

ANNUAL REPORT 2011
AEM HOLDINGS LIMITED



Spearheading
Innovation



vision

A world leading company in providing complex engineering solutions in equipment systems, substrates and precision components.

mission

To earn the recognition of our customers as a trusted and innovative global partner through our dedication, integrity, technical excellence and steadfast focus on quality.

contents

- 1 corporate profile
- 2 chairman's & CEO's statement
- 4 AEM's core businesses
- 8 board of directors
- 10 business & financial reviews
- 14 corporate information
- 15 corporate structure & manufacturing facilities
- 16 financial contents

corporate profile



core values

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

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; substrates packaging 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 4 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 & CEO's statement



Dear Shareholders,

The 2011 financial year proved to be a remarkable year for our company even as the semiconductor industry gyrated between strength and weakness throughout the year. Prudent cost management and investment in our engineering core allowed AEM to stay supportive of our customers and to continue to earn their business as a valued partner.

We ended the 2011 financial year on 31 December 2011 ("FY2011") with profit before tax of \$8.8 million that represents more than a doubling of FY 2010 profit before tax of \$3.9 million. As the Group continued to anchor its relationships with a number of global customers, revenue increased to almost \$100 million in FY2011. Today, the Company is financially healthy with a clear business focus

and ready to embark on its next stage of growth both organically and through M&A.

Our effort to focus on niche solutions and to support customers on new products and developmental projects has brought about more customer orders from our core sectors in semiconductor and solar. The Singapore business segment which focuses on providing equipment systems, precision components and substrates packaging solutions grew more than 7% in revenue from \$78.0 million in FY2010 to \$91.4 million in FY2011.

The Group generated cash from operating activities of \$17.4 million (FY2010: \$12.3 million) and reduced its total bank borrowings from \$19.7 million as at 31 December 2010 to

\$6.4 million as at 31 December 2011. Following which, the Group's Singapore assets were unencumbered by March 2012 and certain restrictive conditions such as dividend restrictions and mandatory prepayment of bank loans from new equity or debt offering proceeds have also been removed. Cash and cash equivalents as at 31 December 2011 stood at \$24.1 million.

In our continual effort to drive productivity and to remain globally competitive, we took a deep look at rationalizing our cost structure in FY 2011. Staff costs were reduced by 20.8% from \$13.5 million in FY2010 to \$10.7 million in FY2011 while other operating expenses decreased by 20.2% from \$15.5 million in FY2010 to \$12.4 million in FY2011 mainly due to the general reduction in the AEM workforce and the cessation of the Group's loss-making Malacca operations. We believe that our efforts to focus the organization on our core businesses and through prudent cost management, have set the foundation for a stronger and more nimble AEM.

The Group's net asset value stood at \$53.4 million or approximately 11.9 cents per share as at 31 December 2011, an increase of 14.5% from last year's 10.7 cents.

Outlook & Business Strategies

While the Group has delivered improving sales through its focus on niche solutions and work with global customers, the business environment remains uncertain given the current global economic and financial outlook. In addition to raising the quality of our human capital, the Group is committed to increase our investment in engineering and core technology development. The Company will also pursue M&A opportunities for future growth given its healthy financial and cash positions and to derive long-term returns for our shareholders.

Watch-List

The Company achieved cumulative consolidated pre-tax profit of S\$12.7 million for FY2010 and FY2011; therefore it has met the criteria stated in SGX Listing Rule 1314 (2) relating to Watch-list removal and Listing Rule 210(2)(b) relating to SGX Mainboard admission quantitative criteria for the Company to be removed from the SGX Watch-list. The Company has submitted its application to SGX and is looking forward to a favourable outcome.



Appreciation

On behalf of the Board, we thank our staff for their dedication and commitment in turning the Group around and building a strong foundation to capitalize on the growth ahead.

To our customers, business partners, suppliers, bankers and other stakeholders, we thank you for your unwavering support and hope to continue to build on our strong business relationships.

Last but not least, we thank you, our shareholders, for your continued support.

Loke Wai San

Non-Executive Chairman

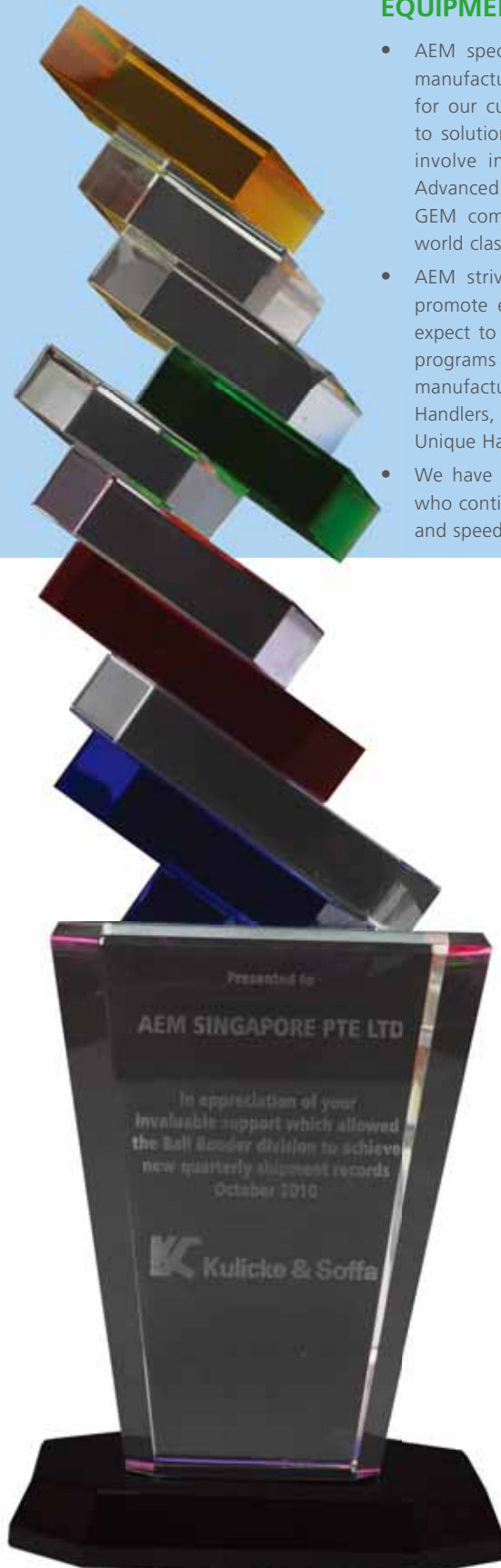
Albert Ng Aik Khoon

Chief Executive Officer

AEM's core businesses

EQUIPMENT SYSTEMS SOLUTIONS (ESS)

- AEM specializes in providing customized system solutions to both mass volume manufacturers as well as new technology development laboratories. We are partners for our customers in product realization from concept to prototype and eventually to solution proliferation in high volume 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 participative approach. As business partners, we expect to invest our time and resources to support our customers in developmental programs and strive for excellence in program execution. We have a good pulse rate manufacturing capability to deliver high quality products. Our solutions include Test Handlers, Wafer handling systems, Laser marking, Laser de-flashing, Vision Inspection, Unique Handling Systems and various automation projects.
- We have an energized and confident team of business and technical professionals who continuously strive to provide high value solutions to our customers with quality and speed.





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, instruments and aerospace industries.
- We have state of the art machines, consisting of 5 axis CNC machines, Turn Mill, EDM and Wire Cut machines. We are well versed with standard packages used by all OEM and our customers can expect professional designs either from standards or to fit your specific requirement. Our lead time is 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. Working with metals as well as plastics (such as Vespel and Torlon), we produce to customers' exact high level of expectation in precision engineering.
- Our skill 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 highest end machinery and tools including CMM, Contact-less Measurement equipment and high definition profile projectors and coupled with our high precision production equipment, we ensure that all our customers' requirements and demands in precision are met.
- Strategically located in Singapore, Malaysia (Penang) and China (Suzhou), our technical and professional staff are in continuous training and upgrading programs to equip them with skills to meet the current and future requirements in high performance components.



AEM's core businesses

SUBSTRATES PACKAGING SOLUTIONS (SPS)

- Microcircuit Technology (S) Pte Ltd, a wholly owned subsidiary of AEM Holdings Ltd., is a pioneer in Advanced Interconnects Substrate Design & Manufacturing in South-East Asia. Our leading edge technology is parallel with market demands and we design, develop and manufacture organic substrates, which are raw materials used in the electronics industry. We have the ability to provide total solution concept from Substrate design development, rapid prototyping and to mass volume production in our facility.
- The Company's laminate substrates product range include plastic ball grid array (PBGA) packages, chip scale package (CSP) for Wire Bond and Flip Chip, advanced RF modules, systems-in-package (SIP), flip chips systems-in-package, micro-PCBs modules, SD module, USB module, HDI module and advanced chip-on-board (COB) products. Multi-layered printed circuit boards (PCBs) design to volume production facility.





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.



board of directors



Loke Wai San

Non-Executive Chairman and Non-Independent Director

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. Mr. Loke is also the Chairman of the Remuneration Committee.



Albert Ng Aik Khoon

Executive Director and Chief Executive Officer

Albert Ng has been in the electronics manufacturing industry for the last 22 years. He has extensive global and corporate management experience operating subsidiaries and factories on a global basis. He has successfully started two companies and has successfully done two IPOs. He was the CEO of EEMS Asia Pte. Ltd. and Chairman of EEMS Suzhou Co. Ltd. from 2004 to 2010. He was a founding member of the management team of UTAC and was the Vice President of Worldwide Sales and Marketing and Planning from March 1998 to 2004. From 1989 to 1998, Mr. Ng held several management positions in engineering, memory module operations, joint venture and planning with Texas Instruments. Mr. Ng holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering from Heriot-Watt University, Edinburgh, and a Masters in Science (Gold Medal) in Computer-Integrated-Manufacturing from Nanyang Technological University, Singapore. He joined the AEM Board on 30 September 2011 and served as Non-Executive Chairman from 30 September 2011 to 31 December 2011. He was appointed as the Chief Executive Officer on 1 January 2012.

**Adrian Chan Pengee***Independent Director*

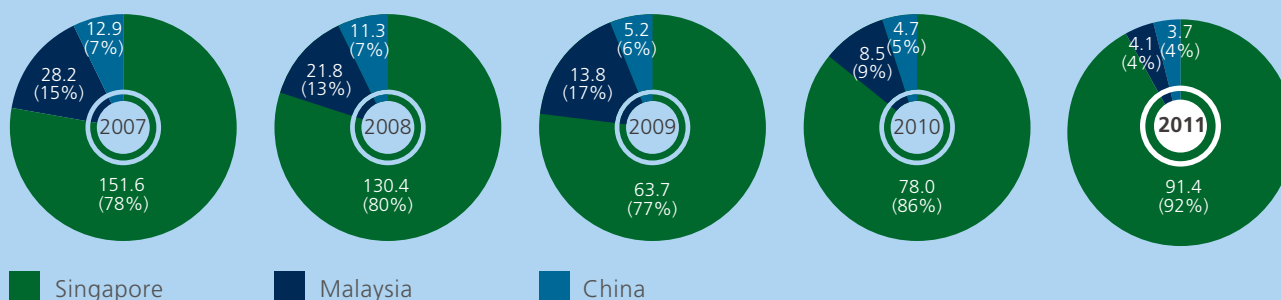
Adrian Chan Pengee is the Head of the Corporate Department and a Senior Partner at Lee & Lee. Mr. Chan is the Vice Chairman of the Singapore Institute of Directors and serves on the Executive Council of the Association of Small and Medium Enterprises as its Honorary Secretary. He also sits on the Listed Companies Committee of the Singapore International Chamber of Commerce, the Corporate Practice Committee 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 an independent director on the Boards of several publicly listed companies on the Singapore Stock Exchange. 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.

