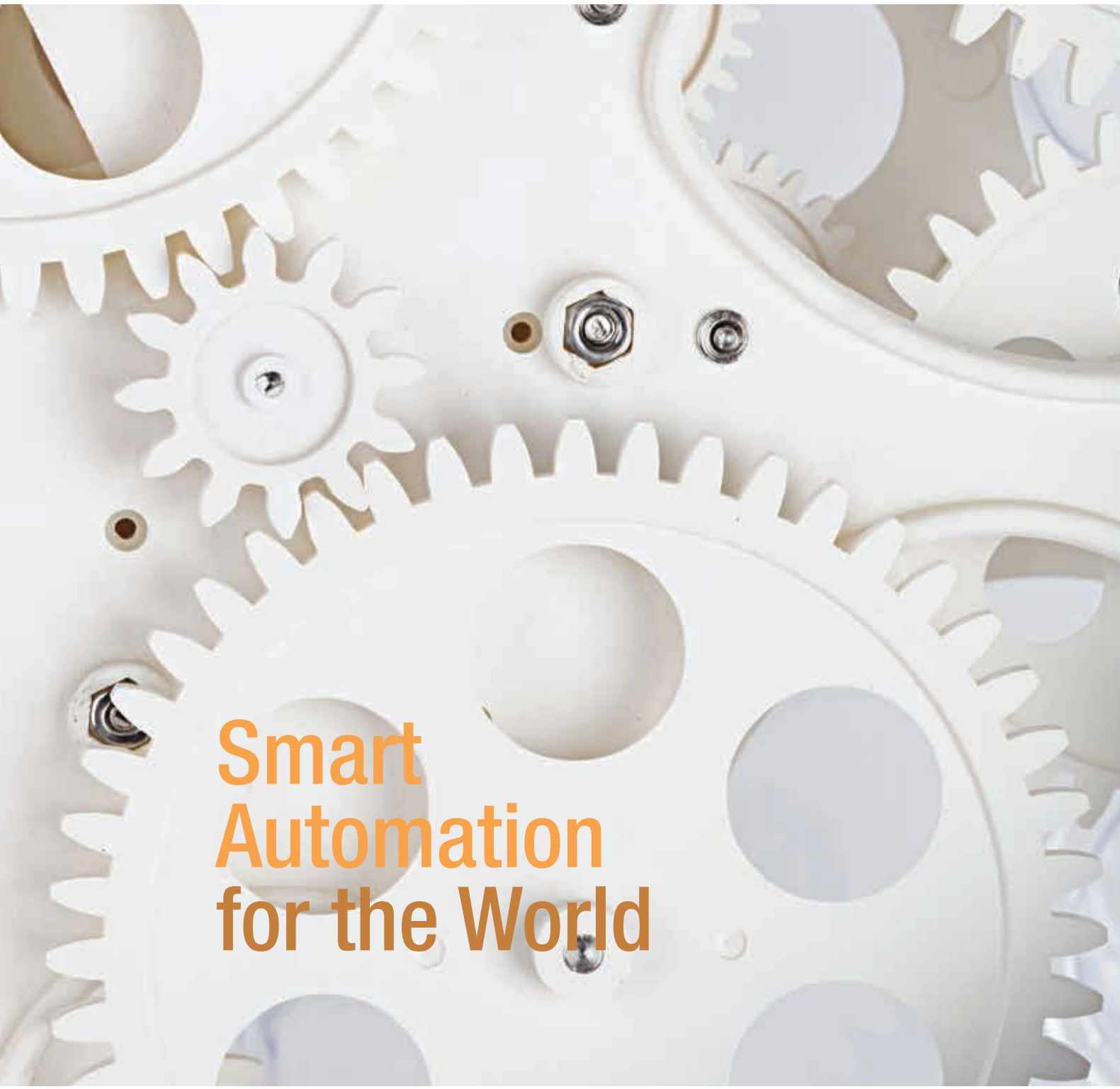
AEM HOLDINGS LIMITED

ANNUAL REPORT 2014



CONTENTS

VISION

Smart Automation for the World.

MISSION

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

CORE VALUES

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

KEEPING THE MOMENTUM

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 among the world's leading companies providing solutions in equipment systems; precision components; plating and related manufacturing services across various industries.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

Going into FY 2014, the team at AEM knew that it would be a pivotal year where the initiatives that were started in 2012 to position AEM for our next phase of growth were going to gain momentum or not. The two key corporate initiatives had different execution risk profiles but both had elements of customer adoption that were not within our control.

The first initiative was the transformation of our loss making semiconductor substrates subsidiary, MCT. In 2012, the team secured over US$20 million in new equity financing to upgrade our technology from Siliconware Precision Industries Co., Ltd. ("SPIL"), which is a leading semiconductor assembly and test player and in itself, a key customer for semiconductor substrates. The technical challenges in bringing a new technology to the semiconductor substrates industry have always been difficult even for the best industry teams. We faced many technical hurdles and while we eventually prevailed, we were delayed by 3 quarters in getting to our target yields. By 3Q 2014, it was apparent that the adoption of our new technology was going to be much slower than we had planned with SPIL, and a decision was made not to continue funding the operational losses. In September 2014, we signed the definitive agreements to sell MCT.

The second initiative was the next generation equipment for our key customer, which is one of the leading semiconductor players globally. This initiative is consistent with our core competency of delivering complex and customized automation equipment. The nature of developing customized equipment typically requires a long duration of design to test-run before going into high volume manufacturing. In addition, a supplier needs to be flexible with its customers' specifications and delivery schedules. At the beginning of FY 2014, we received initial purchase orders of S$7.2 million for the enhancement to the next generation equipment. The orders eventually reached S$13.6 million by end of 1HFY 2014. We have been steadfast in working with our customer's requirements and we remain positive about the prospects of this programme as we enter FY 2015.

In 2014, we welcomed Charles Cher as our new CEO. Charles brings with him over 20 years of corporate leadership in the semiconductor equipment industry. With the divestiture of our substrates subsidiary, we are now a pure play automation solutions provider. This is reflected in our new Vision, "Smart Automation for the World". We believe that what we are delivering to our key customer represents the best-in-class automation and integration requiring very complex test inputs and algorithms, diverse test conditions, and demanding throughput targets. We also believe that we are well positioned as the world rethinks how intelligent sensors, data analytics and smart mobile devices, transform how we produce and deliver our goods and services. At AEM, we are building on our knowledge and track record to enter new markets and industrial segments. It will be a mid-term journey but I am confident that we have the leadership, team and knowledge base in place.

On behalf of the Board of AEM, I would like to extend our gratitude to our customers for their partnership, to our employees for their dedication and exemplary work ethic, and finally to our shareholders, for your patience and continued support.

Loke Wai San
Non-Executive Chairman

CEO'S STATEMENT

Dear Shareholders,

FY2014 marks a year of changes at AEM. We reviewed and refined our strategic business focus and in the process, took the decision to dispose our subsidiary, Microcircuit Technology (S) Pte. Ltd. ("MCT") in the second half of FY2014. This move will release valuable resources to support the growth of our core equipment and services business in FY2015.

Financially our performance remained weak this year. At the close of FY2014, our revenue was lower by 32.4%, decreasing from S$45.6 million to S$30.9 million. This is due to the lower sales from our Equipment Systems ("ESS") business and Plating and Other Services ("PLT"). Sales from ESS and PLT were lower by 39.5% and 32.3% respectively, while Precision Components ("PCS") sales was higher by 3.7%.

Corresponding to the lower sales this year, raw materials and consumables costs were also lower by 41.5%, decreasing from S$28.8 million in FY2013 to $16.9 million in FY2014. The employment of more staff to strengthen our engineering and field service team was among some of the reasons underlying the 26.2% increase in staff cost.

In line with the year's development, we incurred S$26.5 million in "Other Expenses". The key items in this amount were: S$14.7 million relating to the loss from the disposal of MCT; S$6.2 million for slow moving inventory was driven primarily by a major customer discontinuing orders for older equipment in favor of next-generation platforms; S$2.7 million from a provision in property, plant and equipment mainly for the vacant land and factory building in Malacca; and S$3.4 million capitalised equipment projects development cost. The latter is due primarily to the discontinuing orders for older equipment in favor of the next-generation platforms by a major customer.

In FY2014, the Group recorded a deferred tax liability reversal and deferred tax asset amounting to S$2.2 million. At the close of FY2014, excluding the loss from the discontinued operations, the Group reported a loss after tax of S$27.3 million. If the loss arising from the discontinued operation were included, the net loss would be S$39.9 million in FY2014.

On 18 February 2014, we received confirmation from the Singapore Exchange Trading Securities Limited ("SGX-ST") that the losses of MCT in FY2012 and FY2013 can be excluded from our financial results for the purpose of Listing Rule 1311. The justification that we provided to the SGX-ST was that AEM would have been profitable if not for the losses incurred by MCT, and that the disposal of MCT was completed 23 December 2014. If the losses of MCT in FY2012 and FY2013 were to be excluded, we would have reported profits before tax of S$2.3 million and S$1.7 million in these two consecutive years.

Having refined our business strategy, we are ready to move ahead. The new financial year has started well. The initial order secured in early 2014 for our next-generation equipment with a key customer is expected to continue to grow in 2015 as our next-generation platforms providing significant capability advances over current products.

Within AEM, we have abundant engineering and technical knowledge that have been accumulated over the years. We have leveraged these assets to enter business segments like the solar industry where we have won S$2.0 million worth of orders. To date, we have also received total equipment purchase orders amounting to S$11.0 million for delivery up to the third quarter of FY2015.

Amid the economic uncertainties and the slower growth rates announced by various countries, 2015 will be a challenging year for businesses. Nevertheless, we will put in our best efforts to put AEM back on track in the new financial year, barring unforeseen circumstances.

Charles Cher Lew Siang
Executive Director and Chief Executive Officer

CORPORATE STRUCTURE

MANUFACTURING FACILITIES

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

BOARD OF DIRECTORS

LOKE WAI SAN

Non-Executive Chairman and Non-Independent Director

Mr. Loke Wai San is a founder and Managing Director of private equity fund adviser Novo Tellus Capital Partners. Mr. Loke's expertise is in cross-border private equity investments in sectors including semiconductors, IT, enterprise software, medical equipment, and manufacturing. From 2000 to 2010, he was with Baring Private Equity Asia, where he was a Managing Director and head of Baring Asia's US office and subsequently co-head for Southeast Asia. Prior to joining Baring Asia, Mr. Loke was a Vice President at venture capital fund H&Q Asia Pacific from 1999 to 2000, a Senior Manager at management consulting firm AT Kearney from 1995 to 1999, and an R&D engineer with Motorola from 1991 to 1993. Mr. Loke was the former Chairman and President of the Singapore American Business Association in San Francisco. Mr. Loke holds a Bachelor of Science in Electrical and Electronics Engineering from Lehigh University and a Masters of Business Administration from the University of Chicago. He joined the AEM Board on 30 September 2011 and was appointed as the Non-Executive Chairman on 1 January 2012. He was re-elected as director of the Company on 26 April 2012. Mr. Loke is also the Chairman of the Remuneration Committee.

CHARLES CHER LEW SIANG

Executive Director and Chief Executive Officer

Mr. Cher Lew Siang, Charles, formerly the Group Chief Executive Officer of ASTI Holdings Ltd. and Chief Executive Officer of Advanced Systems Automation Ltd, has more than 20 years of global semiconductor and corporate management experience. His achievements in ASTI include successfully leading the Group in its regional trust and establishment of many strategic partnerships. In 1990, he spearheaded the development of ASTI's chip-taping operations, enabling the Group to expand into the design and manufacture of its own chip-taping equipment. Mr. Cher graduated with a Bachelor of Science in marketing and management from the University of Oregon, USA. He joined the AEM Board and was appointed as the Chief Executive Officer of the Group on 1 April 2014. In the last 3 years, he previously sat on the Board of ASTI Holdings Ltd.

