

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Unaudited Third Quarter and Nine Months
Financial Statements and Dividend Announcement
For The Period Ended 30 September 2019**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		3Q2019 S\$'000	3Q2018 S\$'000	Change* %	9M2019 S\$'000	9M2018 S\$'000	Change* %
Revenue		83,848	84,668	-1.0%	234,483	222,976	5.2%
Other income		382	145	163.4%	741	401	84.8%
Changes in inventories of finished goods and work-in-progress	A.2	(3,974)	(22,658)	82.5%	10,858	(9,354)	216.1%
Raw materials and other consumables	A.2	(48,193)	(34,794)	-38.5%	(158,356)	(141,096)	-12.2%
Staff costs		(10,627)	(8,748)	-21.5%	(30,211)	(25,225)	-19.8%
Depreciation expense		(1,256)	(333)	-277.2%	(3,318)	(858)	-286.7%
Amortisation of intangible assets		(387)	(515)	24.9%	(1,227)	(675)	-81.8%
Operating lease expenses		(360)	(1,020)	64.7%	(1,232)	(2,964)	58.4%
Legal and professional fees		(580)	(346)	-67.6%	(1,400)	(1,650)	15.2%
Sales and marketing expenses		(2,162)	(995)	-117.3%	(6,415)	(3,441)	-86.4%
Other expenses		(137)	(1,554)	91.2%	(481)	(2,523)	80.9%
Finance expenses		(59)	(5)	-1080.0%	(116)	(22)	-427.3%
Share of gain/ (loss) of equity-accounted investee		79	(91)	186.8%	213	(283)	175.3%
Profit before taxation		16,574	13,754	20.5%	43,539	35,286	23.4%
Income tax expenses		(2,856)	(2,365)	-20.8%	(7,517)	(6,182)	-21.6%
Profit for the period		13,718	11,389	20.4%	36,022	29,104	23.8%

Profit attributable to:

Owners of the Company		13,718	11,389	20.4%	36,022	29,104	23.8%
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* Increase/(Decrease) in Earnings

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

Profit for the period		13,718	11,389	20.4%	36,022	29,104	23.8%
<u>Other comprehensive income</u>							
Foreign currency translation differences		1,016	961	5.7%	588	1,550	-62.1%
Share of foreign currency translation difference of equity-accounted investee		76	69	10.1%	33	55	-40.0%
Other comprehensive gain for the period, net of tax		1,092	1,030	6.0%	621	1,605	-61.3%
Total comprehensive income for the period		14,810	12,419	19.3%	36,643	30,709	19.3%

Total comprehensive income attributable to:

Owners of the Company		14,810	12,419	19.3%	36,643	30,709	19.3%
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* 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		
		3Q2019 S\$'000	3Q2018 S\$'000	Change* %	9M2019 S\$'000	9M2018 S\$'000	Change* %
Government grant income		25	62	-59.7%	156	194	-19.6%
Interest income		129	78	65.4%	329	191	72.3%
Exchange gain/ (loss), net	A.1(a)	226	(1,356)	116.7%	238	(1,804)	113.2%
Inventory obsolescence (allowance)/ reversal	A.1(b)	-	-	NM	(44)	453	-109.7%

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

A.1 (a) Exchange gain in 3Q2019 and 9M2019 arose mainly due to favourable movements in foreign exchange rates between United States dollar and Singapore dollar.

A.1 (b) Allowance for inventory obsolescence of S\$44,000 in 9M2019 was made for slow-moving inventory.

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	3Q2019 S\$'000	3Q2018 S\$'000	Change* %	9M2019 S\$'000	9M2018 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence	(3,974)	(22,658)	82.5%	10,902	(9,807)	211.2%
Raw materials and consumables cost	(48,193)	(34,794)	-38.5%	(158,356)	(141,096)	-12.2%
Material cost before allowance and reversal for inventory obsolescence	(52,167)	(57,452)	9.2%	(147,454)	(150,903)	2.3%
Inventory obsolescence (allowance)/ reversal	-	-	NM	(44)	453	-109.7%
Total	(52,167)	(57,452)	9.2%	(147,498)	(150,450)	2.0%

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

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, decreased from S\$57.5 million in 3Q2018 to S\$52.2 million in 3Q2019, representing a decrease of 9.2% and decreased from S\$150.9 million in 9M2018 to S\$147.5 million in 9M2019, representing a decrease of 2.3%.

