

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 20006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 31 March 2017**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results		
		1Q2017 S\$'000	Restated** 1Q2016 S\$'000	Change* %
Revenue		42,119	12,164	246.3%
Other income	A.1	108	82	31.5%
		42,227	12,246	244.8%
Changes in inventories of finished goods and work-in-progress	A.2	5,940	2,559	132.1%
Raw materials and other consumables	A.2	(36,199)	(9,750)	-271.3%
Staff costs		(4,667)	(2,944)	-58.5%
Depreciation of property, plant and equipment		(155)	(180)	13.9%
Amortisation of intangible assets		(16)	(53)	69.8%
Other expenses	A.3	(2,157)	(1,411)	-52.9%
Finance expenses		(4)	(6)	33.3%
Share of loss of an associate	1.1	(67)	-	NM
Profit before taxation		4,902	461	963.3%
Income tax expenses	1.2	(765)	(111)	-589.2%
Profit after tax from continuing operations		4,137	350	1082.0%
Loss from discontinued operation		-	(109)	NM
Profit for the period		4,137	241	1616.6%
<u>Other comprehensive income</u>				
Translation loss relating to financial statements of foreign subsidiaries, net of tax		(683)	(424)	-61.2%
Effect of liquidation dormant subsidiaries		695	15	4535.3%
Other comprehensive gain/ (loss) for the period, net of tax		12	(409)	102.9%
Total comprehensive income for the period		4,149	(168)	2569.6%

* Increase/(Decrease) Earnings

NM: Not Meaningful

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

1.1 The share of loss of an associate of S\$67,000 in 1Q2017 was mainly due to depreciation and amortisation costs arising from the higher fair value of Novoflex's assets at the acquisition date.

1.2 The Group provided for tax expenses as a result of the profits in 1Q2017.

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

Total comprehensive income attributable to:

Owners of the Company		4,149	(168)	2569.6%
Total comprehensive income for the period		4,149	(168)	2569.6%

* Increase/(Decrease) 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		
		1Q2017 S\$'000	Restated** 1Q2016 S\$'000	Change* %
Government grant income		27	63	-57.1%
Interest income		1	7	-85.7%
Rental income	A.1(a)	-	9	NM
Exchange loss, net	A.1(b)	(127)	(258)	50.8%
Allowance for inventory obsolescence reversed	A.1(c) , A.2	537	317	69.4%
Loss on liquidation of dormant subsidiaries	A.1(d)	(695)	(15)	NM
Refund of property tax	A.1(e)	76	-	NM
Gain/ (loss) on disposal of property, plant and equipment		3	(26)	111.5%

* Increase/(Decrease) Earnings
NM: Not Meaningful

- A.1(a)** In 2Q2015, the lease for AEM building in Singapore expired. The Group took the opportunity to revise its rental arrangement and reduce its rented space, hence there was no rental income for 1Q2017 as compared to S\$9,000 in 1Q2016.
- A.1(b)** The foreign exchange loss in 1Q2017 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(c)** In 1Q2017, there were reversals of allowance for inventory obsolescence due to utilisation of obsolete inventories.
- A.1(d)** In 1Q2017, the Group liquidated two of its wholly owned subsidiaries, resulting in a disposal loss of S\$695,000, mainly arising from the realisation of foreign currency translation losses.
- A.1(e)** The income was a refund of property tax in respect of our Malacca factory sale.

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

A.2 Raw Material and Other Consumables

	Quarterly Results		
	1Q2017 S\$'000	Restated** 1Q2016 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding allowance for inventory obsolescence	5,403	2,242	141.0%
Raw materials and consumables cost	(36,199)	(9,750)	-271.3%
Material cost before obsolescence	(30,796)	(7,508)	-310.2%
Allowance for inventory obsolescence reversed	537	317	69.4%
Total	(30,259)	(7,191)	-320.8%

* Increase/(Decrease) Earnings
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S\$7.5 million in 1Q2016 to S\$30.8 million in 1Q2017, representing an increase of 310.2%. The increase in raw materials and other consumables cost in 1Q2017 was mainly due to increase in sales of new equipment which requires higher material costs.