BOARD OF DIRECTORS

ADRIAN CHAN PENGEE

Independent Director

Adrian Chan Pengee is Head of the Corporate Department and a Senior Partner at Lee & Lee. Mr. Chan is a Board member of ACRA, the First Vice Chairman of the Singapore Institute of Directors and serves on the Executive Council of the Association of Small and Medium Enterprises as its Honorary Secretary. He also sits on the Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce, the Corporate Practice and the Finance Committees of the Law Society of Singapore and was appointed to the Audit Committee Guidance Committee, established by the MAS, ACRA and the Singapore Stock Exchange. 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, Global Investments Limited, Nobel Design Holdings Ltd, Biosensors International Group, Ltd and Hong Fok Corporation Limited. He is retiring from the Board of Isetan (Singapore) Limited in April 2015. In the last 3 years, he previously served on the Board of UPP Holdings Limited. He holds an LLB (Hons) from the National University of Singapore. He joined the AEM Board on 26 May 2006 and he is the Chairman of the Nominating Committee. He was re-elected as director of the Company on 26 April 2013. Mr. Chan intends to retire and not seek re-election at the coming AGM on 28 April 2015.

BASIL CHAN

Independent Director

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He was a Council Member and Board Director of the Singapore Institute of Directors from 2002 to 2013. He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code. He was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants of Singapore ("ICPAS") and was formerly a member of the Audit and Assurance Standards Committee of the Institute of Singapore Chartered Accountants ("ISCA", formerly known as "ICPAS").He is currently a member of the Corporate Governance Committee of ISCA. Mr. Chan has more than 32 years of audit, financial and general management experience having held senior financial positions in both private and listed companies. He holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science and Technology, United Kingdom and is a member of the Institute of Chartered Accountants in England and Wales as well as a member of ISCA. He is a Fellow member of the Singapore Institute of Directors. Mr. Chan joined the AEM Board on 8 March 2006 and was appointed as the Chairman of the Audit Committee on 26 May 2006. He was re-elected as director of the Company on 25 April 2014. Mr. Chan is also an independent non-executive director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely Yoma Strategic Holdings Ltd, Grand Banks Yachts Limited, Global Invacom Group Limited, Singapore eDevelopment Limited and SBI Offshore. In the last 3 years, he previously sat on the Board of Teledata (Singapore) Ltd and Seroja Investments Ltd.

KEITH TOH

Independent Director

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

MANAGEMENT PROFILE

CHOK YEAN HUNG

VP Operations

Mr. Chok has more than 25 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'. Mr. Chok received his Bachelor of Electrical & Electronics Engineering (2nd Upper Honors) from National University of Singapore in 1988. He joined the Company on 1 January 2012.

JAMES HOW BOON HUA

VP Engineering & Technology

Mr. How has more than 20 years of technology and operation management experience. His past experience covered broad spectrum of technologies development and deployment. He has led multiple development programs from conceptualization, development, global deployment to high volume manufacturing. He is one of the pioneers in BGA (C5 Technology) development and Engineering Lead of Award winning mobile product SLVR Thin Phone series. He had successfully led DFSS (Design for Six Sigma) program execution. James holds Bachelor Degree in Electronics Engineering from Curtin University and Master of Science degree in Management of Technology from National University of Singapore. He held 5 issued patents with Motorola and was inducted as Motorola SABA (Science Advisory Board Associate) members. He joined the Company on 16 June 2010.

SOH WAI KONG

Director Finance & HR

Mr. Soh has more than 20 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 graduated with a Bachelor of Accountancy from the Nanyang Technological University. Mr. Soh holds Chartered Accountants and Certified Internal Auditors Certifications. He joined the Group on 1 June 2009.

YEAP KIAN YONG

Director – Operations

Mr. Yeap has more than 20 years of management and operation experience in multiple industries, of which more than 18 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. Mr Yeap received his Bachelor of Science from National University of Singapore in 1992. He joined the Company on 6 August 2012.

GOH MENG KIANG

Director – Quality Assurance

Mr. Goh has more than 20 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. Mr. Goh obtained his Bachelor of Electrical & Electronics Engineering (2nd Class Honours , lower) degree from National University of Singapore in 1986. 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.

CORE BUSINESS

EQUIPMENT SYSTEMS SOLUTIONS (ESS)

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

AEM strives to be an Innovative and Proactive Business Solutions Provider. We promote early involvement and a partnership approach. As business partners, we invest our time and resources to support our customers in developmental programs and strive for excellence in program execution. Our solutions include Test Handlers, Wafer handling systems, Laser marking, Laser de-flashing, Vision Inspection and Unique Handling Systems.

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

CORE BUSINESS

PRECISION COMPONENT SOLUTIONS (PCS)

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

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

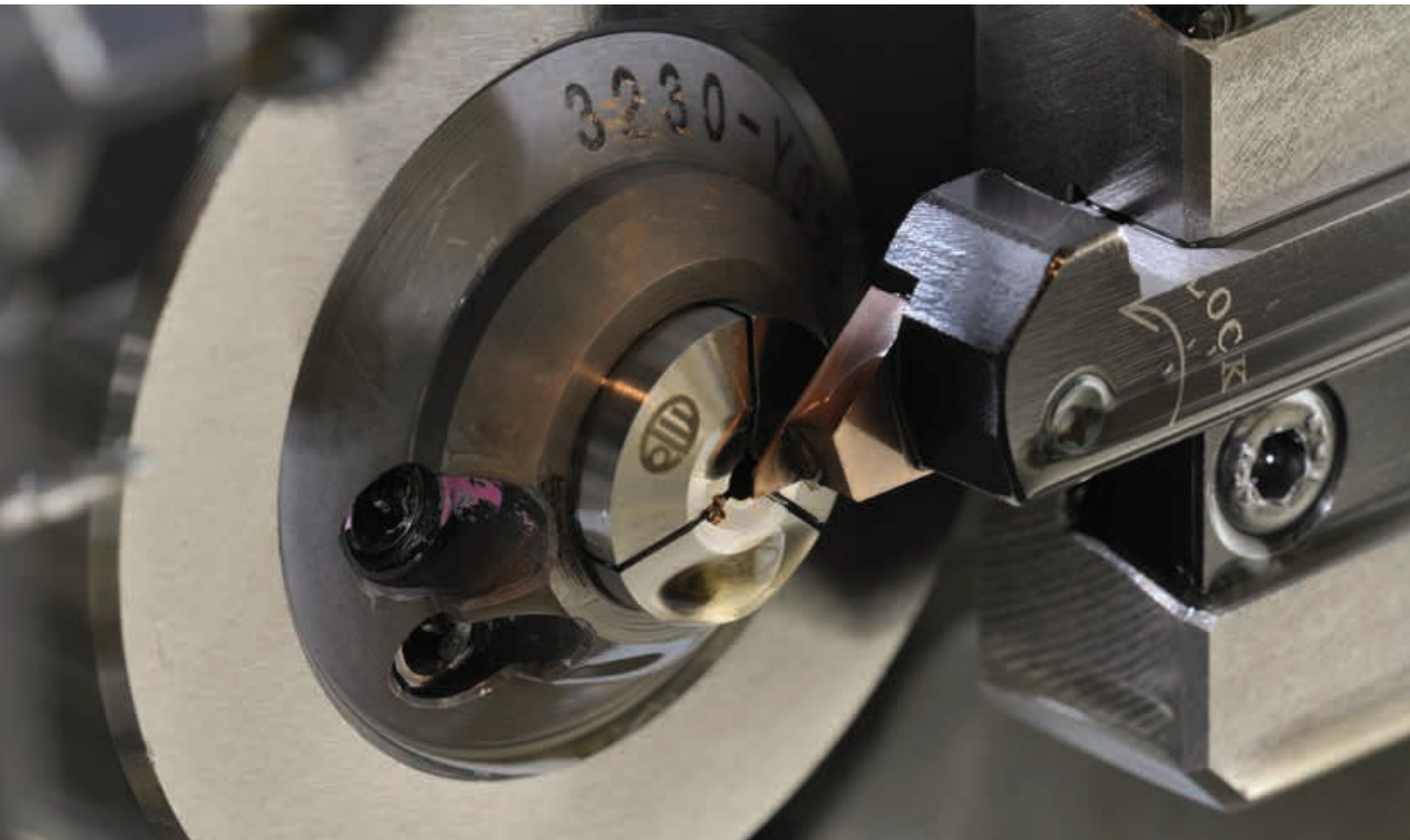
Our integrated capability in the use of state-of-the-art measuring equipment and CNC machines have made us the preferred partner in supplying to some of the world's top companies. Measurement is done in our Quality Laboratories with the highest-end machinery and tools including CMM, Contact-less Measurement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

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

PLATING AND CHEMICAL

We develop processes and associated chemical product formulations for surface finishing in the electronics industry including de-flashing, solder dipping and plating of the leads of semiconductor components and connectors.

We provide surface finishing services for high-end specialized requirements in de-flashing and plating of connectors as well as contract manufacturing services such as re-packing, re-bailing and modules assembly services to the electronics manufacturing industry.



BUSINESS AND FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

	FY2014 S$'000	FY2013 S$'000	Change
Revenue	**30,860**	**45,644**	***-32%***
Materials, consumables and inventory changes	(16,861)	(28,804)	***41%***
Staff costs	(11,249)	(8,911)	***-26%***
Depreciation and amortisation	(1,890)	(1,372)	***-38%***
Other (expenses) net income	(5,115)	(4,285)	***-19%***
Total expenses net other income	(35,115)	(43,372)	***19%***
(Loss)/Profit before impairment and tax	**(4,255)**	**2,272**	***-287%***
Impairment losses net non-operating gain	(25,187)	(620)	***NM***
Loss before taxation	**(29,442)**	**1,652**	***NM***
Income tax expense	2,134	(894)	***339%***
Loss for the year	**(27,308)**	**758**	***NM***
Loss from discontinued operations	(12,636)	(8,686)	***-45%***
Loss for the year	**(39,944)**	**(7,928)**	***-404%***

* *Increase/(Decrease) Earnings*

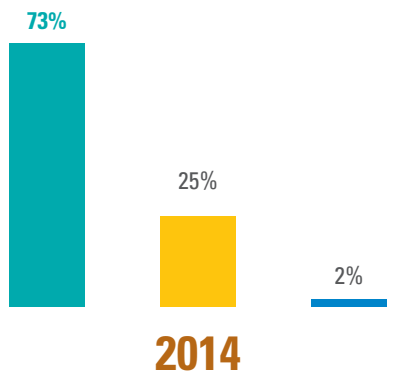
** *NM – not meaningful*

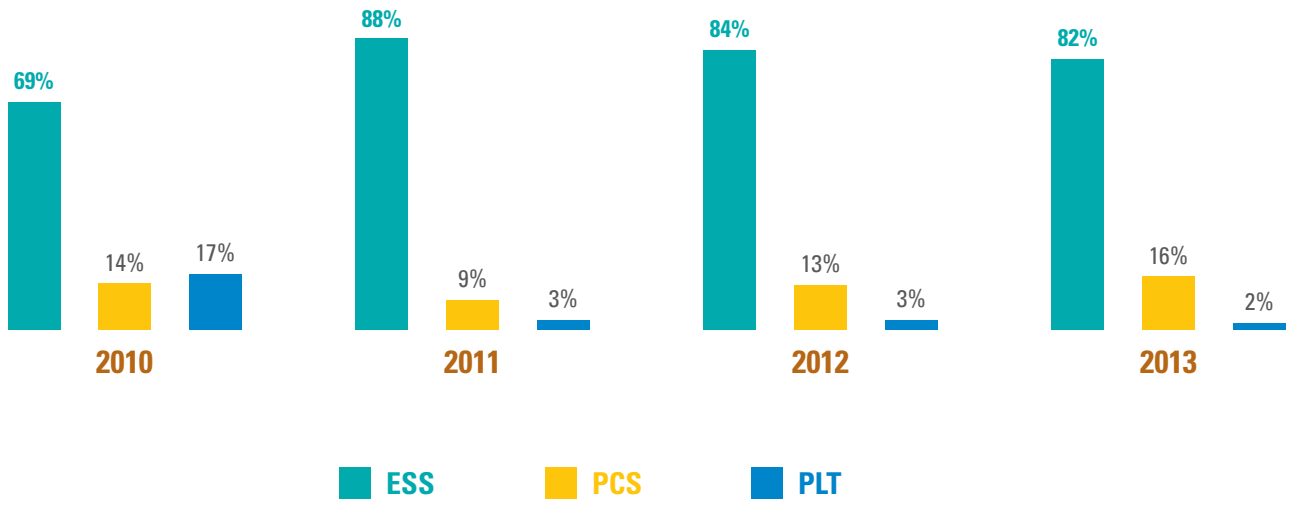
BUSINESS AND FINANCIAL REVIEW

REVENUE BY BUSINESS SEGMENT

The Group's total revenue for FY2014 amounted to S$30.9 million, it was 32.4% lower than the revenue of S$45.6 million reported for FY2013. This was mainly due to lower sales in Equipments Systems ("ESS"), Plating and Other Services ("PLT") which declined by 39.5% and 32.3% respectively in FY2014 as a results of the reduction in orders. Sales from the Precision Components ("PCS") business rose by 3.7% from FY2013 to FY2014 mainly due to higher demand for its products and services.