**Basil Chan***Independent Director*

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He currently sits on the boards of several listed companies in Singapore and is a Council Member and Board Director of the Singapore Institute of Directors where he is currently its Treasurer. He was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code and was previously a member of the Accounting Standards Committee of the Institute of Certified Public Accountants in Singapore (ICPAS). He is currently a member of the Audit and Assurance Standards Committee of ICPAS. Mr. Chan has more than 30 years of audit, financial and general management experience having held senior financial positions in leading 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 the ICPAS. 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.

business & financial reviews

Revenue by Operating Geographical Segment (in S\$ million)



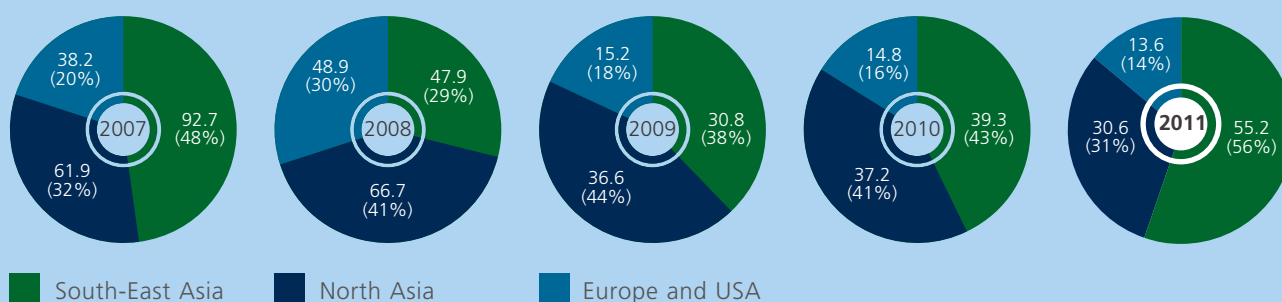
	FY2011 S'000	FY2010 S'000	Change* %
Revenue	99,278	91,204	9%
Materials, consumables and inventory changes	(60,817)	(50,817)	-20%
Staff costs	(10,662)	(13,468)	21%
Depreciation and amortisation	(6,227)	(7,731)	19%
Other (expenses) / other income	(11,553)	(14,164)	18%
Total expenses net other income	(89,259)	(86,180)	-4%
Profit before impairment and tax	10,019	5,024	99%
Impairment losses	(1,217)	(1,083)	-12%
Profit before taxation	8,802	3,941	123%
Income tax expense	(2,033)	(1,372)	-48%
Profit/(loss) attributable to shareholders	6,769	2,569	163%

* Increase/(Decrease) Earnings

Revenue for the Group increased by 8.9% from S\$91.2MM in FY2010 to S\$99.3MM in FY2011. The Group recorded higher revenue due to higher sales from its Singapore operations coming mainly from higher equipment sales and new projects in the Semiconductor industries.

Raw material, other consumables and changes in inventories before obsolescence increased 20% compared to the sales increase of 8.9% in FY2011. The increase in material cost in FY2011 relative to FY2010 was mainly due to the some developmental projects that the Group has with a global customer and sales of equipment with lower margin. The Group provided for allowance for inventory obsolescence in FY2011 of S\$1.2MM mainly for slow moving inventory and certain product range that has been discontinued.

Revenue by Customer Geographical Segment (in S\$ million)



Staff costs and other operating expenses reduced by 20.5% from S\$29.0MM in FY2010 to S\$23.0MM in FY2011 mainly due to a general reduction in workforce and cessation of the Group's Malacca operations.

Depreciation and amortisation cost reduced by 19.5% from S\$7.7MM in FY2010 to S\$6.2MM in FY2011 mainly due to the reduction in property, plant and equipment amount.

Financial expenses reduced by 29.4% mainly due to lower loan amount following repayment of loans from financial institutions.

As a result of the above, the Group's profit before income tax expense was S\$8.8MM for FY2011 compared to S\$3.9MM in FY2010. As a result of the higher profits, the Group provided higher income tax expenses of 48.2% to S\$2.0MM in FY2011. Profit after tax for the Group was S\$6.8MM for FY2011 compared to S\$2.6MM in FY2010.

Segment By Operating Geographical Location

	Revenue			EBITDA			Profit/(loss)		
	FY2011 S\$'000	FY2010 S\$'000	Change*	FY2011 S\$'000	FY2010 S\$'000	Change*	FY2011 S\$'000	FY2010 S\$'000	Change*
Singapore	91,432	78,025	17%	13,618	12,195	12%	6,007	3,187	88%
Malaysia	4,099	8,484	-52%	1,730	498	247%	803	(53)	1615%
China	3,747	4,695	-20%	479	109	340%	(41)	(565)	93%
	<u>99,278</u>	<u>91,204</u>	9%	<u>15,827</u>	<u>12,802</u>	25%	<u>6,769</u>	<u>2,569</u>	163%

* Increase/(Decrease) Earnings

business & financial reviews



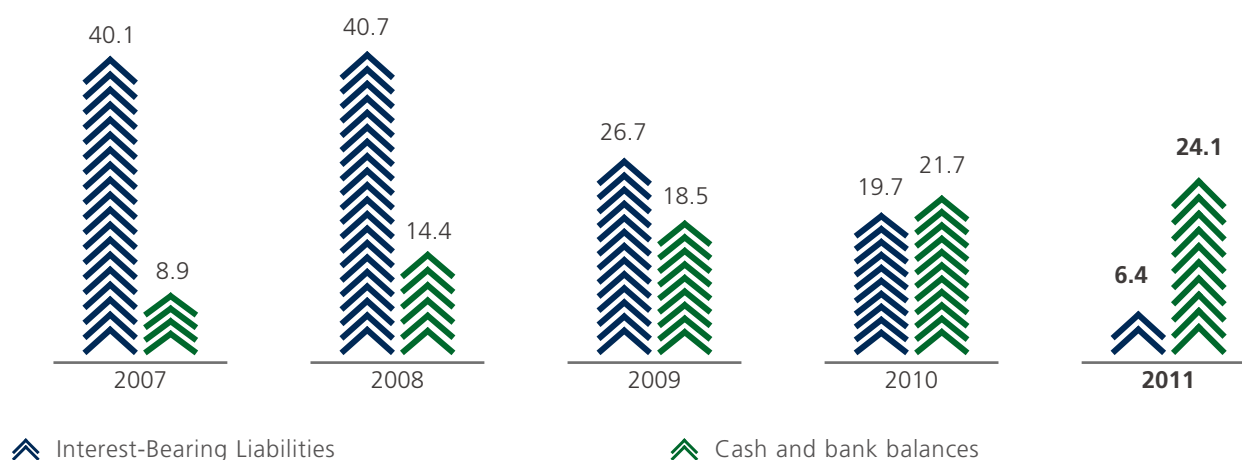
Financial Position and Cash Flow

As at 31 December 2011, the Group had cash of S\$24.1MM which was in excess of its financial liabilities of S\$6.4MM. The net assets of the Group as at 31 December 2011 was S\$53.1MM which translates to 11.9 cents net asset value per share.

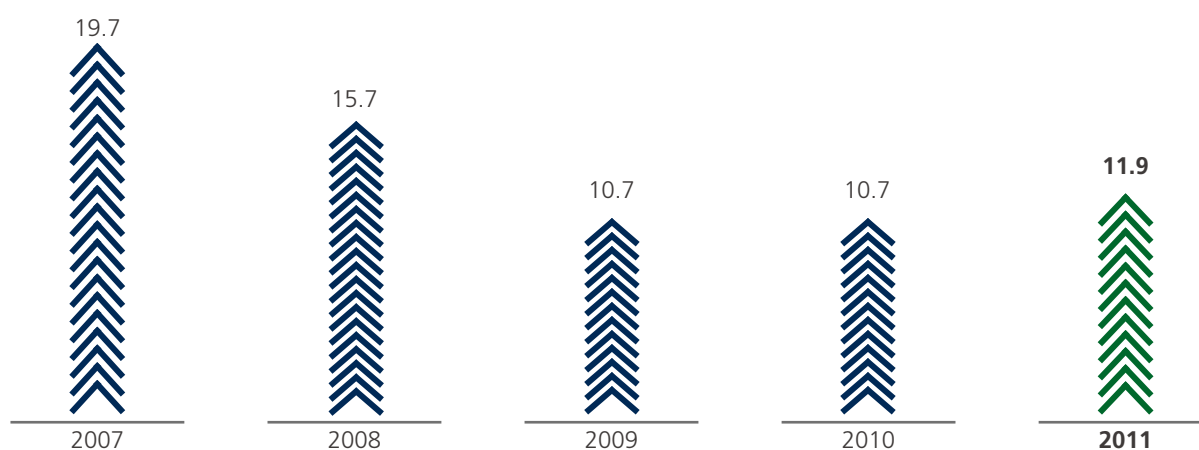
In FY2011, The Group had during the year generated S\$17.4MM cash from operating activities and repaid S\$12.9MM of financial liabilities. Cash and cash equivalents as at 31 December 2011 stood at S\$24.1 million. The Group's bank borrowings reduced from S\$19.7 million as at 31 December 2010 to S\$6.4 million as at 31 December 2011 due to repayment of borrowings.

	FY2011 S\$'000	FY2010 S\$'000	FY2009 S\$'000
Cash generated from operating activities	17,360	12,313	16,882
Cash from/(used in) investing activities	(926)	(1,003)	1,867
Cash (used in) financing activities	(13,370)	(6,053)	(16,436)
Net increase in cash	3,064	5,257	2,313
Cash & Cash equivalents at end of year	21,652	18,843	14,519

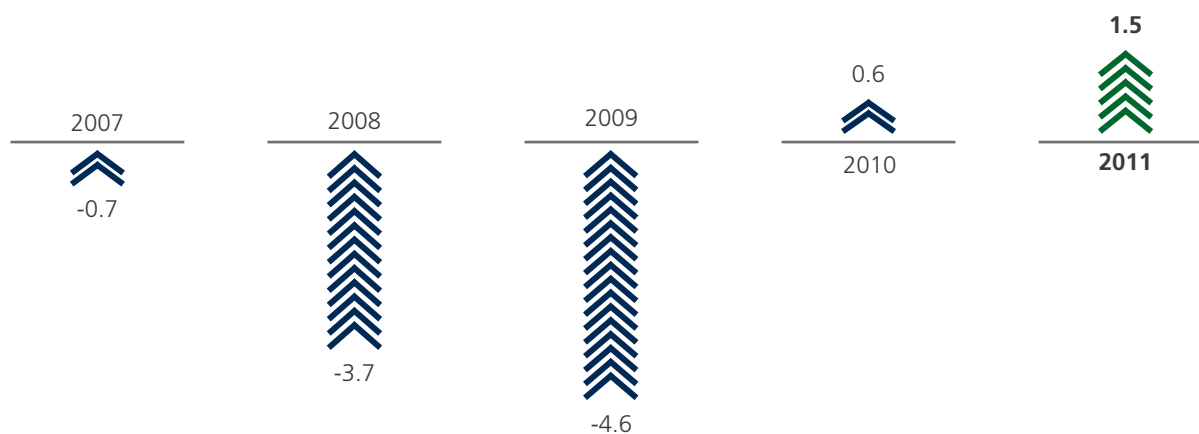
Borrowing And Cash (in S\$ million)



Net Asset Value Per Ordinary Share (in cents)



Diluted Earnings Per Share (in S\$ million)



corporate information

BOARD OF DIRECTORS

Non-Executive:

Loke Wai San

Chairman

Basil Chan

Independent Director

Adrian Chan Pengee

Independent Director

Executive:

Albert Ng Aik Khoon

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

PRINCIPAL BANKERS

United Overseas Bank Limited

80 Raffles Place

UOB Plaza 1

Singapore 048624

DBS Bank

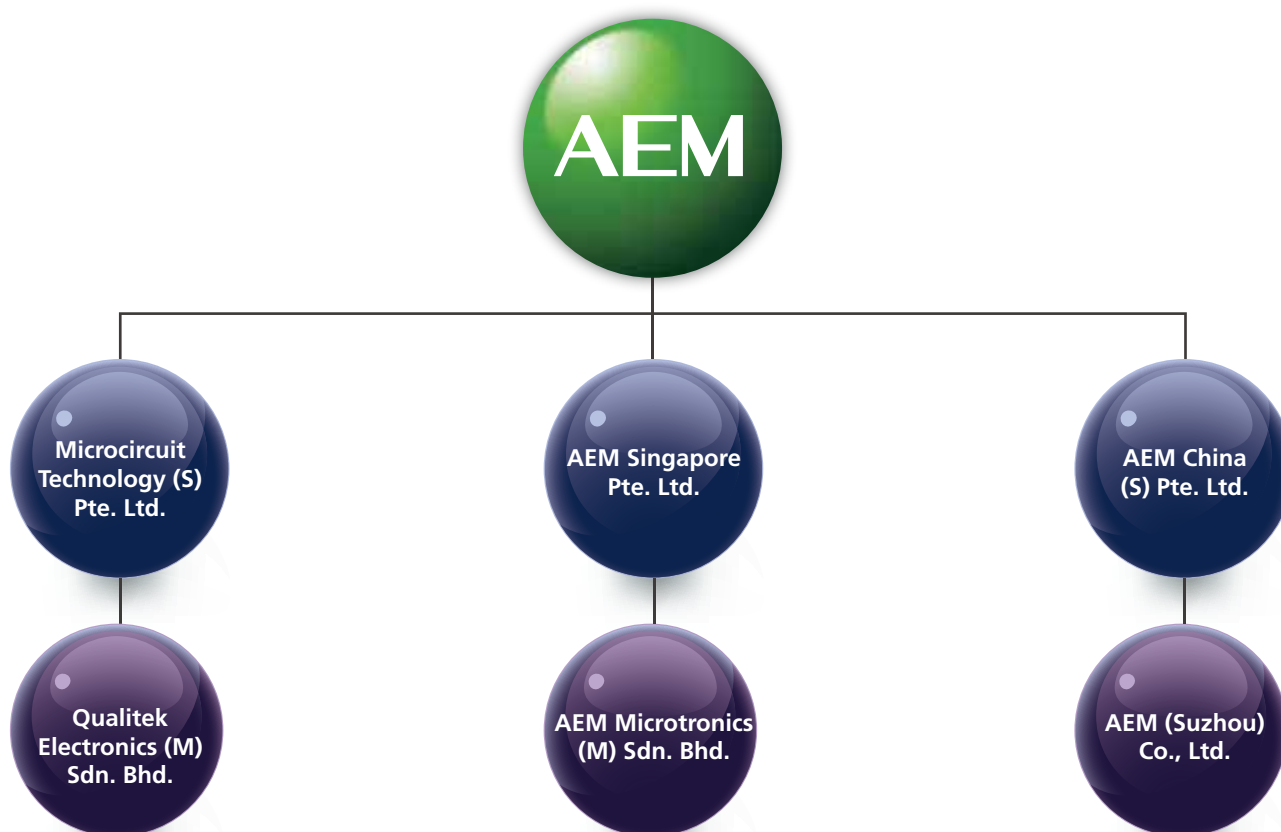
6 Shenton Way

DBS Building Tower One

Singapore 068809



corporate structure



industries served

Health care, electronics, hard disk drive, computer and peripherals, solar and semiconductors

manufacturing facilities

Country	Locations	Entities	Activities/Business
Singapore	Serangoon North	<ul style="list-style-type: none"> AEM Holdings Ltd ("AEH") AEM Singapore Pte. Ltd. ("ASG") 	<ul style="list-style-type: none"> Corporate Headquarters ESS, PCS
	Tuas	<ul style="list-style-type: none"> Microcircuit Technology (S) Pte. Ltd. ("MCT") 	<ul style="list-style-type: none"> SPS
Malaysia	Penang	<ul style="list-style-type: none"> AEM Microtronics (M) Sdn. Bhd. ("AMM") 	<ul style="list-style-type: none"> ESS, PCS
China	Suzhou	<ul style="list-style-type: none"> AEM (Suzhou) Co., Ltd. ("ASZ") 	<ul style="list-style-type: none"> ESS, PCS, SPS



AEM SINGAPORE
MODULE: ILP02

financial contents

17	Corporate Governance
26	Directors' Report
31	Statement by Directors
32	Independent Auditors' Report
34	Statements of Financial Position
35	Consolidated Income Statement
36	Consolidated Statement of Comprehensive Income
37	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
41	Notes to the Financial Statements
88	Supplementary Information
89	Information on Shareholdings
91	Notice of Annual General Meeting Proxy Form

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 July 2005. This statement outlines the main corporate governance practices that were in place during the year. The Company has generally complied with the spirit and intent of the Code.

BOARD MATTERS

Board’s Conduct of its Affairs

The Board comprises four 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 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 our business and governance practices.

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. They assist the Board operationally without the Board losing authority over major issues.

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 | 5 |
| • Audit Committee | 5 |
| • Remuneration Committee | 2 |
| • Nominating Committee | 2 |

corporate governance

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	Attend- ance	No. of meeting	Attend- ance	No. of meetings	Attend- ance	No. of meetings	Attend- ance
Loke Wai San (<i>appointed on 30 September 2011</i>) (Chairman)	1	1	2	2	1	1	1	1
Adrian Chan Pengee	5	5	5	5	2	2	2	2
Basil Chan	5	4	5	4	2	2	2	2
Albert Ng Aik Khoon (<i>appointed on 30 September 2011</i>)	1	1	NA	NA	NA	NA	NA	NA
David Goh Hock Kim (<i>resigned on 31 December 2011</i>)	5	5	NA	NA	NA	NA	NA	NA
Stanley Chaong Kok Yew (<i>resigned on 30 September 2011</i>)	4	4	3	3	1	1	1	1

Board Composition and Balance

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 four directors, of whom three 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 and Mr Basil Chan are considered to be independent as they are not directly associated with a substantial shareholder or executive director of 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")

The roles of the Chairman and CEO are separate and held by two unrelated individuals.

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 and corporate governance policies and to realise a common vision for the Group.

Board Membership

The Company believes board renewal to be an on-going process, 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*

The structure, size and composition of the Board are reviewed periodically by the NC to ensure 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.

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 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.

corporate governance

Board Performance

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 individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution by each individual director to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at main board and board committee meetings.

Access to Information

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 as and when 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.

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 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.

REMUNERATION MATTERS

Directors' Remuneration Policies

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") reviews and recommends to the Board the remuneration framework for Directors and Management, taking into consideration the pay and employment conditions within the industry and in comparable companies. When required, the RC is empowered to engage expert advice in discharging its responsibilities, at the Company's expense.

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.

Directors' fees, as recommended by the RC, are subject to approval by the shareholders at the AGM.

corporate governance

Disclosure of Director's Fees and Remuneration

The remuneration bands and breakdown in percentage terms of the gross remuneration of the Directors of the Company for the year ended 31 December 2011 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total
	%	%	%	%	%	%
Directors						
Below S\$250,000						
Loke Wai San **	40	–	–	–	60	100
Adrian Chan Pengee	100	–	–	–	–	100
Basil Chan	100	–	–	–	–	100
Albert Ng Aik Khoon *	29	–	–	–	71	100
Stanley Cheong Kok Yew ** (resigned on 30 September 2011)	100	–	–	–	–	100
S\$1,000,000 to S\$1,250,000						
David Goh Hock Kim (resigned on 31 Dec 2011)	–	38	21	38	3	100

* The director's fee for Mr Albert Ng was paid to him while he was non-executive in FY2011.

** The director's fees for Mr Loke Wai San and Mr Stanley Cheong Kok Yew were paid to their employers, Novo Tellus Capital Partners and Transpac Capital Pte Ltd respectively.

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 FY2011, 13,500,000 (2010: 5,000,000) performance shares were granted to Mr David Goh Hock Kim and 5,000,000 (2010: 2,200,000) were granted to management of the Company under the Performance Share Plan. Other than these, no director was granted any performance shares under the Performance Share Plan during the year.

Key Management and Remuneration Policy

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 that is linked to the Group and each individual's performance.

corporate governance

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

Name of executive	Salaries (%)	Bonuses (%)	Other Allowances (%)	Share-based payment (%)	Total (%)
Below \$250,000					
Soh Wai Kong	53%	23%	8%	17%	100%
Ong Kok Thong	50%	24%	8%	18%	100%
Tan Wee Sun	51%	23%	8%	18%	100%
Ong Kim Leng	58%	19%	10%	13%	100%
How Boon Hua	68%	16%	11%	5%	100%

There are no employees who are immediate family members of any of the directors or the CEO and whose remuneration exceeds \$150,000 during the year.

ACCOUNTABILITY AND AUDIT

Audit Committee

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.

corporate governance

- 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.
- 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 outsources its internal audit function and the internal auditor reports primarily 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.

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 and are accessible on the Company's website at www.aem.com.sg.

Risk Management

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 updated regularly to reflect changes in market conditions and the activities of the Group. Based on the work carried out by the internal auditors, the review undertaken by the external auditors, representations made by management to the Board and existing management controls 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 and Compliance 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 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.

corporate governance

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 are 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.

(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 quality system and operating procedures to govern its operation in addition to the close supervision by managers which minimize the disruption to operation and output. The Group has a few business divisions operating in different locations, these provide 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 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 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.

corporate governance

Dealings in Company's 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.

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 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 2011, other than as disclosed in Note 23 to the financial statements.

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 and material developments are released through SGXNET to the SGX'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 and participation of its shareholders at all general meetings.

The Chairmen of the various committees and the external auditors are available to address questions at all general meetings.

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 2011.

Directors

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

Adrian Chan Pengee

Basil Chan

Albert Ng Aik Khoon (Appointed on 30 September 2011)

Loke Wai San (Appointed on 30 September 2011)

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 and 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		Holdings at end of the year
Albert Ng Aik Khoon			
AEM Holdings Ltd			
– ordinary shares, fully paid (direct interest)	–		1,160,000
– ordinary shares, fully paid (deemed interest)	–		20,000,000

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 2012.

Except as disclosed under the "Share Options" section of this report, 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 16, 19 and 23 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 22 March 2002. 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 3 types of options that may be granted by the Company, namely, (a) Market Price Options, (b) Discount Price Options; and (c) Premium 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.

directors' report

Market Price Options and Premium 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 except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

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

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share	----- Number of share options -----					Exercise Period
		Options out-standing at 1/1/2011	Options granted	Options exercised	Options cancelled/ lapsed	Options out-standing at 31/12/2011	
28/11/2003	\$0.240	850,000	–	–	95,000	755,000	28/11/2004 to 27/11/2013
		850,000	–	–	95,000	755,000	

Except as disclosed above, 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 aggregate number of options granted to the directors and employees of the Company and its subsidiaries since the commencement of the scheme to 31 December 2011 totalled 13,106,000.

Except for two former directors, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates.

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.

directors' report

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
David Goh Hock Kim	12,000,000	21,000,000
Other key executives	5,000,000	7,200,000

As at the end of the financial year, there was a maximum of 1,500,000 performance shares that may be granted to a key executive pursuant to his terms of employment.

Audit committee

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

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

The Audit Committee performs the functions specified in section 201B of the Companies Act, the 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 and 715 of the Listing Manual of the Singapore Exchange Limited.

Auditors

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

On behalf of the Board of Directors

Loke Wai San
Director

Albert Ng Aik Khoon
Director

26 March 2012

statement by directors

In our opinion:

- (a) the financial statements set out on pages 34 to 87 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 2011 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

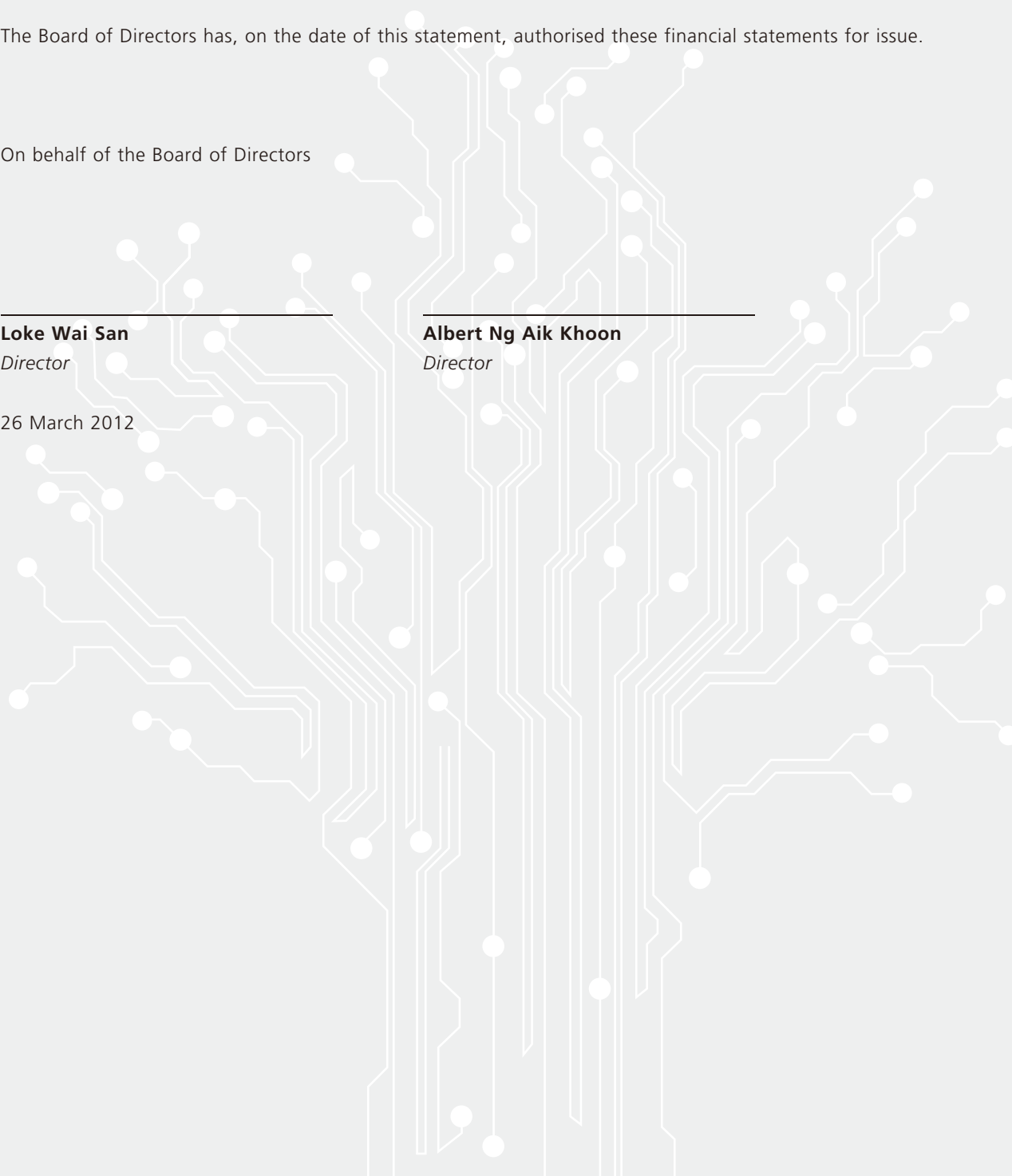
Loke Wai San

Director

26 March 2012

Albert Ng Aik Khoon

Director



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 2011, the income statement and 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 34 to 87.

