

The background of the entire page is a dense, overlapping pattern of green spheres. Some spheres are a solid, vibrant green, while others are a lighter, semi-transparent green that reveals a faint, golden-yellow circuit board pattern underneath. In the center of the image, a large, solid green circle serves as a backdrop for the company's logo and title.

# AEM

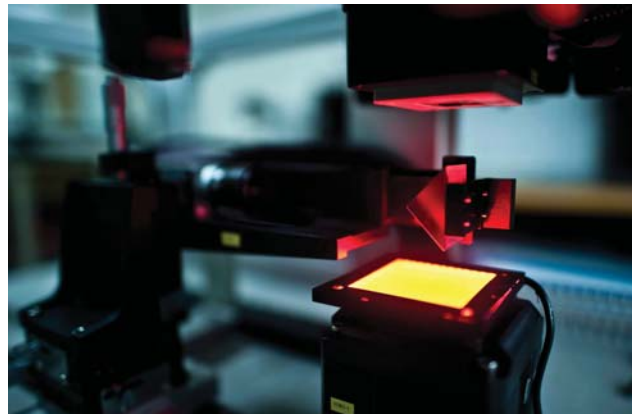
ANNUAL REPORT 2012  
AEM HOLDINGS LIMITED

# CONTENTS

1	Corporate Profile
2	Chairman's & CEO's Message
4	AEM's Core Businesses
8	Board of Directors
10	Business & Financial Reviews
14	Corporate Information
15	Corporate Structure
16	Financial Contents

## 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.

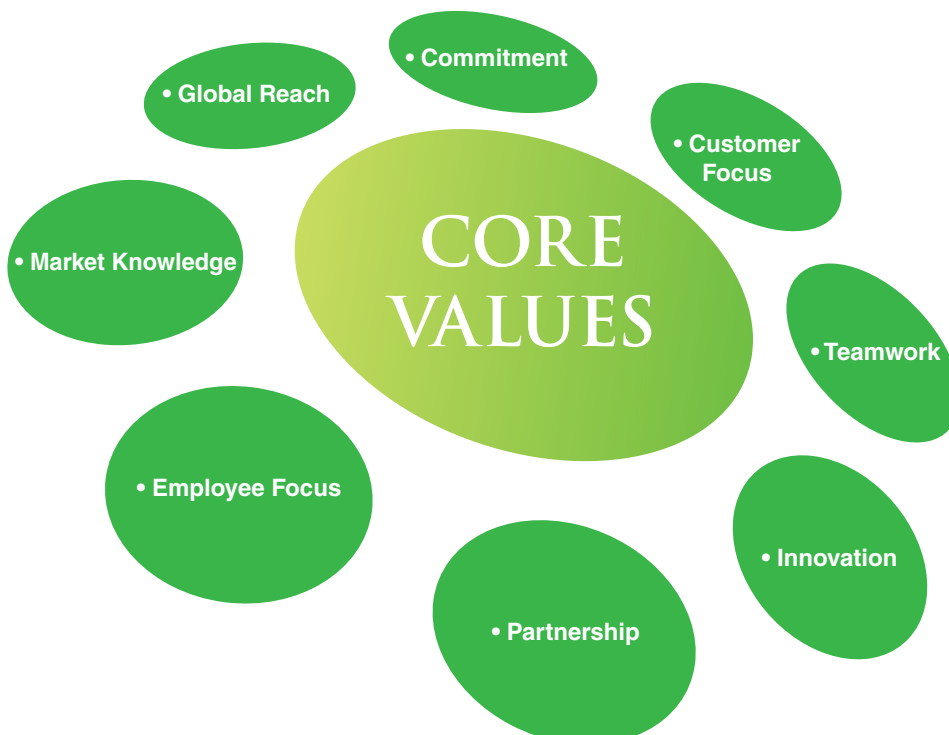
# CORPORATE PROFILE



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.

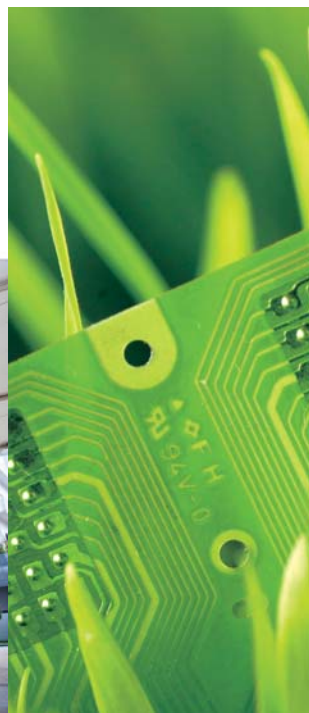




# CHAIRMAN'S AND CEO'S MESSAGE

Dear Shareholders,

2012 was a busy year where many positive structural changes were put in place for our Company. AEM Holding's status on the SGX watch-list over the previous 2 years was the proverbial cloud over our heads, which hindered many business development initiatives and restricted management's latitude in making strategic investments. On 12 April 2012, our Company successfully exited the SGX watch-list. The Board subsequently announced a special dividend payment to all shareholders in May 2012, the first dividend payment in 6 years. In July 2012, the Group completed a US\$20.5 million equity investment from Siliconware Precision Industries Co., Ltd ("SPIL") into our subsidiary, MCT. This investment resulted in SPIL becoming a minority shareholder in MCT and will enable MCT to invest in capital equipment and technology to produce next generation substrates that serve customers offering high-performance mobile chipset solutions. We believe that MCT will be the first independent supplier globally to offer such technologically advanced substrates at commercial volumes in 2H 2013.



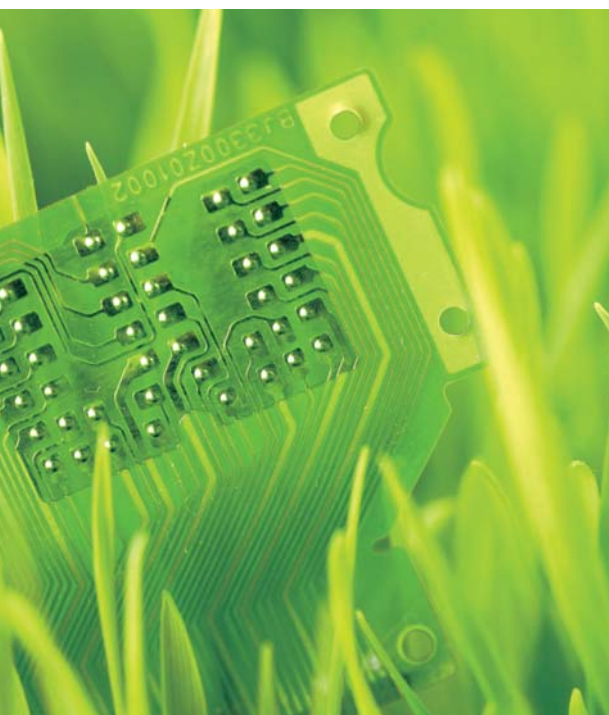
2012 was also a year where the Group made several important tactical decisions to build a more solid foundation for future growth. In the case of our Substrates unit, this required trading-off some short-term revenues in order to upgrade our lines. In the case of our Equipment unit, this required us to invest in additional engineering resources to secure design wins at a major customer even as the sales of the current generation of equipment with the same customer were winding down. As we look back and assess the positive impact of these initiatives on our business relationships with our key customers, we believe we are stronger than in 2011 and are closer to where we want to position this company for the future.

On our financial performance, sales revenues in 1H2012 were higher than 2H2012. Sales slowed in 2H2012 mainly due to the transition from current generation to the next generation equipment requirements at one of our key customers. We expect full ramp for the next generation equipment to take several more quarters as we complete onsite customer validation tests across multiple global locations. As a result, full year sales dipped by 25% from \$99.3 million in FY2011 to \$74.5 million in FY2012.

To support the equipment and substrate development programmes, the Group invested in essential skilled manpower and engineering resources that resulted in staff costs rising 19.6% from \$10.7 million to \$12.8 million. All other costs including cost-of-sales, remained in line with the lower business volume.

On rebuilding customer relationships, the Group entered into a sales rebate agreement in Dec 2012 with a former customer to offer sales rebates of \$2.6 million for future customer projects as a way of settling a litigation dating back to 2010. We are of the opinion that the rebate arrangement is a win-win settlement that allows the Company to avoid

## CHAIRMAN'S AND CEO'S MESSAGE



protracted legal negotiations and provides an opportunity for the Company to renew working relationships with that customer. Arising from the rebate agreement, the Group booked a non-cash provision of \$2.6 million in FY2012. We expect this provision to be reversed with the aforesaid customer sales in subsequent years.

As a result of the lower sales, higher staff and development costs and the sales discount rebates, the Group reported a loss of \$2.6 million in FY2012. Despite the loss, the Group continued to generate positive cash flow from operations of \$4.0 million (FY2011: \$17.4 million) and reduced its total bank borrowings from \$6.4 million as at 31 December 2011 to \$2.6 million as at 31 December 2012. Cash and cash equivalents as at 31 December 2012 stood at \$39.5 million (FY2011: \$24.1 million).

The Group's net asset value increased from \$53.4 million or 11.9 cents per share as at 31 December 2011 to \$71.0 million or 16.0 cents per share as at 31 December 2012 mainly due to the equity investment of US\$20.5 million by SPIL into our subsidiary.

### APPRECIATION

On behalf of the Board, we would like to thank our staff for their dedication and commitment to strengthen our foundation and prepare our Company for its next phase of growth. As a team we look forward to demanding but fulfilling journey 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. We are confident that our Company is in a more stable position than in 2011. As such, the Board of Directors is pleased to declare a final cash dividend of 0.35 cents per ordinary share.