In line with the lower revenue, raw materials and consumables costs were also lower. After taking into consideration the changes in inventories and excluding provisions made for inventory obsolescence, raw materials and consumables costs were lower by 41.5% from S$28.8 million in FY2013 to S$16.9 million in FY2014.





Staff costs increased by 26.2% from S$8.9 million in FY2013 to S$11.2 million in FY2014. This was mainly due to more staff being employed to strengthen the engineering and field service team in the ESS business. Excluded from FY2013 was a portion of the engineering staff cost relating to equipment development projects of about S$880,000 respectively which were capitalised.

Depreciation cost and amortisation of intangible assets increased by 37.8% from S$1.4 million in FY2013 to S$1.9 million in FY2014 mainly due to the amortisation of equipment development costs.

The impairment losses of S$25.2 million in FY2014 included S$14.7 million pertaining to loss on disposal of subsidiary; S$6.2 million for slow moving inventory was driven primarily by a major customer discontinuing orders for older equipment in favor of next-generation platforms; S$2.7 million for property, plant and equipment impairment provision mainly for the vacant land and factory building in Malacca and S$3.4 million impairment provision for capitalised equipment projects development cost offset gains from liquidation of dormant subsidiaries of S$1.1 million and doubtful debts provision reversal of S$774,000.

In FY2014, the Group recorded a deferred tax liability reversal and deferred tax asset amounting to S$2.2 million mainly arising from the losses in FY2014.

As a result of the above, the Group reported a loss after tax excluding loss from discontinued operations of S$27.3 million in FY2014. Inclusive of the loss arising from the discontinued operation, the net loss would be S$39.9 million in FY2014.

BUSINESS AND FINANCIAL REVIEW

SEGMENT BY BUSINESS SEGMENT (CONTINUING OPERATIONS)

	Revenue for the year			Net (loss)/Profit for the year		
	FY2014 S$'000	FY2013 S$'000	Change S$'000	FY2014 S$'000	FY2013 S$'000	Change
Equipments Systems (ESS)	**22,544**	**37,238**	***-39%***	**(11,144)**	**1,815**	***-714%***
Precision Components (PCS)	**7,563**	**7,293**	***4%***	**(61)**	**(139)**	***57%***
Plating & Other Services (PLT)	**753**	**1,113**	***-32%***	**(16,103)**	**(918)**	***NM***
	30,860	**45,645**	***-32%***	**(27,308)**	**758**	***NM***

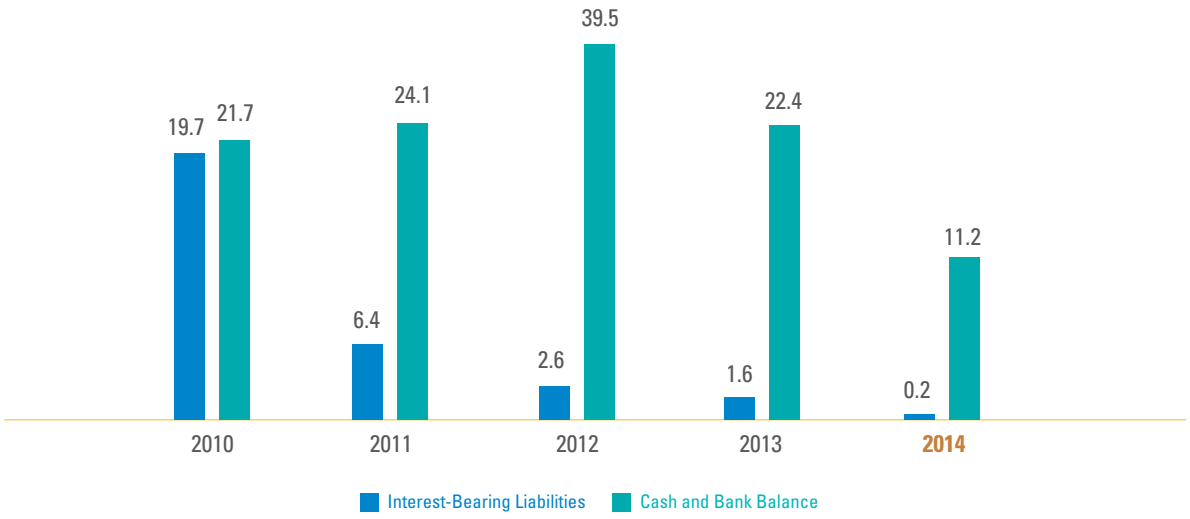
Cash Flow Statement (in S$ million)	2010	2011	2012	2013	2014
Cash generated from operating activites	12.3	17.4	4.0	3.4	-8.1
Cash from/(used in) investing activites	-1.0	-0.9	-6.4	-19.3	-4.5
Cash from/(paid for) financing activites	-6.1	-13.4	21.9	-2.2	1.6
Net increase/(decrease) in cash	5.3	3.1	19.5	-18.1	-11.0
Cash & Cash equivalents	18.8	21.7	39.5	22.4	11.2

As at 31 December 2014, the Group had a cash balance of S$11.2 million compared to its financial liabilities of S$202,000.

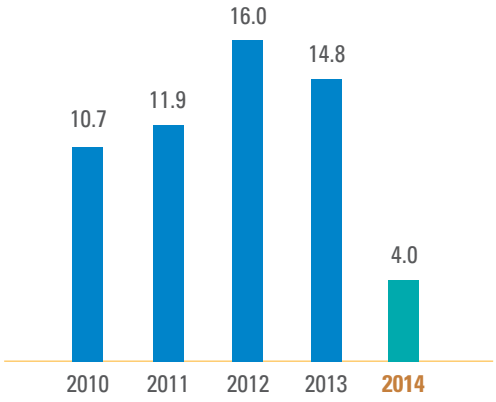
The reduction in cash and bank balances was mainly due to utilisation of cash for the payment of trade purchases, expenditures relating to the installation of equipment and facilities and equipment development costs incurred.

	2010	2011	2012	2013	2014
Profit/(loss) Before Tax (in S$ million) (exclude MCT)	14.1	18.4	2.3	1.7	-29.4
Profit/(loss) Before Tax (in S$ million) (include MCT)	3.9	8.8	-2.2	-7.0	-42.0

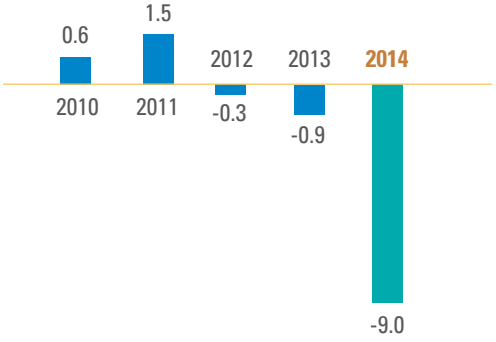
BORROWING AND CASH



NET ASSET VALUE PER ORDINARY SHARE (in cents)



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



CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive:

Loke Wai San
Chairman & Non-Executive Director

Basil Chan
Independent Director

Adrian Chan Pengee
Independent Director

Keith Toh Hsiang-Wen
Independent Director

Executive:

Charles Cher Lew Siang
Chief Executive Officer

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARY

Soh Wai Kong

REGISTERED OFFICE

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

SHARE REGISTRAR

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

AUDITORS

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

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

PRINCIPAL BANKERS

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

DBS Bank
6 Shenton Way
DBS Building Tower One
Singapore 068809

Standard Chartered Bank
6 Battery Road
Singapore 049909

CORPORATE GOVERNANCE

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

BOARD MATTERS

The Board's Conduct of Affairs

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

The Board comprises five members and their principal functions are as follows:

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

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

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

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

In 2014, directors were provided with training in areas such as the review and proposed amendments to the Companies Act and update of changes to Listing rules of SGX-ST. Audit Committee members also attended briefing sessions on the latest Financial Reporting Standards developments and ACRA's financial reporting surveillance programme.

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

CORPORATE GOVERNANCE

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 10
- Audit Committee 4
- Remuneration Committee 1
- Nominating Committee 1

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

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San *(Chairman)*	10	10	4	4	1	1	1	1
Adrian Chan Pengee	10	9	4	4	1	1	1	1
Basil Chan	10	10	4	4	1	1	1	1
Charles Cher Lew Siang*	8	8	NA	NA	NA	NA	NA	NA

* Charles Cher became a director on 1 April 2014.

Non-executive directors meet regularly without the presence of Management to discuss informally issues of the Company to facilitate a more effective check on Management.

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

Board Composition and Guidance

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

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

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

CORPORATE GOVERNANCE

Chairman and Chief Executive Officer ("CEO")

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

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

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

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

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

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

BOARD MEMBERSHIP

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

The Company believes Board renewal to be an on-going process, it is required to ensure good corporate governance and is needed to maintain relevance to the changing needs of the Group's business. All directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

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

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

CORPORATE GOVERNANCE

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC evaluates the Board's effectiveness as a whole and the contribution of each director to the effectiveness of the Board. It also determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. There are no directors who have served on the Board beyond nine (9) years from the date of his first appointment and the Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the directors of the Company. The NC has decided to implement a higher standard of independence as compared to that prescribed by the Code as it requires the independent directors to be independent from all substantial shareholders and not merely 10% shareholders.

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

Board Performance

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

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

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

Access to Information

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

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

The Company Secretary is present at the Board meetings of the Company whenever such meetings are held in order to ensure that established procedures and applicable rules and regulations are complied with. The 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.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

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

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

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

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

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

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

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

Level and Mix of Remuneration

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

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

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

CORPORATE GOVERNANCE

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

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

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

Disclosure on Remuneration

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

The remuneration bands and breakdown in percentage terms of the gross remuneration of the directors of the Company for the year ended 31 December 2014 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total
	%	%	%	%	%	%
Directors						
S$250,000 to S$500,000						
Charles Cher Lew Siang	–	92	8	–	–	100
	S$	S$	S$	S$	S$	S$
Below S$250,000						
Loke Wai San*	94,000	–	–	–	96,000	190,000
Adrian Chan Pengee	69,000	–	–	–	–	69,000
Basil Chan	76,000	–	–	–	–	76,000

* The director's and other fees for Mr Loke Wai San were paid to his employer, Novo Tellus Capital Partners.