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 2011 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

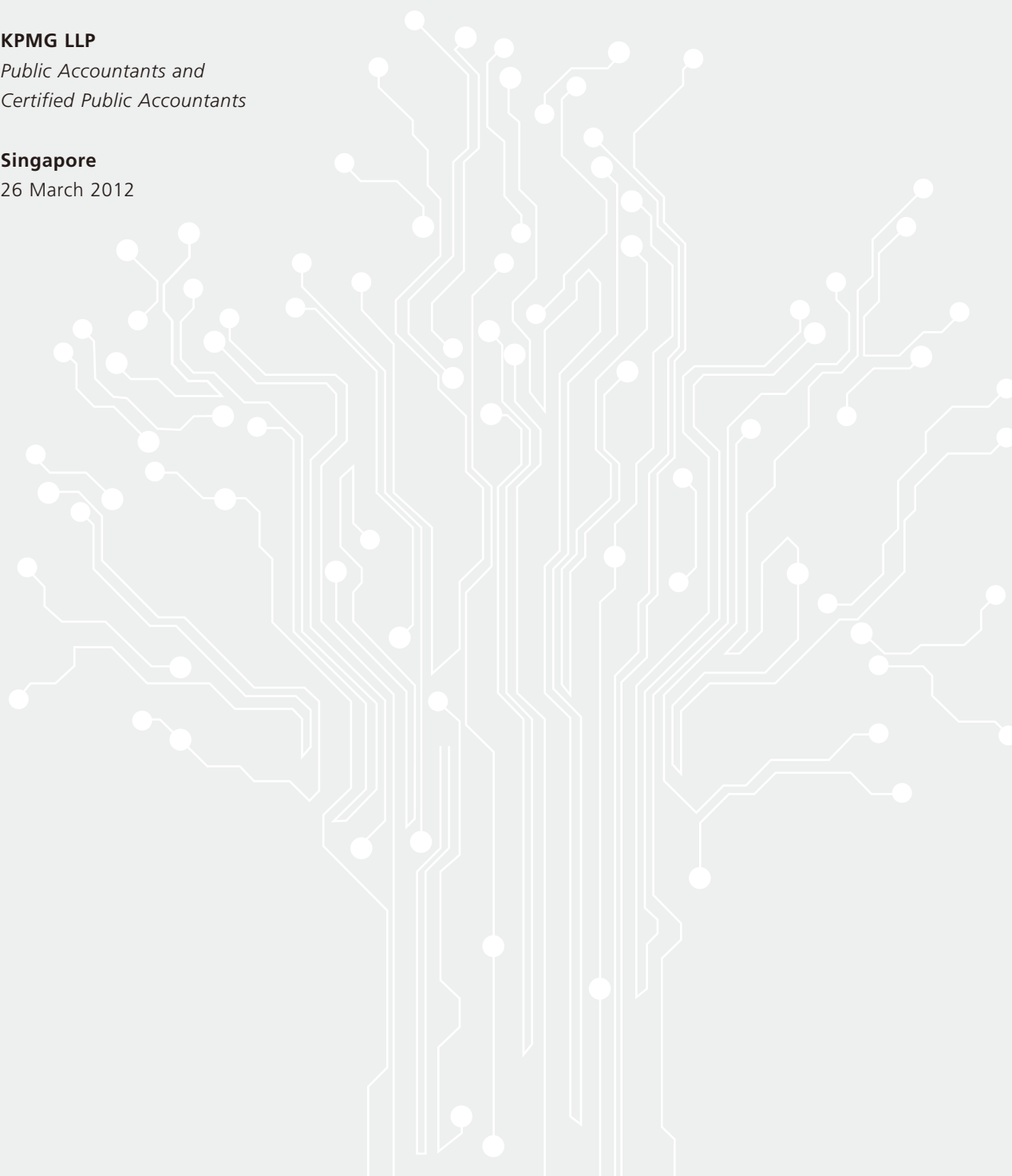
In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Certified Public Accountants*

Singapore

26 March 2012



statements of financial position

AS AT 31 DECEMBER 2011

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-current assets					
Property, plant and equipment	3	11,805	17,611	102	139
Intangible assets	4	2,930	1,973	45	45
Subsidiaries	5	–	–	10,194	42,407
Trade receivables	8	3,924	5,929	–	–
		18,659	25,513	10,341	42,591
Current assets					
Assets held for sale	6	5,790	6,032	–	–
Inventories	7	15,324	11,504	–	–
Trade and other receivables	8	21,301	21,471	2,332	7,235
Cash and bank balances	9	24,085	21,719	8,913	833
		66,500	60,726	11,245	8,068
Total assets		85,159	86,239	21,586	50,659
Equity attributable to equity holders of the Company					
Share capital	10	39,662	39,037	39,662	39,037
Other reserves	11	(14,241)	(14,102)	305	585
Accumulated profits/(losses)		27,934	21,165	(27,040)	9,372
Total equity		53,355	46,100	12,927	48,994
Non-current liabilities					
Financial liabilities	12	2,020	12,419	–	–
Deferred tax liabilities	13	232	233	87	87
		2,252	12,652	87	87
Current liabilities					
Trade and other payables	14	20,778	17,092	8,433	1,536
Financial liabilities	12	4,359	7,292	–	–
Current tax payable		4,059	2,909	139	42
Provisions	15	356	194	–	–
		29,552	27,487	8,572	1,578
Total liabilities		31,804	40,139	8,659	1,665
Total equity and liabilities		85,159	86,239	21,586	50,659

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

consolidated income statement

YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$'000	2010 \$'000
Revenue	17	99,278	91,204
Other operating income		1,594	2,471
Changes in inventories of finished goods and work-in-progress		4,441	2,699
Raw materials and other consumables		(66,455)	(54,599)
Staff costs		(10,662)	(13,468)
Depreciation of property, plant and equipment		(6,007)	(7,474)
Amortisation of intangible assets		(220)	(257)
Other operating expenses		(12,369)	(15,505)
Finance expenses	18	(798)	(1,130)
Profit before income tax	19	8,802	3,941
Income tax expense	20	(2,033)	(1,372)
Profit for the year (attributable to equity holders of the Company)		6,769	2,569
Earnings per share	21		
Basic		1.53 cents	0.60 cents
Diluted		1.53 cents	0.57 cents

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

consolidated statement of comprehensive income

YEAR ENDED 31 DECEMBER 2011

	2011 \$'000	2010 \$'000
Profit for the year	6,769	2,569
Other comprehensive income		
Foreign currency translation difference	141	(2,743)
Other comprehensive income/(loss) for the year, net of tax	141	(2,743)
Total comprehensive income/(loss) for the year	6,910	(174)
Attributable to:		
Equity holders of the Company	6,910	(174)
Total comprehensive income for the year	6,910	(174)

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

consolidated statement of changes in equity

YEAR ENDED 31 DECEMBER 2011

Group	Share capital \$'000	Capital reserve \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000
At 1 January 2010	38,677	214	473	(12,297)	139	18,596	45,802
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,569	2,569
Other comprehensive income							
Foreign currency translation difference	-	-	-	(2,743)	-	-	(2,743)
Total other comprehensive income	-	-	-	(2,743)	-	-	(2,743)
Total comprehensive income for the year	-	-	-	(2,743)	-	2,569	(174)
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares under Performance Share Plan	360	-	(225)	-	-	-	135
Share-based payment	-	-	337	-	-	-	337
Total transactions with owners of the Company	360	-	112	-	-	-	472
At 31 December 2010	39,037	214	585	(15,040)	139	21,165	46,100

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

consolidated statement of changes in equity

YEAR ENDED 31 DECEMBER 2011

Group	Share capital \$'000	Capital reserve \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Total attributable to equity holders of the Company \$'000
At 1 January 2011	39,037	214	585	(15,040)	139	21,165	46,100
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	6,769	6,769
Other comprehensive income							
Foreign currency translation difference	-	-	-	141	-	-	141
Total other comprehensive income	-	-	-	141	-	-	141
Total comprehensive income for the year	-	-	-	141	-	6,769	6,910
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares under Performance Share Plan	625	-	(449)	-	-	-	176
Share-based payment	-	-	169	-	-	-	169
Total transactions with owners of the Company	625	-	(280)	-	-	-	345
At 31 December 2011	39,662	214	305	(14,899)	139	27,934	53,355

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

consolidated statement of cash flows

YEAR ENDED 31 DECEMBER 2011

	2011 \$'000	2010 \$'000
Cash flows from operating activities		
Profit before income tax	8,802	3,941
Adjustments for:		
Allowance made for inventories obsolescence/inventories written off	1,197	1,083
Allowance made for/(reversal) doubtful debts and bad debts written off	20	(150)
Depreciation and amortisation	6,227	7,731
Gain on disposal of property, plant and equipment	(549)	(978)
Interest expense	798	1,130
Interest income	(14)	(9)
Performance shares expense	345	360
Provision for warranties made	159	109
Operating profit before working capital changes	16,985	13,217
Changes in working capital:		
Inventories	(4,917)	(2,107)
Trade and other receivables	1,409	3,337
Trade and other payables	4,769	(1,024)
Cash generated from operations	18,246	13,423
Government grant received	1	83
Income taxes paid	(887)	(1,193)
Net cash from operating activities	17,360	12,313
Cash flows from investing activities		
Acquisition of intangible assets	(1,200)	(999)
Interest received	14	9
Proceeds from sale of property, plant and equipment	610	1,516
Purchase of property, plant and equipment	(350)	(1,529)
Net cash used in investing activities	(926)	(1,003)

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

consolidated statement of cash flows

YEAR ENDED 31 DECEMBER 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from financing activities			
Interest paid		(798)	(1,130)
Repayment of bank loans		(12,394)	(4,615)
Repayment of finance lease liabilities		(178)	(600)
Fixed deposits pledged to bank		–	292
Net cash used in financing activities		(13,370)	(6,053)
Net increase in cash and cash equivalents		3,064	5,257
Cash and cash equivalents at beginning of year		18,843	14,519
Effect of exchange rate changes on balances held in foreign currencies		(255)	(933)
Cash and cash equivalents at end of year	9	21,652	18,843

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 26 March 2012.

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 5 to the financial statements.

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated. The financial statements have been prepared on the historical cost basis.

The preparation of financial statements in conformity with FRS 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.

In the application of the Group's accounting policies, management is of the opinion that there is no instance of application of critical judgement which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimates described below.

Information about 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 3 – measurement of recoverable amount of property, plant and equipment
- Note 6 – measurement of assets held for sale
- Note 8 – recoverability of trade receivables

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

(i) *Measurement of non-controlling interests in business combinations*

From 1 January 2011, the Group has applied the amendments to FRS 103 Business Combinations resulting from the Improvements to FRSs 2010 in measuring at the acquisition date, non-controlling interests that are not present ownership interests and do not entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Such non-controlling interests are now measured at fair value.