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

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

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





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## AEM'S CORE BUSINESSES



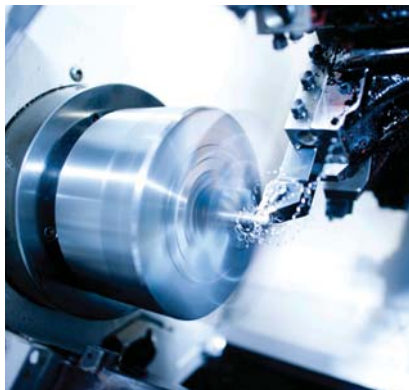
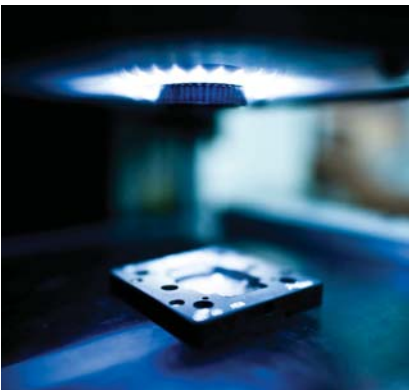
### PRECISION COMPONENT SOLUTIONS (PCS)

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

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

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

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

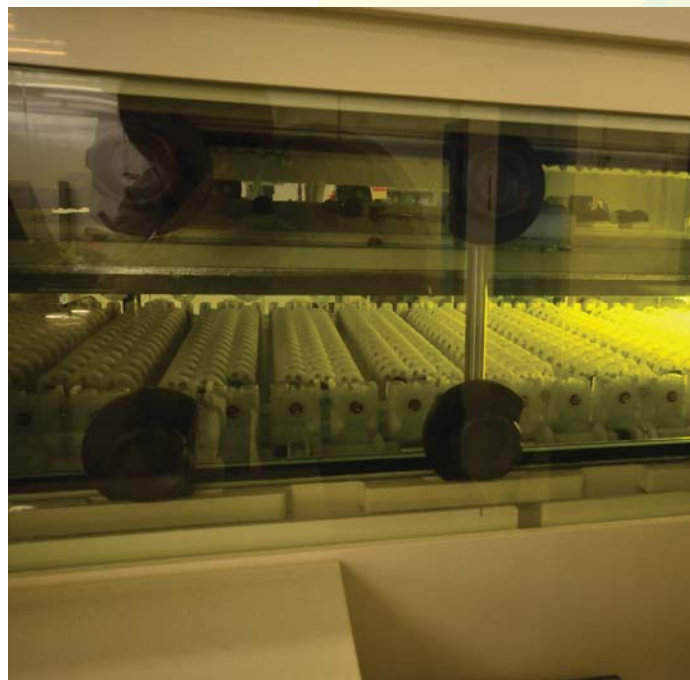


# AEM'S CORE BUSINESSES

## SUBSTRATES PACKAGING SOLUTIONS (SPS)

Microcircuit Technology (S) Pte Ltd, a subsidiary of AEM Holdings Ltd., is a pioneer in Advanced Interconnects Substrates Design & Manufacturing in South-East Asia and the first in high density matrix Molded Interconnect Substrates. We design, develop and manufacture organic substrates, which are raw materials used in telecommunication, consumer products, data storage and electronics industries. We have the ability to provide total solutions including Substrates design, rapid prototyping and mass volume production in our facility.

The Company's laminate substrates product range includes 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. Our customers include several of the world's top outsourced test and assembly companies, and many leading OEM suppliers.





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## AEM'S CORE BUSINESSES



### 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*

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

Mr. Albert Ng has been in the electronics manufacturing industry since 1989. 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.



**ALBERT NG AIK KHOON**

*Executive Director and  
Chief Executive Officer*

## BOARD OF DIRECTORS

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 Corporate Governance and Regulations Committee of the Singapore International Chamber of Commerce, the Corporate Practice and the Finance Committees of the Law Society of Singapore and was appointed to the Audit Committee Guidance Committee, established by the MAS, ACRA and the Singapore Stock Exchange. 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. Mr. Chan is also an independent director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely UPP Holdings Limited, Isetan (Singapore) Limited, Yoma Strategic Holdings Ltd, Global Investments Limited and Biosensors International Group, Ltd. In the last 3 years, he previously sat on the Board of Oniontech Limited.



**ADRIAN CHAN PENGEE**

*Independent Director*



**BASIL CHAN**

*Independent Director*

Basil Chan is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He is a Council Member and Board Director of the Singapore Institute of Directors where he is currently its Audit Committee Chairman. 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. Mr. Chan is also an independent director on the Boards of several publicly listed companies on the Singapore Stock Exchange namely Yoma Strategic Holdings Ltd, Grand Banks Yachts Limited, Teledata (Singapore) Limited and Global Invacom Group Limited. In the last 3 years, he previously sat on the Boards of RSH Limited and Seroja Investments Limited.

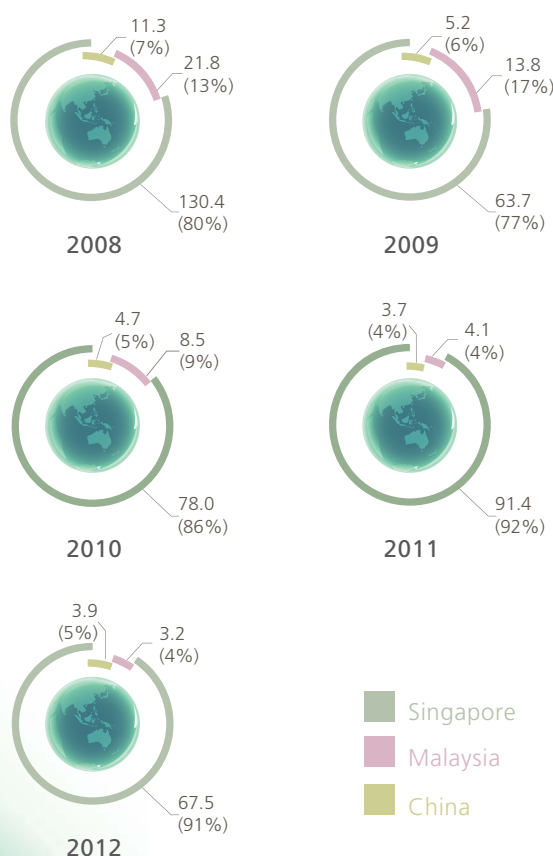


# BUSINESS & FINANCIAL REVIEWS

	FY2012 \$'000	FY2011 \$'000	Change* %
<b>Revenue</b>	<b>74,529</b>	<b>99,278</b>	<b>-25%</b>
Materials, consumables and inventory changes	(45,239)	(60,817)	26%
Staff costs	(12,836)	(10,662)	-20%
Depreciation and amortisation	(5,434)	(6,227)	13%
Other expenses/(other income)	(10,524)	(11,553)	9%
Total expenses net other income	(74,033)	(89,259)	17%
<b>Profit/(loss) before impairment and tax</b>	<b>496</b>	<b>10,019</b>	<b>-95%</b>
Impairment losses and volume rebate provision	(2,681)	(1,217)	-120%
<b>Profit/(loss) before taxation</b>	<b>(2,185)</b>	<b>8,802</b>	<b>-125%</b>
Income tax expense	(430)	(2,033)	79%
<b>Profit/(loss) for the year</b>	<b>(2,615)</b>	<b>6,769</b>	<b>-139%</b>
Non-controlling interests	(1,231)	–	NM
<b>Profit/(loss) attributable to owners of the company</b>	<b>(1,384)</b>	<b>6,769</b>	<b>-120%</b>

\* Increase/(Decrease) Earnings

## REVENUE BY OPERATING GEOGRAPHICAL SEGMENT (IN \$ MILLION)



The Group's revenue decreased by 25% from \$99.3 million in FY2011 to \$74.5 million in FY2012. The lower revenue was mainly due to its Singapore operations recording lower equipment sales.

Raw material, consumables and changes in inventories declined 26% year-on-year from \$60.8 million to \$45.2 million which was in line with the sales reduction of 25% in FY2012.

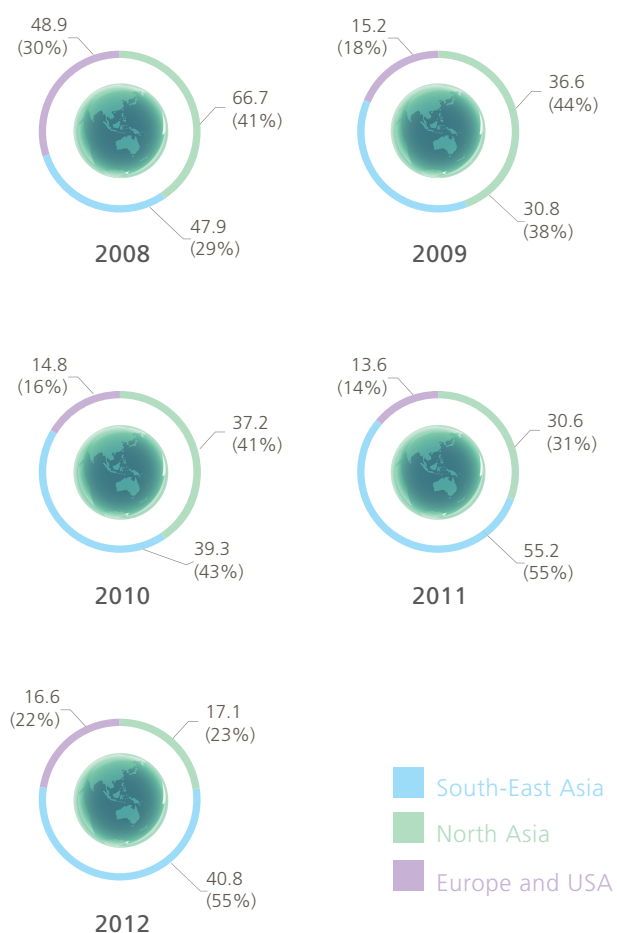
Staff costs increased by 20% from \$10.7 million in FY2011 to \$12.8 million in FY2012 mainly due to an increase in the engineering team to support new product development initiatives and works associated with our new substrates programme.

Depreciation cost decreased by 11.7% from \$6.0 million in FY2011 to \$5.3 million in FY2012 mainly due to the lower residual amount in property, plant and equipment.

Other expenses/(other income) decreased 9.5% from \$11.6 million to \$10.5 million as a result of the reduction in sales. The Group made a provision for sales rebates of \$2.6 million relating to the agreement that the

## BUSINESS & FINANCIAL REVIEWS

### REVENUE BY CUSTOMER GEOGRAPHICAL SEGMENT (IN \$ MILLION)



Company entered into with a customer in December 2012. A subsidiary of the Company was a defendant for alleged damages and compensation arising from the sales of products in 2010 by the subsidiary to that customer. The Company subsequently entered into the sales rebate agreement with the customer by way of settlement.

As a result of the above, the Group recorded a loss before income tax expense of \$2.2 million in FY2012 compared to a profit of \$8.8 million in FY2011. Excluding the provision of sales rebate of \$2.6 million, the profit before income tax expenses in FY2012 would have been \$379,000.

Taking into consideration the effect of income tax expense, loss after tax for the Group decreased by 138.6% from a profit of \$6.8 million in FY2011 to a loss of \$2.6 million in FY2012. Excluding the provision of sales rebate of \$2.6 million, loss after income tax expenses in FY2012 would have been \$51,000.

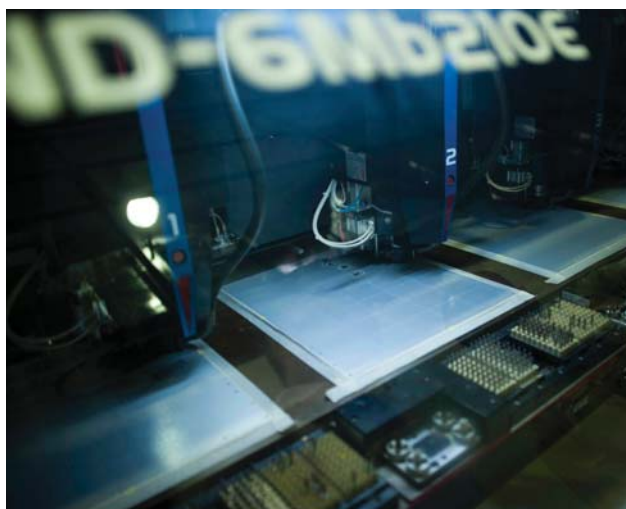
Excluding the provision of sales rebate of \$2.6 million and loss attributable to non-controlling interests, profit after tax and attributable to shareholders of the Company was \$1.2 million in FY2012.