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

	Note	Group		Company	
		30-Sep-19 S\$'000	31-Dec-18 S\$'000	30-Sep-19 S\$'000	31-Dec-18 S\$'000
Non-current assets					
Property, plant and equipment		5,350	5,725	27	21
Right of use assets	B.1	2,415	-	-	-
Intangible assets and goodwill		17,297	17,717	-	-
Subsidiaries		-	-	26,781	26,578
Associate		4,399	4,153	4,667	4,667
Deferred tax asset		46	57	-	-
		29,507	27,652	31,475	31,266
Current assets					
Inventories	B.2	39,356	27,433	-	-
Contract cost		-	788	-	-
Trade and other receivables	B.3	38,256	17,965	10,346	7,111
Contract assets		3,163	3,702	-	-
Cash and cash equivalents	B.4	64,813	58,890	1,486	950
		145,588	108,778	11,832	8,061
Total assets		175,095	136,430	43,307	39,327
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	45,786	45,786	45,786	45,786
Other Reserves	1(d)(i)	713	95	1,185	1,188
Accumulated gains/ (losses)	1(d)(i)	68,854	43,623	(9,297)	(13,678)
	1(d)(i)	115,353	89,504	37,674	33,296
Non-current liabilities					
Financial liabilities	1(b)(ii)	-	49	-	-
Lease liabilities	B.1	691	-	-	-
Trade and other payables		-	907	-	907
Deferred tax liabilities		1,698	1,878	-	-
Provisions		475	426	-	-
		2,864	3,260	-	907
Current liabilities					
Financial liabilities	1(b)(ii)	-	210	-	-
Lease liabilities	B.1	1,843	-	-	-
Trade and other payables	B.5	45,022	33,094	4,554	3,812
Contract liabilities		1,679	2,607	-	-
Current tax payable		7,695	7,284	1,079	1,312
Provisions		639	471	-	-
		56,878	43,666	5,633	5,124
Total liabilities		59,742	46,926	5,633	6,031
Total equity and liabilities		175,095	136,430	43,307	39,327

- B.1** The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and the corresponding lease liability representing its obligation to make lease payments.
- B.2** The increase in inventories was mainly due to an increase in inventory builds for the fulfilment of sales orders.
- B.3** Trade and other receivables increased mainly due to the increased sales in 3Q2019 as compared to 4Q2018.
- B.4** In 9M2019, the Group generated cash flows from operating activities of S\$21.5 million and paid dividend of S\$10.5 million.
- B.5** 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.

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

	Group	Group	Group	Group
	30-Sep-19	30-Sep-19	31-Dec-18	31-Dec-18
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
<i>Amount repayable in one year or less, or on demand</i>				
- Short term borrowing	-	-	156	-
- Finance lease liabilities	-	-	54	-
	-	-	210	-
<i>Amount repayable after one year</i>				
- Finance lease liabilities	-	-	49	-
	-	-	49	-
Total	-	-	259	-

Short term borrowing as at 31 December 2018 was secured by a floating charge on business assets of Afore Oy that were being financed.