Previously, the Group has elected on a transaction-by-transaction basis whether to measure non controlling interests that are not present ownership interests and do not entitle holders to proportionate share of the acquiree's net assets on liquidation 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.

This change in accounting policy has been applied prospectively to new business combinations occurring on or after 1 January 2010 and has no material impact on earnings per share.

(ii) *Identification of related party relationships and related party disclosures*

From 1 January 2011, the Group has applied the revised FRS 24 Related Party Disclosures (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) has no material effect on the disclosures made in the financial statements for the current and previous financial years.

2.3 Consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.3 Consolidation (Continued)

Business combinations (Continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. 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.

For 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, the Group elects on a transaction-by-transaction basis whether to measure them 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. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

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.

Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

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 investee 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.

Accounting for subsidiaries, associates and jointly-controlled entities by the Company

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

2 Summary of significant accounting policies (Continued)

2.4 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. 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 on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing 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 translated at the closing rate. Exchange differences arising on translation are recognised directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign exchange translation reserve is recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and 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 asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and 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 cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives, or lease term if shorter, of each part of an item of property, plant and equipment.

The estimated useful lives 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, if significant, are reassessed at each reporting date.

2.6 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 an expense when it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. Cost of materials, direct labour and overheads that are directly attributable to preparing the asset for its intended use are capitalised. Other development expenditure is recognised in profit or loss as an expense when it is incurred.

Capitalised development expenditure, net of government grant received and receivable, is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the estimated useful life of 5 years from the date of commercialisation of these new or improved products. The unamortised balance is written off to profit or loss when the technical feasibility and commercial viability of the products become doubtful.

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.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.6 Intangible assets (Continued)

Other intangible assets

Other intangible assets, comprising computer software and patents, are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives, from the date on which they are available for use, as follows:

Computer software	–	3 years
Patents	–	5 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.7 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which 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. 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.

The Group has the following non-derivative financial assets: 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.

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.7 Financial instruments (Continued)

Non-derivative financial liabilities

The Group initially recognises financial liabilities (including liabilities designated at fair value through profit or loss) on the trade date at which 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 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 has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

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.

Intra-group financial guarantees

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at each reporting date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

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.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.8 Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect 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 and 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.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities 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. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, 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 receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.8 Impairment (Continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax 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.

The recoverable amount of an asset or cash-generating unit 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. 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 groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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.

2.9 Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.10 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease 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.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. 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.

Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of 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 selling expenses.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.12 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 where appropriate, the risk specific to the liability.

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.

2.13 Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 the following temporary differences: 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, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 income 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.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.14 Revenue recognition

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, goods and services taxes or other sales taxes, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Rendering of services

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

Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight line basis over the term of the lease.

2.15 Government grants

Government grants are recognised when the right to receive payment is established.

Grants in recognition of specific expenses are taken to income in the same year as the relevant expenses. Grants designated to depreciable property, plant and equipment are offset against the costs of the corresponding property, plant and equipment and the net amounts are depreciated on a straight-line basis over the respective useful lives of the property, plant and equipment.

Jobs Credit Scheme

Cash grants received from the government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.16 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision 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 payment transactions

The grant date fair value of 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 vesting 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.

notes to the financial statements

2 Summary of significant accounting policies (Continued)

2.17 Finance income and expenses

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

Finance expenses 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.

2.18 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.

2.19 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 Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.20 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 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company. The Group does not plan to adopt these amendments early.

notes to the financial statements

3 Property, plant and equipment

Group	Note	Leasehold land \$'000	Leasehold buildings \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Renovation and installation \$'000	Computers \$'000	Plant and equipment \$'000	Total \$'000
Cost									
At 1 January 2010		1,054	5,346	270	832	11,333	2,944	75,156	96,935
Additions		–	–	–	1	92	11	1,425	1,529
Reclassification to assets held for sale	6	(1,074)	(5,452)	(27)	(166)	(62)	(82)	(20,160)	(27,023)
Disposals		–	–	(124)	(19)	(993)	(62)	(12,306)	(13,504)
Translation differences on consolidation		20	106	(8)	(42)	(588)	(127)	(3,341)	(3,980)
At 31 December 2010		–	–	111	606	9,782	2,684	40,774	53,957
Additions		–	–	–	7	18	14	311	350
Disposals		–	–	(24)	(7)	(8)	(3)	(331)	(373)
Translation differences on consolidation		–	–	3	(1)	(3)	(4)	(57)	(62)
At 31 December 2011		–	–	90	605	9,789	2,691	40,697	53,872
Accumulated depreciation and impairment losses									
At 1 January 2010		30	310	204	741	9,350	2,712	52,168	65,515
Depreciation charge for the year		12	125	13	33	738	68	6,485	7,474
Reclassification to assets held for sale	6	(45)	(453)	(27)	(166)	(62)	(82)	(20,160)	(20,995)
Disposals		–	–	(92)	(16)	(843)	(62)	(12,084)	(13,097)
Translation differences on consolidation		3	18	(5)	(40)	(525)	(116)	(1,886)	(2,551)
At 31 December 2010		–	–	93	552	8,658	2,520	24,523	36,346
Depreciation charge for the year		–	–	8	19	413	31	5,536	6,007
Disposals		–	–	(24)	–	–	–	(288)	(312)
Translation differences on consolidation		–	–	2	(6)	32	(15)	13	26
At 31 December 2011		–	–	79	565	9,103	2,536	29,784	42,067
Carrying amounts									
At 1 January 2010		1,024	5,036	66	91	1,983	232	22,988	31,420
At 31 December 2010		–	–	18	54	1,124	164	16,251	17,611
At 31 December 2011		–	–	11	40	686	155	10,913	11,805

notes to the financial statements

3 Property, plant and equipment (Continued)

Company	Renovation and installation \$'000	Computers \$'000	Equipment \$'000	Total \$'000
Cost				
At 1 January 2010/31 December 2010	395	373	18	786
Additions	–	15	–	15
At 31 December 2011	395	388	18	801
Accumulated depreciation and impairment loss				
At 1 January 2010	208	351	18	577
Depreciation charge for the year	51	19	–	70
At 31 December 2010	259	370	18	647
Depreciation charge for the year	37	15	–	52
At 31 December 2011	296	385	18	699
Carrying amounts				
At 1 January 2010	187	22	–	209
At 31 December 2010	136	3	–	139
At 31 December 2011	99	3	–	102

During the year, the Group carried out a review of the recoverable amounts of its plant and equipment in view of the continuing losses in certain subsidiaries. The recoverable amount of the assets was estimated based on its value in use.

Based on the assessment, the recoverable amount of these assets was determined to be higher than their carrying amount, and hence impairment loss is not required (2010: nil impairment loss). The estimate of value in use was determined using a pre-tax discount rate of 10.67% (2010: 9.54%).

The carrying amounts of property, plant and equipment of the Group held under finance leases is \$Nil (2010: \$917,000).

During the year, the Group acquired property, plant and equipment with an aggregate cost of \$350,000 (2010: \$1,529,000).

notes to the financial statements

4 Intangible assets

Group	Development costs \$'000	Computer software \$'000	Patents \$'000	Total \$'000
Cost				
At 1 January 2010	1,697	5,097	20	6,814
Additions	953	–	–	953
Disposals	–	(53)	–	(53)
Translation differences on consolidation	(101)	(242)	–	(343)
At 31 December 2010	2,549	4,802	20	7,371
Additions	1,200	–	–	1,200
Disposals	–	–	(2)	(2)
Translation differences on consolidation	(20)	(26)	–	(46)
At 31 December 2011	3,729	4,776	18	8,523
Accumulated amortisation and impairment loss				
At 1 January 2010	626	4,824	20	5,470
Amortisation charge for the year	137	120	–	257
Disposals	–	(53)	–	(53)
Translation differences on consolidation	(39)	(237)	–	(276)
At 31 December 2010	724	4,654	20	5,398
Amortisation charge for the year	125	95	–	220
Disposals	–	–	(2)	(2)
Translation differences on consolidation	(1)	(22)	–	(23)
At 31 December 2011	848	4,727	18	5,593
Carrying amounts				
At 1 January 2010	1,071	273	–	1,344
At 31 December 2010	1,825	148	–	1,973
At 31 December 2011	2,881	49	–	2,930

notes to the financial statements

4 Intangible assets (Continued)

Company	Computer software \$'000
Cost	
At 1 January 2010/31 December 2010/31 December 2011	1,165
Accumulated amortisation	
At 1 January 2010/31 December 2010/31 December 2011	1,120
Carrying amount	
At 1 January 2010/31 December 2010/31 December 2011	45

5 Subsidiaries

	Company	
	2011 \$'000	2010 \$'000
Investment in subsidiaries, at cost	45,944	45,944
Allowance for impairment	(35,750)	(3,537)
	10,194	42,407

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 its value in use.

Based on the assessment, the Company recognized \$32,213,000 (2010: \$3,250,000) impairment loss.

The estimate of value in use was determined using a pre-tax discount rate of 10.67% (2010: 9.54%).

notes to the financial statements

5 Subsidiaries (Continued)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			2011 %	2010 %
1 AEM Singapore Pte. Ltd.*	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	100	100
2 AEM Microtronics (M) Sdn. Bhd.	Manufacturing of automated machines and related parts for the semiconductor industry	Malaysia	100	100
3 AEM (Hong Kong) Co., Limited	Trading of automated equipment and parts used in semiconductor manufacturing process	Hong Kong	100	100
1 AEM Platronics (S) Pte. Ltd.	Manufacturing and distribution of chemicals and related products and provision of plating services	Singapore	100	100
2 AEM Platronics (M) Sdn. Bhd.	Provision of plating services	Malaysia	100	100
1 Microcircuit Technology (S) Pte. Ltd.*	Design and manufacturing of organic substrates	Singapore	100	100
4 Qualitek Electronics (M) Sdn. Bhd.	Manufacturing of printed circuit boards	Malaysia	100	100

notes to the financial statements

5 Subsidiaries (Continued)

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective equity held by the Group	
			2011 %	2010 %
5 AEM (Suzhou) Co., Ltd.	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
1 AEM China (S) Pte. Ltd.	Investment holding company	Singapore	100	100
1 Orchardville Holdings Pte Ltd	Investment holding company	Singapore	100	100
1 AEM International (S) Pte. Ltd.*	Investment holding and group treasury service	Singapore	100	100

* These are the significant subsidiaries 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

notes to the financial statements

6 Assets held for sale

In 2010, pursuant to a review of the operations in Malaysia, the management initiated an active programme to locate a buyer for assets in its Malacca operations. The completion of the sales is conditional upon successful price negotiation with potential buyers. Due to unforeseen reasons, the disposal was not successful. During the year, the management continues with its effort to locate a buyer, and expects the asset to be disposed within the next 12 months. The carrying value of the assets held for sale is as follow:

	2011 \$'000	2010 \$'000
Leasehold land	1,002	1,032
Leasehold buildings	4,788	5,000
Carrying amount	5,790	6,032

The reclassification to assets held for sale was made at the end of the prior financial year. The above assets are stated at the lower of their carrying amounts and fair value less cost to sell.

The amount is included in Malaysia segment in Note 24.

7 Inventories

	Group	
	2011 \$'000	2010 \$'000
Raw materials	3,077	3,814
Work-in-progress	10,791	5,765
Finished goods	1,456	1,868
Goods-in-transit	–	57
	15,324	11,504

In 2011, the net write-down of inventories to net realisable value amounted to \$1,197,000 (2010: \$1,083,000).

notes to the financial statements

8 Trade and other receivables

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables	23,422	26,257	–	–
Impairment losses	(2,517)	(3,012)	–	–
Net receivables	20,905	23,245	–	–
Deposits	2,698	2,670	1,545	1,535
Other receivables	1,425	1,376	20	48
Amounts due from subsidiaries:				
– trade, net of impairment losses of \$4,082,000 (2010: \$490,000)	–	–	473	3,630
– non-trade, net of impairment losses of \$10,222,000 (2010: \$8,684,000)	–	–	269	2,006
Loans and receivables	25,028	27,291	2,307	7,219
Prepayments	197	109	25	16
	25,225	27,400	2,332	7,235
Non-current	3,924	5,929	–	–
Current	21,301	21,471	2,332	7,235
	25,225	27,400	2,332	7,235

Trade receivables

The Group's primary exposure to credit risk arises through its trade receivables. The Group's historical experience in the collection of accounts receivable falls within the recorded impairment losses. Due to these factors, management believes that no additional credit risk beyond the impairment losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables of the Group as at 31 December 2011 for the top three customers is \$16,864,000 (2010: \$17,477,000).

