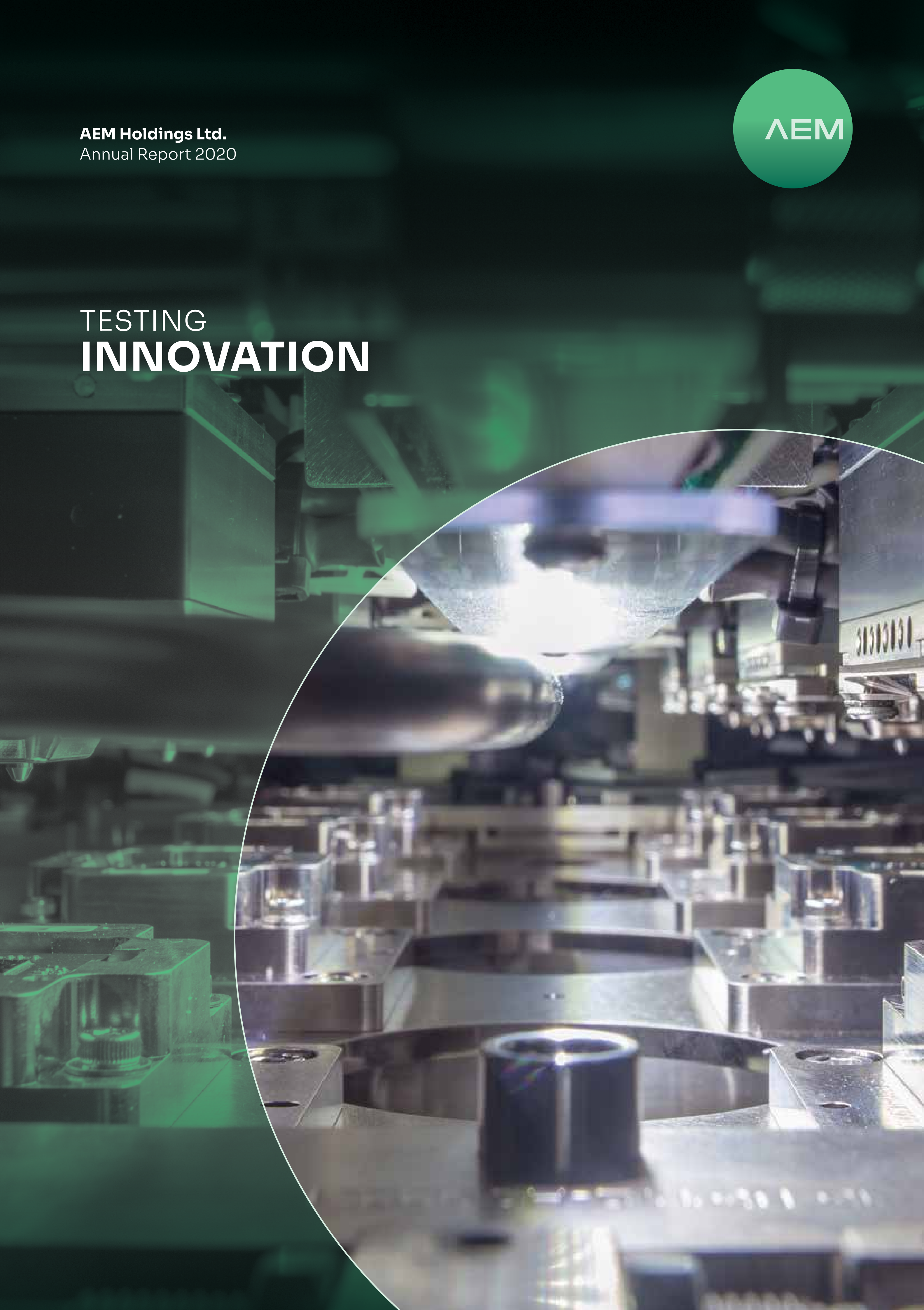
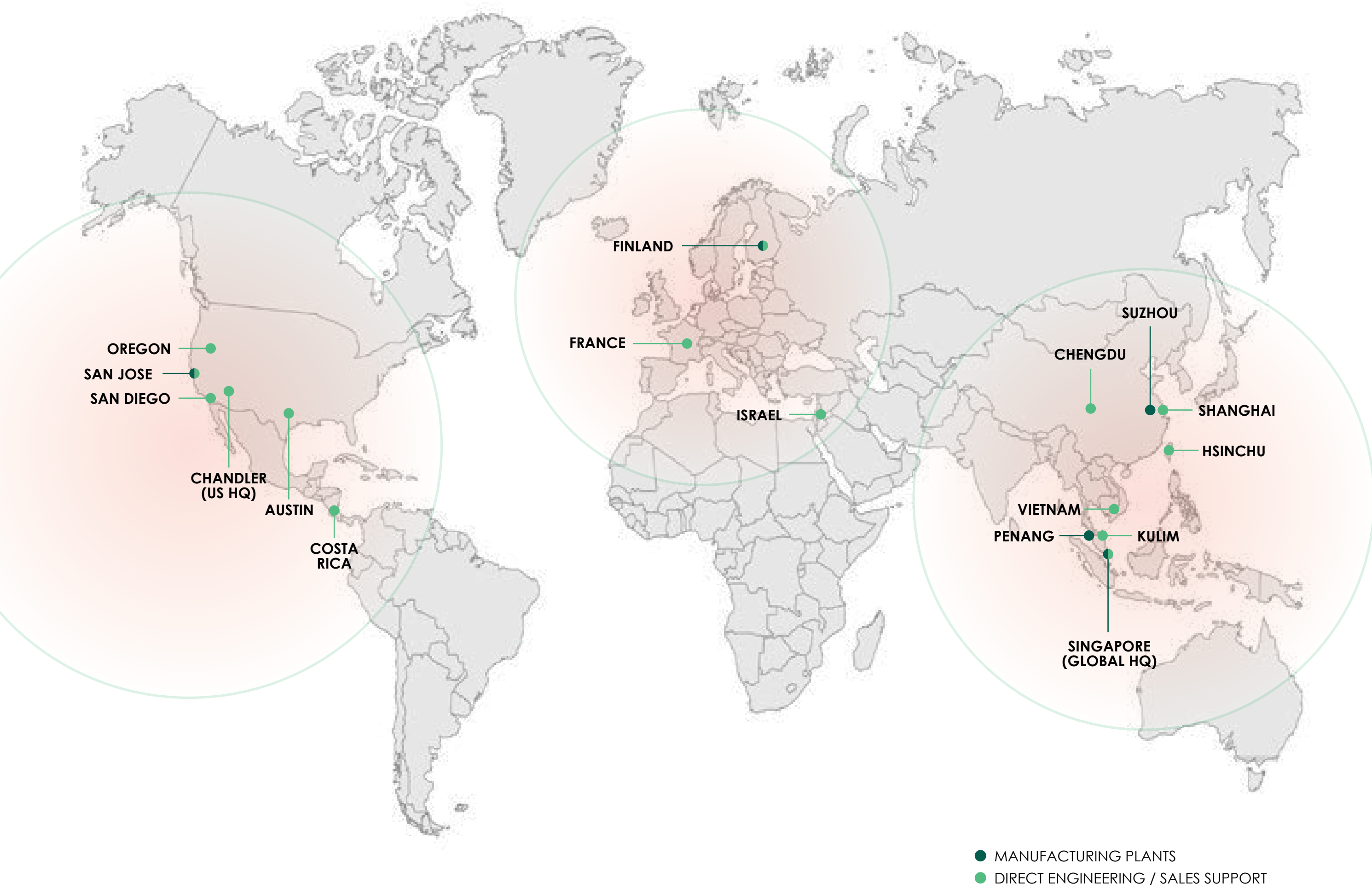
AEM Holdings Ltd.
Annual Report 2020

TESTING
INNOVATION



OUR GLOBAL FOOTPRINT



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MISSION

Our mission is to provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support.

VISION

A Zero Failure World

VALUES

- Agility for Impact
- Customer Intimacy
- Challenge Conventions
- Trust & Reliability

CORPORATE PROFILE

AEM is a global leader in test innovation. We provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support.

We deliver customised, application specific solutions to meet our customers' application needs. With full-stack test capabilities for advanced engineering to high-volume manufacturing, we provide innovative test solutions to drive successful customer outcomes in innovation. We set ourselves to redefine test through our Test Cell Solutions Business and Instrumentation Business.

We innovate test to test innovation, providing leading-edge engineering solutions to meet the demands of fast-moving industries. With customer intimacy at our core, we build strong partnerships with our customers through our global network, tailoring solutions and delivering services that meet their needs. Beyond our leading-edge test innovation, we take pride in building strong partnerships with our customers and catering to the demands of an ever-evolving advanced manufacturing landscape.

AEM has a global presence across Asia, Europe, and the United States. With manufacturing plants located in Singapore, Malaysia (Penang), China (Suzhou), and Finland (Lieto), and a global network of engineering support, sales offices, associates, and distributors, we offer our customers a robust and resilient ecosystem of test innovation and support.

AEM Holdings Ltd is listed on the main board of the Singapore Exchange (Reuters: AEM. SI; Bloomberg: AEM SP).