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

	Note	Quarterly Results		
		1Q2017 S\$'000	Restated** 1Q2016 S\$'000	Change* %
Factory overheads	A.3(a)	706	647	-9.1%
Sales, marketing & general expenses	A.3(b)	625	454	-37.7%
Loss on liquidation of subsidiaries	A.1(d)	695	15	NM
Loss on disposal of property, plant and equipment		-	26	NM
Foreign exchange loss	A.1(b)	127	258	50.8%
Other operating expenses		4	11	63.6%
Total		2,157	1,411	-52.9%

* Increase/(Decrease) Earnings
NM: Not Meaningful

- A.3(a)** The increase in factory overheads in 1Q2017 compared to 1Q2016 was mainly due to higher rental expenses from the increased production space to cope with the increase in sales.
- A.3(b)** In 1Q2017, sales, marketing and general expenses increased 37.7% from S\$454,000 to S\$625,000 mainly due to higher overseas travel, packing and delivery expenses.

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

	Note	Group		Company	
		31-Mar-17 S\$'000	31-Dec-16 S\$'000	31-Mar-17 S\$'000	31-Dec-16 S\$'000
Non-current assets					
Property, plant and equipment		2,064	2,226	37	40
Intangible assets		50	65	-	1
Subsidiaries		-	-	10,194	10,194
Associate		4,432	4,499	4,667	4,667
Deferred tax asset		4	76	4	4
		6,550	6,866	14,902	14,906
Current assets					
Inventories	B.1	22,189	17,443	-	-
Trade and other receivables	B.2	38,595	17,777	5,775	3,758
Cash and cash equivalents	B.3	9,135	6,310	445	914
		69,919	41,530	6,220	4,672
Total assets		76,469	48,396	21,122	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)	(11,150)	(11,348)	(320)	(505)
Accumulated gains/ (losses)	1(d)(i)	5,976	1,839	(19,872)	(20,831)
Total equity		34,563	30,228	19,545	18,401
Non-current liabilities					
Financial liabilities	1(b)(ii)	-	7	-	-
Provision		259	280	-	17
Deferred tax liabilities		-	42	-	-
		259	329	-	17
Current liabilities					
Trade and other payables	B.4	39,918	16,713	1,566	1,149
Financial liabilities	1(b)(ii)	64	78	-	-
Current tax payable	B.5	1,527	805	11	11
Provisions		138	243	-	-
		41,647	17,839	1,577	1,160
Total liabilities		41,906	18,168	1,577	1,177
Total equity and liabilities		76,469	48,396	21,122	19,578

B.1 The increase in inventories was mainly due to inventory builds for fulfilment of sales orders over the next few quarters.

B.2 Trade and other receivables increased mainly due to the increased sales in 1Q2017.

B.3 Cash and cash equivalents increased mainly due to operating profit before working capital changes of S\$5.3 million generated in 1Q2017, offset by net working capital changes of S\$2.5 million as a result of increase in sales orders to be fulfilled over the next few quarters.

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 is due to increased profits in 1Q2017.

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

	31-Mar-17 S\$'000	31-Dec-16 S\$'000
Amount repayable in one year or less, or on demand		
- Secured finance lease liabilities	64	78
Amount repayable after one year		
- Secured finance lease liabilities	-	7
	-	
Total	64	85