Trade receivables included amounts of \$5,727,000 (2010: \$7,746,000) due from a customer where the repayment has been restructured. The Group has negotiated a schedule of repayment with the customer to settle the existing outstanding debts over five annual instalments by September 2014. Based on the agreed schedule of repayment and collections to-date, and continuing sales on a cash before delivery basis, the directors are of the opinion that except for \$1,803,000 (2010: \$1,818,000) of impairment losses recognised, the remaining debts are recoverable.

notes to the financial statements

8 Trade and other receivables (Continued)

Trade receivables (Continued)

The ageing of trade and other receivables at the reporting date is:

	Impairment		Impairment	
	Gross	losses	Gross	losses
	2011	2011	2010	2010
	\$'000	\$'000	\$'000	\$'000
Not past due	22,151	1,803	21,444	1,818
Past due 0-30 days	1,559	—	2,801	—
Past due 31-120 days	1,026	—	1,497	—
Past due 121-365 days	1,223	—	1,951	79
More than one year	1,586	714	2,610	1,115
	27,545	2,517	30,303	3,012

The receivables that are impaired are not secured by any collaterals. The Company has no past due receivables as at 31 December 2010 and 2011.

The change in impairment loss in respect of trade receivables during the year is as follows:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	3,012	4,625	490	2,538
Impairment loss recognised/(reversed)	20	(150)	3,592	—
Utilisation	(494)	(1,282)	—	(2,048)
Translation on consolidation	(21)	(181)	—	—
Balance at 31 December	2,517	3,012	4,082	490

Amount due from subsidiaries

Transactions with subsidiaries are unsecured and priced at arm's length basis. The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

An impairment loss of \$3,592,000 and \$1,538,000 (2010: \$259,000 and \$6,377,000) have been provided on the trade and non-trade amounts due from subsidiaries during the year.

notes to the financial statements

9 Cash and cash equivalents

	Note	Group		Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank and in hand		22,446	21,719	8,913	833
Fixed deposits with banks		1,639	–	–	–
Cash and bank balances		24,085	21,719	8,913	833
Secured bank overdrafts	12	(2,433)	(2,876)		
Cash and cash equivalents in the consolidated statement of cash flows		21,652	18,843		

In 2011, the fixed deposits were pledged for:

- (i) bank overdraft facilities granted (refer to Note 12); and
- (ii) bank guarantees granted in relation to lease agreements entered into by the Group.

As at 31 December 2011, the weighted average effective interest rates per annum relating to cash and cash equivalents, excluding bank overdrafts, for the Group was 0.06% (2010: 0.10%). Interest rates are repriced monthly.

10 Share capital

	Note	Company	
		2011 Number of shares	2010
Fully paid ordinary shares, with no par value:			
At 1 January		432,626,760	425,426,760
Issue of shares under Performance Share Plan	16	17,000,000	7,200,000
At 31 December		449,626,760	432,626,760

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.

notes to the financial statements

10 Share capital (Continued)

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 2011, its "total borrowings: net tangible assets" ratio was 0.13 (2010: 0.45). Total borrowings comprise bank loans, bank overdrafts and finance lease liabilities while net tangible assets 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 Other reserves

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Capital reserve	214	214	–	–
Share compensation reserve	305	585	305	585
Currency translation reserve	(14,899)	(15,040)	–	–
Merger reserve	139	139	–	–
Other reserves	(14,241)	(14,102)	305	585

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.

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

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.

notes to the financial statements

12 Financial liabilities

	Note	Group	
		2011 \$'000	2010 \$'000
Non-current liabilities			
Secured bank loans		2,020	12,419
Current liabilities			
Secured bank overdrafts	9	2,433	2,876
Secured bank loans		1,926	4,238
Finance lease liabilities		–	178
		4,359	7,292
Total borrowings		6,379	19,711

Maturity of liabilities (excluding finance lease liabilities):

	Group	
	2011 \$'000	2010 \$'000
Within 1 year	4,359	7,114
After 1 year but within 5 years	2,020	12,419
	6,379	19,533

The secured bank loans and bank overdrafts are secured on the following:

- (i) mortgages over certain leasehold buildings of the Group with a total carrying amount of \$5,790,000 at 31 December 2011 (2010: \$6,032,000); and
- (ii) fixed and floating charge over present and future assets of the Company and some of its subsidiaries. Due to early repayment of certain loans, the registered charges were removed on 7 March 2012.

notes to the financial statements

12 Financial liabilities (Continued)

Finance lease liabilities

At 31 December 2011, the Group has obligations under finance leases that are payable as follows:

Group	<----- 2011 ----->			<----- 2010 ----->		
	Principal \$'000	Interest \$'000	Payments \$'000	Principal \$'000	Interest \$'000	Payments \$'000
Repayable within 1 year	-	-	-	178	4	182
Repayable after 1 year but within 5 years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>4</u>	<u>182</u>

Terms and debt repayment schedule

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

Group	Nominal interest rate %	Year of maturity	2011		2010	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
US\$ floating rate loans	SIBOR +1.5% to 2%, *COF+3%	2014	-	-	9,585	9,585
MYR floating rate loans	*COF+2%, **BLR+ 1.5% to 1.75%	2010-2011	-	-	192	192
SGD fixed rate loans	5%	2014	3,946	3,946	6,880	6,880
Bank overdrafts	**BLR+1.5% to 4.0%	2010-2011	2,433	2,433	2,876	2,876
Finance lease liabilities	3.5% -7.79%	2010-2011	-	-	178	178
Total interest-bearing liabilities			<u>6,379</u>	<u>6,379</u>	<u>19,711</u>	<u>19,711</u>

* COF: Cost of funds

** BLR: Base lending rate

notes to the financial statements

12 Financial liabilities (Continued)

Terms and debt repayment schedule (Continued)

The following are the contractual maturities of financial liabilities:

Group	Carrying amount \$'000	<----- Cash flows ----->		
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
2011				
Fixed rate loans	3,946	(4,143)	(2,022)	(2,121)
Bank overdrafts	2,433	(2,598)	(2,598)	–
Trade and other payables	20,778	(20,778)	(20,778)	–
	27,157	(27,519)	(25,398)	(2,121)
2010				
Floating rate loans	9,777	(10,608)	(2,890)	(7,718)
Fixed rate loans	6,880	(7,536)	(2,072)	(5,464)
Finance lease liabilities	178	(182)	(182)	–
Bank overdrafts	2,876	(3,072)	(3,072)	–
Trade and other payables	17,092	(17,092)	(17,092)	–
	36,803	(38,490)	(25,308)	(13,182)
Company				
2011				
Trade and other payables (exclude non-trade balances)	1,527	(1,527)	(1,527)	–
Recognised financial liabilities	1,527	(1,527)	(1,527)	–
Intragroup financial guarantee	–	(1,527)	(1,527)	–
	1,527	(3,054)	(3,054)	–
2010				
Trade and other payables (exclude non-trade balances)	1,204	(1,204)	(1,204)	–
Recognised financial liabilities	1,204	(1,204)	(1,204)	–
Intragroup financial guarantee	–	(19,711)	(19,711)	–
	1,204	(20,915)	(20,915)	–

notes to the financial statements

13 Deferred tax

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

Group	At 1	Recognised		At 31	Recognised		At 31
	January	in income	Translation	December	in income	Translation	December
	2010	(Note 20)	differences	2010	(Note 20)	differences	2011
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities							
Property, plant and equipment	378	1,294	(70)	1,602	(1,369)	(1)	232
Deferred tax assets							
Provisions	(95)	(42)	2	(135)	135	–	–
Tax value of capital allowances							
carry-forward	(2)	(1,284)	70	(1,216)	1,216	–	–
Other items	(38)	32	(12)	(18)	18	–	–
	(135)	(1,294)	60	(1,369)	1,369	–	–
Company							
Deferred tax liabilities							
Property, plant and equipment	87	–	–	87	–	–	87

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 balance sheets as follows:

	Group		Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	232	233	87	87

Deferred tax assets have not been recognised in respect of unutilised tax losses and deductible temporary difference of \$9,675,000 (2010: \$7,507,000) for certain subsidiaries because of the uncertainty over the availability of future taxable profits against which the subsidiaries can utilise the benefits.

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.

notes to the financial statements

14 Trade and other payables

	Group		Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables and accrued operating expenses	19,396	15,325	1,124	780
Amounts due to subsidiaries (non-trade)	–	–	6,906	333
Deposits received	505	527	150	176
Other payables	877	1,240	253	247
	20,778	17,092	8,433	1,536

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

15 Provisions

Group	Warranties	
	2011 \$'000	2010 \$'000
At 1 January	194	110
Provisions made	159	109
Translation differences on consolidation	3	(25)
At 31 December	356	194

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

16 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 22 March 2002. 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.
- (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 3 types of options that may be granted by the Company, namely, (a) Market Price Options, (b) Discount Price Options; and (c) Premium 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 and Premium 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 except that in the case of non-executive directors, such options will expire on the fifth anniversary of the date of grant.

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

notes to the financial statements

16 Share-based payment (Continued)

As at the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company are as follows:

----- Number of share options -----									Market price of shares at date of grant	Exercise period
Date of grant of options	Exercise price	Options outstanding at 1/1/2011	Options Granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31/12/2011	Options exercisable 1/1/2011	Options exercisable 31/12/2011		
28/11/2003	\$0.240	850,000	-	-	95,000	755,000	850,000	755,000	\$0.250	28/11/2004 to 27/11/2013
		850,000	-	-	95,000	755,000	850,000	755,000		

No options were exercised in 2011 and 2010.

The options outstanding at 31 December 2011 have an exercise price of \$0.24 (2010: an exercise price of \$0.24) and a weighted average remaining contractual life of approximately 1.9 years (2010: 2.9 years).

Movements in the number of share options and their related weighted average exercise prices are as follows:

	Weighted average exercise price 2011 \$	No. of options 2011 (‘000)	Weighted average exercise price 2010 \$	No. of options 2010 (‘000)
At 1 January	0.24	850	0.24	1,208
Granted	–	–	–	–
Exercised	–	–	–	–
Cancelled/lapsed	0.24	(95)	0.24	(358)
At 31 December	0.24	755	0.24	850
Exercisable at 31 December	0.24	755	0.24	850

notes to the financial statements

16 Share-based payment (Continued)

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, 18,500,000 (2010: 7,200,000) performance shares were granted to certain key executives. The weighted average fair value of the shares granted was \$0.038 (2010: \$0.050) per share, based on the closing share price of the Company at the grant dates.

The fair value of performance shares awarded that vest immediately are determined based on the closing share price at grant date. Where services are received before the grant date (i.e. before all terms and conditions are agreed), the grant date fair value is estimated using the Trinomial Model formula. The fair values of the contingently issuable shares were estimated at \$0.05 per share based on the share price at measurement date.

Movement in share compensation reserves under the Plan are as follow:

	2011 \$'000	2010 \$'000
Share compensation reserve		
At 1 January	585	473
Expense recognised arising from equity-settled performance share awards	169	337
Issue of shares	(449)	(225)
At 31 December	305	585

notes to the financial statements

17 Revenue

	Group	
	2011 \$'000	2010 \$'000
Sale of goods	94,193	85,222
Revenue from services rendered	5,085	5,982
	99,278	91,204

18 Finance income and expense

	Group	
	2011 \$'000	2010 \$'000
Finance income		
– interest income	(14)	(9)
Finance expense:		
– trust receipts and bills payable	–	46
– finance lease liabilities	2	35
– term loans and bank overdrafts	796	1,049
Interest expense	798	1,130
Net finance income and expenses recognised in income statement	784	1,121

notes to the financial statements

19 Profit before income tax

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

	Group	
	2011	2010
	\$'000	\$'000
Audit fees paid to:		
– Auditors of the Company	190	179
– Other auditors	26	30
Non-audit fees paid to		
– auditors of the Company	44	38
Allowance for inventories obsolescence	1,197	1,083
Contributions to defined contribution plans included in staff costs	1,266	1,357
Directors' fees	235	134
Equity-settled share-based payment transactions	345	360
Exchange loss	589	362
Gain on disposal of property, plant and equipment	(549)	(978)
Government grants, including grants under Jobs Credit Scheme of \$1,000 (2010: \$83,000)	(1)	(83)
Operating lease expense	4,306	4,155
Provision of warranties	159	109
Rental income	(723)	(630)
Research and development costs included in staff costs, materials, overheads and depreciation expense	179	259
Impairment losses/(reversal) on trade and non-trade receivables	20	(150)

notes to the financial statements

20 Income tax expense

	Group	
	2011 \$'000	2010 \$'000
Current tax expense		
Current year	2,074	1,372
Over provision in prior years	(41)	–
Income tax expense	2,033	1,372
Reconciliation of effective tax rate		
Profit before income tax	8,802	3,941
Income tax using Singapore tax rate of 17%	1,496	670
Effect of different tax rates in other countries	82	53
Expenses not deductible for tax purposes	390	1,358
Over provided in prior year	(41)	–
Income not subject to tax	(277)	(1,394)
Unrecognised temporary differences	369	685
Others	14	–
	2,033	1,372

21 Earnings per share

The basic earnings per share is based on net earnings attributable to ordinary shareholders of \$6,769,000 (2010: \$2,569,000) and the weighted average of 441,256,897 (2010: 430,181,000) shares outstanding during the year.