NON-EXECUTIVE CHAIRMAN MESSAGE

Dear Fellow Shareholders,

"Hindsight is 20/20" is apropos to describe the year that we have recently completed. The scale and negative impact of the COVID-19 lockdowns was devastating for many on a global scale; it also accelerated many structural trends that have been positive for our company. The wholesale move to remote collaboration drove the demand for computing, networking and memory, and pushed for longer term investments in cloud infrastructure, 5G, Electric Vehicles, Artificial Intelligence, and Industrial IoT. The push to use integrated circuits (ICs) in evermore mission critical applications also highlighted the need for more robust and yet cost-effective testing of such ICs. As a result of the IC testing demand surge, AEM delivered our best results on record with S$519.0 million in revenue and S$97.6 million in profit after tax.

On the operations and organisation fronts, we have much to be grateful for as our teams stayed safe and even excelled through the innovative use of technology to keep pace with our customers' new product introductions deployments. In 2020, Chok Yean Hung retired as our Chief Executive Officer (CEO) and we welcomed Chandran Nair as his successor.

We also welcomed Leong Sook Han as our Chief Financial Officer (CFO) and Samer Kabbani as our Chief Technology Officer (CTO). The smooth leadership transitions enabled us to complete several acquisitions globally, one in France and two in California, US. These acquisitions added key technology building blocks and in-country customer application engineering support as we embrace a world needing innovative solutions and a more resilient supply chain.

The past year also highlighted many inequalities in our global society and the need for companies to operate more responsibly and in a more sustainable manner. To that end, AEM will be expanding our Environmental, Social, and Governance (ESG) operating principles, even as we focus on innovation to truly transform our company as a global leader in semiconductor and electronics test solutions.

ADVANTAGEOUS POSITION TO RIDE THE SEMICONDUCTOR GROWTH

5G is widely seen as a critical enabler for several significant areas for automation, stimulating material changes for many applications in transportation, industry, healthcare, logistics, and other critical areas. Moreover, the spread of the COVID-19 has accelerated the disruptions to many industries. The shift to telecommuting, work-from-home, and virtual learning has created an increase in demand for semiconductor chips for servers, PCs, and notebooks. As the industry becomes increasingly aware of the significance and benefits of System Level Testing to test more advanced chips, AEM has gained increased recognition among semiconductor customers. Our advanced semiconductor testing solutions have placed AEM in an advantageous position to tap on the growth of System Level Testing in Cloud, 5G, EV, IoT, and AI, especially in these critical times.

STAYING HUMBLE IN SUCCESS...WE HAVE MORE TO ACCOMPLISH

Over the past nine years, AEM has transformed itself from a niche automation company to a global semiconductor and electronics test solutions provider based on our own intellectual property. Our customers include the world's largest semiconductor company, as well as global leaders in Micro Electro Mechanical Systems, optical cabling, and memory devices. We support our customers with various R&D teams in Singapore, France, Finland, and the US. With continuous re-investment into R&D and strategic technology acquisitions, AEM today offers leading-edge test solutions for the most demanding semiconductor ICs that power the world's cloud computing and 5G infrastructure, as well as AI, autonomous driving, and quantum computing applications.

NON-EXECUTIVE CHAIRMAN MESSAGE

AEM achieved compound annual growth rates of 32.8% in revenue and 44.7% in profit before tax over the past four years and reported record profit before tax of S$113.8 million for FY2020. AEM's market capitalisation has also increased many folds in the past 10 years to cross over 1 billion Singapore dollars.

These achievements have won us multiple awards, including The Enterprise Award in Singapore Business Awards 2020, the Singapore Business Review Technology Excellence Awards 2020, and the IR Magazine Awards. The Edge's Billion Dollar Club (BDC) 2020 named AEM the Overall Sector Winner in the Centurion category, and extended the Highest Returns to Shareholders Over Three Years Award, and the Highest Return on Equity Over Three Years Award to AEM. In addition, we entered the Forbes Asia Best Under A Billion list for the second year in a row in 2020.

While we have grown significantly over the past years, what has not changed is the culture we have built based on our humility to listen to our customers, mutual respect for our colleagues and supply chain partners, and ultimately drive to deliver the best outcomes for our stakeholders.

OUR LEADERSHIP HAS CONTINUED TO STRENGTHEN

As mentioned in my opening, the transition between Chok Yean Hung and our current CEO Chandran Nair has gone very smoothly. We planned the transition carefully, and by the time when Yean Hung retired on 30 June 2020, he joined the Board as a non-executive, non-independent director on 1 July 2020. Chandran had spent several months in the role as President of AEM, and by June 2020, he was well versed with AEM's operations and ready to assume the CEO role. Chandran's leadership, drawing on his decades of experience in electronics and semiconductor test, is well suited for our next phase of growth.

On 2 April 2020, we also set up a Strategy Committee, I being the chairman and our directors Lavi Lev, Loh Kin Wah, and Chok Yean Hung being members. The Strategy Committee works with AEM's senior management on strategic planning and the review of its adequacy and implementation to ensure that AEM stays relevant and competitive in a rapidly evolving market.

In June 2020, Leong Sook Han was appointed as AEM's Group CFO. Sook Han has over 20 years of financial management experience across electronics, engineering, and technology sectors, and I have confidence that she will continue to add to our leadership strength. In August 2020, Samer Kabbani, a veteran in the semiconductor capital equipment industry, joined AEM as our CTO to lead the development and organisation of AEM's overall technology strategy. Over the past six months, I have been impressed with the way Chandran and Samer have been working together with the rest of our team to implement AEM's strategic objectives and technology roadmap. I believe that our leadership is complete to take us through the new decade and beyond.

BUILDING A FULL SUITE OF TESTING CAPABILITIES THROUGH ACQUISITIONS

In March 2020, we completed the acquisition of Mu-TEST, which brought us application-specific ATE instrumentation and capabilities at optimised pricing. In July 2020, we acquired DB Design, which expanded AEM's offerings to include the automation fixture and device kit markets. At the end of last year, we also acquired Lattice Innovation, based in California, US, to complement our extensive knowhow in Active Thermal Controls.

Together with the three other acquisitions that we made since 2017, AEM has brought together the core technologies to realise our SLT+ vision. By designing test systems with programmable logic and rethinking test flows for Machine Learning capabilities, AEM now offers a full suite of application-specific test solutions across MEMS, wafer sort, packaged ICs, and RF interconnects for the 5G economy.

In January 2021, AEM made a voluntary conditional offer for the acquisition of all the issued and paid-up ordinary shares of CEI Limited (CEI), which we view as a strategic fit for the AEM infrastructure. Upon the successful completion of the acquisition, we expect CEI to contribute to AEM's vertical integration with a higher level of control over quality and agility along the entire supply chain, and provide AEM with a wider customer reach, the potential for cross-selling, and other synergistic benefits.

We remain foresightful and diligent as we expand strategically through mergers and acquisitions to solidify our position as a global leader offering application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving mainly the advanced computing, 5G, and AI markets.

APPRECIATION

Finally, I would like to thank our customers and suppliers for their continued support and thank our management team and employees for their dedication and commitment to innovation and excellence. Our board directors provided valuable advice that contributed to our success, and I look forward to continuing to work with them. To our shareholders, thank you for your trust and confidence in AEM, and we look forward to your continued support as we prepare for our next phase of growth.

Loke Wai San
Non-Executive Chairman

CHIEF EXECUTIVE OFFICER MESSAGE

Dear Shareholders,

2020 was a year of an unprecedented global health crisis that has changed the way we live, work, learn and play. Digital infrastructure usage surged as the global pandemic kept billions of people at home. It brought about years of change in the way companies do business and how employees work and collaborate. At AEM, we have worked hard to navigate a fast-changing market, supply chain disruptions, accelerated digitalisation, geopolitical challenges, and economic instability to meet our customers' ever-evolving needs.

With our global network, localised support, and full-stack test and handling capabilities, we work closely with our customers to develop integrated test and handling solutions that accelerate their delivery cycles and enhance product quality.

HIGHLIGHTS

Financial Year 2020 (FY2020) was our highest revenue year on record with S$519.0 million in revenue, up 60.6% year-on-year, S$113.8 million in profit before tax, up 78.6% year-on-year, and our market capitalisation crossed the S$1 billion mark.

The increase in revenue was driven primarily by the Equipment Systems Solutions (ESS) business with increased customer orders. The ESS segment saw revenue increase by S$193.3 million, which translates to an increase of 62.8% compared to FY2019. All other segments reported higher revenue except for Micro-Electro-Mechanical Systems (MEMS). MEMS recorded a decrease in revenue of 20.4%, from S$7.4 million a year ago to S$5.9 million due to lower demand from customers affected by COVID-19.

In FY2020, the Group generated an operating cashflow of S$125.3 million before accounting for working capital changes. The Group's net profit margin increased from 16.3% for FY2019 to 18.8% for FY2020. Fully diluted earnings per share for FY2020 was 35.1 Singapore cents, compared to 19.4 Singapore cents for FY2019. The Group maintained a strong financial position as total equity increased by S$77.1 million from S$134.3 million as of 31 December 2019 to S$211.4 million in FY2020. As of 31 December 2020, the Group had cash and cash equivalents of S$134.8 million, an increase of S$27.1 million, net of dividend payout at S$22.2 million, and acquisition of subsidiaries for a sum of S$25.2 million.

The Group has proposed a final dividend of 4.0 Singapore cents per ordinary share for FY2020 (subject to shareholders' approval at the forthcoming annual general meeting). Together with the interim dividend of 5.0 Singapore cents per share, the total dividend for the FY2020 would be 9.0 Singapore cents per share (FY2019: 5.1 Singapore cents per share), representing a 76.5% increase vis-à-vis FY2019.