1(c). Consolidated Cash Flow Statement

	Note	3Q2019 S\$'000	3Q2018 S\$'000	9M2019 S\$'000	9M2018 S\$'000
Profit for the period		13,718	11,389	36,022	29,104
Adjustments for:					
Depreciation and amortisation		1,643	848	4,545	1,533
Allowance/ (reversal) for inventory obsolescence		-	-	44	(453)
Interest income		(129)	(78)	(329)	(191)
Interest expense		59	5	116	22
Equity-settled transactions		249	-	743	-
Tax expense		2,856	2,365	7,517	6,182
Share of (profit)/ loss from equity accounted investee, net of tax		(79)	91	(213)	283
Operating profit before working capital changes		18,317	14,620	48,445	36,480
Changes in:					
Inventories		5,414	21,904	(11,704)	9,308
Contract costs		223	-	784	-
Contract assets		(487)	-	450	-
Trade and other receivables		11,617	(7,715)	(20,001)	(6,977)
Contract liabilities		(353)	-	(902)	-
Trade and other payables		(17,516)	(22,526)	11,509	(15,987)
Provisions		113	122	208	594
Cash from operating activities		17,328	6,405	28,789	23,418
Tax paid		(3,585)	(3,197)	(7,321)	(6,500)
Net cash from operating activities		13,743	3,208	21,468	16,918
Investing activities					
Interest received		129	78	329	191
Purchase of property, plant and equipment		(204)	(1,871)	(1,037)	(2,815)
Acquisition of intangible assets		(299)	(1,027)	(818)	(1,093)
Acquisition of subsidiaries, net of cash acquired		-	-	-	(8,555)
Net cash used in investing activities		(374)	(2,820)	(1,526)	(12,272)
Financing activities					
Payment of lease liabilities		(897)	-	(2,104)	-
Interest paid		(59)	(5)	(116)	(22)
Repayment of finance lease liabilities		-	(89)	(103)	(179)
Repayment of borrowings		-	-	(156)	-
Own shares acquired		(326)	(717)	(1,514)	(1,096)
Proceeds from share options exercised		-	59	108	588
Dividends paid		(5,391)	(4,039)	(10,533)	(8,424)
Net cash used in financing activities		(6,673)	(4,791)	(14,418)	(9,133)
Net increase/ (decrease) in cash and cash equivalents		6,696	(4,403)	5,524	(4,487)
Cash and cash equivalents at beginning of period		57,371	46,271	58,890	46,095
Effect of exchange rate changes on balances held in foreign currencies		746	671	399	931
Cash and cash equivalents at end of period		64,813	42,539	64,813	42,539

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

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Group							
As at 1 Jan 2018	39,737	(2,173)	1,146	3,232	(2,683)	18,551	57,810
Changes in equity for the period							
Profit for the period	-	-	-	-	-	8,218	8,218
Foreign currency translation differences	-	-	-	-	(855)*	-	(855)
Total comprehensive income for the period	-	-	-	-	(855)	8,218	7,363
Own shares acquired	-	(170)	-	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	-	5,518
Treasury shares reissued pursuant to share plans	-	934	1,362	(2,296)	-	-	-
Issue of shares pursuant to share plans	486	-	-	-	-	-	486
Total transactions with owners for the period	6,004	764	1,362	(2,296)	-	-	5,834
As at 31 Mar 2018	45,741	(1,409)	2,508	936	(3,538)	26,769	71,007
Profit for the period	-	-	-	-	-	9,495	9,495
Foreign currency translation differences	-	-	-	-	1,430 *	-	1,430
Total comprehensive income for the period	-	-	-	-	1,430	9,495	10,925
Own shares acquired	-	(209)	-	-	-	-	(209)
Issue of shares pursuant to share plans	45	-	-	-	-	-	45
Dividend declared	-	-	-	-	-	(4,385)	(4,385)
Total transactions with owners for the period	45	(209)	-	-	-	(4,385)	(4,549)
As at 30 Jun 2018	45,786	(1,618)	2,508	936	(2,108)	31,879	77,383
Profit for the period	-	-	-	-	-	11,389	11,389
Foreign currency translation differences	-	-	-	-	1,030 *	-	1,030
Total comprehensive income for the period	-	-	-	-	1,030	11,389	12,419
Own shares acquired	-	(717)	-	-	-	-	(717)
Treasury shares reissued pursuant to share plans	-	50	-	9	-	-	59
Dividend declared	-	-	-	-	-	(4,039)	(4,039)
Total transactions with owners for the period	-	(667)	-	9	-	(4,039)	(4,697)
As at 30 Sep 2018	45,786	(2,285)	2,508	945	(1,078)	39,229	85,105

* The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currencies are not SGD.

