

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 30 September 2017**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		3Q2017 S\$'000	3Q2016 S\$'000	Change* %	9M2017 S\$'000	Restated** 9M2016 S\$'000	Change* %
Revenue		58,113	21,299	172.8%	162,574	50,571	221.5%
Other income		16	91	-82.4%	154	184	-16.3%
Changes in inventories of finished goods and work-in-progress	A.2	8,682	(2,597)	434.3%	21,765	3,551	512.9%
Raw materials and other consumables	A.2	(44,564)	(11,079)	-302.2%	(133,329)	(34,980)	-281.2%
Staff costs		(7,336)	(3,361)	-118.3%	(17,364)	(9,546)	-81.9%
Depreciation of property, plant and equipment		(140)	(159)	11.9%	(430)	(503)	14.5%
Amortisation of intangible assets		(12)	(38)	68.4%	(40)	(129)	69.0%
Other expenses	A.3	(3,115)	(1,238)	-151.6%	(7,132)	(4,076)	-75.0%
Finance expenses		(6)	(5)	-20.0%	(27)	(16)	-68.8%
Share of profit of an associate		26	(230)	111.3%	46	(230)	120.0%
Profit before taxation		11,664	2,683	334.7%	26,217	4,826	443.2%
Income tax expenses	1.1	(2,237)	(441)	-407.3%	(4,441)	(896)	-395.6%
Profit after tax from continuing operations		9,427	2,242	320.5%	21,776	3,930	454.1%
Loss from discontinued operation		-	-	NM	-	(109)	100.0%
Profit for the period		9,427	2,242	320.5%	21,776	3,821	469.9%
<u>Other comprehensive income</u>							
Translation loss relating to financial statements of foreign subsidiaries, net of tax		(966)	174	-655.2%	(2,225)	(687)	-223.9%
Effect of liquidation and disposal of subsidiaries		-	-	NM	695	(645)	207.8%
Other comprehensive (loss)/ income for the period, net of tax		(966)	174	-655.2%	(1,530)	(1,332)	-14.9%
Total comprehensive income for the period		8,461	2,416	250.2%	20,246	2,489	713.4%

* Increase/(Decrease) in Earnings

NM: Not Meaningful

**The Group sold its interest in AEM (Suzhou) Co. Ltd. (ASZ) in 1Q2016. Consequently, the comparative statement of profit or loss has been restated to show the discontinued operation separately from continuing operations

1.1 The Group provided for tax expenses as a result of the profits in both 3Q2017 and 9M2017.

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

Total comprehensive income attributable to:

Owners of the Company		8,461	2,416	250.2%	20,246	2,489	713.4%
Total comprehensive income for the period		8,461	2,416	250.2%	20,246	2,489	713.4%

* Increase/(Decrease) in Earnings

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

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

	Note	Quarterly Results			YTD Results		
		3Q2017 S\$'000	3Q2016 S\$'000	Change* %	9M2017 S\$'000	Restated** 9M2016 S\$'000	Change* %
Government grant income		-	-	NM	52	88	-40.9%
Interest income		10	1	900.0%	15	15	0.0%
Exchange (loss)/ gain, net	A.1(a)	(778)	34	NM	(1,160)	(566)	-105.0%
Reversal of inventory obsolescence	A.1(b) , A.2	-	133	-100.0%	537	495	8.5%
Refund of property tax		-	-	NM	76	-	NM
Loss on liquidation of dormant subsidiaries	A.1(c)	-	-	NM	(695)	(15)	NM

* Increase/(Decrease) in Earnings
NM: Not Meaningful

- A.1 (a)** The foreign exchange loss in 3Q2017 and 9M2017 arose mainly due to depreciation of the United States dollar against the Singapore dollar and Malaysian Ringgit, resulting from the translation of our working capital.
- A.1 (b)** In 9M2017, there were reversals of allowance for inventory obsolescence due to utilisation of obsolete inventories.
- A.1 (c)** The Group liquidated two of its wholly owned subsidiaries which had been dormant for some time, resulting in a disposal loss of S\$695,000 in 1Q2017, mainly arising from the realisation of foreign currency translation losses.