### SEGMENT BY OPERATING GEOGRAPHICAL LOCATION

Revenue	Revenue			EBITDA			Profit/(loss) for the year		
	FY2012	FY2011	Change*	FY2012	FY2011	Change*	FY2012	FY2011	Change*
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000	
<b>Singapore</b>	67,430	91,432	-26%	2,175	13,617	-84%	(3,473)	6,007	-158%
<b>Malaysia</b>	3,223	4,099	-22%	866	1,730	-50%	980	803	22%
<b>China</b>	3,876	3,747	3%	445	480	-7%	(122)	(41)	-198%
	<b>74,529</b>	<b>99,278</b>	<b>-25%</b>	<b>3,486</b>	<b>15,827</b>	<b>-78%</b>	<b>(2,615)</b>	<b>6,769</b>	<b>-139%</b>

\* Increase/(Decrease) Earnings

# BUSINESS & FINANCIAL REVIEWS



## FINANCIAL POSITION AND CASH FLOW

As at 31 December 2012, the Group had a cash balance of \$39.5 million which was in excess of its financial liabilities of \$2.6 million. The net assets of the Group as at 31 December 2012 was \$71.0 million which translates to 16.0 cents net asset value per share.

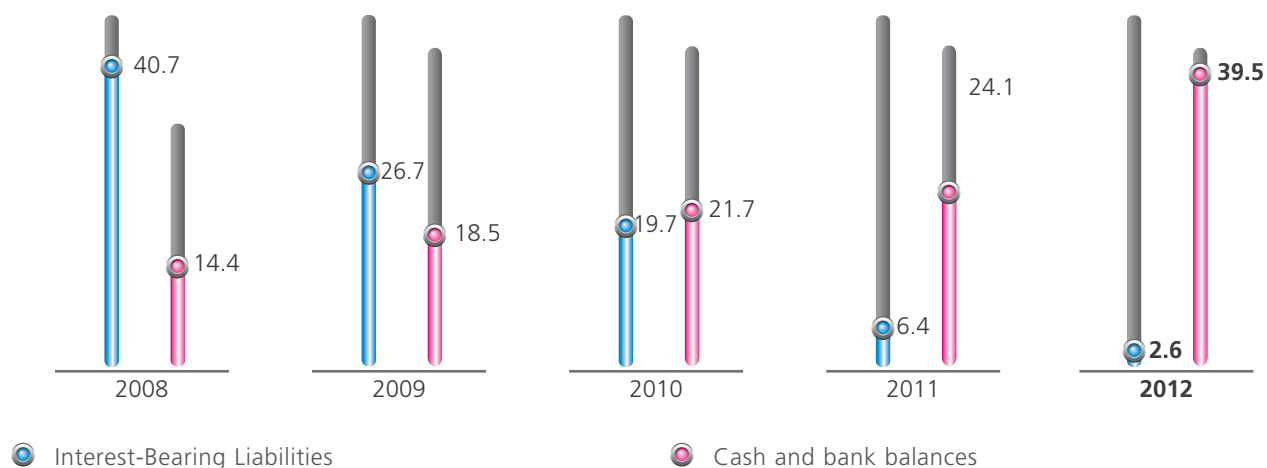
The Group recorded cash inflow from operations of \$4.0 million in FY2012. If we exclude the advance payment of \$3.3 million for machinery which was included in the prepayment, cash generated from operating activities would be \$7.3 million.

	FY2012	FY2011	FY2010
	\$'000	\$'000	\$'000
Cash generated from operating activities	3,969	17,360	12,313
Cash used in investing activities	(6,372)	(926)	(1,003)
Cash from/(used in) financing activities	21,863	(13,370)	(6,053)
Net increase in cash	19,460	3,064	5,257
Cash & Cash equivalents at end of year	39,547	21,652	18,843

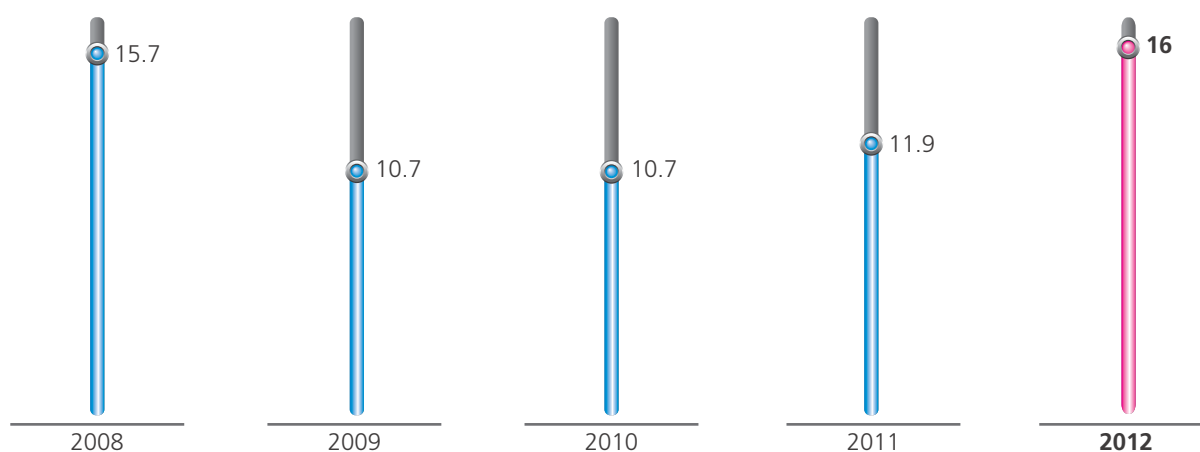


## BUSINESS & FINANCIAL REVIEWS

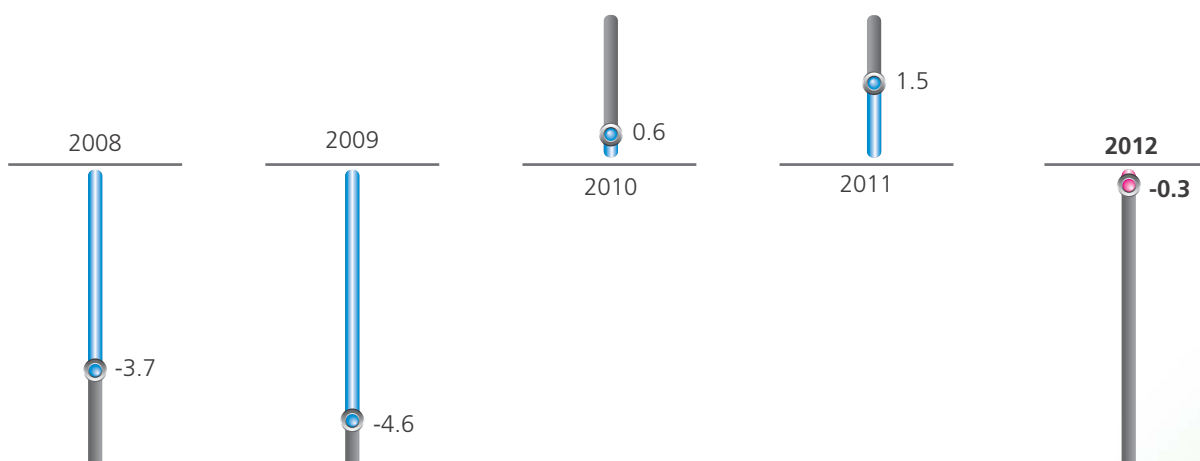
### Borrowing And Cash (in \$ million)



### Net Asset Value Per Ordinary Share (in cents)



### Diluted Earnings Per Share (in cents)



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive:

Loke Wai San  
*Chairman & Non-Executive Director*

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  
Since Financial Year 2011

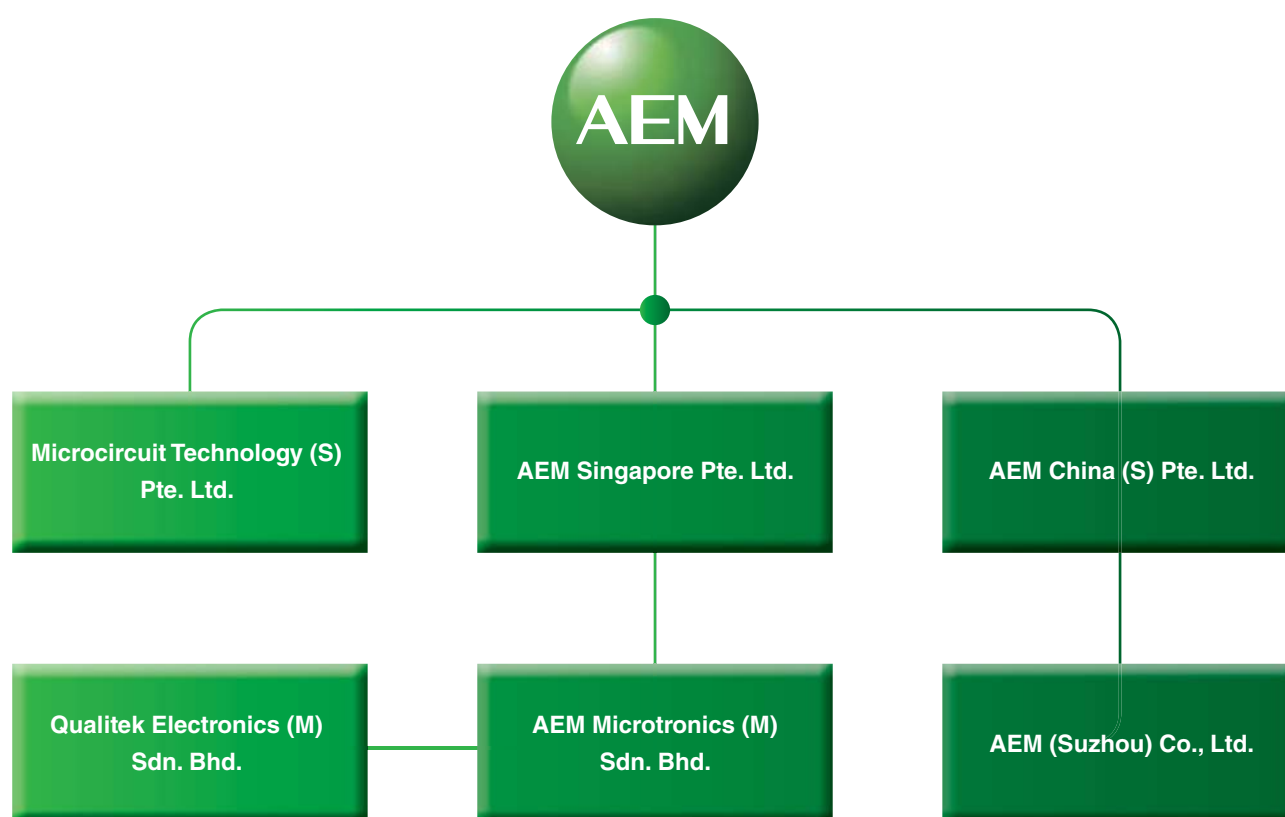
## PRINCIPAL BANKERS

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

DBS Bank  
6 Shenton Way  
DBS Building Tower One  
Singapore 068809

Standard Chartered Bank  
6 Battery Road  
Singapore 049909

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





## FINANCIAL CONTENTS

17	Corporate Governance
27	Directors' Report
32	Statement by Directors
33	Independent Auditors' Report
35	Statements of Financial Position
36	Consolidated Statement of Comprehensive Income
37	Consolidated Statement of Changes in Equity
39	Consolidated Statement of Cash Flows
40	Notes to the Financial Statements
86	Information on Shareholdings
88	Notice of Annual General Meeting Proxy Form

The Directors of AEM Holdings Ltd are committed to complying with and adhering to the principles and guidelines of the Code of Corporate Governance (Code) issued in May 2012 and have specified in this statement any deviation from the Code. This statement outlines the main corporate governance practices that were in place during the year.