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

CORPORATE GOVERNANCE

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

During the year, no director or employee was granted any share option under the AEM Holdings Share Option Scheme. In 2014, 2,800,000 (2013: 5,700,000) performance shares were granted to the Management of the Company under the Performance Share Plan. Other than these, no other director was granted any performance shares under the Performance Share Plan during the year.

Key Management and Remuneration Policy

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

Name of personnel	Salaries (%)	Bonuses (%)	Other Allowances (%)	Share-based payment (%)	Total (%)
Below $250,000					
Chok Yean Hung	73%	6%	6%	15%	100%
Soh Wai Kong	68%	6%	9%	17%	100%
James How Boon Hua	69%	6%	7%	18%	100%
Yeap Kian Yong	70%	20%	10%	0%	100%
Goh Meng Kiang	68%	22%	10%	0%	100%

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

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

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

CORPORATE GOVERNANCE

Risk Management and Internal Controls

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

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

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

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

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

(i) Compliance risk

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

CORPORATE GOVERNANCE

(ii) Operational risk

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

(iii) Financial risk

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

(iv) Investment risk

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

Audit Committee

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

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

The current members of the AC comprise the following:

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

The AC performs the following main functions:

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

CORPORATE GOVERNANCE

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

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

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

Internal Audit

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

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

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

The AC has reviewed the quantum and nature of fees, expenses and emoluments paid to the auditors for the non-audit services and is satisfied that the provision of such services does not affect their independence.

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.

Sufficient notice period is given to its Shareholders for general and extraordinary meetings before the scheduled date of such meetings.

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

CORPORATE GOVERNANCE

and material developments are released through SGXNET to the SGX's and the Company's website in a timely manner to ensure fair disclosure of information. The Board provides the Shareholders a balanced and clear assessment of the Group's performance, financial position and prospects on a quarterly basis.

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

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

Conduct of Shareholder Meetings

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

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

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

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

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

Votes at the Annual General Meeting are taken by way of show of hands, unless a poll is called by the Chairman of the Annual General Meeting or any Shareholder.

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 prior to the announcement of the Group's results. Staff are discouraged from dealing in the Company's shares on short-term considerations. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's Securities.

CORPORATE GOVERNANCE

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. There were no interested person transactions for the financial year ended 31 December 2014.

DIVIDEND POLICY

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

DIRECTORS' REPORT

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 2014.

DIRECTORS

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

Loke Wai San
Basil Chan
Adrian Chan Pengee
Charles Cher Lew Siang (Appointed on 1 April 2014)
Keith Toh Hsiang Wen (Appointed on 6 February 2015)

DIRECTORS' INTERESTS

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

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

Except as disclosed in this report, 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.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

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.

DIRECTORS' REPORT

Except for fees, salaries, bonuses and those benefits and professional fees that are disclosed in this report and in notes 17, 20 and 24 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

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. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising three directors. The members of the Remuneration Committee during the year were:

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

Other information regarding the Scheme is set out below:

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

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

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

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

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

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

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

DIRECTORS' REPORT

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

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

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

Performance share plan

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

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

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

Participants	Shares awards granted & released during the year	Aggregate shares awards granted & released at end of the year
Other key executives	2,800,000	41,500,000

Audit committee

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

- Basil Chan (Chairman), non-executive director
- Adrian Chan Pengee, non-executive director
- Loke Wai San

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

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

DIRECTORS' REPORT

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- 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 Listing Manual of the Singapore Exchange).

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Loke Wai San
Director

Charles Cher Lew Siang
Director

25 March 2015

STATEMENT BY **DIRECTORS**

In our opinion:

(a) the financial statements set out on pages 36 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Loke Wai San
Director

Charles Cher Lew Siang
Director

25 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company
AEM Holdings Ltd

Report on the financial statements

We have audited the accompanying financial statements of AEM Holdings Ltd (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 91.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
AEM Holdings Ltd

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 March 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)*	Group 2012 $'000 (Restated)*	Company 2014 $'000	Company 2013 $'000
Assets						
Property, plant and equipment	4	**6,163**	32,086	17,490	**61**	61
Intangible assets	5	**381**	8,504	3,850	**89**	87
Investment in subsidiaries	6	**–**	–	–	**10,194**	42,423
Trade receivables	8	**–**	–	970	**–**	–
Deferred tax assets	15	**1,796**	–	–	**328**	–
Non-current assets		**8,340**	40,590	22,310	**10,672**	42,571
Inventories	7	**9,057**	15,454	7,870	**–**	–
Trade and other receivables	8	**7,482**	10,722	20,016	**4,374**	5,381
Cash and cash equivalents	9	**11,152**	22,370	39,547	**3,328**	3,548
Current assets		**27,691**	48,546	67,433	**7,702**	8,929
Total assets		**36,031**	89,136	89,743	**18,374**	51,500
Equity						
Share capital	10	**39,737**	39,737	39,737	**39,737**	39,737
Reserves	12	**(13,868)**	(15,597)	(16,254)	**(461)**	(680)
Accumulated (losses)/profits		**(7,942)**	26,661	32,305	**(24,525)**	7,949
Equity attributable to owners of the Group		**17,927**	50,801	55,788	**14,751**	47,006
Non-controlling interests		**–**	14,331	16,141	**–**	–
Total equity		**17,927**	65,132	71,929	**14,751**	47,006
Liabilities						
Financial liabilities	13	**–**	605	1,592	**–**	–
Trade and other payables	14	**–**	404	–	**–**	–
Deferred tax liabilities	15	**49**	603	193	**–**	87
Non-current liabilities		**49**	1,612	1,785	**–**	87
Financial liabilities	13	**202**	999	990	**–**	–
Trade and other payables	14	**15,490**	19,240	12,728	**3,542**	3,668
Current tax payable		**2,164**	1,907	1,967	**81**	739
Provisions	16	**199**	246	344	**–**	–
Current liabilities		**18,055**	22,392	16,029	**3,623**	4,407
Total liabilities		**18,104**	24,004	17,814	**3,623**	4,494
Total equity and liabilities		**36,031**	89,136	89,743	**18,374**	51,500

* See Note 30

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000 (Restated)*
Continuing operations			
Revenue	18	**30,860**	45,644
Other income		**2,435**	1,361
Changes in inventories of finished goods and work-in-progress		**(5,907)**	5,588
Raw materials and other consumables		**(17,198)**	(34,392)
Staff costs		**(11,249)**	(8,911)
Depreciation of property, plant and equipment		**(1,000)**	(1,091)
Amortisation of intangible assets		**(890)**	(281)
Other expenses		**(26,530)**	(6,398)
Results from operating activities		**(29,479)**	1,520
Finance income		**48**	155
Finance costs		**(11)**	(23)
Net finance income	19	**37**	132
(Loss)/profit before tax	20	**(29,442)**	1,652
Tax credit/(expense)	21	**2,134**	(894)
(Loss)/profit from continuing operations		**(27,308)**	758
Discontinued operation			
Loss from discontinued operation (net of tax)	29	**(12,636)**	(8,686)
Loss for the year		**(39,944)**	(7,928)
Loss attributable to:			
Owners of the Company		**(34,603)**	(4,073)
Non-controlling interests		**(5,341)**	(3,855)
Loss for the year		**(39,944)**	(7,928)
Loss per share	22		
– Basic		**(7.81) cents**	(0.92) cents
– Fully diluted		**(7.81) cents**	(0.92) cents
(Loss)/earnings per share – continuing operations	22		
– Basic		**(6.17) cents**	0.17 cents
– Fully diluted		**(6.17) cents**	0.17 cents
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		**1,499**	1,713
Effect of liquidation of dormant subsidiaries, reclassified to profit or loss		**(1,118)**	–
Other comprehensive income for the year, net of tax		**381**	1,713
Total comprehensive loss for the year		**(39,563)**	(6,215)
Total comprehensive loss attributable to:			
Owners of the Company		**(34,859)**	(3,084)
Non-controlling interests		**(4,704)**	(3,131)
Total comprehensive loss for the year		**(39,563)**	(6,215)

* See Note 29

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2014

Group	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Share compensation reserve $'000	Currency translation reserve $'000	Merger reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2013, as previously stated	39,737	(578)	214	230	(16,259)	139	31,370	54,853	16,141	70,994
Impact of prior year restatement*	–	–	–	–	–	–	935	935	–	935
At 1 January 2013, as restated	39,737	(578)	214	230	(16,259)	139	32,305	55,788	16,141	71,929
Total comprehensive loss for the year										
Loss for the year	–	–	–	–	–	–	(4,073)	(4,073)	(3,855)	(7,928)
Other comprehensive income										
Foreign currency translation difference	–	–	–	–	989	–	–	989	724	1,713
Total comprehensive income/(loss) for the year	–	–	–	–	989	–	(4,073)	(3,084)	(3,131)	(6,215)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners of the Company										
Own shares acquired	–	(801)	–	–	–	–	–	(801)	–	(801)
Dividends declared (Note 11)	–	–	–	–	–	–	(1,571)	(1,571)	–	(1,571)
Issue of shares under Performance Share Plan (Note 17)	–	469	–	–	–	–	–	469	–	469
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	1,321	1,321
Total transactions with owners	–	(332)	–	–	–	–	(1,571)	(1,903)	1,321	(582)
At 31 December 2013, as restated	39,737	(910)	214	230	(15,270)	139	26,661	50,801	14,331	65,132

* See Note 30

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2014

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

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Loss for the year		**(39,944)**	(7,928)
Adjustments for:			
(Reversal of)/impairment loss on trade receivables	8	**(774)**	218
Impairment loss on property, plant and equipment	4	**2,798**	–
Depreciation of property, plant and equipment	4	**4,256**	3,805
Intangible assets written off	5	**3,417**	–
Amortisation of intangible assets	5	**1,131**	386
Allowance made for stock obsolescence		**6,257**	–
Loss/(gain) on disposal of property, plant and equipment	20	**281**	(106)
Gain on liquidation of dormant subsidiaries	20	**(1,118)**	–
Loss on disposal of a subsidiary	20	**14,730**	–
Finance costs		**33**	66
Finance income		**(52)**	(230)
Equity-settled share-based payment expenses		**255**	–
Provision reversed for warranties	16	**(60)**	(108)
Tax (credit)/expense	21	**(2,134)**	894
		(10,924)	(3,003)
Changes in working capital:			
Inventories		**(1,138)**	(7,304)
Trade and other receivables		**2,542**	10,404
Trade and other payables		**1,191**	7,124
Cash (used in)/generated from operating activities		**(8,329)**	7,221
Government grant received		**63**	147
Tax refunded/(paid)		**61**	(554)
Net cash (used in)/from operating activities		**(8,205)**	6,814
Cash flows from investing activities			
Acquisition of intangible assets	5	**(2,023)**	(5,136)
Interest received		**52**	230
Proceeds from disposal of property, plant and equipment		**4**	371
Acquisition of property, plant and equipment *	4	**(5,531)**	(18,128)
Proceeds from disposal of a subsidiary, net of cash disposed of	29	**3,014**	–
Net cash used in investing activities		**(4,484)**	(22,663)
Cash flows from financing activities			
Interest paid		**(33)**	(66)
Repayment of bank loans		**(973)**	(1,047)
Capital injection from non-controlling interests of a subsidiary	6	**2,642**	1,321
Repurchase of own shares		**(36)**	(801)
Dividends paid to owners of Company	11	**–**	(1,571)
Net cash from/(used in) financing activities		**1,600**	(2,164)
Net decrease in cash and cash equivalents		**(11,089)**	(18,013)
Cash and cash equivalents at 1 January		**22,370**	39,547
Effect of exchange rate fluctuations on cash held		**(129)**	836
Cash and cash equivalents at 31 December	9	**11,152**	22,370

* Included in $5,531,000 was an amount of $2,129,000 of payment made which was related to plant and equipment purchased in 2013.