1(a)(iii). Explanatory Notes to Consolidated Income Statement (Cont'd)

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	3Q2017 S\$'000	3Q2016 S\$'000	Change* %	9M2017 S\$'000	Restated** 9M2016 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding allowance for inventory obsolescence	8,682	(2,730)	418.0%	21,228	3,056	594.6%
Raw materials and consumables cost	(44,564)	(11,079)	-302.2%	(133,329)	(34,980)	-281.2%
Material cost before provision and reversal of obsolescence	(35,882)	(13,809)	-159.8%	(112,101)	(31,924)	-251.1%
Reversal of inventory obsolescence	-	133	-100.0%	537	495	8.5%
Total	(35,882)	(13,676)	-162.4%	(111,564)	(31,429)	-255.0%

* Increase/(Decrease) Earnings
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, increased from S\$13.8 million in 3Q2016 to S\$35.9 million in 3Q2017, representing an increase of 159.8%, and from S\$32.0 million in 9M2016 to S\$112.1 million in 9M2017, representing an increase of 251.1%. The raw materials and other consumables cost increase in 3Q2017 was lower than revenue increase mainly due to favourable change in revenue and margin mix, favourable change in price from SGD to USD billing, and increase in engineering service revenue for new development projects.

A.3 Other expenses (excluding staff costs, depreciation and amortisation)

	Note	Quarterly Results			YTD Results		
		3Q2017 S\$'000	3Q2016 S\$'000	Change* %	9M2017 S\$'000	Restated** 9M2016 S\$'000	Change* %
Rental, utilities and upkeep	A.3(a)	882	671	-31.4%	2,351	1,990	-18.1%
Sales, marketing & general expenses	A.3(b)	1,455	567	-156.6%	2,926	1,479	-97.8%
Loss on liquidation of subsidiaries	A.1(c)	-	-	NM	695	15	NM
Loss on disposal of property, plant and equipment		-	-	NM	-	26	100.0%
Foreign exchange loss	A.1(a)	778	-	NM	1,160	566	-104.9%
Total		3,115	1,238	-151.6%	7,132	4,076	-75.0%

* Increase/(Decrease) in Earnings
NM: Not Meaningful

A.3 (a) The increase in rental, utilities and upkeep in 3Q2017 and 9M2017 compared to 3Q2016 and 9M2016 were mainly due to higher rental and upkeep of facilities from the increased production space to fulfill the increased sales orders.

A.3 (b) In 3Q2017 and 9M2017, sales, marketing and general expenses increased 156.6% from S\$567,000 to S\$1.5 million and increased 97.8% from S\$1.5 million to S\$2.9 million respectively mainly due to higher sales resulting in higher costs in packing and delivery, overseas travel, professional charges and withholding tax.

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

	Note	Group		Company	
		30-Sep-17 S\$'000	31-Dec-16 S\$'000	30-Sep-17 S\$'000	31-Dec-16 S\$'000
Non-current assets					
Property, plant and equipment		2,225	2,226	32	40
Intangible assets		48	65	-	1
Subsidiaries		-	-	10,194	10,194
Associate		4,295	4,499	4,667	4,667
Deferred tax asset		4	76	4	4
		6,572	6,866	14,897	14,906
Current assets					
Inventories	B.1	36,741	17,443	-	-
Trade and other receivables	B.2	25,957	17,777	5,252	3,758
Cash and cash equivalents	B.3	25,012	6,310	4,570	914
		87,710	41,530	9,822	4,672
Total assets		94,282	48,396	24,719	19,578
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	39,737	39,737	39,737	39,737
Other reserves	1(d)(i)	(12,362)	(11,348)	10	(505)
Accumulated gains/ (losses)	1(d)(i)	22,769	1,839	(18,102)	(20,831)
Total equity		50,144	30,228	21,645	18,401
Non-current liabilities					
Financial liabilities	1(b)(ii)	-	7	-	-
Provision		256	280	-	17
Deferred tax liabilities		-	42	-	-
		256	329	-	17
Current liabilities					
Trade and other payables	B.4	38,868	16,713	2,643	1,149
Financial liabilities	1(b)(ii)	26	78	-	-
Current tax payable	B.5	4,668	805	431	11
Provisions		320	243	-	-
		43,882	17,839	3,074	1,160
Total liabilities		44,138	18,168	3,074	1,177
Total equity and liabilities		94,282	48,396	24,719	19,578