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

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

In 2012, Directors were provided with training in areas such as the revised Code of Corporate Governance and regulatory requirements on internal controls. Audit Committee members also attended briefing sessions on the latest Financial Reporting Standards developments.

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

## CORPORATE GOVERNANCE

The Board conducts regular scheduled meetings during the year and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require. The number of scheduled meetings held by the Board and Board Committees during the year were:

- Board 5
- Audit Committee 4
- Remuneration Committee 1
- Nominating Committee 1

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

Name of Director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attend-ance	No. of meeting	Attend-ance	No. of meetings	Attend-ance	No. of meetings	Attend-ance
Loke Wai San (Chairman)	5	5	4	4	1	1	1	1
Adrian Chan Pengee	5	5	4	4	1	1	1	1
Basil Chan	5	5	4	4	1	1	1	1
Albert Ng Aik Khoon	5	5	NA	NA	NA	NA	NA	NA

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

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

### Board Composition and 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 have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interest of the Company.



The 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.

### **Chairman and Chief Executive Officer (“CEO”)**

The roles of the Chairman and CEO are separate and held by two unrelated individuals and the division of responsibilities between them are clearly established in writing and agreed by the Board.

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

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

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

### **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 NC has decided to implement a higher standard of independence as compared to that prescribed by the Code as it requires the independent directors to be independent from all substantial shareholders and not merely 10% shareholders.

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

### **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 the Chairman and individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution by the Chairman and each individual director to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at 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 applicable rules and regulations are complied with. The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfill and discharge their duties and responsibilities as directors.

### 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 key management personnel, taking into consideration the pay and employment conditions within the industry and in comparable companies benchmarks. 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.

## 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 2012 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus	Performance Shares	Other Fee/ Allowances	Total
	%	%	%	%	%	%
<b>Directors</b>						
<b>\$250,000 to \$500,000</b>						
Albert Ng Aik Khoo	–	88	7	5	–	100
	\$	\$	\$	\$	\$	\$
<b>Below \$250,000</b>						
Loke Wai San *	94,000	–	–	–	96,000	190,000
Adrian Chan Pengee	69,000	–	–	–	–	69,000
Basil Chan	76,000	–	–	–	–	76,000

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

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

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 2012, 3,300,000 (2011: 18,500,000) performance shares were granted to the CEO and 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.

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 (%)
<b>Below \$250,000</b>					
Chok Yean Hung	75%	19%	6%	–	100%
Soh Wai Kong	57%	12%	8%	23%	100%
Cheong Chong Thye	81%	8%	11%	–	100%
Ong Kim Leng	58%	13%	8%	20%	100%
How Boon Hua	54%	13%	7%	25%	100%

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

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

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

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

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

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.

### **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 reviews undertaken by the external auditors, representations made by management to the Board and existing management controls that are in place, the Board is of the opinion (with the concurrence of the AC) that there are adequate internal controls in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and Information Technology Risks. A framework has been established and the Board continues through the AC and management, to improve and, enhance it on a continuing basis. The system of operational, financial, compliance and information technology internal controls established by the Company provides reasonable, but not absolute, assurance that the Company's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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

(i) *Compliance risk*

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

(ii) *Operational risk*

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

(iii) *Financial risk*

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

(iv) *Investment risk*

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

### **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 2012.

### **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, views and participation of its shareholders at all general meetings and such feedback and views can be posted to [investor.relations@aem.com.sg](mailto:investor.relations@aem.com.sg) or at the Company's website.

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

### **Dividend Policy**

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



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 2012.

## Directors

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

Loke Wai San  
Albert Ng Aik Khoon  
Basil Chan  
Adrian Chan Pengee

## 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:

	Holdings at beginning of the year	Holdings at end of the year
<b>Name of director and corporation in which interests are held</b>		
AEM Holdings Ltd		
Albert Ng Aik Khoon		
– ordinary shares, fully paid (direct interest)	1,160,000	1,950,000
– ordinary shares, fully paid (deemed interest)	20,000,000	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 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 2013.

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.

Except for fees, salaries, bonuses and those benefits and professional fees that are disclosed in this report and in notes 18, 21 and 25 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:

- Basil Chan
- Loke Wai San (Chairman)
- 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.

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.

## DIRECTORS' REPORT

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				Options out-standing at 31/12/2012	Exercise Period
		Options out-standing at 1/1/2012	Options granted	Options exercised	Options cancelled/lapsed		
28/11/2003	\$0.240	755,000	–	–	–	755,000	28/11/2004 to 27/11/2013
		<u>755,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>755,000</u>	

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 2012 totalled 13,106,000 (2011: 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.

### *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.

## DIRECTORS' REPORT

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
Albert Ng Aik Khoon	300,000	300,000
Other key executives	4,500,000	32,700,000

### Audit committee

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

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

The Audit Committee performs the functions specified in section 201B of the 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.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

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

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



### Auditors

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

On behalf of the Board of Directors

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**Loke Wai San**

*Director*

2 April 2013

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**Albert Ng Aik Khoon**

*Director*

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## STATEMENT BY DIRECTORS

In our opinion:

- (a) the financial statements set out on pages 35 to 85 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 2012 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

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**Loke Wai San**

*Director*

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**Albert Ng Aik Khoon**

*Director*

2 April 2013

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# 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 2012, 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 35 to 85.

### *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 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.



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# 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**

2 April 2013



# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

		Group		Company	
	Note	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>					
Property, plant and equipment	4	16,555	11,805	76	102
Intangible assets	5	3,850	2,930	–	45
Subsidiaries	6	–	–	40,619	10,194
Trade receivables	9	970	3,924	–	–
<b>Non-current assets</b>		<b>21,375</b>	<b>18,659</b>	<b>40,695</b>	<b>10,341</b>
Assets held for sale	7	–	5,790	–	–
Inventories	8	7,870	15,324	–	–
Trade and other receivables	9	20,016	21,301	4,284	2,332
Cash and bank balances	10	39,547	24,085	3,717	8,913
<b>Current assets</b>		<b>67,433</b>	<b>66,500</b>	<b>8,001</b>	<b>11,245</b>
<b>Total assets</b>		<b>88,808</b>	<b>85,159</b>	<b>48,696</b>	<b>21,586</b>
<b>Equity</b>					
Share capital	11	39,737	39,662	39,737	39,662
Reserves	13	(16,254)	(14,241)	(348)	305
Accumulated profits/(losses)		31,370	27,934	5,304	(27,040)
<b>Equity attributable to owners of the Group</b>		<b>54,853</b>	<b>53,335</b>	<b>44,693</b>	<b>12,927</b>
<b>Non-controlling interests</b>		<b>16,141</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>70,994</b>	<b>53,355</b>	<b>44,693</b>	<b>12,927</b>
<b>Liabilities</b>					
Financial liabilities	14	1,592	2,020	–	–
Deferred tax liabilities	15	193	232	87	87
<b>Non-current liabilities</b>		<b>1,785</b>	<b>2,252</b>	<b>87</b>	<b>87</b>
Trade and other payables	16	12,728	20,778	3,767	8,433
Financial liabilities	14	990	4,359	–	–
Current tax payable		1,967	4,059	149	139
Provisions	17	344	356	–	–
<b>Current liabilities</b>		<b>16,029</b>	<b>29,552</b>	<b>3,916</b>	<b>8,572</b>
<b>Total liabilities</b>		<b>17,814</b>	<b>31,804</b>	<b>4,003</b>	<b>8,659</b>
<b>Total equity and liabilities</b>		<b>88,808</b>	<b>85,159</b>	<b>48,696</b>	<b>21,586</b>

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 \$'000	2011 \$'000
Revenue	19	74,529	99,278
Other operating income		2,012	1,594
Changes in inventories of finished goods and work-in-progress		(6,985)	4,441
Raw materials and other consumables		(38,995)	(66,455)
Staff costs		(12,836)	(10,662)
Depreciation of property, plant and equipment		(5,256)	(6,007)
Amortisation of intangible assets		(178)	(220)
Other operating expenses		(14,241)	(12,369)
Finance expenses	20	(235)	(798)
<b>(Loss)/profit before tax</b>	21	<b>(2,185)</b>	8,802
Tax expense	22	(430)	(2,033)
<b>(Loss)/profit for the year</b>		<b>(2,615)</b>	6,769
<b>Other comprehensive income</b>			
Foreign currency translation difference		(3,284)	141
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(3,284)</b>	141
<b>Total comprehensive (loss)/income for the year</b>		<b>(5,899)</b>	6,910
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		(1,384)	6,769
Non-controlling interests		(1,231)	–
<b>(Loss)/profit for the year</b>		<b>(2,615)</b>	6,769
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(4,668)	6,910
Non-controlling interests		(1,231)	–
<b>Total comprehensive (loss)/income for the year</b>		<b>(5,899)</b>	6,910
<b>(Loss)/earnings per share</b>	23		
– Basic		<b>(0.31) cents</b>	1.53 cents
– Fully diluted		<b>(0.31) cents</b>	1.53 cents