Despite the pandemic and disruptions to the supply chain, we successfully achieved a new delivery record and exceeded our 2020 shipment commitment. Our TestPro sales in the US grew more than 60%. We have opened a new market for Magnetic Sensor Testing in China. In addition, we have delivered the Cryogenic Wafer Prober, speeding up the quantum project remarkably, and seen positive progress in our next-generation handlers.

INNOVATION CANNOT REST

To be able to test innovation, we must innovate test. We took significant steps in 2020 towards

CHIEF EXECUTIVE OFFICER MESSAGE

fulfilling our near-term objective of becoming a technology leader in the semiconductor and electronics test and handling industry. AEM is at the forefront of a paradigm shift in the way customers test - there is an accelerating shift towards System Level Testing (SLT), and we are uniquely positioned to drive that.

With our acquisition of DB Design, Inc, we have expanded our designs and application engineering capabilities for our consumables business. In 2020, we also completed the acquisition of Mu-TEST, giving us the ability to integrate test into our SLT platforms and grow our cost-effective tester solutions. As we expand our customer base for the AMPS (Asynchronous Modular Parallel Smart platform) and SLT-i (System Level Test and Inspection) business, Mu-TEST will provide a wider range of solutions, combining both handling and testing capabilities that cater to the diverse needs of our customers. We are in a strong position to offer full-stack capabilities for advanced engineering to high-volume manufacturing through our strategic acquisitions and homegrown technological capabilities.

We have also strengthened our leadership team and are excited to welcome Samer Kabbani, an industry veteran who joins us as our first Chief Technological Officer (CTO). Samer will lead our overall technology development. The CTO Office will focus on pathfinding activities that will serve as a critical pipeline to fuel future AEM products with clear market differentiation. Another valuable addition to our leadership team as Chief Financial Officer is Leong Sook Han. Sook Han's vast and diversified knowledge and experience in financial management will be instrumental in strengthening AEM's financial management in a global capacity as we continue to grow.

STAYING AHEAD OF OUR CUSTOMER'S NEEDS

According to Deloitte, the global semiconductor sales revenue is set to increase to an estimated US$542.64 billion by next year. The growth of the semiconductor industry is driven by the mass adoption of semiconductor devices in a wide variety of applications. The semiconductor industry will continue to be a critical driver of success for a wide range of industries including mobility, communications, 5G, automotive, and computing. The semiconductor industry needs to meet the demands of these markets. Our role is to ensure that with every customer we partner with, we deliver test and handling solutions that will drive their success.

Our investments will be in areas that will allow us to stay ahead of the curve in the test and handling of semiconductor and electronic devices. We continue to invest in R&D and in our expertise in customising test solutions to meet each customer's application needs. Our solutions will reduce the cost of testing, improve test coverage, reduce time to market for our customers. We continue to fine-tune our business continuity plans to ensure that we minimise the impact caused by supply chain interruptions or lockdowns.

FOCUSING ON THE MISSION

Our mission is to provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support. Our core technology pillars and our expertise to engineer and deploy custom, application-specific systems at scale for our customers enable us to meet our customers' current and future test and handling needs.

AEM has grown from strength to strength. Through strategic acquisitions in Singapore and worldwide, our aim is to become a critical node of the global value chain to deliver scalable, leading-edge, and resilient test solutions in an increasingly complex world. I am confident that we will continue contributing to the manufacturing and innovation capabilities that the semiconductor industry demands through operational excellence, customer intimacy, and product leadership.

Chandran Nair
Chief Executive Officer

BOARD OF DIRECTORS

Left to Right, Back Row:
Mr. James Toh Ban Leng, Mr. Adrian Chan Pengee, Mr. Loh Kin Wah, Mr. Lavi Alexander Lev

Left to Right, Front Row:
Mr. Basil Chan, Mr. Loke Wai San, Mr. Chok Yean Hung

BOARD OF DIRECTORS

LOKE WAI SAN
Non-Executive Chairman and Director
Age: 52

Mr. Loke Wai San has been the Chairman of AEM since 2011. He is also the founder and CEO of private equity fund adviser Novo Tellus Capital Partners. With over 27 years of global technology management and investment experience, Mr. Loke transformed AEM from a regional automation company to an emerging global technology provider of semiconductor backend test solutions. He has also provided leadership for AEM's acquisitions.

CHOK YEAN HUNG
Non-Executive,
Non-Independent Director
Age: 56

After helming the company as its Chief Executive Officer, Mr. Chok Yean Hung joined AEM's Board of Directors. As a board member, Mr. Chok continues to provide his insights, management, and technical experience. With over 30 years of experience in the semiconductor industry, he is highly recognised for his foresight and aptitude to build and grow start-up companies to sustainable, independent, publicly-listed companies.

BASIL CHAN
Independent Director
Chairman of Audit & Risk Management Committee, Remuneration Committee
Member of Nominating Committee
Age: 70

Mr. Basil Chan is the Founder and Managing Director of MBE Corporate Advisory. He has more than 35 years of audit, financial and general management experience holding senior financial positions in private and listed companies. Mr. Chan is also an independent non-executive director on the boards of several publicly listed companies on the Singapore Stock Exchange.

LOH KIN WAH
Independent Director
Age: 66

Mr. Loh Kin Wah has extensive leadership experience in the semiconductor industry. He is a Member of the Supervisory Board and Chairman of the Technology Committee at AMS AG, Director at UTAC Pte Ltd, and Chairman of Huba Control AG. Over the last 30 years, his appointments include Vice Chairman of Ampleon BV, Executive Vice President, Global Sales and Marketing of NXP Semiconductors, President and CEO of Qimonda AG, and Executive Vice President, Communications Group of Infineon Technologies AG.

ADRIAN CHAN PENGEE
Lead Independent Director and Chairman of Nominating Committee
Member of Audit & Risk Management Committee and Remuneration Committee
Age: 56

Mr. Chan is Head of the Corporate Department and a Senior Partner at Lee & Lee. He is the Vice-Chairman of the Singapore Institute of Directors. Mr. Chan is also a board member of the Accounting and Corporate Regulatory Authority of Singapore (ACRA). He chairs the Corporate Law Advisory Panel at ACRA and co-chairs the Corporate Governance and Regulations Interest Group of the Singapore International Chamber of Commerce.

JAMES TOH BAN LENG
Non-Executive,
Non-Independent Director
Member of Audit & Risk Management Committee, Remuneration Committee
Age: 56

Mr. James Toh is a founding director of Novo Tellus Capital Partners. Mr. Toh started his career in management consulting. He then became Managing Director of ACT Holdings. The ACT Group focuses on property and private equity investments in Asia and the US.

LAVI ALEXANDER LEV
Independent Director
Age: 64

Mr. Lavi Alexander Lev has 37 years of Silicon Valley and Asia experience. Throughout his professional career, he served as CEO, President, General Manager, and VP of R&D in the semiconductor chip design, Electronic Design Automation (EDA) software, test equipment, contract manufacturing, and 3D printing industries. Mr. Lev was the President of UCT Asia. He is an advisory board member of the National Additive Manufacturing Innovation Cluster (NAMIC) and a member of the Singapore Institute of Directors.

MANAGEMENT TEAM

Chandran Nair
Chief Executive Officer

Leong Sook Han
Chief Financial Officer

Samer Kabbani
Chief Technology Officer

Mark Yaeger
President, AEM US

Pascal Pierra
Senior Vice-President, General Manager, SLT-i

Chua Tat Ming
Vice-President, Engineering

Goh Meng Kiang
Vice-President, Operations

Vesa Henttonen
Senior Director, CTO Office

Seah Boon Seng
Senior Director, ESS Business

MANAGEMENT TEAM

Samir Mowla
Senior Director,
Corporate Development & IT

Tay Cheng Hoo
Director, Human Resources

Lee Chee Kiong
Director, Quality

Ari Kuukkala
General Manager, AEM Afore

Harshang Pandya
General Manager,
Test and Measurements

SITE MANAGERS

Mathieu Duprez
General Manager (France)

Jason Wu
General Manager (China)

Wong Weng Keat
General Manager (Malaysia)

MINISTERIAL VISIT

By Penny Goh
CEO Office

It was a proud day for all of us at AEM when we welcomed not one, not two, but three high-ranking government officials to our office on 14 September 2020.

We were privileged to host Minister for Trade and Industry Mr. Chan Chun Sing, Minister for Manpower Mrs. Josephine Teo and Senior Minister of State (Ministry of Health) and National Trades Union Congress Deputy Secretary-General Dr. Koh Poh Koon. The ministers were received by our Chairman, Loke Wai San, and CEO, Chandran Nair.

The ministers' visit entailed a closed-door discussion, a tour of the manufacturing sites and a live media conference during which the ministers announced key initiatives to boost job creation in the manufacturing industry and support for high-growth businesses.

Minister Chan cited AEM as an example of a growing company despite the pandemic because it was able to innovate and penetrate the market, even capturing a part of the global value chain.

Our engineers presented innovative solutions and products during the tour that highlighted AEM's commitment to be a global leader.

"It was exciting to share with the ministers some of the key solutions that my team and I had been working on. It was a proud moment that the team was acknowledged as part of a global technology company contributing to Singapore's manufacturing industry," said Adrian Tan, director of customer success group and kits engineering.

The ministers' visit instilled confidence and hope, especially for engineers whose industries have taken a hit during the pandemic. AEM has been partnering government agencies to allow aerospace engineers to be seconded to the company.

Chandran said: "We are serving the semiconductor industry, and the demand has risen tremendously. We want to accelerate our growth, and in doing so, if we can create jobs despite the crisis, then it's a good thing."