- B.1** The increase in inventories was mainly due to increase in sales, business volume and inventory builds for fulfillment of sales orders over the next few quarters.
- B.2** Trade and other receivables increased mainly due to the increased sales in 9M2017.
- B.3** The cash and cash equivalent of the Group increased by S\$19.2 million in 9M2017 was mainly due to increased cash flows from operating activities of S\$20.8 million being generated arising mainly from the operating profit.
- B.4** The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.
- B.5** The increase in current tax payable was due to increased profits in 9M2017.

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

	30-Sep-17 S\$'000	31-Dec-16 S\$'000
Amount repayable in one year or less, or on demand		
- Secured short term borrowing	-	-
- Secured finance lease liabilities	26	78
	26	78
Amount repayable after one year		
- Secured finance lease liabilities	-	7
Total	26	85

The finance lease liabilities are secured by both the corporate guarantee from AEM Holdings Ltd and fixed charge on the equipment being financed.

1(c). Consolidated Cash Flow Statement

	Note	3Q2017 S\$'000	3Q2016 S\$'000	9M2017 S\$'000	9M2016 S\$'000
Operating activities					
Profit from continuing operations		9,427	2,242	21,776	3,930
Loss from discontinued operations		-	-	-	(109)
Profit for the period		9,427	2,242	21,776	3,821
Adjustments for:					
Depreciation and amortisation		152	197	470	669
(Gain)/ loss on disposal of property, plant and equipment		-	-	(3)	26
Fixed asset written off		-	-	-	4
Loss on liquidation of dormant subsidiaries		-	-	695	15
Refund of property tax		-	-	(76)	-
Reversal for inventories obsolescence		-	(133)	(537)	(600)
Interest income		(10)	(1)	(15)	(15)
Interest expense		6	5	27	16
Provision provided/ (reversed) for warranties		181	(34)	53	(43)
Equity settled share based payment transaction		457	29	718	29
Tax expense		2,290	441	4,456	896
Share of (profit)/ loss from equity accounted investee, net of tax		(26)	230	(46)	230
Operating profit before working capital changes		12,477	2,976	27,518	5,048
Changes in:					
Inventories		(8,794)	2,483	(20,594)	(3,033)
Trade and other receivables		16,573	(4,463)	(9,628)	(6,631)
Trade and other payables		778	759	23,854	4,531
Cash from/ (used in) operations		21,034	1,755	21,150	(85)
Income tax (paid)/ recovered		(126)	141	(400)	141
Cash flows from operating activities		20,908	1,896	20,750	56

1(c). Consolidated Cash Flow Statement (Cont'd)

	Note	3Q2017 S\$'000	3Q2016 S\$'000	9M2017 S\$'000	9M2016 S\$'000
Investing activities					
Interest income		10	1	15	15
Purchase of property, plant and equipment		(301)	-	(528)	(295)
Proceeds from disposal of subsidiary		-	124	-	2,675
Refund of property tax		-	-	76	-
Proceeds from sale of property, plant and equipment		-	1,128	3	1,128
Acquisition of intangible assets		-	-	(25)	(1)
Acquisition of equity-accounted investee		-	-	-	(4,000)
Net cash (used in)/ from investing activities		(291)	1,253	(459)	(478)
Financing activities					
Interest paid		(6)	(5)	(27)	(16)
Repayment of finance lease liabilities		(26)	(19)	(58)	(57)
Proceeds from short term borrowings		-	-	1,351	-
Repayment of short term borrowings		(1,351)	-	(1,351)	-
Dividend payment		-	(218)	(846)	(658)
Purchase of treasury shares		(162)	(225)	(207)	(487)
Share options exercised		5	-	5	-
Net cash used in financing activities		(1,540)	(467)	(1,133)	(1,218)
Net increased/ (decreased) in cash and cash equivalents		19,077	2,682	19,158	(1,640)
Cash and cash equivalents at beginning of period		5,271	5,786	6,310	10,363
Effect of exchange rate changes on balances held in foreign currencies		664	(63)	(456)	(318)
Cash and cash equivalents at end of period		25,012	8,405	25,012	8,405