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Group	Share capital \$'000	Reserve for own share \$'000	Capital reserve \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Merger reserve \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2012	39,662	–	214	305	(14,899)	139	27,934	53,355	–	53,355
<b>Total comprehensive loss for the year</b>										
Loss for the year	–	–	–	–	–	–	(1,384)	(1,384)	(1,231)	(2,615)
<b>Other comprehensive income</b>										
Foreign currency translation difference	–	–	–	–	(3,284)	–	–	(3,284)	–	(3,284)
<b>Total comprehensive loss for the year</b>	–	–	–	–	(3,284)	–	(1,384)	(4,668)	(1,231)	(5,899)
<b>Transactions with owners, recognised directly in equity</b>										
<b>Contributions by and distributions to owners of the Company</b>										
Own shares acquired	–	(845)	–	–	–	–	–	(845)	–	(845)
Dividends declared	–	–	–	–	–	–	(1,563)	(1,563)	–	(1,563)
Issue of shares under Performance Share Plan	75	267	–	(75)	–	–	–	267	–	267
<b>Total transactions with owners of the Company</b>	75	(578)	–	(75)	–	–	(1,563)	(2,141)	–	(2,141)
<b>Changes in ownership interests in subsidiaries</b>										
Acquisition of non-controlling interests without a change in control	–	–	–	–	1,924	–	6,383	8,307	17,372	25,679
<b>Total change in ownership interests in subsidiaries</b>	–	–	–	–	1,924	–	6,383	8,307	17,372	25,679
<b>Total transactions with owners</b>	75	(578)	–	(75)	1,924	–	4,820	6,166	17,372	23,538
<b>At 31 December 2012</b>	<b>39,737</b>	<b>(578)</b>	<b>214</b>	<b>230</b>	<b>(16,259)</b>	<b>139</b>	<b>31,370</b>	<b>54,853</b>	<b>16,141</b>	<b>70,994</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax		(2,185)	8,802
Adjustments for:			
Allowance for inventories obsolescence		741	1,197
(Reversal) of/impairment losses on trade and non-trade receivables		(677)	20
Depreciation of property, plant and equipment		5,256	6,007
Amortisation of intangible assets		178	220
Loss/(gain) on disposal of property, plant and equipment		136	(549)
Interest expense		235	798
Interest income		(155)	(14)
Equity-settled share-based payment expenses		415	345
Provision of warranties		9	159
		<b>3,953</b>	16,985
Changes in working capital:			
Inventories		6,078	(4,917)
Trade and other receivables		3,138	1,409
Trade and other payables		(6,837)	4,769
Cash generated from operating activities		<b>6,332</b>	18,246
Government grant received		18	1
Tax paid		(2,381)	(887)
<b>Net cash from operating activities</b>		<b>3,969</b>	17,360
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets		(1,259)	(1,200)
Interest received		155	14
Proceeds from disposal of property, plant and equipment		55	610
Acquisition of property, plant and equipment		(5,323)	(350)
<b>Net cash used in investing activities</b>		<b>(6,372)</b>	(926)
<b>Cash flows from financing activities</b>			
Interest paid		(235)	(798)
Repayment of bank loans		(1,173)	(12,394)
Repayment of finance lease liabilities		–	(178)
Consideration received from the issuance of shares in a subsidiary	6	25,679	–
Repurchase of own shares		(845)	–
Dividends paid to owners of Company	12	(1,563)	–
<b>Net cash from/(used in) financing activities</b>		<b>21,863</b>	(13,370)
<b>Net increase in cash and cash equivalents</b>		<b>19,460</b>	3,064
Cash and cash equivalents at 1 January		21,652	18,843
Effect of exchange rate fluctuations on cash held		(1,565)	(255)
<b>Cash and cash equivalents at 31 December</b>	10	<b>39,547</b>	21,652

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 2 April 2013.

## 1 Domicile and activities

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

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

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

## 2 Basis of preparation

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

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.

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

- Note 4 – measurement of recoverable amount of property, plant and equipment
- Note 9 – recoverability of trade receivables

## 2 Basis of preparation (cont'd)

### 2.5 Accounting policies for new transactions and events

#### ***Distributions of non-cash assets to owners of the Company***

From 1 January 2012, the Group has applied INT FRS 117 *Distributions of Non-cash Assets* to owners in accounting for distributions of non-cash assets to owners of the Company. The new accounting policy (see note 3.5) has been applied prospectively.

## 3 Significant accounting policies

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

### 3.1 Basis of consolidation

#### ***Business combinations***

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

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

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

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

### 3 Significant accounting policies (cont'd)

#### 3.1 Basis of consolidation (cont'd)

##### ***Business combinations (cont'd)***

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.

##### **Acquisition of non-controlling interests**

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

##### **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.

##### **Loss of control**

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

##### **Transactions eliminated on consolidation**

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

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

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

## 3 Significant accounting policies (cont'd)

### 3.2 Foreign currencies (cont'd)

#### *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. The reporting currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

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

Foreign currency differences arising on retranslation are recognised in the profit or loss.

#### *Foreign operations*

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (currency translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is



## **3 Significant accounting policies (cont'd)**

### **3.2 Foreign currencies (cont'd)**

#### ***Foreign operations (cont'd)***

reclassified to profit or loss as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

### **3.3 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 gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

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.

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.

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

## 3 Significant accounting policies (cont'd)

### 3.3 Property, plant and equipment (cont'd)

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

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

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

### 3.4 Intangible assets

#### **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

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.

#### **Other intangible assets**

Other intangible assets, comprising computer software, patents and license fees paid for patented technology, are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives, from the date on which they are available for use.

## 3 Significant accounting policies (cont'd)

### 3.4 Intangible assets (cont'd)

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

Computer software	–	3 years
Patents	–	5 years

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

### 3.5 Financial instruments

#### ***Non-derivative financial assets***

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

Non-derivative financial assets comprise loans and receivables.

#### *Loans and receivables*

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

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

Cash and cash equivalents comprise cash balances and bank deposits.

## 3 Significant accounting policies (cont'd)

### 3.5 Financial instruments (cont'd)

#### ***Non-derivative financial liabilities***

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

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

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

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

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

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

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 statement of cash flows.

#### ***Share capital***

##### *Ordinary shares*

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

#### ***Repurchase, disposal and reissue of share capital (reserve for own share)***

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

## 3 Significant accounting policies (cont'd)

### 3.5 Financial instruments (cont'd)

#### ***Distribution of non-cash assets to owners of the Company***

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the differences, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

#### ***Derivative financial instruments***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

#### ***Financial guarantee contracts***

Financial guarantee contracts are regarded as insurance contracts under which the Group accepts significant insurance risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event. Provisions are recognised when it is probable that the guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

### 3.6 Impairment

#### ***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has 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, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.



## 3 Significant accounting policies (cont'd)

### 3.6 Impairment (cont'd)

#### ***Non-derivative financial assets (cont'd)***

##### *Loans and receivables*

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

Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### ***Non-financial assets***

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

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

### **3 Significant accounting policies (cont'd)**

#### **3.6 Impairment (cont'd)**

##### ***Non-financial assets (cont'd)***

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

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

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

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

#### **3.7 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.

#### **3.8 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## **3 Significant accounting policies (cont'd)**

### **3.8 Lease payments (cont'd)**

#### *Determining whether an arrangement contains a lease*

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

### **3.9 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.

### **3.10 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.

## 3 Significant accounting policies (cont'd)

### 3.11 Tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to 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.

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

## 3 Significant accounting policies (cont'd)

### 3.12 Revenue recognition

#### ***Sale of goods***

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

#### ***Rendering of services***

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

### 3.13 Employee benefits

#### ***Defined contribution plans***

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

#### ***Short-term employee benefits***

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

#### ***Share-based payments***

The grant date fair value of 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.



## **3 Significant accounting policies (cont'd)**

### **3.14 Finance income and finance costs**

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

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

### **3.15 Key management compensation**

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

### **3.16 Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### **3.17 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### **3.18 New standards and interpretations not adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the Company. The Group does not plan to adopt these amendments early.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 Property, plant and equipment

	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
<b>Group</b>								
<b>Cost</b>								
At 1 January 2011	–	–	111	606	9,782	2,684	40,774	53,957
Additions	–	–	–	7	18	14	311	350
Disposals	–	–	(24)	(7)	(8)	(3)	(331)	(373)
Translation adjustment	–	–	3	(1)	(3)	(4)	(57)	(62)
At 31 December 2011	–	–	90	605	9,789	2,691	40,697	53,872
Additions	–	–	–	25	314	120	4,864	5,323
Disposals	–	–	(80)	(219)	(95)	(907)	(6,400)	(7,701)
Transfer from assets held for sale (Note 7)	1,002	4,788	–	–	–	–	–	5,790
Translation adjustment	(28)	(150)	(3)	(39)	(502)	(113)	(2,861)	(3,696)
At 31 December 2012	974	4,638	7	372	9,506	1,791	36,300	53,588
<b>Accumulated depreciation and impairment losses</b>								
At 1 January 2011	–	–	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 adjustment	–	–	2	(6)	32	(15)	13	26
At 31 December 2011	–	–	79	565	9,103	2,536	29,784	42,067
Depreciation charge for the year	11	120	4	13	226	23	4,859	5,256
Disposals	–	–	(80)	(217)	(63)	(788)	(6,028)	(7,176)
Translation adjustment	(3)	(34)	(3)	(38)	(479)	(107)	(2,450)	(3,114)
At 31 December 2012	8	86	–	323	8,787	1,664	26,165	37,033
<b>Carrying amounts</b>								
At 1 January 2011	–	–	18	54	1,124	164	16,251	17,611
At 31 December 2011	–	–	11	40	686	155	10,913	11,805
At 31 December 2012	966	4,552	7	49	719	127	10,135	16,555

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Property, plant and equipment (cont'd)

Company	Renovation and installation \$'000	Computers \$'000	Equipment \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2011	395	373	18	786
Additions	–	15	–	15
At 31 December 2011	395	388	18	801
Additions	5	–	–	5
Disposals	–	(7)	–	(7)
At 31 December 2012	400	381	18	799
<b>Accumulated depreciation and impairment loss</b>				
At 1 January 2011	259	370	18	647
Depreciation charge for the year	37	15	–	52
At 31 December 2011	296	385	18	699
Depreciation charge for the year	31	3	–	34
Disposals	–	(10)	–	(10)
At 31 December 2012	327	378	18	723
<b>Carrying amounts</b>				
At 1 January 2011	136	3	–	139
At 31 December 2011	99	3	–	102
At 31 December 2012	73	3	–	76

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 (2011: nil impairment loss). The estimate of value in use was determined using a pre-tax discount rate of 10.67% (2011: 10.67%).

# NOTES TO THE FINANCIAL STATEMENTS

## 5 Intangible assets

	Development costs \$'000	Computer software \$'000	Patents \$'000	Total \$'000
<b>Group</b>				
<b>Cost</b>				
At 1 January 2011	2,549	4,802	20	7,371
Additions	1,200	–	–	1,200
Disposals	–	–	(2)	(2)
Translation adjustment	(20)	(26)	–	(46)
At 31 December 2011	3,729	4,776	18	8,523
Additions	1,101	158	–	1,259
Disposals	(73)	(2,539)	–	(2,612)
Translation adjustment	(206)	(149)	–	(355)
At 31 December 2012	4,551	2,246	18	6,815
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2011	724	4,654	20	5,398
Amortisation charge for the year	125	95	–	220
Disposals	–	–	(2)	(2)
Translation adjustment	(1)	(22)	–	(23)
At 31 December 2011	848	4,727	18	5,593
Amortisation charge for the year	158	20	–	178
Disposals	(73)	(2,539)	–	(2,612)
Translation adjustment	(44)	(150)	–	(194)
At 31 December 2012	889	2,058	18	2,965
<b>Carrying amounts</b>				
At 1 January 2011	1,825	148	–	1,973
At 31 December 2011	2,881	49	–	2,930
At 31 December 2012	3,662	188	–	3,850

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Intangible assets (cont'd)

	<b>Computer software \$'000</b>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	1,165
Disposals	(45)
At 31 December 2012	<u>1,120</u>
<b>Accumulated amortisation</b>	
At 1 January 2011 and 31 December 2011	1,120
Depreciation charge for the year	—
At 31 December 2012	<u>1,120</u>
<b>Carrying amount</b>	
At 1 January 2011 and 31 December 2011	<u>45</u>
At 31 December 2012	<u>—</u>

### 6 Subsidiaries

	<b>Company</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
Unquoted equity shares, at cost	<b>76,369</b>	45,944
Allowance for impairment	<b>(35,750)</b>	(35,750)
	<b><u>40,619</u></b>	<u>10,194</u>

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, no impairment loss (2011: \$32,213,000) was recognised.