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

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Group							
As at 1 Jan 2019	45,786	(2,331)	1,500	2,172	(1,246)	43,623	89,504
Effect of adoption of SFRS (I) 16	-	-	-	-	-	(241)	(241)
Changes in equity for the period							
Profit for the period	-	-	-	-	-	6,596	6,596
Foreign currency translation differences	-	-	-	-	(1,062)*	-	(1,062)
Total comprehensive income for the period	-	-	-	-	(1,062)	6,596	5,534
Own shares acquired	-	(166)	-	-	-	-	(166)
Treasury shares reissued on settlement of contingent consideration	-	407	27	-	-	-	434
Treasury shares reissued pursuant to share plans	-	699	380	(996)	-	-	83
Share-based payment transactions	-	-	-	248	-	-	248
Total transactions with owners for the period	-	940	407	(748)	-	-	599
As at 31 Mar 2019	45,786	(1,391)	1,907	1,424	(2,308)	49,978	95,396
Profit for the period	-	-	-	-	-	15,708	15,708
Foreign currency translation differences	-	-	-	-	591 *	-	591
Total comprehensive income for the period	-	-	-	-	591	15,708	16,299
Own shares acquired	-	(1,022)	-	-	-	-	(1,022)
Treasury shares reissued on settlement of contingent consideration	-	43	183	-	-	-	226
Treasury shares reissued pursuant to share plans	-	122	58	(155)	-	-	25
Share-based payment transactions	-	-	-	246	-	-	246
Dividend declared	-	-	-	-	-	(5,142)	(5,142)
Total transactions with owners for the period	-	(857)	241	91	-	(5,142)	(5,667)
As at 30 Jun 2019	45,786	(2,248)	2,148	1,515	(1,717)	60,544	106,028
Profit for the period	-	-	-	-	-	13,718	13,718
Foreign currency translation differences	-	-	-	-	1,092 *	-	1,092
Total comprehensive income for the period	-	-	-	-	1,092	13,718	14,810
Own shares acquired	-	(326)	-	-	-	-	(326)
Share-based payment transactions	-	-	-	249	-	-	249
Dividend declared	-	-	-	-	-	(5,408)	(5,408)
Total transactions with owners for the period	-	(326)	-	249	-	(5,408)	(5,485)
As at 30 Sep 2019	45,786	(2,574)	2,148	1,764	(625)	68,854	115,353

* The net exchange difference arose mainly from translation of subsidiaries' and associates' net assets and liabilities whose functional currencies are not SGD.

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

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company						
As at 1 Jan 2018	39,737	(2,173)	985	3,232	(21,844)	19,937
Changes in equity for the period						
Total comprehensive income	-	-	-	-	918	918
Own shares acquired	-	(170)	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	5,518
Treasury shares reissued pursuant to share plans	-	934	1,362	(2,296)	-	-
Issue of shares pursuant to share plans	486	-	-	-	-	486
As at 31 Mar 2018	45,741	(1,409)	2,347	936	(20,926)	26,689
Total comprehensive income	-	-	-	-	13,873	13,873
Own shares acquired	-	(209)	-	-	-	(209)
Issue of shares pursuant to share plans	45	-	-	-	-	45
Dividend declared	-	-	-	-	(4,385)	(4,385)
As at 30 Jun 2018	45,786	(1,618)	2,347	936	(11,438)	36,013
Total comprehensive income	-	-	-	-	2,445	2,445
Own shares acquired	-	(717)	-	-	-	(717)
Treasury shares reissued pursuant to share plans	-	50	-	9	-	59
Dividend declared	-	-	-	-	(4,039)	(4,039)
As at 30 Sep 2018	45,786	(2,285)	2,347	945	(13,032)	33,761

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company						
As at 1 Jan 2019	45,786	(2,331)	1,347	2,172	(13,678)	33,296
Changes in equity for the period						
Total comprehensive income	-	-	-	-	792	792
Own shares acquired	-	(166)	-	-	-	(166)
Treasury shares reissued on settlement of contingent consideration	-	407	27	-	-	434
Treasury shares reissued pursuant to share plans	-	699	380	(996)	-	83
Share-based payment transactions	-	-	-	248	-	248
As at 31 Mar 2019	45,786	(1,391)	1,754	1,424	(12,886)	34,687
Total comprehensive income	-	-	-	-	2,612	2,612
Own shares acquired	-	(1,022)	-	-	-	(1,022)
Treasury shares reissued on settlement of contingent consideration	-	43	183	-	-	226
Treasury shares reissued pursuant to share plans	-	122	58	(155)	-	25
Share-based payment transactions	-	-	-	246	-	246
Dividend declared	-	-	-	-	(5,142)	(5,142)
As at 30 Jun 2019	45,786	(2,248)	1,995	1,515	(15,416)	31,632
Total comprehensive income	-	-	-	-	11,527	11,527
Own shares acquired	-	(326)	-	-	-	(326)
Share-based payment transactions	-	-	-	249	-	249
Dividend declared	-	-	-	-	(5,408)	(5,408)
As at 30 Sep 2019	45,786	(2,574)	1,995	1,764	(9,297)	37,674

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

	As at 30-Sep-19		As at 31-Dec-18		As at 30-Sep-18	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid shares						
At 1 January	273,307,820	45,786	66,783,731	39,737	66,783,731	39,737
Bonus shares issue*	-	-	204,980,865	-	204,980,865	-
Exercise of share options	-	-	675,669	531	675,669	531
Issue of shares related to business combination	-	-	867,555	5,518	867,555	5,518
Total issued shares	273,307,820	45,786	273,307,820	45,786	273,307,820	45,786
Less treasury shares balance	(3,602,418)	(2,574)	(4,261,084)	(2,331)	(4,225,084)	(2,285)
Total issued shares less treasury shares reserve at end of period	269,705,402	43,212	269,046,736	43,455	269,082,736	43,501

*The Group issued 204,980,865 bonus shares on 4 June 2018.

