALL IN INVENTORIES

The Board of Directors (the “**Board**”) of AEM Holdings Ltd. (the “**Company**” or “**AEM**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 14 January 2024 titled “Internal Stock-Taking Exercise – Shortfall in Inventories” (the “**Announcement**”).

Further to the Announcement, the Board wishes to make some clarifications.

The Company has been investigating the shortfall in the Group’s inventories since it was initially discovered through its year-end stock take exercise in mid-December 2023. The investigation to date has found no evidence of fraud, illegal activity, or physical loss of inventory.

After the shortfall in inventory was confirmed through an initial investigation, the Board was informed on 26 December 2023. The Board, along with the Management team, launched a full investigation into the shortfall in inventory to determine cause and scale of the issue. The initial validation of the scale of the issue was concluded on 13 January 2024, after which the Board and Management team made the Announcement.

Per the Announcement, the inventory value and Profit Before Tax adjustments are estimated to be in the range of S\$18 million to S\$25 million. These adjustments apply only to the unaudited results for the year ended 31 December 2023 with no adjustments to prior year results being required. The Company, in consultation with its independent external auditors, has made a determination that the entirety of the S\$18 million to S\$25 million will be adjusted down in Q4 FY2023.

In the Announcement, the Company attributed the shortfall to human error in transactions with the Group’s ERP system during the migration of production to the Group’s Penang facility from Singapore. These errors include the following:

- ❖ Full system build production orders were incorrectly closed during the transfer of the production order to the Group’s Penang facility;
- ❖ Production orders within the ERP system for orders that were partially produced prior to transfer to the Group’s Penang facility were incorrectly closed without quantities being modified to reflect the actual number of modules and sub-assemblies produced;
- ❖ Data entry errors that resulted in incorrect amounts recorded for goods received.

These errors resulted in excess inventory and profits within the system.

The Company is in the process of investigating and addressing the weaknesses in the processes, controls, and systems that attributed to the excess inventory issue. It is working with its internal and independent external auditors and consultants to finalise year-end adjustments, as well as reviewing and revising processes and controls, and expects to be able to clearly delineate changes to systems and processes to prevent a recurrence of the inventory issue when it reports its full-year results for the year ended 31 December 2023 by no later than 28 February 2024.

The Board and the Management take the shortfall in inventory issue very seriously. A full independent review is being launched to ensure that robust controls, processes, and systems are in place, and staff are appropriately trained.

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests, and to exercise caution in dealing in the shares of the Company. In the event of any doubt, shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Chandran Nair
Chief Executive Officer
22 January 2024