The estimate of value in use was determined using a pre-tax discount rate of 10.67% (2011: 10.67%).

## NOTES TO THE FINANCIAL STATEMENTS

### 6 Subsidiaries (cont'd)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2012 %	2011 %
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	Dormant	Hong Kong	100	100
1 AEM Platronics (S) Pte. Ltd.	Dormant	Singapore	100	100
2 AEM Platronics (M) Sdn. Bhd.	Dormant	Malaysia	100	100
1 Microcircuit Technology (S) Pte. Ltd.*	Design and manufacturing of organic substrates	Singapore	57.73	100
4 Qualitek Electronics (M) Sdn. Bhd.	Manufacturing of printed circuit boards	Malaysia	100	100
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



## NOTES TO THE FINANCIAL STATEMENTS

### 6 Subsidiaries (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2012 %	2011 %
1 AEM China (S) Pte. Ltd.	Dormant	Singapore	100	100
1 Orchardville Holdings Pte Ltd	Dormant	Singapore	100	100
1 AEM International (S) Pte. Ltd.	Dormant	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*

On 27 July 2012, Microcircuit Technology (S) Pte. Ltd. ("MCT"), a subsidiary of the Group, issued 2,230,769 and 22,865,385 ordinary shares to the Group and Siliconware Precision Industries Co., Ltd, a third party, for an aggregate cash consideration of \$2,505,000 and \$25,679,000 respectively. In addition, the Group converted its shareholder loan amounted to \$27,920,000 in MCT into one new ordinary share of MCT. As a result of the new issuance of shares and conversion of shareholder loan, the Group's effective equity interest in MCT has been diluted from 100% to 57.73%. The Group continues to consolidate this entity as it is able to govern the financial and operating policies of MCT.

# NOTES TO THE FINANCIAL STATEMENTS

## 7 Assets held for sale

	Note	Group 2012 \$'000	2011 \$'000
Leasehold land		1,002	1,002
Leasehold buildings		4,788	4,788
Reclassification to property, plant and equipment	4	(5,790)	–
Carrying amount		–	5,790

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, thus the assets held for sale in 2011 have been transferred to property, plant and equipment (Note 4).

## 8 Inventories

	Group 2012 \$'000	2011 \$'000
Raw materials	2,631	3,077
Work-in-progress	4,117	10,791
Finished goods	1,122	1,456
	<b>7,870</b>	<b>15,324</b>

In 2012, the write-down of inventories to net realisable value amounted to \$741,000 (2011: \$1,197,000).

## 9 Trade and other receivables

	Group		Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	14,450	23,422	–	–
Impairment losses	(1,493)	(2,517)	–	–
Net receivables	12,957	20,905	–	–
Deposits	3,625	2,698	2,348	1,545
Other receivables	644	1,425	15	20
Amounts due from subsidiaries:				
– trade, net of impairment losses of \$466,000 (2011: \$4,082,000)	–	–	448	473
– non-trade, net of impairment losses of \$13,142,000 (2011: \$10,222,000)	–	–	1,468	269
Loans and receivables	17,226	25,028	4,279	2,307
Prepayments	3,760	197	5	25
	<b>20,986</b>	<b>25,225</b>	<b>4,284</b>	<b>2,332</b>
Non-current	970	3,924	–	–
Current	20,016	21,301	4,284	2,332
	<b>20,986</b>	<b>25,225</b>	<b>4,284</b>	<b>2,332</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Trade and other receivables (cont'd)

#### 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 2012 for the top three customers is \$10,563,000 (2011: \$16,864,000).

Trade receivables included amounts of \$3,630,000 (2011: \$5,727,000) 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 \$845,000 (2011: \$1,803,000) of impairment losses recognised, the remaining debts are recoverable.

The ageing of loans and receivables at the reporting date was:

	Impairment		Impairment	
	Gross	losses	Gross	losses
	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Not past due	14,404	845	22,151	1,803
Past due 0-30 days	1,390	–	1,559	–
Past due 31-120 days	1,481	–	1,026	–
Past due 121-365 days	537	–	1,223	–
More than one year	907	648	1,586	714
	<b>18,719</b>	<b>1,493</b>	<b>27,545</b>	<b>2,517</b>
<b>Company</b>				
Not past due	7,436	4,191	2,320	111
Past due 0-30 days	7	–	98	–
Past due 31-120 days	1,404	466	1,204	1,204
Past due 121-365 days	89	–	726	726
More than one year	8,951	8,951	12,263	12,263
	<b>17,887</b>	<b>13,608</b>	<b>16,611</b>	<b>14,304</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Trade and other receivables (cont'd)

#### Trade receivables (cont'd)

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows:

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	2,517	3,012	14,304	9,174
Impairment loss (reversed)/recognised	(677)	20	(696)	5,130
Utilisation	(109)	(494)	–	–
Translation on consolidation	(238)	(21)	–	–
Balance at 31 December	<u>1,493</u>	<u>2,517</u>	<u>13,608</u>	<u>14,304</u>

#### 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.

### 10 Cash and cash equivalents

		Group		Company	
	Note	2012	2011	2012	2011
		\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand		19,012	22,446	3,717	8,913
Fixed deposits with banks		<u>20,535</u>	<u>1,639</u>	<u>–</u>	<u>–</u>
Cash and bank balances		<u>39,547</u>	<u>24,085</u>	<u>3,717</u>	<u>8,913</u>
Secured bank overdrafts	14	<u>–</u>	<u>(2,433)</u>		
Cash and cash equivalents in the consolidated statement of cash flows		<u>39,547</u>	<u>21,652</u>		

In 2012, the fixed deposits were pledged for bank guarantees granted in relation to lease agreements entered into by the Group.

As at 31 December 2012, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.59% (2011: 0.06%). Interest rates are repriced monthly.

# NOTES TO THE FINANCIAL STATEMENTS

## 11 Share capital

	Note	Company Number of shares	
		Share Capital	Reserve for own Shares
<b>Issued and fully paid ordinary shares, with no par value:</b>			
At 1 January 2011		<b>432,626,760</b>	–
Issue of shares under Performance Share Plan	18	<b>17,000,000</b>	–
At 31 December 2011/1 January 2012		<b>449,626,760</b>	–
Purchase of own shares		–	(10,323,000)
Issue of shares under Performance Share Plan	18	<b>1,500,000</b>	3,300,000
At 31 December 2012		<b>451,126,760</b>	(7,023,000)

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

During the year, the company purchased 10,323,000 of its own shares from the open market and as at the end of 31 December 2012, the reserve for own share balance was 7,023,000 (31 December 2011: nil). The total number of issued ordinary shares excluding reserve for own share at the end of the year was 444,103,760 (31 December 2011: 449,626,760 shares).

During the year, 3,300,000 shares were issued out of the reserve for own share to management under the Performance Share Plan. There was no sale, transfer or cancellation of reserve for own share during the year.

### 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 2012, its "total borrowings: net tangible assets" ratio was 0.04 (2011: 0.13). 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 Dividends

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

For the year ended 31 December

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
<b>Paid by Company to owners of the Company</b>		
0.35 cents per qualifying ordinary share (2011: nil)	<b>1,563</b>	–
	<b>1,563</b>	–

After the respective reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
0.35 cents per qualifying ordinary share (2011: nil)	<b>1,554</b>	–
	<b>1,554</b>	–

## 13 Reserves

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Capital reserve	<b>214</b>	214	–	–
Share compensation reserve	<b>230</b>	305	<b>230</b>	305
Reserve for own share	<b>(578)</b>	–	<b>(578)</b>	–
Currency translation reserve	<b>(16,259)</b>	(14,899)	–	–
Merger reserve	<b>139</b>	139	–	–
	<b>(16,254)</b>	(14,241)	<b>(348)</b>	305

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.

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



## NOTES TO THE FINANCIAL STATEMENTS

### 13 Reserves (cont'd)

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.

### 14 Financial liabilities

	Note	Group 2012 \$'000	2011 \$'000
<b>Non-current liabilities</b>			
Secured bank loans		<b>1,592</b>	2,020
<b>Current liabilities</b>			
Secured bank overdrafts	10	–	2,433
Secured bank loans		<b>990</b>	1,926
		<b>990</b>	4,359
Total borrowings		<b>2,582</b>	6,379

#### **Maturity of liabilities:**

	Group 2012 \$'000	2011 \$'000
Within 1 year	<b>990</b>	4,359
After 1 year but within 5 years	<b>1,592</b>	2,020
	<b>2,582</b>	6,379

At 31 December 2012, the secured bank loans of the Group are secured over the corporate guarantee provided by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Financial liabilities (cont'd)

#### Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2012		2011	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group						
SGD fixed rate loans	5%	2014	–	–	3,946	3,946
SGD floating rate loans	*COF+2.5%	2015	2,582	2,582	–	–
Bank overdrafts	**BLR+1.5% to 4.0%	2010-2011	–	–	2,433	2,433
Total interest-bearing liabilities			2,582	2,582	6,379	6,379

\* COF: Cost of funds

\*\* BLR: Base lending rate

The following are the contractual maturities of financial liabilities:

		Cash flows		
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>Group</b>				
<b>2012</b>				
Floating rate loans	2,582	(2,703)	(1,097)	(1,606)
Trade and other payables	12,728	(12,728)	(12,728)	–
	<u>15,310</u>	<u>(15,431)</u>	<u>(13,825)</u>	<u>(1,606)</u>
<b>2011</b>				
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)

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Financial liabilities (cont'd)

#### Terms and debt repayment schedule (cont'd)

	Carrying amount \$'000	Cash flows		
		Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>Company</b>				
<b>2012</b>				
Trade and other payables (exclude non-trade balances)	3,767	(3,767)	(3,767)	–
Recognised financial liabilities	3,767	(3,767)	(3,767)	–
Intragroup financial guarantee	–	(12,659)	(12,659)	–
	<u>3,767</u>	<u>(16,426)</u>	<u>(16,426)</u>	<u>–</u>
<b>2011</b>				
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	–	(7,500)	(7,500)	–
	<u>1,527</u>	<u>(9,027)</u>	<u>(9,027)</u>	<u>–</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 15 Deferred tax

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

	Recognised			Recognised			
	At	in profit		At 31	in profit		At 31
	1 January	or loss	Translation	December	or loss	Translation	December
	2011	(Note 21)	adjustment	2011	(Note 21)	adjustment	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>							
<b>Deferred tax liabilities</b>							
Property, plant and equipment	1,602	(1,369)	(1)	232	(34)	(5)	193
<b>Deferred tax assets</b>							
Provisions	(135)	135	–	–	–	–	–
Tax value of capital allowances carry-forward	(1,216)	1,216	–	–	–	–	–
Other items	(18)	18	–	–	–	–	–
	(1,369)	1,369	–	–	–	–	–
<b>Company</b>							
<b>Deferred tax liabilities</b>							
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	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Deferred tax liabilities	193	232	87	87

Deferred tax assets have not been recognised in respect of unutilised tax losses and deductible temporary difference of \$13,467,000 (2011: \$9,675,000) 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

### 16 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Trade payables and accrued operating expenses	11,862	19,396	3,523	1,124
Amounts due to subsidiaries (non-trade)	—	—	—	6,906
Deposits received	219	505	219	150
Other payables	647	877	25	253
	<b>12,728</b>	<b>20,778</b>	<b>3,767</b>	<b>8,433</b>

The trade payables and accrued operating expenses include a provision for sales rebate of \$2,564,000 relating to the agreement that the Company entered into with a customer in 2012. A subsidiary of the Company was a defendant for alleged damages and compensation arising from the sales of products in 2010 by the subsidiary to that customer. The Company subsequently entered into the sales rebate agreement with the customer by way of settlement.