	As at 30-Sep-19		As at 31-Dec-18		As at 30-Sep-18	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(4,261,084)	(2,331)	(1,266,771)	(2,173)	(1,266,771)	(2,173)
Bonus shares issue*	-	-	(2,375,313)	-	(2,375,313)	-
Own shares acquired	(1,600,000)	(1,514)	(1,300,000)	(1,176)	(1,200,000)	(1,096)
Treasury shares reissued pursuant to Performance Share Plan	1,286,666	720	525,000	934	525,000	934
Treasury shares reissued on settlement of contingent consideration	800,000	450	-	-	-	-
Exercise of share options	172,000	101	156,000	84	92,000	50
Treasury shares balance at end of period	(3,602,418)	(2,574)	(4,261,084)	(2,331)	(4,225,084)	(2,285)

*The Group issued 204,980,865 bonus shares on 4 June 2018.

1(d)(iii). Share Options

Date of grant of options	Exercise price per share	Options outstanding at 1 Jan 2019	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at period end	Exercise Period
27 February 2017	\$0.196*	540,000	-	-	-	540,000	28 Feb 2018 - 26 Feb 2027
23 August 2017	\$0.627*	380,000	-	(172,000)	-	208,000	24 Aug 2018 - 22 Aug 2027
15 January 2019	\$0.890	-	3,414,638	-	-	3,414,638	16 Jan 2020 - 14 Jan 2029
Total		920,000	3,414,638	(172,000)	-	4,162,638	

*Exercise price was adjusted due to the Group issued 204,980,865 bonus shares on 4 June 2018

As at 30 September 2019, the number of share options of the company outstanding was 4,162,638 (30 September 2018: 984,000). There were 172,000 options being exercised in 9M2019 (9M2018: 767,669).

1(d)(iv). Treasury Shares

As at 30 September 2019, the treasury shares balance was 3,602,418 (30 September 2018: 4,225,084). The total number of issued ordinary shares excluding treasury shares at the end of the period was 269,705,402 (30 September 2018: 269,082,736).

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 SFRS(I) 16 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 2018.

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 adopted SFRS(I) 16 Leases on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 has been recognised as an adjustment to the opening balance of accumulated profits at 1 January 2019, with no restatement of comparative information. The Group and the Company have applied the practical expedient to grandfather the definition of a lease on transition. This means that SFRS(I) 16 has been applied to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement contains a Lease.

As at 1 January 2019, the Group has recognised ROU assets of S\$4,281,000, lease liabilities of S\$4,522,000, and a decrease in accumulated profits of S\$241,000. The Company did not have any material impact from the initial application of SFRS(I) 16 as at 1 January 2019.

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	
	3Q2019	3Q2018	9M2019	9M2018
(i) a) EPS based on weighted average number of ordinary shares in issue	5.08 cents	4.19 cents	13.34 cents	10.69 cents
Weighted average number of shares in issue	269,897,793	271,837,940	270,129,437	272,193,298
(ii) a) EPS based on a fully diluted basis	5.02 cents	4.17 cents	13.18 cents	10.65 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares	273,059,428	272,821,940	273,291,071	273,177,298

7. Net Asset Value Per Share

	Group		Company	
	30-Sep-19	31-Dec-18	30-Sep-19	31-Dec-18
Net asset value per share	42.8 cents	33.3 cents	14.0 cents	12.4 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 269,705,402 ordinary shares as at 30 September 2019 (31 December 2018: 269,046,736).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	3Q2019 S\$'000	3Q2018 S\$'000	Change %	9M2019 S\$'000	9M2018 S\$'000	Change %
Equipment Systems Solutions ("ESS")	80,945	79,903	1.3%	224,844	216,055	4.1%
System Level Test & Inspection ("SLT-i")	944	836	12.9%	4,040	2,057	96.4%
Micro-Electro-Mechanical Systems ("MEMS")	1,198	3,664	-67.3%	3,456	4,268	-19.0%
Test and Measurement Solutions ("TMS")	761	265	187.2%	2,143	596	259.6%
Total	83,848	84,668	-1.0%	234,483	222,976	5.2%

Revenue from ESS increased 1.3% from S\$79.9 million in 3Q2018 to S\$80.9 million in 3Q2019 and increased 4.1% from S\$216.1 million in 9M2018 to S\$224.8 million in 9M2019 mainly due to an increase in orders from our main customer.