Wai San adds: "We had an engaging discussion with the ministers as we shared with them our plans to put AEM on the global stage. We appreciate the recognition and support of the ministries. It is a testament to the hard work of everyone at AEM."

> **It was exciting to share with the ministers some of the key solutions that my team and I had been working on. It was a proud moment that the team was acknowledged as part of a global technology company contributing to Singapore's manufacturing industry.**
>
> Adrian Tan, Director

ACQUISITIONS

By Samir Mowla
Senior Director, Corporate Development & IT

MU-TEST

In the first quarter of 2020, we completed our acquisition of Mu-TEST, a French-based provider of highly customisable, application-specific, FPGA-based testers. Mu-TEST's strong team of highly experienced engineers complements AEM's System Level Test (SLT) engineering team, enabling the delivery of AEM's Asynchronous Modular Parallel Smart (AMPS)-based SLT+ solutions to the semiconductor and electronics markets.

With custom-native as our DNA combined with a singular focus on our customers, AEM is uniquely positioned to build and innovate application-specific solutions that meet our customers' test needs. Our M&A programme will continue to be a strong complement to the organic growth of our technological talents and capabilities to drive AEM forward as a leader in the test industry.

DB DESIGN

AEM closed its acquisition of California-based DB Design Group, Inc in July 2020. DB Design is a world-renowned supplier of automation fixtures, device kits, and other test-related products. This acquisition strengthens AEM's design and application engineering capabilities in the consumables space, expands AEM's customer portfolio in the semiconductor and electronics spaces, and gives AEM an expanded R&D and engineering presence in the US, enhancing AEM's overall customer intimacy.

LATTICE INNOVATION

Lattice Innovation, Inc is a California-based company with exceptional design, simulation, and process services in the active thermal control space. Lattice Innovation's capabilities combined with AEM's existing comprehensive thermal management, vision, and deep automation solutions ensure that AEM will continue to deliver exciting, industry-leading test solutions for the Computing, Automotive, Mobility, and Optical Electronics test markets.

INVESTOR RELATIONS ACTIVITIES

20 JAN 2020
AEM-Jewel of Tech Conference DBS

26 FEB 2020
FY2019 Results Briefing

29 APR 2020
DBS Post Results Group Call

21 MAY 2020
2019 Annual General Meeting

1 MAY 2020
KGI Post Results Group Call

18 JUN 2020
SGX-Credit Suisse Singapore Virtual Corporate Day

2 JUL 2020
DBS Vickers Regional Tech Conference

4 AUG 2020
2Q2020 Results Briefing

2 SEP 2020
JP Morgan and JP Morgan Clients

7 JAN 2021
Credit Suisse Asean Conference

21 JAN 2021
UBS ASEAN Tech Day

26 FEB 2021
FY2020 Results Briefing

Does not include 1-on-1 meeting

AWARDS

SINGAPORE BUSINESS AWARDS

SINGAPORE BUSINESS AWARDS 2020

THE ENTERPRISE AWARD 2019/2020

AEM HOLDINGS LTD.
For its impressive ability in positioning itself to capitalise on emerging trends in the semiconductor industry and the growing demand for chips, and its consistent track record in delivering strong performance.

Jointly organised by The Business Times & DHL

GOLD HONOREE AWARD

2020 Cabling Installation & Maintenance Gold Innovators Awards

WIDEOPTIX-SR4 TESTER HONORED WITH 2020 GOLD INNOVATORS AWARD

TOP 30 TECHNOLOGY INNOVATIONS

TOP 30 TECHNOLOGY INNOVATIONS Security Sales & Integration 2020

TESTPRO CV 100 MULTIFUNCTION CABLE TESTER

THE SINGAPORE BUSINESS REVIEW TECHNOLOGY EXCELLENCE AWARDS 2020

BUSINESS TECHNOLOGY EXCELLENCE AWARDS 2020

AEM

FORBES ASIA BEST UNDER A BILLION 2020

FORBES ASIA BEST UNDER A BILLION 2020

AEM HOLDINGS LTD.
THE REGION'S TOP 200 SMALL AND MIDSIZED COMPANIES

WINNER OF THE EDGE SINGAPORE CENTURION CLUB 2020
(SOFTWARE & IT SERVICES; TECHNOLOGY EQUIPMENT SECTOR)

THE EDGE BILLION DOLLAR CLUB 2020 CENTURION CLUB

Software & IT Services; Technology Equipment; Telecommunications Services Sector

AEM Holdings Ltd.
Overall Sector Winner
Best-Performing Stock
Most Profitable Company

IR MAGAZINE FORUM & AWARDS - SOUTH EAST ASIA AWARD BY SECTOR [TECHNOLOGY] -2020

IR magazine Award winner South East Asia 2020

BEST IN SECTOR: TECHNOLOGY

AEM

DRIVING OUR BUSINESS

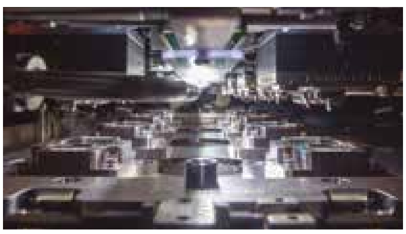
CUSTOMER INTIMACY IS AN SLT-i KEY

By Pascal Pierra
Senior Vice-President, General Manager, SLT-i

The System Level Test and Inspection (SLT-i) Business Unit provides advanced customised solutions to our customers around the world leveraging on AEM's technology pillars - Automated Test Equipment (ATE), Automated Optical Inspection (AOI) and Custom Automation.

Despite a challenging 2020 with the COVID-19 pandemic limiting our direct interaction with customers, we achieved key successes with new customers in Malaysia for Wafer Optical Inspection, in China with a promising start-up for System Level Test of AI chips and in Europe, where Mu-Test, a company acquired by AEM in 2020, is growing its customer base.

A milestone in 2020 was developing a full turnkey CMOS Image Sensor solution for UTAC, one of the top 10 OSATs globally where we combined all the technical skills of AEM to provide a better solution at a lower Cost of Ownership.



Customer Intimacy is a core value of our company and we remain committed to meeting our customers' application needs and ensuring their success. Our partnership with UTAC is strong, and I am confident that it will continue to grow in the years to come.

We continued to deliver SLT solutions to our customers in Malaysia and China by providing seamless support from our local teams during the COVID-19 crisis. There was strong collaboration amongst the sales, engineering and manufacturing teams to ensure that our customers received their systems with minimal disruption. Our priority was and will always be customer intimacy and providing world-class support locally and globally.

We are developing and improving our SLT solutions for Mobility, Automotive and Computing with our state-of-the-art Asynchronous Modular Parallel and Smart (AMPS) solutions. Our AMPS solutions integrate Burn-In, Functional Test (ATE) and SLT into a single system for a dramatic reduction in test costs and improve time to market. Our customers recognise our SLT solutions as unique and innovative.

As pioneers in automated SLT solutions since 2002, we lead the conversations, provide insights, and address the market need for SLT to meet the changing landscape of test.

In 2020, we participated in numerous virtual shows - TestConX in Arizona, TestConX in China, Semicon West, Semicon SEA, to name a few. We also had a physical presence at Semicon Taiwan showcasing our solutions. AEM made quite an impression at the event where our CEO, Mr. Chandran Nair, had the opportunity to present AEM's "Next generation test architectures and systems for AI, IoT and 5G" at the Semicon Taiwan 2020 Advanced Testing Forum on 25 September 2020.

AEM's reputation is rapidly growing in the semiconductor test community. We have representatives at multiple key committees like the Testing Committee of Semi Taiwan, the Semi SEA Testing and Yield Analysis Technical Committee, Semi CAST, and Semi Test Vision in California, US.

2021 looks set for another promising and exciting year for SLT-i to serve and develop our existing customers around the world, while looking for new opportunities in China and Taiwan markets where we are opening new sales and support offices to promote our SLT enhanced ATE solutions.

DRIVING OUR BUSINESS

PRODUCT LEADERSHIP TO THE FORE

By Ari Kuukkala
General Manager, AEM Afore

Acquired by AEM in 2018, Afore is an industry pioneer in delivering Micro-Electro-Mechanical-Systems (MEMS) and special wafer probing needs, providing innovative test solutions including test handlers with multi-stimulus and package options, and tri-temperature testing.

We made aggressive growth plans in 2020 to continue serving existing customers and winning new accounts, and further penetrating the Chinese market. Despite the global health crisis, we met with great success as we delivered to markets outside Finland where we are based - Germany, China, Japan and the United States.

The team's success was possible because we were resilient and agile in addressing the challenges caused by the COVID-19 pandemic.

We were determined to find ways to keep the supply chain disruption minimal, fulfill our customers' orders and ensure our customers' success.

One major challenge was on-site installation due to travel restrictions. Together with our Field Service Engineers, we developed an online installation programme and provided remote assistance for our customers to install our equipment successfully. Our customers were appreciative of our efforts in ensuring that they could continue driving their innovation.

We won new accounts in China where we introduced our newest product, AIOLOS MPP, a multi-purpose wafer prober for special testing needs, for magnetic sensor testing. This capability opened a new market opportunity for us in Magnetic Sensor Testing. The AIOLOS MPP was shipped in August to an OSAT in Shanghai and since then, several Chinese sensors manufacturers have visited on-site to validate the system for their products. We expect this to be a market opener in the Chinese market, and we anticipate more orders in 2021.