The diluted earnings per share is based on net earnings attributable to ordinary shareholders of \$6,769,000 (2010: 2,569,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 442,756,897 (2010: 450,893,000), calculated as follows:

	Number of shares	
	2011 ('000)	2010 ('000)
Weighted average number of ordinary shares used in calculation of basic earnings per share	441,257	430,181
Potential ordinary shares	1,500	20,712
Weighted average number of ordinary issued and potential shares assuming full conversion	442,757	450,893

notes to the financial statements

22 Commitments

Operating lease commitments

At 31 December 2011, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2011 \$'000	2010 \$'000
Payable:		
– Within 1 year	4,092	4,535
– After 1 year but within 5 years	14,750	14,963
– After 5 years	–	–
	18,842	19,498

Included in the above are leases for the following:

- (a) a leasehold property for a period of 10 years, commencing from 28 September 2005, with an option to renew for a further 10 years. The annual rental and related cost payable under the lease is \$1,500,000 (2010: \$1,395,000). The annual rental is subject to an increase of 1.75% (2010: 1.75%) per annum on the annual rental for the preceding year.
- (b) 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 annual rental payable under the lease agreement is \$2,288,000 (2010: \$2,248,738). The annual rental is subject to an increase of 4.95% per annum or the equivalent rate of Consumer Price Index percentage variation (being the total percentage variation of the Consumer Price Index of Singapore calculated on a month to month basis aggregated for the twelve month period immediately preceding the relevant rent revision), whichever is higher.

Sub-lease receivables

At 31 December 2011, the Group has minimum sub-lease income receivable under non-cancellable operating leases as follows:

	Group	
	2011 \$'000	2010 \$'000
Receivable:		
– Within 1 year	718	685
– After 1 year but within 5 years	467	654
	1,185	1,339
	–	–

Capital commitments

Authorised and contracted for

notes to the financial statements

23 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	Group	
	2011 \$'000	2010 \$'000
Professional fees paid to a legal firm of which a director is an employee	–	21

Key management personnel also participate in the Group's Share Option Scheme. The share options that were granted in prior years were on the same terms and conditions as those offered to other employees of the Company as described in note 16. As at 31 December 2011, 755,000 (2010: 850,000) of those options were outstanding.

During the year, 13,500,000 (2010: 5,000,000) ordinary shares were granted to the Chief Executive Officer in accordance with his employment and separation agreements (note 16).

Key management personnel compensation comprised:

	Group	
	2011 \$'000	2010 \$'000
Short-term employee benefits	2,444	1,455
Post-employment benefits (including CPF)	86	71
Share-based payments	345	360
	2,875	1,886

notes to the financial statements

24 Segment information

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

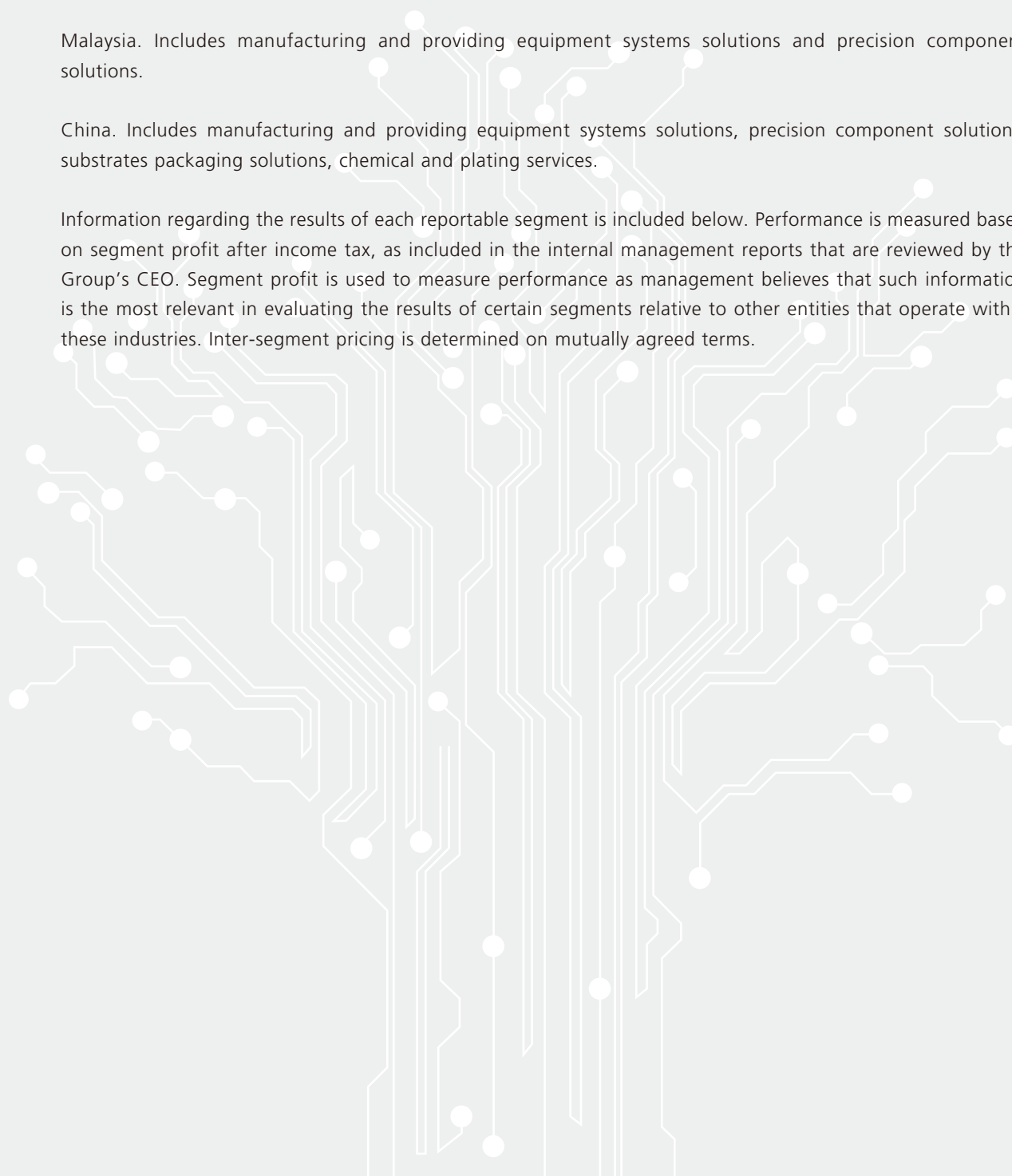
The Group's reportable segments are as follows

Singapore. Includes manufacturing and providing equipment systems solutions, precision component solutions, substrates packaging solutions, chemical and plating services.

Malaysia. Includes manufacturing and providing equipment systems solutions and precision component solutions.

China. Includes manufacturing and providing equipment systems solutions, precision component solutions, substrates packaging solutions, chemical and plating services.

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

24 Segment information (Continued)

Information about reportable segments:

	Singapore \$'000	Malaysia \$'000	China \$'000	Total \$'000
2011				
Total revenue from external customers	91,432	4,099	3,747	99,278
Inter-segment revenue	569	2,709	2,993	6,271
Reportable segment revenue	92,001	6,808	6,740	105,549
Depreciation and amortisation	(5,337)	(328)	(562)	(6,227)
Finance costs	(636)	(162)	–	(798)
Income tax expense	(1,638)	(437)	42	(2,033)
Profit/(loss) for the year	6,007	803	(41)	6,769
Reportable segment assets	68,832	10,870	7,412	87,114
Reportable segment liabilities	25,971	3,755	2,672	32,398
Other segment information				
Expenditure for non-current assets	1,155	38	48	1,241
Other material non-cash items:				
Loss/(gain) on disposal of property, plant and equipment	32	(581)	–	(549)
Allowance for:				
– doubtful debts	21	(3)	2	20
– inventory obsolescence	1,399	(195)	(7)	1,197
2010				
Total revenue from external customers	78,025	8,484	4,695	91,204
Inter-segment revenue	1,037	1,494	778	3,309
Reportable segment revenue	79,062	9,978	5,473	94,513
Depreciation and amortisation	(6,714)	(343)	(674)	(7,731)
Finance costs	(948)	(182)	–	(1,130)
Income tax expense	(1,346)	(26)	–	(1,372)
Profit/(loss) for the year	3,187	(53)	(565)	2,569
Reportable segment assets	69,888	12,160	6,430	88,478
Reportable segment liabilities	34,131	4,963	1,079	40,173
Other segment information				
Expenditure for non-current assets	1,245	599	266	2,110
Other material non-cash items:				
(Loss)/Gain on disposal of property, plant and equipment	(48)	(940)	10	(978)
Allowance for:				
– doubtful debts	(62)	60	(148)	(150)
– inventory obsolescence	765	318	–	1,083

notes to the financial statements

24 Segment information (Continued)

Reconciliations of reportable segment revenues, assets and liabilities

	2011 \$'000	2010 \$'000
Revenues		
Total revenue for reportable segments	105,549	94,513
Elimination of inter-segment revenue	(6,271)	(3,309)
Consolidated revenue	99,278	91,204
Assets		
Total assets for reportable segments	87,114	88,478
Elimination of inter-segment balances	(1,955)	(2,239)
Consolidated total assets	85,159	86,239
Liabilities		
Total liabilities for reportable segments	32,398	40,173
Elimination of inter-segment balances	(594)	(34)
Consolidated total liabilities	31,804	40,139

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.

	2011		2010	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000	Non-current assets \$'000
Singapore	4,694	15,239	7,892	15,279
Malaysia	44,838	1,015	27,705	7,277
China	30,200	2,405	34,598	2,957
USA	12,491	—	10,715	—
Portugal	2,682	—	1,616	—
Other countries	4,373	—	8,678	—
	99,278	18,659	91,204	25,513

Major customers

Revenues from the top 3 customers and their related companies amounts to \$80,224,000 (2010: \$53,061,000) of the Group's total revenues.

notes to the financial statements

25 Financial risk management

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

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 72% (2010: 67%) of total trade receivables of the Group. There are 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

25 Financial risk management (Continued)

Foreign currency risk

Foreign currency risk of reporting subsidiaries

The functional currency of the key operating subsidiaries is the US dollar as the sales revenues are mostly denominated in US dollar. These subsidiaries account for a substantial proportion of the Group's revenue and have transactional currency exposures arising from materials purchases and local operating overheads that are denominated in currencies other than US dollars. 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 layoff 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 operating subsidiaries 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 subsidiaries.

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 2011 SGD \$'000	31 December 2010 SGD \$'000	31 December 2011 USD \$'000	31 December 2010 USD \$'000
Group				
Trade and other receivables	201	1,113	165	71
Cash and cash equivalents	842	5,759	63	19
Trade and other payables	(3,995)	(4,081)	(174)	(21)
Financial liabilities	(3,946)	(6,971)	–	–
	(6,898)	(4,180)	54	69
Company				
Cash and cash equivalents	–	–	63	19

notes to the financial statements

25 Financial risk management (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) equity and 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 2010.

	Group		Company	
	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000
31 December 2011				
USD	–	690	–	(6)
SGD	–	(5)	–	–
31 December 2010				
USD	–	418	–	(2)
SGD	–	(7)	–	–

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 Singapore dollars

The Group reports its consolidated results in Singapore dollars. 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 is primarily the US dollar and secondarily the Malaysian Ringgit and Chinese Renminbi. 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 2011			31 December 2010		
Group	USD \$'000	MYR \$'000	RMB \$'000	USD \$'000	MYR \$'000	RMB \$'000
Net assets/(liabilities)	15,630	(20,736)	3,514	32,176	(21,461)	3,575

notes to the financial statements

25 Financial risk management (Continued)

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 fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. 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.