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

### 17 Provisions

	Warranties	
	2012	2011
	\$'000	\$'000
<b>Group</b>		
At 1 January	356	194
Provisions made	9	159
Translation adjustment	(21)	3
At 31 December	<b>344</b>	<b>356</b>

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

### 18 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:

- Basil Chan
- Loke Wai San (Chairman)
- 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.

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

### 18 Share-based payment (cont'd)

#### Employee share options

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 -----										
Date of grant of options	Exercise price	Options outstanding at 1/1/2012	Options Granted	Options exercised	Options cancelled/ lapsed	Options outstanding at 31/12/2012	Options exercisable 1/1/2012	Options exercisable 31/12/2012	Market price of shares at date of grant	Exercise period
28/11/2003	\$0.240	755,000	–	–	–	755,000	755,000	755,000	\$0.250	28/11/2004 to 27/11/2013
		755,000	–	–	–	755,000	755,000	755,000		

No options were exercised in 2012 and 2011.

The options outstanding at 31 December 2012 have an exercise price of \$0.24 (2011: an exercise price of \$0.24) and a weighted average remaining contractual life of approximately 0.9 years (2011: 1.9 years).

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

	Weighted average exercise price 2012	No. of options 2012	Weighted average exercise price 2011	No. of options 2011
	\$	('000)	\$	('000)
At 1 January	0.24	755	0.24	850
Granted		–		–
Exercised		–		–
Cancelled/lapsed		–	0.24	(95)
At 31 December	0.24	755	0.24	755
Exercisable at 31 December	0.24	755	0.24	755

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Share-based payment (cont'd)

#### Performance share plan (cont'd)

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, 5,700,000 (2011: 18,500,000) performance shares were granted to certain key executives. The weighted average fair value of the shares granted was \$0.097 (2011: \$0.038) 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:

	2012 \$'000	2011 \$'000
<b>Share compensation reserve</b>		
At 1 January	305	585
Expense recognised arising from equity-settled performance share awards	–	169
Issue of shares	(75)	(449)
At 31 December	<u>230</u>	<u>305</u>

### 19 Revenue

	Group 2012 \$'000	2011 \$'000
Sale of goods	70,697	94,193
Revenue from services rendered	<u>3,832</u>	<u>5,085</u>
	<u>74,529</u>	<u>99,278</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 20 Finance costs

	Group	
	2012	2011
	\$'000	\$'000
Finance costs:		
– finance lease liabilities	–	2
– term loans and bank overdrafts	235	796
Interest expense	235	798

### 21 (Loss)/profit before tax

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

	Group	
	2012	2011
	\$'000	\$'000
Audit fees paid/payable to:		
– Auditors of the Company	190	190
– Other auditors	21	26
Non-audit fees paid/payable to		
– auditors of the Company	37	44
Allowance for inventories obsolescence	741	1,197
Contributions to defined contribution plans included in staff costs	1,353	1,266
Directors' fees	239	235
Equity-settled share-based payment expenses	415	345
Exchange loss	365	589
Loss/(gain) on disposal of property, plant and equipment	136	(549)
Government grants, including grants under Jobs Credit Scheme	(18)	(1)
Operating lease expense	4,468	4,306
Provision of warranties	9	159
Rental income	(1,014)	(723)
Research and development costs included in staff costs, materials, overheads and depreciation expense	132	179
(Reversal) of/impairment losses on trade and non-trade receivables	(677)	20

# NOTES TO THE FINANCIAL STATEMENTS

## 22 Tax expense

	Group	
	2012	2011
	\$'000	\$'000
<b>Current tax expense</b>		
Current year	910	2,074
Overprovision in prior years	(446)	(41)
	<u>464</u>	<u>2,033</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(34)	–
<b>Income tax expense</b>	<u>430</u>	<u>2,033</u>
<b>Reconciliation of effective tax rate</b>		
(Loss)/profit before income tax	<u>(2,185)</u>	<u>8,802</u>
Income tax using Singapore tax rate of 17%	(371)	1,496
Effect of different tax rates in other countries	11	82
Expenses not deductible for tax purposes	733	390
Over provided in prior year	(446)	(41)
Income not subject to tax	(210)	(277)
Unrecognised temporary differences	645	369
Others	<u>68</u>	<u>14</u>
	<u>430</u>	<u>2,033</u>

## 23 (Loss)/earnings per share

The basic (loss)/earnings per share is based on net (loss)/profit attributable to ordinary shareholders of loss \$1,384,000 (2011: profit \$6,769,000) and the weighted average of 447,727,093 (2011: 441,256,897) shares outstanding during the year.

The diluted (loss)/earnings per share is based on net (loss)/profit attributable to ordinary shareholders of loss \$1,384,000 (2011: profit \$6,769,000) and the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 447,727,093 (2011: 442,756,897), calculated as follows:

	Number of shares	
	2012	2011
	\$'000	\$'000
Weighted average number of ordinary shares used in calculation of basic earnings per share	447,727	441,257
Potential ordinary shares	–	1,500
Weighted average number of ordinary issued and potential shares assuming full conversion	<u>447,727</u>	<u>442,757</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Commitments

#### Operating lease commitments

At 31 December 2012, the Group has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Payable:		
– Within 1 year	<b>4,334</b>	4,092
– After 1 year but within 5 years	<b>6,460</b>	14,750
	<b>10,794</b>	18,842

Included in the above are leases for the following:

- 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 \$1,805,000 (2011: \$1,500,000). The annual rental is subject to an increase of 1.75% (2011: 1.75%) per annum on the annual rental for the preceding year.
- 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 \$2,425,000 (2011: \$2,288,000). The annual rental is subject to an increase of 5.16% (2011: 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 2012, the Group has minimum sub-lease income receivable under non-cancellable operating leases as follows:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Receivable:		
– Within 1 year	<b>923</b>	718
– After 1 year but within 5 years	<b>404</b>	467
	<b>1,327</b>	1,185
<b>Capital commitments</b>		
Authorised and contracted for	<b>10,861</b>	–

As at 31 December 2012, the Group has entered into the contracts to purchase plant and equipment for \$10,861,000 (2011: nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 25 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:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Professional fees paid to a legal firm of which a director is an employee	<b>40</b>	–

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 18. As at 31 December 2012, 755,000 (2011: 755,000) of those options were outstanding.

During the year, 3,000,000 (2011: 13,500,000) ordinary shares were granted to the Chief Executive Officer.

Key management personnel compensation comprised:

	<b>Group</b>	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Short-term employee benefits	<b>1,661</b>	2,444
Post-employment benefits	<b>109</b>	86
Share-based payments	<b>415</b>	345
	<b>2,185</b>	2,875



## NOTES TO THE FINANCIAL STATEMENTS

### 26 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**  
Include manufacturing and providing equipment systems solutions, precision component solutions, substrates packaging solutions, chemical and plating services.
- **Malaysia**  
Include manufacturing and providing equipment systems solutions and precision component solutions.
- **China**  
Include 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.

Information about reportable segments:

	<b>Singapore</b>	<b>Malaysia</b>	<b>China</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2012</b>				
Total revenue from external customers	<b>67,430</b>	<b>3,223</b>	<b>3,876</b>	<b>74,529</b>
Inter-segment revenue	<b>117</b>	<b>1,212</b>	<b>1,429</b>	<b>2,758</b>
<b>Reportable segment revenue</b>	<b>67,547</b>	<b>4,435</b>	<b>5,305</b>	<b>77,287</b>
Depreciation and amortisation	<b>(4,579)</b>	<b>(335)</b>	<b>(520)</b>	<b>(5,434)</b>
Finance costs	<b>(135)</b>	<b>(100)</b>	<b>–</b>	<b>(235)</b>
Tax expense	<b>(268)</b>	<b>(165)</b>	<b>3</b>	<b>(430)</b>
(Loss)/profit for the year	<b>(3,473)</b>	<b>980</b>	<b>(122)</b>	<b>(2,615)</b>
Reportable segment assets	<b>74,642</b>	<b>8,673</b>	<b>6,615</b>	<b>89,930</b>
Reportable segment liabilities	<b>15,477</b>	<b>499</b>	<b>1,838</b>	<b>17,814</b>
<b>Other segment information</b>				
Expenditure for non-current assets	<b>1,295</b>	<b>2</b>	<b>–</b>	<b>1,297</b>
Other material non-cash items:				
Loss on disposal of property, plant and equipment	<b>136</b>	<b>–</b>	<b>–</b>	<b>136</b>
(Reversal) of/Impairment loss for:				
– doubtful debts	<b>(740)</b>	<b>–</b>	<b>63</b>	<b>(677)</b>
– inventory obsolescence	<b>741</b>	<b>–</b>	<b>–</b>	<b>741</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 26 Segment information (cont'd)

	Singapore \$'000	Malaysia \$'000	China \$'000	Total \$'000
<b>2011</b>				
Total revenue from external customers	91,432	4,099	3,747	99,278
Inter-segment revenue	569	2,709	2,993	6,271
<b>Reportable segment revenue</b>	<b>92,001</b>	<b>6,808</b>	<b>6,740</b>	<b>105,549</b>
Depreciation and amortisation	(5,337)	(328)	(562)	(6,227)
Finance costs	(636)	(162)	–	(798)
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
<b>Other segment information</b>				
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

### Reconciliations of reportable segment revenues, assets and liabilities

	2012 \$'000	2011 \$'000
<b>Revenues</b>		
Total revenue for reportable segments	<b>77,287</b>	105,549
Elimination of inter-segment revenue	<b>(2,758)</b>	(6,271)
Consolidated revenue	<b>74,529</b>	99,278
<b>Assets</b>		
Total assets for reportable segments	<b>89,930</b>	87,114
Elimination of inter-segment balances	<b>(1,122)</b>	(1,955)
Consolidated total assets	<b>88,808</b>	85,159
<b>Liabilities</b>		
Total liabilities for reportable segments	<b>17,814</b>	32,398
Elimination of inter-segment balances	<b>–</b>	(594)
Consolidated total liabilities	<b>17,814</b>	31,804

## NOTES TO THE FINANCIAL STATEMENTS

### 26 Segment information (cont'd)

#### 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.

	2012		2011	
	Revenue	Non-current assets	Revenue	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Singapore	5,044	13,201	4,694	15,239
Malaysia	26,467	6,428	44,838	1,015
China	16,703	1,746	30,200	2,405
USA	15,907	—	12,491	—
Indonesia	5,959	—	1,608	—
Vietnam	2,457	—	2,681	—
Other countries	1,992	—	2,766	—
	<b>74,529</b>	<b>21,375</b>	<b>99,278</b>	<b>18,659</b>

#### Major customers

Revenues from the top 3 customers and their related companies amounts to \$62,870,000 (2011: \$80,224,000) of the Group's total revenues.