Our Cryogenic Wafer Prober, a partnership with another Finnish company – Bluefors – continues to win new customers. The first system is successfully operating at a customer's site and has accelerated quantum project development significantly. In 2021, we expect installations for customers from Europe, the US and Asia.

Another milestone in 2020 was Afore's 25th Anniversary. Founded in 1995, Afore has grown from a humble two-person team to an established company delivering semiconductor test solutions.

We begin 2021 still under exceptional circumstances, but it looks promising for AEM Afore. 2020 tested and strengthened our operational excellence. Together with our global teams, we will continue to penetrate the US and China markets and continuously innovate to enhance our existing technologies and new product development as we focus on product leadership.

DRIVING OUR BUSINESS

CUSTOMISED SOLUTIONS HELP CUSTOMERS CARRY ON

By Seah Boon Seng
Senior Director, ESS Business

As a leader in Equipment Systems Solutions (ESS), we provide our customers with customised system solutions for mass volume manufacturing and new technology development laboratories. Our ESS integrates precise high-speed motion, innovative mechanical design, advanced programmable logic control, sophisticated graphical user interface design and reliable compliance communication protocols. These are deployed globally at world-class semiconductor, solar cells, and storage media manufacturing facilities.

We started 2020 strongly with our key account accelerating its order placement for handlers and consumables to support multiple new product launches on their more advanced semiconductor nodes. Our team was committed to ensuring our customers' success as they launched multiple new products for their more advanced semiconductor nodes. During the spread of the COVID-19 pandemic, demand remained strong due to the increased PC sales from work-from-home and home-based-learning. Also, we continued to forge ahead with ongoing development programmes with our key account, delivering the first production systems for hybrid solutions.

When we faced the health crisis in the first quarter, our immediate priorities were early business continuity plan implementation and Safe Management practices across sites. With the subsequent lockdowns in Singapore and Malaysia, our focus shifted to getting ahead of the COVID-19 impact by establishing supply chain resilience and mitigation plans. We accomplished this through sites' self-sufficiency, key material secured through global sourcing, and increased safety stocks.

Amidst the pandemic, we partnered our customer to step up availability and collaborated to scale up engineering projects. We expanded capacity across our Singapore, Malaysia, and China manufacturing sites to support production ramps and quick turn. Our Field Service Engineers (FSEs) across all our manufacturing sites were quick to learn and support each other's expertise to ensure seamless production. This was done using Virtual-Reality (VR) technologies for virtual teaching and training due to global travel restrictions. It proved the entire team's agility, resilience, and collaborative efforts – from manufacturing, FSEs, supply-chain management, warehouse/logistics, quality assurance and engineering. Not only did we meet all shipment schedules, equipment installations and development milestones, we surpassed our 2020 shipment commitment for another record revenue year.

As we move into 2021, we expect to gradually phase-in production systems for the hybrid solutions with continued demand for consumables and spares over our equipment's lifetime. Building on our close engineering partnership, we will continue to explore new technology collaborations with our customers.

DRIVING OUR BUSINESS

HANDHELD TO 5G - A MEASURE OF TMS CAPABILITY

By Harshang Pandya
General Manager, Test and Measurements

The Test and Measurements Solutions (TMS) Business Unit builds on years of engineering expertise in providing high port density RF test solutions in small size. The technology integral to these solutions, Vector Network Analyser (VNA), powers AEM's handheld testers TestPro and NSA, the manufacturing test system MMVNA, and the optical fibre bandwidth test system WideOptix.

Initially developed for testing the network cables in office buildings using handheld testers, the technology's scalability made it possible for AEM to provide innovative test solutions for automotive and 5G front-haul network validation.

Today, some of the largest automotive cable harness manufacturers entrust AEM's MMVNA solution for ensuring data transmission capacity of the in-vehicle cabling. Increasing dependence on reliable high speed data transfer due to vehicles' increasing autonomous functioning leads to greater demand for high-performance testing. In addition to continued business from customers already served, TMS receives inquiries from automotive harness makers globally.

Multimode fiber optic cables often used by 5G indoor networks to connect radio units and switches need to meet stringent bandwidth requirements. Developed in collaboration with a research lab in China to serve large 5G operators' suppliers, AEM's WideOptix system analyses these cables for their bandwidth performance using innovative measurement methodology.

We actively participate in major cabling industry trade shows such as BICSI events in the US and automotive testing events. We contribute actively to the TIA (Telecommunications Industries Association) standardisation efforts and ISO committees. AEM has demonstrated technology leadership in defining and implementing test requirements for new generation communications networks. In 2020, we saw growth in our TestPro sales in the US and Asia. We launched a new product called the Network Service Assistant (NSA).

Our team has developed innovative test solutions for automated testing of passive communications devices such as connectors, working closely with the System Level Test business unit of AEM. These high-performance test solutions are already deployed at two customer sites.

In addition to serving existing customers, we collaborate closely with AEM's other business units to combine our test capabilities with AEM's automation expertise, to offer our customers unmatched testing innovation to solve their testing challenges.

OUR PEOPLE & COMMUNITY REACH

HR INVESTS IN STAFF AMIDST PANDEMIC

By Cheryl Choo
Senior Manager, Human Resources

Human Resource functions beyond the administration role and manages the employee lifecycle with the company. It is a function that strives to ensure the safety and wellbeing of its people and to create a positive employee experience.

With the COVID-19 pandemic in 2020, AEM HR functions worldwide met with an unprecedented challenge to the safety and compliance of employees.

We began with a swift response to support our people. The global health crisis prompted new work arrangements. We transitioned various departments to work from home, ensured the highest level of safety and precaution for our manufacturing teams, which were considered "essential services", housed team members who were unable to return home due to travel restrictions and developed a comprehensive business continuity plan.

We could make these transitions quickly with minimal disruption because agility is one of our strong core values.

As with most companies, we faced many challenges due to the COVID-19 outbreak. To overcome these challenges, we needed to create an open communication channel for our team members. This included online surveys to understand our team members' needs, mental health and wellbeing, equipping managers with information on how to remain connected with their teams, adopting digital tools for team members to adapt with ease.

Even during a pandemic, we remained committed to investing in our people. As a technology leader, our talents play an important role in ensuring our company's success. Throughout the year, we revisited welfare, insurance and benefit programmes for our people. We continued to invest in training, learning initiatives, and development programmes to expand our staff competencies. Besides technical skills, we also organised business, leadership, train-the-trainer, finance, operational management and enterprise resource planning training for our management and staff.

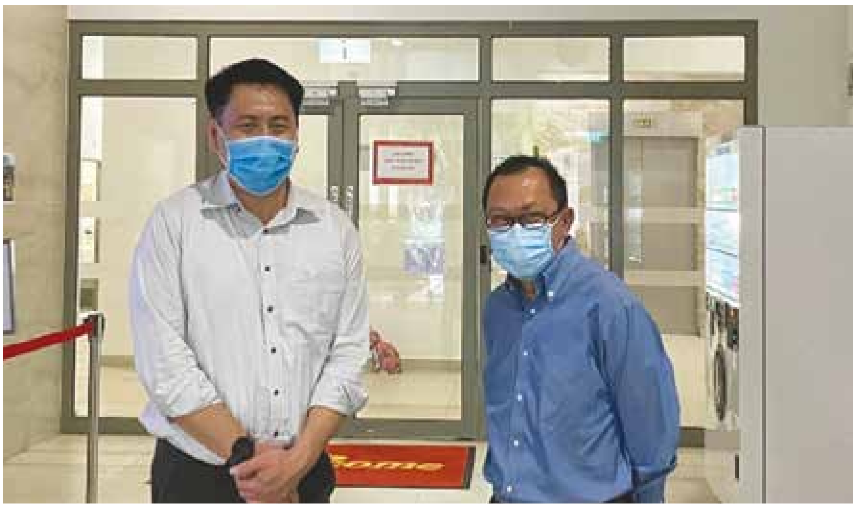
Aside from maintaining a low turnover rate, we continued to attract new talents globally with an increase of 22% in headcount. One of our key programmes was re-deploying workers from sectors such as aerospace engineering to be seconded to AEM. We also offered more than 20 places for fresh graduates under the SGUnited Traineeships Programme.

We will continue to refine our HR policies. We must be innovative in the policies we implement as we adapt to new working experiences. Our priority remains the same - to ensure that our people are productive, motivated and connected in the new normal.

OUR PEOPLE & COMMUNITY REACH

GIVING BACK TO THE COMMUNITY

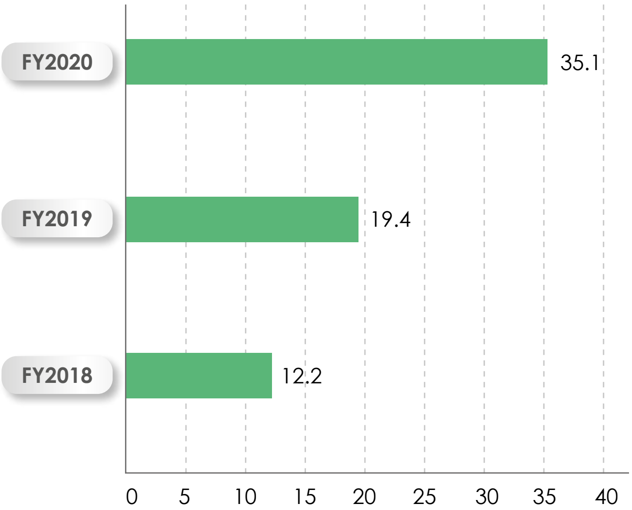
Frontliners at Changi General Hospital and Sengkang General Hospital received hampers filled with snacks and other goodies. Our company partnered with North East Community Development Council to show appreciation to healthcare staff who worked long hours looking after COVID-19 positive patients.