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 25 March 2015.

1 DOMICILE AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (Cont'd)

Measurement of fair value

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

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

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

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

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

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

- Note 4 – property, plant and equipment
- Note 26 – financial risk management

2.5 Changes in accounting policies

Disclosures of recoverable amount for non-financial assets

From 1 January 2014, as a result of the *Amendments to FRS 36: Impairment of Assets -Recoverable Amount Disclosures for Non-Financial Assets,* the Group has expanded its disclosures of recoverable amounts when they are based on fair value less costs of disposals and an impairment is recognised (see note 4).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

The comparative statement of comprehensive income has been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative year (see note 29).

3.1 Basis of consolidation

Business combinations

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (Cont'd)

Business combinations (Cont'd)

Subsidiaries

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

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

Loss of control

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

Transactions eliminated on consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currencies

Foreign currency transactions

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

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

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

Foreign operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

Depreciation (Cont'd)

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

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

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

3.4 Intangible assets

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, net of government grant received and receivable, is 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, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Other intangible assets

Other intangible assets, comprising computer software and patents, are stated at cost less accumulated amortisation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets (Cont'd)

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 that they are available for use. The estimated useful lives for the current and comparative years are as follows:

Computer software	–	3 years
Patents	–	5 years
Development costs	–	5 years

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

3.5 Financial instruments

Non-derivative financial assets

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

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

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

Non-derivative financial assets comprise loans and receivables.

Loans and receivables

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

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

Cash and cash equivalents comprise cash balances and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Financial instruments (Cont'd)

Non-derivative financial liabilities

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

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

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

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

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

Other financial liabilities comprise loans and borrowings, and trade and other payables.

Share capital

Ordinary shares

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment

Non-derivative financial assets

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

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

Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Impairment (Cont'd)

Non-financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 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.

3.8 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. Cost of chemicals and materials used for substrates production are determined using the first-in-first-out formula. All other inventories are determined using the weighted average cost formula.

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 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.

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.

3.10 Tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Tax (Cont'd)

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

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

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

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

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

3.11 Revenue recognition

Sale of goods

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

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

Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employee benefits

Defined contribution plans

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

Short-term employee benefits

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

Share-based payments

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

3.13 Finance income and finance costs

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

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

3.14 Discontinued operations

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Key management compensation

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

3.16 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.

3.17 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.

3.18 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

The Standard is to be applied for annual periods commencing on 1 January 2017, with the possibility of early adoption. The Standard includes various alternatives with respect to the transitional rules, such that companies may choose one of the following alternatives when applying the Standard for the first time: full retroactive application, full retroactive application with practical relaxations or application of the Standard commencing from the initial application date, while adjusting the balance of the retained earnings as at this date for transactions that have not yet been completed. The Group has not yet commenced examining the impacts of adoption of the Standard on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 New standards and interpretations not adopted (Cont'd)

Financial Reporting Standard FRS 109 "Financial Instruments"

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

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

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land $'000	Leasehold buildings $'000	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Construction in-progress $'000	Total $'000
Cost									
At 1 January 2012, restated*	–	–	126	753	9,627	2,625	56,785	–	69,916
Additions	–	–	–	25	314	120	4,864	–	5,323
Disposals	–	–	(80)	(219)	(95)	(907)	(6,400)	–	(7,701)
Transfer from assets held for sale	1,002	4,788	–	–	–	–	–	–	5,790
Translation adjustment	(28)	(150)	(3)	(39)	(502)	(113)	(2,861)	–	(3,696)
At 31 December 2012, restated*	974	4,638	43	520	9,344	1,725	52,388	–	69,632
Additions	–	–	–	71	614	167	4,595	12,681	18,128
Reclassification from intangible assets (Note 5)	–	–	–	–	–	–	243	–	243
Disposals	–	–	(7)	(19)	(997)	(402)	(1,998)	–	(3,423)
Reclassification from construction-in-progress	–	–	–	13	–	–	1,126	(1,139)	–
Translation adjustment	(33)	(176)	–	16	288	38	1,711	–	1,844
At 31 December 2013, restated*	941	4,462	36	601	9,249	1,528	58,065	11,542	86,424
Additions	–	–	–	294	908	130	2,054	16	3,402
Disposals	–	–	–	–	(87)	(20)	(1,147)	–	(1,254)
Effects from disposal of a subsidiary	–	–	–	(481)	(4,864)	(87)	(60,352)	(118)	(65,902)
Reclassification from construction-in-progress	–	–	–	–	26	30	11,954	(12,010)	–
Translation adjustment	(26)	(138)	(1)	24	439	38	2,757	601	3,694
At 31 December 2014	915	4,324	35	438	5,671	1,619	13,331	31	26,364
Accumulated depreciation and impairment losses									
At 1 January 2012, restated*	–	–	115	726	8,944	2,475	44,916	–	57,176
Depreciation charge for the year	11	120	4	13	226	23	4,859	–	5,256
Disposals	–	–	(80)	(217)	(63)	(788)	(6,028)	–	(7,176)
Translation adjustment	(3)	(34)	(3)	(38)	(479)	(107)	(2,450)	–	(3,114)
At 31 December 2012, restated*	8	86	36	484	8,628	1,603	41,297	–	52,142
Depreciation charge for the year	11	118	2	28	234	88	3,324	–	3,805
Disposals	–	–	(2)	(17)	(930)	(401)	(1,808)	–	(3,158)
Translation adjustment	(4)	(43)	–	14	261	32	1,289	–	1,549
At 31 December 2013, restated*	15	161	36	509	8,193	1,322	44,102	–	54,338
Depreciation charge for the year	11	115	–	46	406	126	3,552	–	4,256
Disposals	–	–	–	–	(87)	(14)	(868)	–	(969)
Impairment for the year	526	2,233	–	–	–	–	39	–	2,798
Effects from disposal of a subsidiary	–	–	–	(144)	(3,833)	(51)	(38,740)	–	(42,768)
Translation adjustment	(14)	(77)	(1)	21	407	34	2,176	–	2,546
At 31 December 2014	538	2,432	35	432	5,086	1,417	10,261	–	20,201
Carrying amounts									
At 31 December 2012, restated*	966	4,552	7	36	716	122	11,091	–	17,490
At 31 December 2013, restated*	926	4,301	–	92	1,056	206	13,963	11,542	32,086
At 31 December 2014	377	1,892	–	6	585	202	3,070	31	6,163

• See Note 30

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Cost				
At 1 January 2013	400	381	18	799
Additions	–	24	–	24
At 31 December 2013	400	405	18	823
Additions	22	3	16	41
At 31 December 2014	422	408	34	864
Accumulated depreciation and impairment loss				
At 1 January 2013	327	378	18	723
Depreciation charge for the year	30	9	–	39
At 31 December 2013	357	387	18	762
Depreciation charge for the year	31	9	1	41
At 31 December 2014	388	396	19	803
Carrying amounts				
At 1 January 2013	73	3	–	76
At 31 December 2013	43	18	–	61
At 31 December 2014	34	12	15	61

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

During the year, the Group performed an impairment assessment on one of its inactive subsidiary and concluded that the recoverable amount of the leasehold land and building was below the carrying amount.

The recoverable amount of this asset was estimated based on fair value less costs of disposal. The fair value was obtained from an independent valuer based on comparable assets. The fair value measurement was categorised as a Level 3 fair value based on the market inputs of the prices obtained from an independent valuation report (see note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS

Group	Development costs $'000	Computer software $'000	Patents $'000	Total $'000
Cost				
At 1 January 2013	4,551	2,246	18	6,815
Additions	3,886	349	901	5,136
Reclassification to property, plant and equipment (Note 4)	(243)	–	–	(243)
Translation adjustment	160	33	7	200
At 31 December 2013	8,354	2,628	926	11,908
Additions	1,786	237	–	2,023
Disposals/Write-off	(4,395)	–	–	(4,395)
Effects from disposal of a subsidiary	(6,046)	(522)	(973)	(7,541)
Translation adjustment	301	71	47	419
At 31 December 2014	–	2,414	–	2,414
Accumulated amortisation and impairment loss				
At 1 January 2013	889	2,058	18	2,965
Amortisation charge for the year	159	127	100	386
Translation adjustment	24	28	1	53
At 31 December 2013	1,072	2,213	119	3,404
Amortisation charge for the year	703	238	190	1,131
Disposals/Write-off	(978)	–	–	(978)
Effects from disposal of a subsidiary	(827)	(474)	(334)	(1,635)
Translation adjustment	30	56	25	111
At 31 December 2014	–	2,033	–	2,033
Carrying amounts				
At 1 January 2013	3,662	188	–	3,850
At 31 December 2013	7,282	415	807	8,504
At 31 December 2014	–	381	–	381

NOTES TO THE FINANCIAL STATEMENTS

5 INTANGIBLE ASSETS (CONT'D)

Company	Computer software $'000
Cost	
At 1 January 2013	1,120
Additions	104
At 31 December 2013	1,224
Additions	53
At 31 December 2014	1,277
Accumulated amortisation	
At 1 January 2013	1,120
Amortisation charge for the year	17
At 31 December 2013	1,137
Amortisation charge for the year	51
At 31 December 2014	1,188
Carrying amount	
At 1 January 2013	–
At 31 December 2013	87
At 31 December 2014	89

6 INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	**10,945**	78,173
Allowance for impairment	**(751)**	(35,750)
	10,194	42,423

During the year, the Group carried out a review of the recoverable amounts of its investment in subsidiaries in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on value in use. The estimate of value in use was determined using a pre-tax discount rate of 9.83% (2013: 9.90%).

Based on the assessment, no impairment loss was recognised.

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2014	2013
			%	%
AEM Singapore Pte. Ltd.*[1]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	**100**	100
AEM Microtronics (M) Sdn. Bhd.[2]	Manufacturing of automated machines and related parts for the semiconductor industry	Malaysia	**100**	100
AEM (Hong Kong) Co., Limited[3]	Trading of automated equipment and parts used in semiconductor manufacturing process	Hong Kong	**100**	100
AEM Platronics (S) Pte. Ltd.[1]	Inactive	Singapore	**100**	100
AEM Platronics (M) Sdn. Bhd.[4]	Inactive	Malaysia	**100**	100
Qualitek Electronics (M) Sdn. Bhd.[4]	Inactive	Malaysia	**100**	100
AEM (Suzhou) Co., Ltd.[5]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components and provision of plating services	People's Republic of China	**100**	100
AEM China (S) Pte. Ltd.[1]	Investment holding company	Singapore	**100**	100
AEM International (US) Ltd.	Engineering services	United States of America	**100**	100
Tianjin Ever Technologies Co., Ltd.	Inactive	People's Republic of China	**100**	100
Microcircuit Technology (M) Sdn. Bhd.[4]	Inactive	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2014 %	2013 %
Microcircuit Technology (S) Pte Ltd [6]	Design and manufacturing of organic substrates and provision of plating services	Singapore	–	57.73
Orchardville Holdings Pte Ltd	Inactive	Singapore	–	100
AEM International (S) Pte. Ltd.	Inactive	Singapore	–	100
Shanghai Yong Gao Co., Ltd.	Inactive	People's Republic of China	–	100
Everplus Technologies Inc.	Inactive	United States of America	–	100

* *Significant subsidiary as defined under the Listing Manual of the Singapore Exchange.*

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

1 Audited by KPMG Singapore
2 Audited by other member firms of KPMG International
3 Audited by WB CPA Limited
4 Audited by Ahmad Abdullah & Goh
5 Audited by Suzhou Deheng Certified Public Accountants
6 Audited by KPMG Singapore in 2013

During the year, Microcircuit Technology (S) Pte Ltd, a subsidiary of the Group, issued 3,207,222 and 2,348,334 ordinary shares to the Group and Siliconware Precision Industries Co., Ltd., a third party, for an aggregate cash consideration of $3,608,000 and $2,642,000 respectively. The subsidiary was subsequently disposed off on 23 December 2014 (note 29).