### 27 Financial risk management

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

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

#### Credit risk

Credit risk is the 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.

### 27 Financial risk management (cont'd)

At the reporting date, three major customers accounted for 73% (2011: 72%) 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.

#### **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 manage its exposure through adjustments of its products selling prices and natural hedges by sourcing supplies in the same functional currency. Currencies other than the US dollar are bought as and when required.

Foreign currency translation exposure arises when the monetary assets and liabilities of the 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Financial risk management (cont'd)

#### Foreign currency risk (cont'd)

##### *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:

	<b>31 December 2012 SGD \$'000</b>	31 December 2011 SGD \$'000	<b>31 December 2012 US dollar \$'000</b>	31 December 2011 US dollar \$'000
<b>Group</b>				
Trade and other receivables	<b>234</b>	201	<b>126</b>	165
Cash and cash equivalents	<b>4,175</b>	842	<b>2,000</b>	63
Trade and other payables	<b>(2,432)</b>	(3,995)	<b>(4)</b>	(174)
Financial liabilities	<b>(2,582)</b>	(3,946)	<b>—</b>	—
	<b>(605)</b>	(6,898)	<b>2,122</b>	54
<b>Company</b>				
Cash and cash equivalents	<b>—</b>	—	<b>1,530</b>	63

##### *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 2011.

	<b>Group</b>		<b>Company</b>	
	<b>Equity \$'000</b>	<b>Profit or loss \$'000</b>	<b>Equity \$'000</b>	<b>Profit or loss \$'000</b>
<b>31 December 2012</b>				
USD	—	<b>61</b>	—	—
SGD	<b>—</b>	<b>(212)</b>	<b>—</b>	<b>(153)</b>
<b>31 December 2011</b>				
USD	—	690	—	(6)
SGD	<b>—</b>	<b>(5)</b>	<b>—</b>	—

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Financial risk management (cont'd)

#### Foreign currency risk (cont'd)

*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 ("MYR") and Chinese Renminbi ("RMB"). The Group does not hedge its foreign currency consolidation translation exposure.

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

	31 December 2012			31 December 2011		
	USD \$'000	MYR \$'000	RMB \$'000	USD \$'000	MYR \$'000	RMB \$'000
<b>Group</b>						
Net assets/(liabilities)	<u>56,964</u>	<u>(11,815)</u>	<u>3,172</u>	<u>15,630</u>	<u>(20,736)</u>	<u>3,514</u>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Financial risk management (cont'd)

#### Interest rate risk (cont'd)

##### *Cash flow sensitivity for variable rate instruments*

A change of 100 bp in interest rates at the reporting date would increase/(decrease) equity and profit or loss 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 2011.

	Profit or loss		Equity	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp Decrease \$'000
<b>Group</b>				
<b>31 December 2012</b>				
Variable rate instruments	<u>(21)</u>	<u>21</u>	<u>(21)</u>	<u>21</u>
<b>31 December 2011</b>				
Variable rate instruments	<u>(20)</u>	<u>20</u>	<u>(20)</u>	<u>20</u>

#### **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.

#### **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:

	2012 %	2011 %
Secured floating rate loans	<b>2.92%</b>	5.00%
Secured fixed rate loans	<b>Not applicable</b>	5.00%



## NOTES TO THE FINANCIAL STATEMENTS

### 27 Financial risk management (cont'd)

#### Interest rates used in determining fair values (cont'd)

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

		2012		2011	
	Note	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Group</b>					
<b>Financial liabilities</b>					
Secured floating rate loans	13	2,582	2,485	–	–
Secured fixed rate loans	13	–	–	3,946	3,842
		<u>2,582</u>	<u>2,485</u>	<u>3,946</u>	<u>3,842</u>
Unrecognised gain			97		104

### 28 Contingent liability

#### Financial Guarantee

As at 31 December 2012, 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 \$2,582,000 (2011: \$6,379,000).

## INFORMATION ON SHAREHOLDINGS

### Size of Shareholdings

Size of Shareholdings	No. of Shareholders	Percentage	No. of Shares Held	Percentage
1 – 999	66	2.16%	26,187	0.01%
1,000 – 10,000	869	28.49%	6,774,807	1.50%
10,001 – 1,000,000	2,077	68.10%	168,398,407	37.33%
1,000,001 and above	37	1.21%	268,904,359	59.61%
	3,049	99.97%	444,103,760	98.44%
Treasury shares	1	0.03%	7,023,000	1.56%
	3,050	100.00%	451,126,760	100.00%

Number of issued shares	: 451,126,760
Number of issued shares (excluding treasury shares)	: 444,103,760
Number/Percentage of Treasury Shares	: 7,023,000/1.56%
Class of shares	: ordinary shares
Voting rights	: one vote per share

Based on information available to the Company as at 15 March 2013, approximately 62.03% 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 15 March 2013

S/No.	Name	No. of Shares	Percentage <sup>(2)</sup>
1	CIMB SECURITIES (SINGAPORE) PTE LTD	112,386,121	25.31%
2	TOK KIAN YOU	35,522,168	8.00%
3	DB NOMINEES (SINGAPORE) PTE LTD	20,040,000	4.51%
4	OCBC SECURITIES PRIVATE LTD	9,906,000	2.23%
5	DBS NOMINEES PTE LTD	8,716,000	1.96%
6	DBSN SERVICES PTE LTD	8,614,000	1.94%
7	BANK OF EAST ASIA NOMINEES PTE LTD	6,500,000	1.46%
8	GORDON CAI ZHEN QIANG	4,900,000	1.10%
9	DMG & PARTNERS SECURITIES PTE LTD	4,643,000	1.05%
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	4,274,000	0.96%
11	OCBC NOMINEES SINGAPORE PTE LTD	4,154,000	0.94%
12	MAYBANK KIM ENG SECURITIES PTE LTD	3,242,000	0.73%
13	LOH HUNG SING	3,150,000	0.71%
14	LIM & TAN SECURITIES PTE LTD	2,925,333	0.66%
15	GOH GEOK LING	2,894,000	0.65%
16	TAN MEI MUI	2,449,000	0.55%
17	TAM KWOK WING	2,420,000	0.54%
18	DBS VICKERS SECURITIES (S) PTE LTD	2,356,737	0.53%
19	KOH PECK HOON	2,160,000	0.49%
20	TAN WEY LING	2,160,000	0.49%
		<b>243,412,359</b>	<b>54.81%</b>

### Substantial Shareholders

As shown in the Register of Substantial Shareholders

Name of shareholders	Direct interest		Deemed interest	
	No. of shares	% of shares <sup>(2)</sup>	No. of shares	% of shares <sup>(2)</sup>
Orion Phoenix <sup>(1)</sup>	111,161,121	25.03	–	–
Novo Tellus PE Fund 1, L.P.	–	–	111,161,121	25.03
Tok Kian You	35,522,168	8.00	–	–

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.
- (2) Based on 444,103,760 Ordinary Shares issued as at 15 March 2013 (this is based on 451,126,760 shares in issue, excluding 7,023,000 shares held in Treasury as at 15 March 2013).

# NOTICE OF ANNUAL GENERAL MEETING

## **AEM HOLDINGS LTD.**

Registration Number: 200006417D

(Incorporated in the Republic of Singapore)

**NOTICE IS HEREBY GIVEN** that the 2013 Annual General Meeting of the members of the Company will be held at Serangoon Gardens Country Club, 22 Kensington Park Road Singapore 557271 (Casuarina Room) on Friday, 26 April 2013 at 4.00 p.m. to transact the following businesses:

## **AS ORDINARY BUSINESS**

1. To receive and adopt the audited financial statements of the Company and the Reports of the Directors and Auditors for the year ended 31 December 2012. **Resolution 1**

2. To declare a final dividend of 0.35 Singapore cents per ordinary share for the year ended 31 December 2012. **Resolution 2**

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

Mr Adrian Chan Pengee (Article 103)

*[Note: Mr Adrian Chan shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and as a member of the Audit and Remuneration Committees. Mr Adrian Chan shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.]*

4. To re-elect the following Director retiring pursuant to the Company's Articles of Association: **Resolution 4**

Mr Ng Aik Khoo (Article 103)

5. To approve the Directors' fees of \$239,000 for the financial year ending 31 December 2013, 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 10 April 2013.

**NOTICE IS HEREBY GIVEN** that the Transfer Books and Register of Members of the Company will be closed on 10 June 2013 for the purpose of determining shareholders' entitlements to the proposed final dividend of 0.35 Singapore cents per ordinary share in respect of the financial year ended 31 December 2012 (the "Proposed Final Dividend").

Duly completed transfers received by the Company's Registrars, Intertrust Singapore Corporate Services Pte Ltd at 3 Anson Road, #27-01 Springleaf Tower Singapore 079909 up to 5.00 p.m. on 7 June 2013 will be registered before entitlements to the Proposed Final Dividend is determined. The Proposed Final Dividend, if approved by shareholders at the 2013 Annual General Meeting, will be paid on 21 June 2013.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with shares at 5.00 p.m. on 7 June 2013 will be entitled to the Proposed Final Dividend.

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## NOTICE OF ANNUAL GENERAL MEETING

In respect of shares in Securities Accounts with CDP, the said dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order Of the Board

Soh Wai Kong  
Company Secretary

Date: 10 April 2013

**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.



# AEM HOLDINGS LTD.

Registration Number: 200006417D  
(Incorporated in the Republic of Singapore)

## 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.

## PROXY FORM

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 2013 Annual General Meeting of the Company to be held at Serangoon Gardens Country Club, 22 Kensington Park Road Singapore 557271 (Casuarina Room) on Friday, 26 April 2013 at 4.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Declaration of a final dividend of 0.35 Singapore cents per ordinary share for the year ended 31 December 2012		
3	Re-election of Mr Adrian Chan Pengee as Director		
4	Re-election of Mr Ng Aik Khoo as Director		
5	Approval of Directors' fees for the year ending 31 December 2013		
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 \_\_\_\_\_ 2013

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.





**AEM HOLDINGS LIMITED**

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*Registration No. 200006417D*