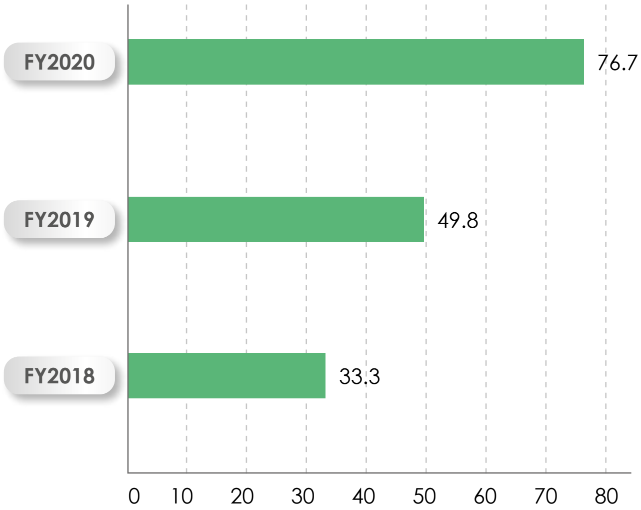
THK Nursing Home @ Hougang's 285 elderly residents received milk powder from our company when they were visited by former CEO Chok Yean Hung.

FINANCIAL HIGHLIGHTS

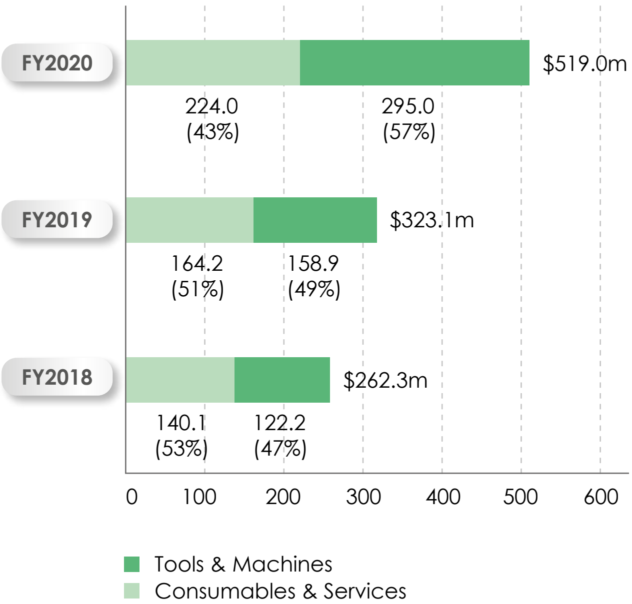
DILUTED EARNINGS PER SHARE (in cents)



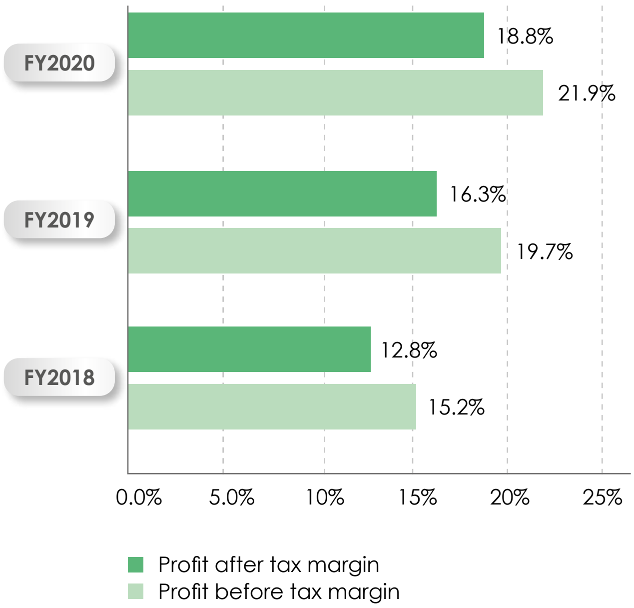
NET ASSET VALUE PER ORDINARY SHARE (in cents)



REVENUE BY PRODUCT TYPE



MARGINS



FINANCIAL HIGHLIGHTS

KEY PERFORMANCE SUMMARY

	FY2018 S$'000	FY2019 S$'000	FY2020 S$'000	FY19 vs FY20 Change
Revenue	**262,325**	**323,130**	**518,959**	**60.6%**
Materials, consumables and inventory changes, excluding stock obsolescence	(173,448)	(192,050)	(315,415)	-64.2%
Allowance for stock obsolescence reversed	226	(311)	(76)	75.6%
Staff costs	(32,521)	(47,423)	(67,536)	-42.4%
Depreciation and amortisation	(1,871)	(6,076)	(8,415)	-38.5%
Other expenses, net	(14,965)	(14,352)	(14,359)	-0.0%
Finance income, net	260	356	448	25.8%
Total expenses net other income	**(222,319)**	**(259,856)**	**(405,353)**	**-56.0%**
Share of equity-accounted investee's (losses)/ profit (net of tax)	(38)	461	199	-56.8%
Profit before taxation	39,968	63,735	113,805	78.6%
Tax expenses	(6,475)	(10,972)	(16,218)	-47.8%
Profit for the year	**33,493**	**52,763**	**97,587**	**85.0%**

* Increase/(Decrease) Earnings

FINANCIAL POSITION

Financial Position	31 Dec 2018 S$'000	31 Dec 2019 S$'000	31 Dec 2020 S$'000
Property, plant and equipment	5,725	6,392	8,127
Right of use assets	-	2,051	9,509
Intangible assets and goodwill	17,717	16,905	46,646
Cash and cash equivalents	58,890	107,676	134,785
Current assets less current liabilites	65,112	108,277	155,604
Borrowings	156	-	1,868
Total equity	89,504	134,336	211,430
Net asset value per share (SG cents)	33.3	49.8	76.7

CASH FLOW STATEMENT

	2018 S$'M	2019 S$'M	2020 S$'M
Net cash generated from operating activities	34.0	67.7	86.3
Net cash used in investing activities	(13.2)	(2.8)	(29.8)
Net cash used in financing activities	(9.2)	(15.2)	(25.9)
Net increase in cash	11.6	49.7	30.6
Cash & cash equivalents	58.9	107.7	134.8

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

AEM Holdings Ltd. ("AEM") is listed on the main board of the Singapore Exchange (Reuters: AEM.SI; Bloomberg: AEM SP). AEM aims to be among the world's leading companies providing solutions in equipment systems; precision components and related manufacturing services across various industries. AEM is a global leader offering application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving advanced computing, 5G and AI markets. These activities are carried out through AEM's subsidiaries in Asia, Europe and North and Central Americas.

OPERATIONS REVIEW

AEM's cost-effective and highly efficient testing solutions have contributed to the growth in operating performance for the financial year ended 31 December 2020 ("FY2020"). AEM delivered on FY2020 guidance and achieved 60.6% growth in revenue from S$323.1 million for the financial year ended 31 December 2019 ("FY2019") to S$519.0 million in FY2020. Profit before tax grew 78.6% from S$63.7 million to S$113.8 million in FY2020.

MERGER AND ACQUISITION

AEM constantly aims to expand the technology pillars and complement R&D efforts through mergers & acquisitions (M&A). To this effect, since 2017, AEM has acquired six companies to bring together core technologies to realise its SLT+ vision (AEM acquired Mu-TEST, DB-Design Group, Inc and Lattice Innovation, Inc in FY2020).

Furthermore, as of 15 February 2021, AEM's wholly-owned subsidiary, AEM Singapore Pte. Ltd. ("ASG"), launched a voluntary conditional offer for CEI Limited ("Offer") with an option for all-cash or cash and new AEM shares, which is conditional upon ASG receiving acceptances under the Offer which will result in ASG holding shares carrying more than 50% of the voting rights attributable to the issued shares in CEI Limited, by the close of the Offer. If the Offer becomes unconditional and the acquisition of CEI Limited's shares thereunder is successfully completed, CEI would solidify AEM's portfolio with improved vertical integration via a higher level of controls towards quality and agility over the entire supply chain. CEI's regional footprint and expertise in their field would strengthen AEM's resilience and enable us to be even more responsive to the needs of our global customer base.

FINANCIAL REVIEW

Revenue and net profit margin

We achieved a stellar performance with revenue hitting a record high of S$519.0 million, increased by 60.6% compared to FY2019. The increase was driven primarily by the growth in the Equipment Systems Solutions ("ESS") with increased orders from customers. Accordingly, revenue for ESS increased by S$193.3 million, translated to 62.8% compared to FY2019. The other business segments reported higher revenue except for MEMS which recorded a decrease in revenue of 20.4% from S$7.4 million to S$5.9 million due to lower demand from customers, affected by COVID-19.

Our net profit margin increased from 16.3% for FY2019 to 18.8% for FY2020 was primarily due to higher revenue despite higher costs incurred in FY2020.

Raw materials and consumables cost

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for stock obsolescence, increased from S$192.1 million in FY2019 to S$315.4 million in FY2020, representing an increase of 64.2%, in tandem with higher revenue generated in FY2020.

Staff costs

Staff costs increased by 42.4% in FY2020 as compared to FY2019 mainly due to additional headcounts for research and development (R&D), business development and engineering projects, and share plans expenses as well as the inclusion of Mu-TEST and DB-Design's results following the acquisitions in FY2020.