The Group has liquidated Orchardville Holdings Pte Ltd, AEM International (S) Pte. Ltd., Shanghai Yong Gao Co., Ltd. and Everplus Technologies Inc. and recognised a gain of $1,118,000 upon the liquidation. These gains are recorded in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

7 INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Raw materials	**2,397**	4,744
Work-in-progress	**3,880**	8,964
Finished goods	**2,780**	1,746
	9,057	15,454

In 2014, the write-down of inventories to net realisable value amounted to $6,270,000 (2013: Nil). The reversal of write-down by the Group in 2014 amounts to $26,000 (2013: $28,000). The write-down and reversal are included in the changes in inventories of finished goods and work-in-progress.

8 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade receivables	**5,628**	9,586	**–**	–
Impairment losses	**(399)**	(1,353)	**–**	–
	5,229	8,233	**–**	–
Deposits	**322**	1,277	**59**	16
Other receivables	**1,801**	996	**1,292**	40
Amounts due from subsidiaries:				
– trade, net of impairment losses of $1,042,000 (2013: $1,042,000)	**–**	–	**2,500**	869
– non-trade, net of impairment losses of $20,047,000 (2013: $20,047,000)	**–**	–	**520**	4,453
	7,352	10,506	**4,371**	5,378
Prepayments	**130**	216	**3**	3
	7,482	10,722	**4,374**	5,381

Trade and other receivables

The Group's primary exposure to credit risk arises through its trade and other receivables. The Group utilises its historical experience in the collection of its receivables to estimate any impairment losses. Management believes that no additional credit risk beyond the impairment losses already provided for is inherent in the Group's trade and other receivables. The maximum exposure to credit risk for trade receivables of the Group as at 31 December 2014 for the top three customers is $3,927,000 (2013: $3,291,000).

Included in other receivables is an interest free loan extended by the Group to Microcircuit Technology (S) Pte Ltd ("MCT") amounting to $1,233,000. The loan is guaranteed by MCT's immediate holding company, PBT Pte Ltd. Under the terms of the loan, MCT may not dispose of any asset in excess of US$5,000,000 prior to the repayment of the loan. The loan is due for repayment in 2015.

NOTES TO THE FINANCIAL STATEMENTS

8 TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Gross 2014 $'000	Impairment losses 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000
Group				
Not past due	**6,864**	–	9,392	1,078
Past due 0-30 days	**156**	–	1,066	–
Past due 31-120 days	**241**	–	572	–
Past due 121-365 days	**91**	–	223	–
More than one year	**399**	**399**	606	275
	7,751	**399**	11,859	1,353
Company				
Not past due	**1,292**	–	10,965	6,481
Past due 0-30 days	**153**	–	20	–
Past due 31-120 days	**737**	–	25	–
Past due 121-365 days	**1,063**	–	6,397	5,548
More than one year	**22,215**	**21,089**	9,060	9,060
	25,460	**21,089**	26,467	21,089

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

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

	Group		Company	
	2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Balance at 1 January	**1,353**	1,493	**21,089**	13,608
Impairment loss (reversed)/recognised	**(774)**	218	–	7,947
Utilisation	**(191)**	(373)	–	(466)
Translation on consolidation	**11**	15	–	–
Balance at 31 December	**399**	1,353	**21,089**	21,089

NOTES TO THE FINANCIAL STATEMENTS

9 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**9,373**	19,040	**3,328**	1,548
Fixed deposits with banks	**1,779**	3,330	–	2,000
Cash and cash equivalents	**11,152**	22,370	**3,328**	3,548

The fixed deposits were pledged for bank guarantees granted in relation to lease agreements entered into by the Group.

As at 31 December 2014, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.02% (2013: 0.05%). Interest rates are repriced monthly.

10 SHARE CAPITAL

		Company	
		Number of shares	
	Note	Share Capital	Treasury Shares
		'000	'000
Issued and fully paid ordinary shares, with no par value:			
At 1 January 2013		451,127	(7,023)
Purchase of treasury shares		–	(8,677)
Issue of shares under Performance Share Plan	17	–	5,700
At 31 December 2013/1 January 2014		451,127	(10,000)
Purchase of treasury shares		–	(450)
Issue of shares under Performance Share Plan	17	–	2,800
At 31 December 2014		451,127	(7,650)

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

During the year, the Company purchased 450,000 (2013: 8,677,000) of its own shares from the open market and as at the end of 31 December 2014, the treasury shares balance was 7,650,000 (2013: 10,000,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 443,477,000 (2013: 441,127,000).

During the year, 2,800,000 (2013: 5,700,000) shares were issued out of the treasury shares to certain key management personnel under the Performance Share Plan. There was no sale, transfer or cancellation of treasury shares during the year.

NOTES TO THE FINANCIAL STATEMENTS

10 SHARE CAPITAL (CONT'D)

Capital management

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

The Group has set a maximum limit of 1:1 for its "total borrowings: net tangible assets" ratio. As at 31 December 2014, its "total borrowings: net tangible assets" ratio was 0.01 (2013: 0.03). Total borrowings comprise secured bank loans while net tangible asset is calculated as total equity less intangible assets.

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

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

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

11 DIVIDENDS

The following exempt (one-tier) dividends were declared and paid by the Group and Company:

For the year ended 31 December

	Group	
	2014	2013
	$'000	$'000
Paid by Company to owners of the Company		
Nil cents per qualifying ordinary share (2013: 0.35 cents)	**–**	1,571

12 RESERVES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Reserve for own shares	**(691)**	(910)	**(691)**	(910)
Capital reserve	**214**	214	**–**	–
Share compensation reserve	**230**	230	**230**	230
Currency translation reserve	**(13,621)**	(15,270)	**–**	–
Merger reserve	**–**	139	**–**	–
	(13,868)	(15,597)	**(461)**	(680)

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

NOTES TO THE FINANCIAL STATEMENTS

12 RESERVES (CONT'D)

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

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

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

The merger reserve arises from the difference between the nominal value of shares issued by the Company and the nominal value of shares of subsidiaries acquired under the pooling of interests method of accounting.

13 FINANCIAL LIABILITIES

	Group	
	2014	2013
	$'000	$'000
Non-current liabilities		
Secured bank loans	–	605
Current liabilities		
Secured bank loans	**202**	999
Total borrowings	**202**	1,604

Maturity of liabilities:

	Group	
	2014	2013
	$'000	$'000
Within 1 year	**202**	999
After 1 year but within 5 years	–	605
	202	1,604

Breach of loan covenant

The Group has a secured bank loan with a carrying amount of $202,000 (2013: $1,604,000) at 31 December 2014. According to the terms of the agreement, this loan is repayable in 2015. However, the loan contains debt covenants stating that the Group's debt cannot exceed 1.0 times the Group's equity and the Group must maintain a minimum net tangible worth (defined in the covenant as the Group's shareholder funds less intangible assets) of $40,000,000.

The Group's net tangible worth amounted to $17,546,000 at the reporting date, resulting in a breach of loan covenant. Management has obtained a waiver from the bank in December 2014. Subsequent to year end, management entered into a deed of debenture with the bank and the Group's secured bank loan is secured on the receivables of a subsidiary, with a carrying amount of $4,394,000.

NOTES TO THE FINANCIAL STATEMENTS

13 FINANCIAL LIABILITIES (CONT'D)

Terms and debt repayment schedule

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

			2014		2013	
	Nominal interest rate %	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**	Face value $'000	Carrying amount $'000
Group						
SGD floating rate loans	*SOR+2.5%	2015	**202**	**202**	1,604	1,604

* *SOR: SWAP offer rate*

The following are the contractual maturities of financial liabilities:

		Cash flows		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**
Group				
2014				
Floating rate loans	**202**	(204)	**(204)**	–
Trade and other payables	**15,490**	(15,490)	**(15,490)**	–
	15,692	(15,694)	**(15,694)**	–
2013				
Floating rate loans	**1,604**	(1,642)	**(1,032)**	(610)
Trade and other payables	**19,644**	(19,644)	**(19,240)**	(404)
	21,248	(21,286)	**(20,272)**	(1,014)
Company				
2014				
Trade and other payables	**3,542**	(3,542)	**(3,542)**	–
Recognised financial liabilities	**3,542**	(3,542)	**(3,542)**	–
Intragroup financial guarantee	**–**	(9,026)	**(9,026)**	–
	3,542	(12,568)	**(12,568)**	–
2013				
Trade and other payables (exclude non-trade balances)	**3,647**	(3,647)	**(3,647)**	–
Recognised financial liabilities	**3,647**	(3,647)	**(3,647)**	–
Intragroup financial guarantee	**–**	(12,659)	**(12,659)**	–
	3,647	(16,306)	**(16,306)**	–

NOTES TO THE FINANCIAL STATEMENTS

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade payables and accrued operating expenses	**11,492**	18,207	**3,209**	3,394
Amounts due to subsidiaries (non-trade)	**–**	–	**–**	21
Deposits received	**3,579**	313	**207**	223
Other payables	**419**	1,124	**126**	30
	15,490	19,644	**3,542**	3,668
Non-current	**–**	404	**–**	–
Current	**15,490**	19,240	**3,542**	3,668
	15,490	19,644	**3,542**	3,668

Trade payables and accrued operating expenses include a provision for sales rebate of $2,479,000 (2013: $2,479,000) relating to the agreement that the Company entered into with a customer in 2012. A subsidiary of the Company, which was disposed off during the year, was a defendant for alleged damages and compensation arising from the sales of products in 2010 by the subsidiary to that customer. The Company subsequently entered into the sales rebate agreement with the customer by way of settlement.

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

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX

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

	At 1 January 2013 $'000	Recognised in profit or loss (Note 21) $'000	Translation adjustment $'000	At 31 December 2013 $'000	Recognised in profit or loss (Note 21) $'000	Translation adjustment $'000	At 31 December 2014 $'000
Group							
Deferred tax liabilities							
Property, plant and equipment	193	468	10	671	(719)	48	–
Trade and other payables	–	–	–	–	(25)	1	(24)
Others	–	–	–	–	76	(3)	73
	193	468	10	671	(668)	46	49
Deferred tax assets							
Property, plant and equipment	–	–	–	–	(124)	–	(124)
Trade and other payables	–	–	–	–	(72)	(1)	(73)
Tax loss carry-forward	–	–	–	–	(1,534)	(65)	(1,599)
Others	–	(68)	–	(68)	68	–	–
	–	(68)	–	(68)	(1,662)	(66)	(1,796)
Company							
Deferred tax liabilities							
Property, plant and equipment	87	–	–	87	(87)	–	–
Deferred tax assets							
Property, plant and equipment	–	–	–	–	(2)	–	(2)
Trade and other payables	–	–	–	–	(40)	–	(40)
Tax loss carry-forward	–	–	–	–	(286)	–	(286)
	–	–	–	–	(328)	–	(328)

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

NOTES TO THE FINANCIAL STATEMENTS

15 DEFERRED TAX (CONT'D)

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities	**49**	603	**–**	87
Deferred tax assets	**(1,796)**	–	**(328)**	–

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

16 PROVISIONS

	Warranties	
	2014	2013
	$'000	$'000
Group		
At 1 January	**246**	344
Provisions reversed	**(60)**	(108)
Translation adjustment	**13**	10
At 31 December	**199**	246

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

NOTES TO THE FINANCIAL STATEMENTS

17 SHARE-BASED PAYMENT

Employee share options

The AEM Holdings Share Option Scheme (the Scheme) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2014. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising three directors. The members of the Remuneration Committee during the year were:

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

Other information regarding the Scheme is set out below:

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

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

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

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

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

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

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

There is no option outstanding at 31 December 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

17 SHARE-BASED PAYMENT (CONT'D)

Performance share plan

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

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

During the year, 2,800,000 (2013: 5,700,000) performance shares were granted to certain key management personnel. The weighted average fair value of the shares granted was $0.077 (2013: $0.097) per share, based on the closing share price of the Company at the grant dates.