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

Group	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
As at 1 Jan 2016	39,737	(489)	214	230	(13,030)	(2,160)	24,502
Changes in equity for the period							
Profit for the period	-	-	-	-	-	241	241
Foreign currency translation differences	-	-	-	-	(424)*	-	(424)
Liquidation of a dormant subsidiary	-	-	-	-	15	-	15
Total comprehensive (loss)/ income for the period	-	-	-	-	(409)	241	(168)
Own shares acquired	-	(105)	-	-	-	-	(105)
Total transactions with owners for the period	-	(105)	-	-	-	-	(105)
As at 31 Mar 2016	39,737	(594)	214	230	(13,439)	(1,919)	24,229
Profit for the period	-	-	-	-	-	1,338	1,338
Foreign currency translation differences	-	-	-	-	(437)*	-	(437)
Disposal of a dormant subsidiary	-	-	-	-	(5,254)	4,594	(660)
Total comprehensive (loss)/ income for the period	-	-	-	-	(5,691)	5,932	241
Own shares acquired	-	(157)	-	-	-	-	(157)
Dividend declared	-	-	-	-	-	(440)	(440)
Total transactions with owners for the period	-	(157)	-	-	-	(440)	(597)
As at 30 Jun 2016	39,737	(751)	214	230	(19,130)	3,573	23,873
Profit for the period	-	-	-	-	-	2,242	2,242
Foreign currency translation differences	-	-	-	-	174 *	-	174
Total comprehensive income for the period	-	-	-	-	174	2,242	2,416
Issue of share options	-	-	-	29	-	-	29
Own shares acquired	-	(225)	-	-	-	-	(225)
Dividend declared	-	-	-	-	-	(218)	(218)
Total transactions with owners for the period	-	(225)	-	29	-	(218)	(414)
As at 30 Sep 2016	39,737	(976)	214	259	(18,956)	5,597	25,875

* The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currency other than SGD.

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

Group	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	S\$'000
As at 1 Jan 2017	39,737	(1,264)	161	759	(11,004)	1,839	30,228
Changes in equity for the period							
Profit for the period	-	-	-	-	-	4,136	4,136
Foreign currency translation differences	-	-	-	-	(683)*	-	(683)
Liquidation of a dormant subsidiary	-	-	-	-	695	-	695
Total comprehensive income for the period	-	-	-	-	12	4,136	4,148
Own shares acquired	-	(25)	-	-	-	-	(25)
Issue of shares under Performance Share Plan	-	324	-	(113)	-	-	211
Total transactions with owners for the period	-	299	-	(113)	-	-	186
As at 31 Mar 2017	39,737	(965)	161	646	(10,992)	5,975	34,562
Profit for the period	-	-	-	-	-	8,213	8,213
Foreign currency translation differences	-	-	-	-	(576)*	-	(576)
Total comprehensive (loss)/ income for the period	-	-	-	-	(576)	8,213	7,637
Own shares acquired	-	(20)	-	-	-	-	(20)
Issue of shares under Performance Share Plan	-	25	-	-	-	-	25
Share options exercised	-	16	-	(11)	-	-	5
Issue of share options	-	-	-	17	-	-	17
Dividend declared	-	-	-	-	-	(846)	(846)
Total transactions with owners for the period	-	21	-	6	-	(846)	(819)
As at 30 Jun 2017	39,737	(944)	161	652	(11,568)	13,342	41,380
Profit for the period	-	-	-	-	-	9,427	9,427
Foreign currency translation differences	-	-	-	-	(966)*	-	(966)
Total comprehensive income for the period	-	-	-	-	(966)	9,427	8,461
Own shares acquired	-	(162)	-	-	-	-	(162)
Issue of shares under Performance Share Plan	-	16	-	103	-	-	119
Issue of share options	-	-	-	346	-	-	346
Total transactions with owners for the period	-	(146)	-	449	-	-	303
As at 30 Sep 2017	39,737	(1,090)	161	1,101	(12,534)	22,769	50,144

* The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currency other than SGD.