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 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 2010.

	Profit or loss		Equity	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp Decrease \$'000
Group				
31 December 2011				
Variable rate instruments	(20)	20	(20)	20
31 December 2010				
Variable rate instruments	(105)	105	(105)	105

Estimation of fair value

Financial assets and liabilities

The fair value of investments in equity securities classified as held-for-trading is determined as the quoted bid price at the reporting date.

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.

notes to the financial statements

25 Financial risk management (Continued)

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:

	2011 %	2010 %
Secured fixed rate loans	5%	5%
Finance lease liabilities*	–	6.89%

* The financial liabilities are due within a year. Hence, these are not discounted as the carrying value of the liabilities approximate the fair value.

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:

Group	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying Amount \$'000	Fair value \$'000
Financial liabilities					
Secured fixed rate loans	12	3,946	3,842	6,880	7,081
Finance lease liabilities	12	–	–	178	178
		3,946	3,842	7,058	7,259
Unrecognised gain/(loss)			104		(201)

notes to the financial statements

26 Contingent liability

Financial Guarantee

As at 31 December 2011, the Company, together with some of its wholly-owned subsidiaries, have jointly given unsecured guarantees to certain banks for the banking facilities extended to certain wholly-owned subsidiaries amounting to \$6,379,000 (2010: \$20,109,000).

The Company also issued guarantee to a financial institution in respect of hire purchase facility granted to a subsidiary. As at 31 December 2011, the outstanding finance lease liabilities amounted to \$Nil (2010: \$178,000).

Contingencies

One of the subsidiaries of the Company is in litigation as a defendant for alleged damages and compensation arising from the sales of products by the Company to its customer. Due to the premature stage of the litigation, the Company is unable to ascertain the likely outcome and the financial effects and timing of the outcome that may arise.

27 New accounting standards and interpretations not yet adopted

New standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011 have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of the Group.

supplementary information

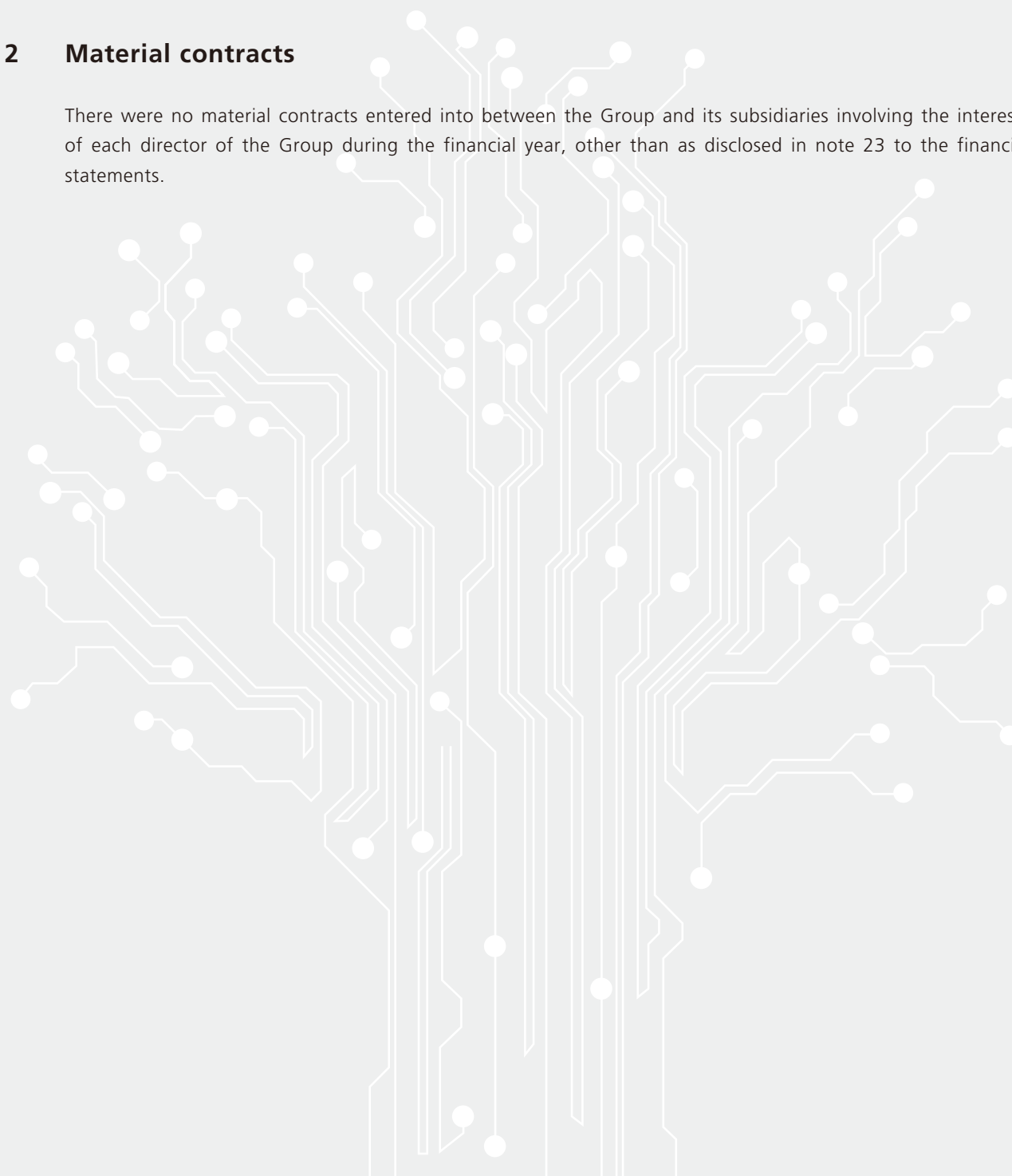
(SGX Listing Manual disclosure requirements)

1 Major properties

Location	Approximate area (sq ft)	Purpose	Tenure	Group's effective interest (%)
PT 4624 (Lot 7) Free Industrial Zone Phase III 75350 Melaka	284,708	Industrial land and factory building	99-year lease commencing 15 February 1992	100

2 Material contracts

There were no material contracts entered into between the Group and its subsidiaries involving the interests of each director of the Group during the financial year, other than as disclosed in note 23 to the financial statements.



information on shareholdings

Size of Shareholdings as at 23 March 2012

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 999	65	2.12%	25,024	0.00%
1,000 – 10,000	905	29.48%	7,108,002	1.58%
10,001 – 1,000,000	2,059	67.07%	164,380,375	36.44%
1,000,001 and above	41	1.33%	279,613,359	61.98%
	<u>3,070</u>	<u>100%</u>	<u>451,126,760</u>	<u>100%</u>

Number of shares : 451,126,760
Class of shares : ordinary shares
Voting rights : one vote per share

Based on information available to the Company as at 23 March 2012, approximately 63.33% 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 23 March 2012

S/No.	Name	No. of Shares	Percentage
1	CIMB SEC (S'PORE) PTE LTD	105,937,121	23.48%
2	TOK KIAN YOU	39,984,168	8.86%
3	DB NOMINEES (S) PTE LTD	20,000,000	4.43%
4	OCBC SECURITIES PRIVATE LTD	13,236,000	2.93%
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,917,000	1.75%
6	DBS NOMINEES PTE LTD	7,846,000	1.74%
7	DMG & PARTNERS SECURITIES PTE LTD	7,058,000	1.56%
8	MAYBAN NOMINEES (S) PTE LTD	5,181,000	1.15%
9	PHILLIP SECURITIES PTE LTD	4,824,000	1.07%
10	LOW HWEE THENG	4,277,000	0.95%
11	DBSN SERVICES PTE LTD	4,249,000	0.94%
12	OCBC NOMINEES SINGAPORE PTE LTD	3,935,000	0.87%
13	CAI ZHEN QIANG GORDON	3,800,000	0.84%
14	GOH GEOK LING	2,894,000	0.64%
15	HSBC (SINGAPORE) NOMS PTE LTD	2,864,000	0.63%
16	TAN MEI MUI	2,807,000	0.62%
17	DBS VICKERS SECURITIES (S) PTE LTD	2,606,737	0.58%
18	BOON KIA HAK MARTIN (WEN JIAHE MARTIN)	2,517,000	0.56%
19	KOH PECK HOON	2,340,000	0.52%
20	CITIBANK NOMINEES S'PORE PTE LTD	2,250,000	0.50%
		246,523,026	54.62%

Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares	No. of shares	% of shares
Orion Phoenix ⁽¹⁾	104,303,121	23.12	—	—
Novo Tellus PE Fund 1, L.P.	—	—	104,303,121	23.12
Tok Kian You	39,984,168	8.86	—	—

Note:-

- (1) Novo Tellus PE Fund 1, L.P. ("NTPF1" or the "Partnership"), 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 the Partnership.

James Toh Ban Leng and A.C.T. Holdings Pte Ltd, who have collectively subscribed to over 60% of the commitments in NTPF1, are deemed to be interested in the 104,303,121 ordinary shares of AEM Holdings Limited through Orion Phoenix's deemed interest in the said shares.

notice of annual general meeting

AEM HOLDINGS LTD.

Registration Number: 200006417D

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the 2012 Annual General Meeting of the members of the Company will be held at 52 Serangoon North Avenue 4 Singapore 555853 on Thursday, 26 April 2012 at 10.00 a.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 2011. **Resolution 1**
2. To re-elect the following Director retiring pursuant to the Company's Articles of Association: **Resolution 2**
Mr Basil Chan (Article 103)
3. To re-elect the following Director retiring pursuant to the Company's Articles of Association: **Resolution 3**
Mr Loke Wai San (Article 107)
4. To re-elect the following Director retiring pursuant to the Company's Articles of Association: **Resolution 4**
Mr Ng Aik Khoon (Article 107)
5. To approve the Directors' fees of \$239,000 for the financial year ending 31 December 2012, payable quarterly in arrears. **Resolution 5**
6. To re-appoint Messrs KPMG as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

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

7. **Proposed Share Issue Mandate** **Resolution 7**

"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:

notice of annual general meeting

- (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,

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)]

notice of annual general meeting

8. Grant of shares awards and issue of additional shares pursuant to AEM Performance Share Plan

"That approval be and is hereby given to the Directors of the Company to grant awards in accordance with the provisions of the AEM Performance Share Plan ("the Plan") and to deliver such number of fully paid-up Shares in the form of existing shares held as treasury shares and/or new Shares as may be required to be delivered pursuant to the vesting of awards under the Plan provided that the aggregate number of shares to be issued and allotted pursuant to the Plan shall not exceed 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)]

Resolution 8

9. Share Purchase Mandate Renewal

"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

notice of annual general meeting

- (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

"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)]

Resolution 9

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

notice of annual general meeting

Explanatory Notes:

- (i) The proposed Resolution 7 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 8, if passed, will empower the Directors of the Company to grant awards and to issue and allot shares in the capital of the Company pursuant to the AEM Performance Share Plan ("the Plan"). The grant of awards under the Plan will be made in accordance with the provisions of the 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. 7.
- (iii) The proposed Resolution 9 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 9 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 9 above) is set out in the Letter to Shareholders dated 11 April 2012.

By Order of the Board

Soh Wai Kong
Company Secretary

Date: 11 April 2012

Notes:

- (a) A member entitled to attend and vote at this meeting is entitled to appoint a proxy 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.

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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 2012 Annual General Meeting of the Company to be held at 52 Serangoon North Avenue 4 Singapore 555853 on Thursday, 26 April 2012 at 10.00 a.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.)

No.	Resolutions	For	Against
1	Directors’ Report and Audited Accounts for the year ended 31 December 2011		
2	Re-election of Mr Basil Chan as Director		
3	Re-election of Mr Loke Wai San as Director		
4	Re-election of Mr Ng Aik Khoon as Director		
5	Approval of Directors’ fees for the year ending 31 December 2012		
6	Re-appointment of Messrs KPMG as Auditors		
7	Proposed Share Issue Mandate		
8	Grant of shares awards and issue of additional shares pursuant to AEM Performance Share Plan		
9	Share Purchase Mandate		

Dated this _____ day of _____ 2012

Total number of Shares held

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



IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

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.

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AEM HOLDINGS LIMITED

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

Registration No. 200006417D