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

The balances are:

	2014	2013
	$'000	$'000
Share compensation reserve		
At 1 January and 31 December	**230**	230

18 REVENUE

	Continuing operations		**Discontinued operations (Note 29)**		**Consolidated**	
	2014	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Group						
Sale of goods	**30,107**	44,530	**4,314**	9,500	**34,421**	54,030
Revenue from services rendered	**753**	1,114	**–**	645	**753**	1,759
	30,860	45,644	**4,314**	10,145	**35,174**	55,789

NOTES TO THE FINANCIAL STATEMENTS

19 FINANCE INCOME AND FINANCE COSTS

	Group	
	2014	2013
	$'000	$'000
Interest income	**48**	155
Interest expense	**(11)**	(23)
Net finance income	**37**	132

20 (LOSS)/PROFIT BEFORE TAX

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

	2014	2013
	$'000	$'000
Audit fees paid/payable to:		
– auditors of the Company	**167**	155
– other auditors	**16**	21
Non-audit fees paid/payable to		
– auditors of the Company	**14**	22
– other auditors	**2**	2
Allowance made/(reversed) for inventories obsolescence	**6,244**	(28)
Contributions to defined contribution plans included in staff costs	**1,015**	946
Directors' fees	**239**	239
Foreign exchange gain	**(443)**	(36)
Loss/(gain) on disposal of property, plant and equipment	**281**	(103)
Gain on liquidation of dormant entities	**(1,118)**	–
Loss on disposal of a subsidiary	**14,730**	–
Impairment loss on property, plant and equipment	**2,798**	–
Intangible assets written off	**3,417**	–
Operating lease expense	**2,822**	2,601
Provision reversed for warranties	**(60)**	(108)
Rental income	**(1,122)**	(1,118)
Research and development costs included in staff costs, materials, overheads and depreciation expense	**98**	1,668
(Reversal of)/impairment loss on trade receivables	**(774)**	648

NOTES TO THE FINANCIAL STATEMENTS

21 TAX (CREDIT)/EXPENSE

	Group	
	2014	2013
	$'000	$'000
Current tax expense		
Current year	**58**	96
Underprovision in prior years	**138**	398
	196	494
Deferred tax expense		
Origination and reversal of temporary differences	**(1,887)**	400
Overprovision in prior years	**(443)**	–
	(2,330)	400
Total tax (credit)/expense	**(2,134)**	894
Reconciliation of effective tax rate		
Loss before tax	**(29,442)**	(7,034)
Income tax using Singapore tax rate of 17%	**(5,005)**	(1,196)
Effect of different tax rates in other countries	**(344)**	(70)
Expenses not deductible for tax purposes	**2,937**	1,221
(Over)/underprovision in prior years	**(305)**	398
Income not subject to tax	**(102)**	(1,385)
Unrecognised temporary differences	**390**	1,997
Current year losses for which no deferred tax asset was recognised	**222**	–
Others	**73**	(71)
	(2,134)	894

NOTES TO THE FINANCIAL STATEMENTS

22 LOSS PER SHARE

The basic loss per share is based on net loss attributable to ordinary shareholders of loss $34,603,000 (2013: $4,073,000) and the weighted average of 442,875,000 (2013: 443,718,000) shares outstanding during the year.

The diluted loss per share is based on net loss attributable to ordinary shareholders of loss $34,603,000 (2013: $4,073,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 442,875,000 (2013: 443,718,000), calculated as follows:

	Group					
	2014			2013		
	Continuing operations $'000	**Discontinued operation $'000**	**Total $'000**	Continuing operations $'000	Discontinued operation $'000	Total $'000
Basic and diluted earnings per share is based on:						
Loss/(profit) attributable to ordinary shareholders	**27,308**	**7,295**	**34,603**	(758)	4,831	4,073

	Number of shares	
	2014 '000	2013 '000
Weighted average number of ordinary shares used in calculation of basic earnings per share	**442,875**	443,718
Weighted average number of ordinary issued and potential shares assuming full conversion	**442,875**	443,718

NOTES TO THE FINANCIAL STATEMENTS

23 COMMITMENTS

Operating lease commitments

At 31 December 2014, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014	2013
	$'000	$'000
Payable:		
– Within 1 year	**2,102**	4,912
– After 1 year but within 5 years	**5,565**	2,935
	7,667	7,847

Included in the above is a leasehold property for a period of 10 years, commencing from 4 April 2005, with an option to renew for a further 10 years. The lease will expire on 3 April 2015. The Group has entered into a new lease contract following the expiry of its current lease, commencing from 4 April 2015, for a period of 5 years.

Sub-lease receivables

At 31 December 2014, the Group has minimum sub-lease income receivable under non-cancellable operating leases as follows:

	Group	
	2014	2013
	$'000	$'000
Receivable:		
– Within 1 year	**268**	1,163
– After 1 year but within 5 years	**–**	267
	268	1,430
Capital commitments		
Authorised and contracted for	**194**	565

As at 31 December 2014, the Group has entered into contracts to purchase plant and equipment for $194,000 (2013: $565,000).

NOTES TO THE FINANCIAL STATEMENTS

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2014	2013
	$'000	$'000
Professional fees paid to a legal firm of which a director is a partner	**15**	–

Key management personnel compensation comprised:

	Group	
	2014	2013
	$'000	$'000
Short-term employee benefits	**1,623**	1,530
Post-employment benefits	**125**	112
	1,748	1,642

25 SEGMENT INFORMATION

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

The Group revised the reportable segments in accordance to *FRS 108 Operating Segments*, following the change of Chief Executive Officer ("CEO") in 2014, on the same basis as that used for internal reporting purposes. The corresponding information of earlier period will be re-presented. The change in reportable segments of the Group has not resulted in any changes in the measurement of profit or loss for each reportable segment.

The Group's reportable segments are as follows:

- Equipment systems solutions (ESS)
  Providing customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories.
- Precision component solutions (PCS)
  Designing, developing and manufacturing precision engineering products used in the electronics, life sciences, instrumentation and aerospace industries.
- Plating & others (PLT)
  Developing processes and associated chemical product formulations for surface finishing in the electronics industry.

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

NOTES TO THE FINANCIAL STATEMENTS

25 SEGMENT INFORMATION (CONT'D)

Information about reportable segments:

	ESS $'000	PCS $'000	PLT $'000	Total $'000
2014				
Total revenue from external customers	22,544	7,563	753	30,860
Inter-segment revenue	2,175	–	–	2,175
Reportable segment revenue	24,719	7,563	753	33,035
Depreciation and amortisation	(1,291)	(399)	(200)	(1,890)
Finance income	35	12	1	48
Finance costs	(11)	–	–	(11)
Tax credit	2,022	100	12	2,134
Loss for the year	(11,144)	(61)	(16,103)	(27,308)
Reportable segment assets	27,740	6,183	2,108	36,031
Reportable segment liabilities	15,171	2,651	282	18,104
Other segment information				
Expenditure for non-current assets	1,174	25	654	1,853
Other material non-cash items:				
Gain on liquidation of dormant subsidiaries	–	–	(1,118)	(1,118)
Loss on disposal of a subsidiary	–	–	14,730	14,730
Impairment loss on/(reversal of) trade receivables	1	5	(780)	(774)
Allowance made/(reversed) for stock obsolescence	6,049	203	(8)	6,244
Impairment loss on property, plant and equipment	–	–	2,798	2,798
Intangible assets written off	3,417	–	–	3,417
2013				
Total revenue from external customers	37,238	7,293	1,113	45,644
Inter-segment revenue	732	713	–	1,445
Reportable segment revenue	37,970	8,006	1,113	47,089
Depreciation and amortisation	(666)	(429)	(277)	(1,372)
Finance income	154	1	–	155
Finance costs	(23)	–	–	(23)
Tax expense	(718)	(164)	(12)	(894)
Gain/(loss) for the year	1,815	(139)	(918)	758
Reportable segment assets	79,563	7,760	1,813	89,136
Reportable segment liabilities	21,088	2,569	347	24,004
Other segment information				
Expenditure for non-current assets	1,601	43	81	1,725
Other material non-cash items:				
Gain on disposal of property, plant and equipment	(103)	–	–	(103)
Impairment loss on/(reversal of) trade receivables	578	82	(12)	648
Reversal of allowance made for stock obsolescence	(25)	(3)	–	(28)

NOTES TO THE FINANCIAL STATEMENTS

25 SEGMENT INFORMATION (CONT'D)

Reconciliations of reportable segment revenues, assets and liabilities

	2014 $'000	2013 $'000
Revenues		
Total revenue for reportable segments	**37,349**	57,234
Elimination of inter-segment revenue	**(2,175)**	(1,445)
Elimination of discontinued operation	**(4,314)**	(10,145)
Consolidated revenue	**30,860**	45,644
Assets		
Total assets for reportable segments	**51,484**	146,791
Elimination of inter-segment balances	**(15,453)**	(57,655)
Consolidated total assets	**36,031**	89,136
Liabilities		
Total liabilities for reportable segments	**58,211**	73,769
Elimination of inter-segment balances	**(40,107)**	(49,765)
Consolidated total liabilities	**18,104**	24,004

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.

	2014		2013	
	Revenue $'000	**Non-current assets $'000**	Revenue $'000	Non-current assets $'000
				(Restated)*
Singapore	**2,631**	**3,709**	2,754	32,480
Malaysia	**5,754**	**3,580**	20,286	6,605
China	**3,819**	**1,050**	4,707	1,505
USA	**12,838**	**1**	13,928	–
Indonesia	**126**	–	287	–
Vietnam	**4,325**	–	3,231	–
Other countries	**1,367**	–	451	–
	30,860	**8,340**	45,644	40,590

* *See note 30*

Major customers

Revenues from the top 3 customers and their related companies amount to $24,592,000 (2013: $37,250,000) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT

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

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

Credit risk

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

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

At the reporting date, three major customers accounted for 70% (2013: 34%) of total trade receivables of the Group. There is no other concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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

Liquidity risk

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

Market risk

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

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

Foreign currency risk of reporting subsidiaries

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

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

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

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

Foreign currency risk of the Group and Company

The Group's and Company's primary exposure to foreign currency risks, based on information provided to key management are as follows:

	31 December 2014		31 December 2013	
	SGD	**USD**	SGD	USD
	$'000	**$'000**	$'000	$'000
Group				
Trade and other receivables	**446**	**123**	488	205
Cash and cash equivalents	**2,301**	**398**	3,976	231
Trade and other payables	**(2,042)**	**(12)**	(5,529)	(36)
Financial liabilities	**(202)**	**–**	(1,604)	–
	503	**509**	(2,669)	400
Company				
Cash and cash equivalents	**–**	**60**	–	86

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Group		**Company**	
	Profit or loss		**Profit or loss**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
SGD	**(50)**	267	–	–
USD	**(51)**	(40)	**(6)**	(9)

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

Translation risk arising from reporting of Group consolidated results in SGD

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

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

	31 December 2014			31 December 2013		
	USD	**MYR**	**RMB**	USD	MYR	RMB
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Group						
Net assets/(liabilities)	**6,962**	**(20,386)**	**1,147**	50,619	(17,837)	2,425

Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (Cont'd)