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

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company					
As at 1 Jan 2016	39,737	(489)	230	(22,711)	16,767
Changes in equity for the period					
Own shares acquired	-	(105)	-	-	(105)
Total comprehensive income	-	-	-	88	88
As at 31 Mar 2016	39,737	(594)	230	(22,623)	16,750
Own shares acquired	-	(157)	-	-	(157)
Dividend declared	-	-	-	(440)	(440)
Total comprehensive income	-	-	-	2,732	2,732
As at 30 Jun 2016	39,737	(751)	230	(20,331)	18,885
Own shares acquired	-	(224)	-	-	(224)
Dividend declared	-	-	-	(218)	(218)
Total comprehensive income	-	-	-	464	464
Issue of shares under Performance Share Plan	-	-	29	-	29
As at 30 Sep 2016	39,737	(975)	259	(20,085)	18,936

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company					
As at 1 Jan 2017	39,737	(1,264)	759	(20,829)	18,403
Changes in equity for the period					
Own shares acquired	-	(25)	-	-	(25)
Issue of shares under Performance Share Plan	-	324	(113)	-	211
Total comprehensive income	-	-	-	957	957
As at 31 Mar 2017	39,737	(965)	646	(19,872)	19,546
Own shares acquired	-	(20)	-	-	(20)
Issue of shares under Performance Share Plan	-	25	-	-	25
Share options exercised	-	16	(11)	-	5
Issue of share options	-	-	17	-	17
Dividend declared	-	-	-	(846)	(846)
Total comprehensive income	-	-	-	1,628	1,628
As at 30 Jun 2017	39,737	(944)	652	(19,090)	20,355
Own shares acquired	-	(162)	-	-	(162)
Issue of shares under Performance Share Plan	-	16	103	-	119
Issue of share options	-	-	346	-	346
Total comprehensive income	-	-	-	987	987
As at 30 Sep 2017	39,737	(1,090)	1,101	(18,102)	21,645

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

	As at 30-Sep-17		As at 31-Dec-16		As at 30-Sep-16	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid						
At 1 January	45,112,629	39,737	45,112,629	39,737	45,112,629	39,737
Bonus shares issue*	21,671,102	-	-	-	-	-
Total issued shares	66,783,731	39,737	45,112,629	39,737	45,112,629	39,737
Less treasury shares balance	(1,740,371)	(1,090)	(2,347,500)	(1,264)	(1,871,100)	(871)
Total issued shares less treasury shares reserve at end of period	65,043,360	38,647	42,765,129	38,473	43,241,529	38,866

*The Group issued 21,671,102 bonus shares on 18 April 2017.

	As at 30-Sep-17		As at 31-Dec-16		As at 30-Sep-16	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(2,347,500)	(1,264)	(752,100)	(489)	(752,100)	(489)
Add: purchase of own shares	(90,000)	(207)	(1,595,400)	(775)	(1,119,000)	(382)
Issue of treasury shares to management under Performance Share Plan	667,129	365	-	-	-	-
Share options exercised	30,000	16	-	-	-	-
Treasury shares balance at end of period	(1,740,371)	(1,090)	(2,347,500)	(1,264)	(1,871,100)	(871)

1(d)(iii). Share Options

As at 30 September 2017, the number of share options of the company outstanding was 955,779 (30 September 2016: 326,954). There were no options being exercised in 3Q2017.

1(d)(iv). Treasury Shares

As at 30 September 2017, the treasury shares balance was 1,740,371 (30 September 2016: 1,871,100). The total number of issued ordinary shares excluding treasury shares at the end of the period was 65,043,360 (30 September 2016: 43,241,529).

2. Statement on Audit

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

The figures have not been audited or reviewed.

3. Auditors' Report

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

Not applicable.