Revenue from SLT-i increased 12.9% from S\$836,000 in 3Q2018 to S\$944,000 in 3Q2019 and increased 96.4% from S\$2.1 million in 9M2018 to S\$4.0 million in 9M2019 mainly due to increase in orders from new and existing customers.

Revenue from MEMS decreased 67.3% from S\$3.7 million in 3Q2018 to S\$1.2 million in 3Q2019 and decreased 19.0% from S\$4.3 million in 9M2018 to S\$3.5 million in 9M2019 due to timing of revenue recognition from project accounting basis in 3Q2019.

Revenue from TMS increased 187.2% from S\$265,000 in 3Q2018 to S\$761,000 in 3Q2019 and increased 259.6% from S\$596,000 in 9M2018 to S\$2.1 million in 9M2019 mainly due to increase in orders from new and existing customers.

As a result of the above, the Group recorded a 1.0% decrease in its total revenue from S\$84.7 million in 3Q2018 to S\$83.8 million in 3Q2019 and a 5.2% increase from S\$223.0 million in 9M2018 to S\$234.5 million in 9M2019.

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, decreased from S\$57.5 million in 3Q2018 to S\$52.2 million in 3Q2019, representing a decrease of 9.2% and decreased from S\$150.9 million in 9M2018 to S\$147.5 million in 9M2019, representing a decrease of 2.3%.

Depreciation expense increased from S\$333,000 in 3Q2018 to S\$1.3 million in 3Q2019 and increased from S\$858,000 in 9M2018 to S\$3.3 million in 9M2019 mainly due to additional depreciation charge incurred upon the recognition of ROU assets as a result of the adoption of the new SFRS(I) 16 Leases as well as higher carrying value from renovation and equipment expenditure in 2018. Operating lease expenses in 3Q2019 and 9M2019 compared to 3Q2018 and 9M2018 was lower mainly due to lower rental expenses upon the recognition of the ROU assets.

Amortisation of intangible assets decreased from S\$515,000 in 3Q2018 to S\$387,000 in 3Q2019 mainly due to higher amortisation for intangible assets relating to the acquisition of Afore Oy in 3Q2018 based on preliminary amounts which were subsequently adjusted upon finalisation of the purchase price allocation exercise in 4Q2018. Amortisation of intangible assets increased from S\$675,000 in 9M2018 to S\$1.2 million in 9M2019 due to the higher carrying value of intangible assets resulted mainly from the acquisition of Afore Oy and IRIS Solution Pte Ltd in 2018.

Staff costs increased 21.5% in 3Q2019 as compared to 3Q2018 and increased 19.8% in 9M2019 as compared to 9M2018 due to higher bonus provision and additional headcount for business development, engineering projects and accounting of Afore Oy.

Legal and professional fees increased 67.6% from S\$346,000 in 3Q2018 to S\$580,000 in 3Q2019 mainly due to higher professional fees incurred on software support, research and advisory fee. Legal and professional fees decreased 15.2% from S\$1.7 million in 9M2018 to S\$1.4 million in 9M2019.

Sales and marketing expenses increased 117.3% from S\$1.0 million in 3Q2018 to S\$2.2 million in 3Q2019 and increased 86.4% from S\$3.4 million in 9M2018 to S\$6.4 million in 9M2019 mainly due to higher warranty, exhibition, travelling, packing and other marketing expenses.

Other expenses decreased 91.2% from S\$1.6 million in 3Q2018 to S\$137,000 in 3Q2019 and decreased 80.9% from S\$2.5 million in 9M2018 to S\$481,000 in 9M2019 mainly due to foreign exchange loss incurred in 3Q2018 and 9M2018.