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

1(c). Consolidated Cash Flow Statement

	Note	1Q2017 S\$'000	1Q2016 S\$'000
Operating activities			
Profit from continuing operations		4,137	350
Loss from discontinued operations		-	(109)
Profit for the period		4,137	241
Adjustments for:			
Depreciation and amortisation		171	270
(Gain)/ loss on disposal of property, plant and equipment		(3)	26
Loss on liquidation of subsidiaries		695	15
Allowance reversed for inventories obsolescence		(537)	(317)
Interest income		(1)	(7)
Interest expense		1	6
Provision reversed for warranties		(123)	-
Refund of property tax		(76)	-
Equity settled share based payment transaction		211	-
Tax expense		765	111
Share of loss from equity accounted investee, net of tax		67	-
Operating profit before working capital changes		5,307	345
Changes in working capital:			
Inventories		(4,792)	(2,143)
Trade and other receivables		(21,625)	(1,335)
Trade and other payables		23,939	(209)
Cash from/ (used in) operations		2,829	(3,342)
Government grant received		27	63
Cash flows from/ (used in) operating activities		2,856	(3,279)

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

	Note	1Q2017 S\$'000	1Q2016 S\$'000
Investing activities			
Interest income		1	7
Purchase of property, plant and equipment		(51)	(151)
Proceeds from sale of property, plant and equipment		3	-
Proceeds from refund of property tax		76	-
Net cash used in investing activities		29	(144)
Financing activities			
Interest paid		(1)	(6)
Repayment of financial liabilities		(19)	(11)
Purchase of treasury shares		(25)	(106)
Net cash used in financing activities		(45)	(123)
Net increased/ (decreased) in cash and cash equivalents		2,840	(3,546)
Cash and cash equivalents at beginning of period		6,310	10,363
Effect of exchange rate changes on balances held in foreign currencies		(15)	155
Cash and cash equivalents at end of period		9,135	6,972

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

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 2017	39,737	(1,264)	161	759	(11,004)	1,839	30,228
Changes in equity for the period							
Profit for the period	-	-	-	-	-	4,137	4,137
Foreign currency translation differences	-	-	-	-	(683)*	-	(683)
Liquidation of a dormant subsidiary	-	-	-	-	695 *	-	695
Total comprehensive income for the period	-	-	-	-	12	4,137	4,149
Own shares acquired	-	(25)	-	-	-	-	(25)
Equity settled share based payment transaction	-	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)	5,976	34,563

* The net exchange difference arose mainly from translation of subsidiaries' 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

	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)
Equity settled share based payment transaction	-	324	(113)	-	211
Total comprehensive income	-	-	-	957	957
As at 31 Mar 2017	39,737	(965)	645	(19,872)	19,545

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

	As at 31-Mar-17		As at 31-Dec-16		As at 31-Mar-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
Total issued shares	45,112,629	39,737	45,112,629	39,737	45,112,629	39,737
Less treasury shares balance	(1,770,371)	(965)	(2,347,500)	(1,264)	(1,101,500)	(594)
Total issued shares less treasury shares reserve at end of period	43,342,258	38,772	42,765,129	38,473	44,011,129	39,143

	As at 31-Mar-17		As at 31-Dec-16		As at 31-Mar-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	(20,000)	(25)	(1,595,400)	(775)	(349,400)	(105)
Issue of treasury shares to management under Performance Share Plan	597,129	324	-	-	-	-
Treasury shares balance at end of period	(1,770,371)	(965)	(2,347,500)	(1,264)	(1,101,500)	(594)

1(d)(iii). Share Options

On 27 February 2017, the Company issued 539,852 share options under the AEM Employee Share Option Scheme. As at 31 March 2017, the number of share options of the company outstanding was 841,779 (31 March 2016: nil). During the financial period, there were no options being exercised.

1(d)(iv). Treasury Shares

As at 31 March 2017, the treasury shares balance was 1,770,371 (31 March 2016: 1,101,500). The total number of issued ordinary shares excluding treasury shares at the end of the period was 43,342,258 (31 March 2016: 44,011,129).