4. Accounting Policies

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

Other than the adoption of the new and revised Financial Reporting Standards (FRSs) as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2016.

5. Changes in Accounting Policies

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

The Group and the Company have reviewed the applicable new and revised Financial Reporting Standards (FRS) and the Interpretations of FRS that become effective for accounting periods beginning 1 January 2017. The adoption of these new and revised FRS does not have a material impact to the Group financial statements.

6. Earnings Per Share

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

	Group		Group	
	3Q2017	3Q2016	9M2017	Restated** 9M2016
(i) EPS based on weighted average number of ordinary shares in issue	14.49 cents	5.16 cents	33.56 cents	8.72 cents
Weighted average number of shares in issue	65,052,273 *	43,438,201	64,879,899 *	43,808,074
(ii) EPS based on a fully diluted basis	14.31 cents	5.15 cents	33.15 cents	8.70 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	65,869,938 *	43,564,504	65,697,564 *	43,934,377

*The company issued 21,671,102 (1 for 2) bonus shares on 18 April 2017.

7. Net Asset Value Per Share

	Group		Company	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
Net asset value per share	77.1 cents*	70.7 cents	33.3 cents*	43.0 cents

*The company issued 21,671,102 (1 for 2) bonus shares on 18 April 2017, resulting in a lower NAV per share at Company level.

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 65,043,360 ordinary shares as at 30 September 2017 (30 September 2016: 43,241,529 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	3Q2017 S\$'000	3Q2016 S\$'000	Change %	9M2017 S\$'000	Restated** 9M2016 S\$'000	Change %
Equipment Systems (ESS)	56,685	19,938	184.3%	157,282	46,191	240.5%
Precision Components (PCS)	1,428	1,361	4.9%	5,292	4,380	20.8%
Overall	58,113	21,299	172.8%	162,574	50,571	221.5%

Consistent with prior announcements regarding the growth of our sales orders for delivery in 2017, the Group reported significantly higher revenue from its Equipment Systems ("ESS") business mainly due to higher equipment, pans and kits sales. Sales from ESS were 184.3% higher in 3Q2017, increasing from S\$19.9 million in 3Q2016 to S\$56.7 million in 3Q2017. This represented a 240.5% increase on a year to date basis, from S\$46.2 million in 9M2016 to S\$157.3 million in 9M2017.

Revenue from the Precision Components ("PCS") business were higher by 4.9% in 3Q2017, increasing from S\$1.36 million in 3Q2016 to S\$1.43 million in 3Q2017 and by 20.8% from S\$4.38 million in 9M2016 to S\$5.29 million in 9M2017 due to increase in demand from customers.

As a result of the above, the Group recorded a 172.8% increase in its total revenue for 3Q2017, which rose from S\$21.3 million in 3Q2016 to S\$58.1 million in 3Q2017 and a 221.5% increase from S\$50.6 million in 9M2016 to S\$162.6 million in 9M2017.

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, increased from S\$13.8 million in 3Q2016 to S\$35.9 million in 3Q2017, representing an increase of 159.8%, and from S\$32.0 million in 9M2016 to S\$112.1 million in 9M2017, representing an increase of 251.1%. The raw materials and other consumables cost increase in 3Q2017 was lower than revenue increase mainly due to favourable change in revenue and margin mix, favourable change in price from SGD to USD billing, and increase in engineering service revenue for new development projects.

Depreciation decreased by 11.9% from S\$159,000 in 3Q2016 to S\$140,000 in 3Q2017 and by 14.5% from S\$503,000 in 9M2016 to S\$430,000 in 9M2017 mainly due to the lower carrying value of the property, plant and equipment in 3Q2017 and 9M2017.

Amortisation of intangible assets was lower by 68.4%, decreasing from S\$38,000 in 3Q2016 to S\$12,000 in 3Q2017 and by 69.0% from S\$129,000 in 9M2016 to S\$40,000 in 9M2017 mainly due to lower carrying value of the intangible assets in 3Q2017 and 9M2017.