Depreciation and amortisation

Depreciation increase 38.6% from S$4.4 million in FY2019 to S$6.1 million in FY2020 primarily due to additional leases taken up in FY2020. Amortisation of intangible assets increased from S$1.6 million in FY2019 to S$2.3 million in FY2020, largely due to amortisation of development costs following commencement of commercial production.

Other expenses, net[1]

Our other expenses, net, remained essentially flat in FY2020 largely on account of government grant on Job Support Scheme and Wage Credit Scheme as well as lower sales and marketing expenses which offset the increase in other operating expenses (1) higher legal and professional fees by S$3.1 million to S$5.1 million mainly due to higher M&A related expenses and other professional fees; (2) higher foreign exchange loss by S$0.8 million mainly due to weaker United States Dollar vis-à-vis Singapore Dollar; (3) higher utilities and maintenance expenses by S$0.3 million to S$1.9 million.

Profit for the year

As a result of the above, profit before tax grew 78.6% from S$63.7 million in FY2019 to S$113.8 million in FY2020. After taking into consideration the tax expense of S$16.2 million in FY2020 and S$11.0 million in FY2019, profit after tax was S$97.6 million in FY2020 as compared to S$52.8 million in FY2019.

Property, plant and equipment

Our property, plant and equipment increased by S$1.7 million to S$8.1 million as at 31 December 2020 primarily due to the acquisition

[1] "Other expenses, net" is the aggregate amount of other income, operating lease expenses, legal and professional fees, sales and marketing expenses and other expenses as shown in the Consolidated statement of comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

of equipment and renovation, and installation for the increase in production and office space.

Right-of-use assets

The increase in right-of-use assets by S$7.5 million to S$9.5 million was due to new lease agreements for office and production space in Singapore, Malaysia and France.

Intangible assets

The increase in intangible assets by S$29.7 million to S$46.6 million was mainly due to the acquisition of subsidiaries in FY2020.

Inventories

The increase in inventories of S$22.2 million or 38.6% to S$79.7 million as at 31 December 2020 was mainly due to higher material purchases for the fulfilment of sales orders.

Trade and other receivables

Our trade and other receivables increased by S$19.6 million or 70.0% to S$47.6 million as at 31 December 2020 was due to the increase in revenue of the Group recorded during the last two months of FY2020.

Trade and other payables

Our trade and other payables increased by S$13.6 million or 18.6% to S$86.7 million as at 31 December 2020 mainly due to increased operating expenses and deferred consideration.

LIQUIDITY AND FINANCIAL RESOURCES

The cash and cash equivalent of the Group increased by S$27.1 million or 25.2% in FY2020 to S$134.8 million as at 31 December 2020 was mainly due to increased cash flows from operating activities of S$86.3 million being generated in FY2020 arising mainly from the operating profit which was mainly offset by cash used for dividend payments of S$22.2 million and acquisition of subsidiaries of S$25.2 million.

CAPITAL EXPENDITURE

During the year ended 31 December 2020, the Group's capital expenditure consists mainly of additions to equipment and renovation amounting to S$2.4 million, and capitalisation of development costs and purchase of computer software amounting to S$1.9 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, there were 645 (2019: 527) employees in the Group. Staff remuneration packages are determined by market conditions and the performance of the Company as well as the individuals. The Group also provides other staff benefits including medical, dental and life insurance.

FINANCIAL RISK MANAGEMENT

Contingent liabilities

The Group did not have any significant contingent liabilities or outstanding guarantees in respect of obligations to any third parties as at 31 December 2020.

Foreign exchange exposure

The Group's foreign currency transactions are mainly denominated in United States dollar ("US$"), Euro ("EUR"), Malaysian Ringgit ("MYR"), Renminbi ("RMB"). The Group has currency exposure resulting from sourcing for materials supplies mainly in US$ and S$ and having its main production operations in Singapore where the operating expenses are mainly in S$. The Group is therefore subjected to foreign exchange rate translation and transaction risks. The Group's foreign exchange exposure is partly hedged by purchasing materials and services that are denominated in the functional currency.

PURCHASES OF THE COMPANY'S LISTED SECURITIES

During the year, the Group purchased 1,378,000 (2019: 1,700,000) ordinary shares as treasury shares, reissued 1,593,667 (2019: 1,286,666) treasury shares under the Group's Performance Share Plan ("PSP"), reissued 1,656,638 (2019: 333,000) treasury shares for share options exercised and there were 363,800 (2019: 800,000) treasury shares reissued for settlement of contingent consideration. As at 31 December 2020, the Company held 1,305,313 (2019: 3,541,418) ordinary shares as treasury shares.

PROPOSED FINAL DIVIDEND

The Board of Directors has recommended the payment of a final dividend of 4.0 cents per ordinary share for the year ended 31 December 2020. Including the interim dividend of 5.0 cents per ordinary share paid on 11 September 2020, the total dividend payout for FY2020 amounted to 9.0 cents per ordinary share. The proposed final dividend payment is subject to approval by the shareholders of the Company at the annual general meeting to be held on 30 April 2021 at 3.00 pm. Upon shareholders' approval, the proposed final dividend will be paid on 31 May 2021 to shareholders, whose names shall appear on the register of members of the Company on 17 May 2021 before 5.00 pm.

FUTURE PROSPECTS

The Group foresees volatility in addition to the growth opportunities and expanding semiconductor markets. Amidst escalating trade tensions, we have seen a wave of localisation in the Chinese markets, post the sanctions imposed on Chinese semiconductor and electronics industries. We anticipate this fallout from US-China decoupling to impact supply chains and vendor relationships. Furthermore, as heterogenous packaging becomes prevalent in the semiconductor industry and SLT becomes increasingly important, we expect to encounter increased competition from major test equipment players in SLT.
The Group will continue to strategically expand its presence and further establish its leadership in the industry through both development of in-house technological capabilities as well as through mergers and acquisitions to counter these challenges. We will continue to capitalise on global trends such as 5G and AI, and strive to constantly increase our market share globally.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

AEM Holdings Ltd. ("AEM" or the "Company") is pleased to present the Company's annual Sustainability Report (the "Report"), which covers the Group's performance of our operations in Singapore, AEM's headquarter, and the various subsidiaries from 1 January 2020 to 31 December 2020 (the "FY 2020' or 'reporting period"), with data from the most recent previous report dated 31 March 2020 ("FY2019") for comparison purposes.

The Report summarises AEM's key sustainability issues, our management approach, and our related performance concerning Environment, Social and Governance topics ("ESG") across the Company's operations. All information shown is for the Group's operations in Asia, Europe, North and Central Americas unless stated otherwise. The Company has chosen the Global Reporting Initiative[1] ("GRI") Standards as it is the most established international sustainability reporting standard. This Report is prepared per the GRI standards "**Core**" option. The Report incorporates the primary components of report content as set out by the SGX's "Comply or Explain" requirements on sustainability reporting under Listing Rules 711A and 711B.

AEM's material topics are identified based on their impacts on our internal and external stakeholders, as outlined in the Stakeholders Engagement section. The GRI Index Page has a detailed section reference of the GRI Standards. The Sustainability Team has assessed that external assurance is not required as the Group has relied on our internal verifications for the Report's accuracy.

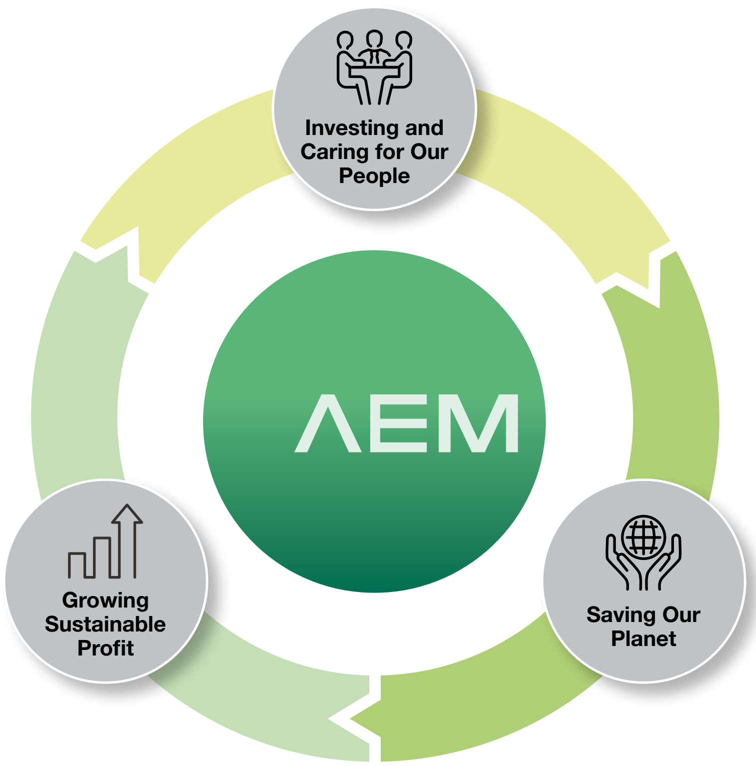
MESSAGE FROM BOARD

It is our pleasure to present AEM's Sustainability Report for FY2020. As we continue to grow our operations, we are conscious of our business' impact on the community and environment. The Board and the management pledges to incorporate sustainable practices into our processes and consider sustainability vital to our Group's strategy and operations. The Report outlines our long-term and perpetual targets concerning the material ESG factors linked to our business strategy and financial performance. With effect from this year, our achievements are reported against our short-term targets set out in the year. We want to take this opportunity to acknowledge the ongoing support from our stakeholders and seek everyone's support in our goal of sustainable growth and development.