After taking into consideration the above and tax expenses of S\$2.9 million in 3Q2019 and S\$7.5 million in 9M2019, profit after tax increased 20.4% from S\$11.4 million in 3Q2018 to S\$13.7 million in 3Q2019 and increased 23.8% from S\$29.1 million in 9M2018 to S\$36.0 million in 9M2019.

8. Group Performance Review (Cont'd)

Analysis of Statement of Financial Position

Trade and other receivables increased mainly due to the increased sales in 3Q2019 as compared to 4Q2018.

In 9M2019, the Group generated cash flows from operating activities of S\$21.5 million and paid dividend of S\$10.5 million.

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.

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 financial guidance dated 12 September 2019, we stated that we expect to achieve revenue between S\$285 million to S\$305 million in FY2019.

The Group achieved revenue of S\$234.5 million in 9M2019.

10. Business Outlook

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

The need for complex semiconductor chip integration for mission-critical applications such as 5G, EV, Industry 4.0 and data centricity has been rising. The challenge for semiconductor manufacturers is to contain the cost-of-test while increasing test coverage and assurance. As the interconnected 5G and data-centric worlds gather momentum, the industry has become increasingly aware of the significance and benefits of system level testing. Our forward-looking initiatives in developing cost-effective and highly-efficient testing solutions have placed AEM in an advantageous position to tap on the growth of system level testing from wafer level to package level, panels and interconnects.

As the Group's key customer introduces new products based on more advanced semiconductor nodes, AEM's test handlers, optimised for testing complex logic chips, saw an increase in demand. Further to a record half year in the first half of 2019 for AEM, the sales momentum for its high-density handlers continued in 3QFY2019 as the customer stepped up orders to AEM in line with its new products launch schedule.

Given the sales momentum, the Company has revised the revenue guidance for FY2019 to be between S\$305 million to S\$315 million. Capital expenditure is revised down to be between S\$3 million to S\$4 million for FY2019 to support engineering and business development needs new customer programs.

The sales momentum for the Group's high-density handler will be closely linked to the timing and pace at which its main customer replaces legacy platforms with AEM's equipment, its sales seasonality, its market share, and new product/program launches. The Group also expects continued sales of its kits and pans which go into the existing installed base of equipment at the customer's sites.

AEM has been working towards diversifying its customer base through its AMPS (Asynchronous Modular Parallel Smart platform), MEMS Testing Solutions (Afore) and TMS. These business segments have made good progress in securing new customers and projects and are continuously scaling up in their product and technological capabilities. The Group remains positive in the outlook of these business segments.

The SLT-i division has successfully installed initial commercial systems for a memory manufacturer and is working on securing additional orders from this customer. The SLT-i division also aims to develop accounts with other semiconductor manufacturers for solutions through its AMPS initiative. The TMS division has completed the development project on optical fiber cable-test equipment for 5G backhaul networks. It is currently working with several customers on initial orders.

11. Dividends

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No.

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date Payable

Not applicable

(d) Books Closure Date

Not applicable

(e) Dividend Policy

Our dividend policy is based on a payout of annual dividends, including interim dividends of not less than 25% of the Group consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders. This is subject to the Group's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.

12. Statement on Dividends

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

No dividend has been declared for the current financial period reported on. Dividend, if any, will be recommended in future financial statements and related announcements.

13. Interested Person Transactions (IPT)

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

No IPT mandate has been obtained.

Name of interested person	Note	Aggregate value of all IPTs during the financial period under review	
		9M2019	9M2018
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	1	158,400	278,400
Kerem Pte Ltd ("Kerem")	2	40,000	-

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

The IPT of S\$158,400 for 9M2019 comprised professional fee of S\$105,000 paid by the Company to Novo Tellus for advisory services in upgrading of software capabilities, merger and acquisition activities of the Group and the Group's share of the consultancy service fee of S\$53,400 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

The IPT of S\$278,400 for 9M2018 comprised professional fee of S\$225,000 paid by the Company to Novo Tellus for advisory services in merger and acquisition activities of the Group and the Group's share of the consultancy service fee of S\$53,400 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

Note 2: Kerem is a company controlled by Mr. Lavi Alexander Lev, a Director of the Company.

The above value represents the professional fee of S\$40,000 paid by the Company to Kerem for business and project advisory services.

14. Confirmation by the Board Pursuant to Rule 705(5) 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 2019, 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 Company.

BY ORDER OF THE BOARD

Loke Wai San
Executive Chairman
1 November 2019