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	
	1Q2017	Restated** 1Q2016
(i) EPS based on weighted average number of ordinary shares in issue	9.54 cents	0.80 cents
Weighted average number of shares in issue	43,342,258	44,011,129
(ii) EPS based on a fully diluted basis	9.47 cents	0.80 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	43,678,917	44,011,129

7. Net Asset Value Per Share

	Group		Company	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
Net asset value per share	79.7 cents	70.7 cents	45.1 cents	43.0 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 43,342,258 ordinary shares as at 31 March 2017 (31 March 2016: 44,011,129 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results		
	1Q2017 S\$'000	Restated** 1Q2016 S\$'000	Change %
Equipment Systems (ESS)	40,231	10,700	276.0%
Precision Components (PCS)	1,888	1,464	29.0%
Overall	42,119	12,164	246.3%

In line with the previous announcements of the growth of our sales orders received for delivery in 2017, the Group reported higher revenue from its Equipment Systems ("ESS") business mainly due to higher equipment and kits sales. Sales from ESS were higher by 276.0%, increasing from S\$10.7 million in 1Q2016 to S\$40.2 million in 1Q2017.

Revenue from the Precision Components ("PCS") business was higher by 29.0%, increasing from S\$1.5 million in 1Q2016 to S\$1.9 million in 1Q2017 due to increase in demand from customers.

As a result of the above, the Group recorded a 246.3% increase in its total revenue, which rose from S\$12.2 million in 1Q2016 to S\$42.1 million in 1Q2017.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S\$7.5 million in 1Q2016 to S\$30.8 million in 1Q2017, representing an increase of 310.2%. The increase in raw materials and other consumables cost in 1Q2017 was mainly due to increase in sales of new equipment which requires higher material costs.

Depreciation decreased by 13.9% from S\$180,000 in 1Q2016 to S\$155,000 in 1Q2017 mainly due to the lower carrying value of property, plant and equipment in 1Q2017.

Amortisation of intangible assets was lower by 69.8%, decreasing from S\$53,000 in 1Q2016 to S\$16,000 in 1Q2017 mainly due to lower carrying value in 1Q2017.

Staff costs increased by 58.5% from S\$3.0 million in 1Q2016 to S\$4.7 million in 1Q2017 mainly due to higher salary cost of S\$648,000 for additional headcount to cope with the increased sales orders from customers, higher bonus provision of S\$820,000 and additional share-based payment provision of S\$211,000 for the performance shares granted on 27 February 2017.

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

Analysis of Consolidated Income Statement (Cont'd)

As a result of the above, profit before tax in 1Q2017 was S\$4.9 million compared to a profit before tax of S\$461,000 in 1Q2016. After taking into consideration tax expense of S\$765,000 in 1Q2017, profit after tax was S\$4.1 million compared to S\$241,000 in 1Q2016 after tax expense and losses from discontinued operations of S\$220,000 in 1Q2016.

Net profit margin improved from 1.9% in 1Q2016 to 9.8% in 1Q2017 mainly due to higher sales and improvement in cost efficiency.

Analysis of Statement of Financial Position

Cash and cash equivalents increased mainly due to operating profit before working capital changes of S\$5.3 million generated in 1Q2017, offset by net working capital changes of S\$2.5 million as a result of increase in sales orders to be fulfilled over the next few quarters.

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 4Q2016 results announcement, we stated that "we expect to deliver at least S\$70 million in sales and achieve at least S\$6.5 million operating profit before tax for 1H2017".

The Group achieved sales of S\$42.1 million and profit before tax of S\$4.9 million in 1Q2017.

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 progresses on its multi-year rollout of its next-generation platforms. Our positive business outlook is further supported by improving performance in the global semiconductor industry. As a result, growing sales of equipment and kits contributed to a strong 1Q2017 performance.

With these strong sales orders, we expect to achieve revenue and operating profit before tax for 9M2017 to achieve at least S\$142 million and S\$17.5 million respectively.

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	Interim
Dividend Type	Cash
Dividend Rate	0.5 cent per ordinary share
Tax Rate	Tax Exempt One-Tier

(c) Date Payable

NA

(d) Books Closure Date

NA

12. Statement on Dividends

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

No dividend has been declared.

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 31 March 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
24 April 2017