Cash flow sensitivity for variable rate instruments

A change of 100 bp in interest rates at the reporting date would increase/(decrease) equity and profit or loss after tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss		Equity	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp Decrease $'000
Group				
31 December 2014				
Variable rate instruments	(2)	2	(2)	2
31 December 2013				
Variable rate instruments	(13)	13	(13)	13

Estimation of fair value

Financial assets and liabilities

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

Interest rates used in determining fair values

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

	2014 %	2013 %
Secured floating rate loans	3.26%	2.92%

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL RISK MANAGEMENT (CONT'D)

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

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

	Note	**2014**		2013	
		Carrying amount $'000	**Fair value $'000**	Carrying amount $'000	Fair value $'000
Group					
Financial liabilities					
Secured floating rate loans	13	**202**	**194**	1,604	1,529
Unrecognised gain			**8**		75

27 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

27 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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

	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities offset in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000
Company			
31 December 2014			
Financial assets			
Amounts due from subsidiaries:			
– trade	**2,503**	**(3)**	**2,500**
– non-trade	**820**	**(300)**	**520**
Total	**3,323**	**(303)**	**3,020**
31 December 2013			
Financial assets			
Amounts due from subsidiaries:			
– trade	872	(3)	869
– non-trade	4,743	(290)	4,453
Total	5,615	(293)	5,322

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

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

- amounts due from subsidiaries – amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS

27 OFFSETTING FINANCIAL ASSETS AND LIABILITIES (CONT'D)

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

Company

31 December 2014

Types of financial assets	**Net amounts $'000**	**Line item in statement of financial position**	**Carrying amount in statement of financial position $'000**	**Financial assets not in scope of offsetting disclosures $'000**	**Note**
Amounts due from subsidiaries:		**Current trade and other receivables**	**4,374**	**1,354**	**8**
– trade	**2,500**				
– non-trade	**520**				

31 December 2013

Types of financial assets	Net amounts $'000	Line item in statement of financial position	Carrying amount in statement of financial position $'000	Financial assets not in scope of offsetting disclosures $'000	Note
Amounts due from subsidiaries:		Current trade and other receivables	5,381	59	8
– trade	869				
– non-trade	4,453				

28 CONTINGENT LIABILITY

Financial Guarantee

As at 31 December 2014, the Company has given unsecured guarantees to certain banks for the banking facilities amounting to $202,000 (2013: $1,604,000), extended to one of its wholly-owned subsidiaries.

Performance Guarantee

A performance guarantee of $2,518,000 (2013: $2,400,000) was issued to a supplier by a bank for the rental of the office building at 52 Serangoon North Avenue 4, Singapore 555853.

NOTES TO THE FINANCIAL STATEMENTS

29 DISCONTINUED OPERATIONS

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

		Group	
	Note	**2014**	2013
		$'000	$'000
Results of discontinued operation			
Revenue		**4,314**	10,145
Expenses		**(16,950)**	(18,831)
Loss from operating activities		**(12,636)**	(8,686)
Tax		**–**	–
Loss from operating activities, net of tax		**(12,636)**	(8,686)
Loss for the year		**(12,636)**	(8,686)
Basic loss per share (cents)	22	**(1.64)**	(1.09)
Diluted loss per share (cents)	22	**(1.64)**	(1.09)

$7,295,000 (2013: $5,014,000) of the loss from discontinued operations was attributable to the owners of the Company.

$27,308,000 of loss from continuing operations (2013: gain from continuing operations of $758,000) was attributable to the owners of the Company.

	Group	
	2014	2013
	$'000	$'000
Cash flows from discontinued operation		
Net cash (used in)/generated from operating activities	**(7,277)**	6,129
Net cash used in investing activities	**(5,628)**	(21,241)
Net cash generated from financing activities	**5,621**	2,359
Effect of exchange rate fluctuations on cash held	**93**	514
Net cash outflow for the year	**(7,191)**	(12,239)

NOTES TO THE FINANCIAL STATEMENTS

29 DISCONTINUED OPERATIONS (CONT'D)

Effect of disposal on the financial position of the Group

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

NOTES TO THE FINANCIAL STATEMENTS

30 PRIOR YEAR RESTATEMENT

The retained earnings as at 1 January 2013 has been restated with a credit of $935,000 due to elimination entries relating to several property, plant and equipment that should not have been recorded in the consolidated financial statements. These elimination entries were mainly related to the impairment and depreciation expenses relating to property, plant and equipment. As a result of the adjustments passed, the Group has restated comparative information on property, plant and equipment and accumulated profits.

The following tables summarise the impacts resulting from the adjustments passed:

Statement of financial position
As at 1 January 2013

	As previously reported $'000	Adjustments $'000	As restated $'000
Property, plant and equipment	16,555	935	17,490
Accumulated profits	(31,370)	(935)	(32,305)

As a result of the restatement of the opening balances as at 1 January 2013, the 1 January 2014 balances were also restated as follows:

Statement of financial position
As at 1 January 2014

	As previously reported $'000	**Adjustments $'000**	**As restated $'000**
Property, plant and equipment	**31,151**	**935**	**32,086**
Accumulated profits	**(25,726)**	**(935)**	**(26,661)**

INFORMATION ON SHAREHOLDINGS

Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 99	10	0.36%	237	0.00%
100 – 1,000	86	3.11%	54,954	0.01%
1,001 – 10,000	774	27.96%	6,162,431	1.37%
10,001 – 1,000,000	1,856	67.05%	148,186,412	32.85%
1,000,001 AND ABOVE	42	1.52%	296,722,726	65.77%
	2,768	100%	451,126,760	100%

Number of issued shares	:	451,126,760
Number of issued shares (excluding treasury shares)	:	443,476,760
Number/Percentage of Treasury Shares	:	7,650,000/1.70%
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available to the Company as at 17 March 2015, approximately 66.09% 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.

INFORMATION ON SHAREHOLDINGS

Top Twenty Shareholders as at 17 March 2015

S/No.	Name	No. of Shares	Percentage
1	CIMB SECURITIES (S'PORE) PTE LTD	122,551,021	27.17%
2	TOK KIAN YOU	29,461,168	6.53%
3	TEN SOO LAN @ TEO SOO LAN	15,432,000	3.42%
4	OCBC SECURITIES PRIVATE LTD	10,662,000	2.36%
5	DBS NOMINEES PTE LTD	10,469,000	2.32%
6	CHOK YEAN HUNG	6,033,000	1.34%
7	TAN CHAI PENG	5,811,000	1.29%
8	LIM & TAN SECURITIES PTE LTD	5,761,000	1.28%
9	OCBC NOMINEES SINGAPORE PTE LTD	5,642,800	1.25%
10	RHB SECURITIES SINGAPORE PTE LTD	5,023,000	1.11%
11	GORDON CAI ZHEN QIANG	5,000,000	1.11%
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,450,000	0.99%
13	TAN MEI MUI	4,381,000	0.97%
14	RAFFLES NOMINEES (PTE) LTD	4,051,000	0.90%
15	MAYBANK NOMINEES (S) PTE LTD	3,973,000	0.88%
16	DBSN SERVICES PTE LTD	3,625,000	0.80%
17	TAM KWOK WING	3,340,000	0.74%
18	ONG ENG BOON	3,100,000	0.69%
19	LEE DAH KHANG	3,025,000	0.67%
20	MAYBANK KIM ENG SECS PTE LTD	3,013,000	0.67%
		254,803,989	56.49%

Substantial Shareholders

As shown in the Register of Substantial Shareholders

	No of Shares			
Name of Shareholder	**Direct Int**	**%**	**Deemed Int**	**%**
Orion Phoenix	120,183,121	27.1	–	–
Novo Tellus PE Fund 1, L.P.[1]	–	–	120,183,121	27.1
Tok Kian You	29,691,168	6.69	–	–

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2015 Annual General Meeting of the Company will be held at Serangoon Gardens Country Club, 22 Kensington Park Road Singapore 557271 (ballroom 3, Heliconia wing) on Tuesday, 28 April 2015 at 3:00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2014. Resolution 1

2. To re-elect the following Director retiring pursuant to the Company's Articles of Association: Resolution 2

   Mr Loke Wai San (Article 103)

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

   Mr Toh Hsiang-Wen Keith (Article 107)

4. To approve the Directors' fees of $266,500 for the financial year ending 31 December 2015, payable quarterly in arrears. Resolution 4

5. To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Resolution 5

AS SPECIAL BUSINESS

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

6. **Proposed Share Issue Mandate** Resolution 6

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

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

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

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

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

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provided that:

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

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

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

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

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

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

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

[See Explanatory Note (i)]

7. **Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan** Resolution 7

"That:

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

[See Explanatory Note (ii)]

8. **Share Purchase Mandate Renewal** Resolution 8

"That:

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

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

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

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

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

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

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

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

In this Resolution:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

where:

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

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

[See Explanatory Note (iii)]

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

Explanatory Notes:

(i) The proposed Resolution 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(ii) The proposed Resolution 7 above, if passed, will empower the Directors to take certain actions relating to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan. Directors may exercise their power to issue and allot shares in the Company pursuant to the exercise of options under the AEM Holdings Employee Share Option Scheme 2014 or the vesting of the awards under the AEM Performance Share Plan, provided that the aggregate number of shares to be issued and allotted shall not exceed fifteen per cent (15%) of the total number of issued shares excluding treasury shares in the capital of the Company from time to time. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution No. 6.

NOTICE OF ANNUAL GENERAL MEETING

(iii) The proposed Resolution 8 above, if passed, will empower the Directors of the Company from the date of above Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to ten per cent (10%) of the issued shares in the capital of the Company as at the date of this Resolution at a Maximum Price (as defined in Resolution 8 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 8 above) is set out in the Letter to Shareholders dated 13 April 2015.

By Order Of the Board

Soh Wai Kong
Company Secretary

Date: 13 April 2015

Notes:

(a) A member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

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

(c) The form of proxy must be signed by the appointor or his attorney duly authorised in writing.

(d) In the case of joint shareholders, all holders must sign the form of proxy.

Personal Data Privacy:

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

AEM HOLDINGS LTD.

Registration Number: 200006417D

(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. This Annual Report is also forwarded to investors who have used their CPF monies to buy shares in the Company at the request of their CPF Approved Nominees, and is sent solely for their information only.
2. The Proxy form is, therefore, not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____

of _____

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

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and if necessary, to demand a poll at the 2015 Annual General Meeting of the Company to be held at Serangoon Gardens Country Club, 22 Kensington Park Road Singapore 557271 (ballroom 3, Heliconia wing) on Tuesday, 28 April 2015 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.)

	RESOLUTION	**To be used on a show of hands**		**To be used in the event of a poll**	
		For**	**Against****	**No. of Votes For*****	**No. of Votes Against*****
1	Directors' Report and Audited Accounts for the year ended 31 December 2014				
2	Re-election of Mr Loke Wai San as Director				
3	Re-election of Mr Toh Hsiang-Wen Keith as Director				
4	Approval of Directors' fees for the year ending 31 December 2015				
5	Re-appointment of KPMG LLP as Auditors				
6	Proposed Share Issue Mandate				
7	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				
8	Share Purchase Mandate				

Dated this _____ day of _____ 2015

Total number of Shares held

_____

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

* Please delete accordingly.

** Please indicate your vote "For" or "Against" with a tick "✓" within the box provided.

*** If you wish to exercise all your votes "For" or "Against", please indicate with a tick "✓" within the box provided. Alternatively, please indicate the number of votes as appropriate.

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 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy.
4. 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 either under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50.
6. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at Level 1, 52 Serangoon North Avenue 4 Singapore 555853 c/o The Company Secretary not later than 48 hours before the time set for the Annual General Meeting.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register at 48 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 13 April 2015.

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

AEM HOLDINGS LIMITED

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