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

Analysis of Consolidated Income Statement (Cont'd)

Staff costs increased by 118.3% from S\$3.4 million in 3Q2016 to S\$7.3 million in 3Q2017 and by 81.9% from S\$9.5 million in 9M2016 to S\$17.4 million in 9M2017 mainly due to higher salary cost of S\$1.5 million in 3Q2017 and S\$3.3 million in 9M2017 for additional headcount to cope with the increased sales orders from customers and higher bonus provision (including share-based benefits provision) of S\$2.5 million in 3Q2017 and S\$4.6 million in 9M2017. Comparing 3Q2017 and 2Q2017 staff cost excluding bonus provision increased by 17.1% from S\$4.1 million to S\$4.8 million.

As a result of the above, profit before tax in 3Q2017 was S\$11.7 million compared to a profit before tax of S\$2.7 million in 3Q2016 and profit before tax in 9M2017 was S\$26.2 million in 9M2017 compared to a profit before tax of S\$4.8 million in 9M2016. After taking into consideration tax expense of S\$2.2 million in 3Q2017 and S\$4.4 million in 9M2017, profit after tax was S\$9.4 million compared to S\$2.2 million in 3Q2016 and was S\$21.8 million compared to S\$3.9 million in 9M2016.

Net profit margin improved from 10.5% in 3Q2016 to 16.2% in 3Q2017 and from 7.5% in 9M2016 to 13.4% in 9M2017 mainly due to higher sales and improvement in cost efficiency.

Analysis of Statement of Financial Position

The cash and cash equivalent of the Group increased by \$19.2 million in 9M2017 was mainly due to increased cash flows from operating activities of S\$20.8 million being generated arising mainly from the operating profit.

9. Prospect vs Actual Results

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

In our 1Q2017 results announcement, we stated that "we expect to achieve revenue and operating profit before tax for 9M2017 to be at least S\$142 million and S\$17.5 million respectively and our update to profit guidance dated 16 October 2017, we stated that we expect to achieve operating profit before tax for 9M2017 to be between S\$25 million to S\$27 million.

The Group achieved revenue of S\$162.7 million and profit before tax of S\$26.2 million in 9M2017.

10. Business Outlook

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

Business outlook remains positive as AEM continues progressing through the multi-year commercial rollout of its next-generation handler platforms. In addition, the global semiconductor market outlook continues to be positive for 2017 and 2018. According to the World Semiconductor Trade Statistics (WSTS) forecasts, there will be annual growth of 11.5% in 2017 and 2.7% in 2018 (source: <http://www.telecomlead.com/telecom-statistics/semiconductor-market-forecast-2017-2018-77176>).

On 30 September 2017 we announced the acquisition of InspiRain Ltd. ("InspiRain"), a provider of advanced network infrastructure testing and measurement technologies. We had previously communicated AEM's ongoing programme of identifying acquisitions that provide good value, portfolio diversification, and long-term growth for the Company. The integration of InspiRain into AEM is proceeding smoothly and we remain optimistic that the acquisition will be strategically and financially accretive to long term business and shareholder growth.

As a result of the above, the Group benefitted from growing sales of equipment, kits/ pans and engineering development projects which contributed to a strong 9M2017 performance. With the strong sales orders, we expect to achieve revenue and operating profit before tax for FY2017 of at least S\$215 million and S\$32 million respectively.

11. Dividends

(a) Current Financial Period Reported On

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

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	3.0 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

11. Dividends (cont'd)

(c) Date Payable

Payment will be made on 8 December 2017.

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 27 November 2017 for the preparation of the proposed dividend. Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, Intertrust Singapore Corporate Services Pte. Ltd., at 77 Robinson Road #13-00, Robinson 77, Singapore 068896, up to 5.00 p.m. on 24 November 2017 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 24 November 2017 will be entitled to the proposed dividend.

12. Statement on Dividends

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

Not applicable.

13. Interested Person Transactions

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

No IPT mandate has been obtained.

14. Confirmation by the Board Pursuant to Rule 705(4) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the period ended 30 September 2017, to be false or misleading in any material respect.

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

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

16. Person Occupying a Managerial Position

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

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

BY ORDER OF THE BOARD

Charles Cher Lew Siang
Chief Executive Officer
2 November 2017