AEM'S COMMITMENT TO SUSTAINABILITY

AEM is committed to creating sustainable long-term growth while developing our people and positively changing our environment. We have established a Sustainability Team made up of employees from Quality Assurance, Human Resource (HR), Facilities, and Corporate departments. The Team is responsible for implementing and formalising sustainability policies and procedures, management processes, and sustainability development standards. It also supports and provides adequate resources to various functional units to perform the established sustainability processes and practices. In addition, the Team helps the Board determine the Company's material economic, environmental, and social aspects and set quantitative and qualitative targets for the forthcoming year.

The Board provides overall direction for the Company's sustainability strategies. The Team is responsible for the consolidation of this Report. Our sustainability strategy focuses on the three key pillars:



[1] www.globalreporting.org

SUSTAINABILITY REPORT

KEY STAKEHOLDERS ENGAGEMENT

We engage with all of our stakeholder groups through various channels to update them about AEM's developments and receive their feedback. We identify both internal and external stakeholders as groups that impact or can be impacted by our business and external organisations that have expertise in aspects that we consider material. Our stakeholders' feedback helps us determine our material topics and identify our focus areas. AEM is committed to listening to our stakeholders, and we welcome their views and feedback to us via this webpage: https://www.aem.com.sg/contact/.

Stakeholders	Means of Engagement	Interests and Concerns	Our Response
Employees	• A quarterly staff communication session • Annual performance evaluation • Perception surveys • Social and team-building activities	• Career advancement • Benefits and remuneration • Health and safety • Update on the latest strategic developments	• Engage employees with HR policies and promote fairness and a safe working environment • Increase employee engagement and facilitate internal communication to promote diversity and reduced inequality, and a safe working environment
Customers	• Scheduled and ad-hoc site visits, calls, and reviews • Annual reports • Exhibitions and suppliers' days	• Engineering and development capability • Operating and financial performance	• Invest and improve talent resources and engineering capability • Seek to achieve excellent operational and financial performance
Communities	• Engagement in community services	• Social development	• Promote participation and engagement activities with the community
Government and regulatory bodies	• Keeping abreast with regulation changes • Scheduled and ad-hoc site visits and training sessions	• Regulatory compliance • Environmental impact	• Full regulatory compliance
Shareholders and investors	• Quarterly business updates, half-yearly SGX announcements, AGM, press releases, results briefings, and annual reports. • Investor relations management	• Business continuity • Operating and financial performance • Material information dissemination and transparency	• Maintain excellent operational and financial performance • Transparent and timely dissemination of material information and development
Industry bodies	• Presentation at industry seminars and trade shows • Industry networking events	• Support from the Company and feedback on challenges that will affect the semiconductor industry	• Active membership and participation in industry forums and events

SUSTAINABILITY REPORT

MATERIALITY REVIEW

AEM has conducted a materiality assessment session using a four-step approach based on GRI Materiality Standard and Principles guidelines, supported by background research on peers and industry trends. The Board and Management have validated the material topics for this year's reporting and determined that the material topics identified last year remain relevant to its business and stakeholders.

Four-step materiality review approach:

Step 1: Identification

Research on a universe of ESG issues, considering feedback from both internal and external stakeholders

Step 2: Prioritisation

Evaluate all identified issues and prioritise them based on the impact and importance to stakeholders

Step 3: Validation

Board and Management will endorse and validate the identified material issues

Step 4: Review

These material issues will be reviewed and reassessed for its relevance to the Group

Mapping of Material Matters to GRI Standards:

Material Topics	GRI Guidelines	Sustainability Pillar
Corporate Governance	GRI 205: Anti-corruption	Sustainable Profits
Economic Performance	GRI 201: Economic Performance	Sustainable Profits
Employee Well-Being	GRI 403: Occupational Health and Safety GRI 404: Training and Education GRI 419: Socioeconomic Compliance	Our People
Diversity and Reduced Inequality	GRI 202: Market Presence GRI 405: Diversity and Equal Opportunity	Our People
Employment Benefits	GRI 401: Employment	Our People
Sustainable Supplier Management	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment	Our Planet
Environmental Footprint	GRI 302: Energy GRI 305: Emissions GRI 306: Effluents and Waste GRI 307: Environmental Compliance	Our Planet
Giving Back to the Community	GRI 413: Local Communities	Our Planet

SUSTAINABILITY REPORT

SUSTAINABILITY TARGETS

We set out the following targets for AEM across our three key sustainability strategies:

Material Topics	Perpetual Targets and FY2021 Targets (when stated)	FY2020 Achievements
Growing Sustainable Profit		
Corporate Governance	Continue to uphold the highest corporate governance standards and an effective enterprise risk management framework to enhance business resilience and agility. Continue to provide accurate and timely disclosure on the Company, including financial situation, performance, and governance structure. Continue to adhere to the Group's Code of Conduct, financial discipline, and management, driving accountability and long-term value creation. Zero substantiated cases of corruption or legal compliance issue.	Provided timely quarterly business updates and half-yearly results releases. Frequent updates on financial targets and sales orders received. Regular Board and Board committee meetings as well as frequent engagements with management. Zero substantiated cases of corruption or legal compliance issue.
Economic Performance	Continue to provide innovative solutions through R&D. Continue to provide continuous product improvement to serve our customers better. Continue cost reduction engineering initiatives and "lean" operations to drive productivity improvements. Continue to encourage and incentivise employees to initiate and develop innovative ideas that they can patent. Maintain economic value generation of at least 5% (FY2021 Target).	Achieved the financial targets as guided to investors with a performance of S$519.0 million revenue. Considerable engineering development projects and revenue from customers, which is a positive sign of customer satisfaction and close working relationship. There were no new patents granted in FY2020. Staff members were awarded Technical Awards for the initiation of innovative ideas. Achieved FY2020 Target of increase economic value generation by at least 5%.
Investing and Caring for our People		
Employee Well-Being	Ensure zero fatalities with emphasis on work safety and a healthy workforce through sports, social and health-related activities.	Zero fatalities rate. The Group organised various health and wellness, and welfare programmes.
Diversity and Reduced Inequality	Encourage diversity in our workforce in terms of gender, race, and age groups. Ensure whistleblowing channels are in place for employees and various stakeholders.	The Group received one case via our whistleblower channels in FY2020. The case was investigated and concluded to be unsubstantiated.
Talent Acquisition and Retention	Continue to reward and provide employees with competitive remuneration packages and welfare to attract and retain talents and staff. Maintain a low turnover rate of below 1.25% a month (FY2021 Target).	A low turnover rate of 0.90% a month. There were in total 63 resignations during the year out of an average headcount of 586 staff (Achieved FY2020 Target of below 1.50%).

SUSTAINABILITY REPORT

Material Topics	Perpetual Targets and FY2021 Targets (when stated)	FY2020 Achievements
Saving our Planet		
Community Involvement	Continue to engage with the community and develop more partnerships with charity organisations to improve our community's welfare.	Please refer to "Giving Back to the Community".
Environmental Footprint	Maintain zero environmental issues and continue to improve energy consumption efficiency and emission intensity. Maintain reduction of energy emission intensity ratio by 10% (FY2021 Target).	Zero incident of environmental-related issue. Achieved a lower energy consumption rate per monetary unit of sales and emission intensity ratio by 12.7%. (Achieved FY2020 Target of reduction of energy emission intensity ratio by 10%).
Sustainable Supplier Management	100% of main contracted suppliers to be in line with AEM requirements.	100% of AEM's key fabrication suppliers screened and in line with AEM requirements.

GROWING SUSTAINABLE PROFIT

Corporate Governance

(GRI 205-1, 205-2, 205-3)

AEM has adopted a Code of Business Conduct ("The AEM Code") as a testimony of commitment to adhere to the highest standards of professionalism, integrity, and ethics. The AEM Code includes the Group's commitment to non-discrimination and proper conduct of business courtesies and relationships. AEM requires employees who are potentially in a conflict of interest to report the matter to the Group. All AEM employees are required to read, understand and agree to comply with Provisions of The AEM Code through the Code of Conduct Acknowledgement on an annual basis. The AEM Code is available on our corporate website.

AEM takes a strong stance against corruption and malpractice in the Group. This is reflected in our commitment to customers through our agreements with them. To achieve the highest standards of integrity and accountability within our internal structure, the Group developed procedures for Reporting Improprieties for employees to voice out serious concerns about the Group's activities and operations directly to the Group's Independent Directors. Employees are assured anonymity and confidentiality, which accompanies the Report. The Policy has been circulated to all employees. We received one Report through the whistleblowing mechanism in FY2020. An investigation was immediately conducted, and there was no evidence to prove that the Report was valid.

The Group has also established procedures to ensure that all transactions with interested persons are reported promptly to the Audit and Risk Management Committee (ARC) and that transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Shareholders. Please refer to Note 25 of our Financial Statements.

In addition, the Group has adopted our own internal best practice and compliance code to guide our officers and be compliant with SGX Listing Rule 1207(19) with regards to dealing in the Company's securities.

There have been no incidents of corruption and no public legal cases brought against the Group. We continue to be vigilant in ensuring our employees conduct themselves with the highest integrity.

Economic Performance

(GRI 201-1, GRI 201-4)

AEM achieved revenue of S$519.0 million and profit after tax of S$97.6 million in FY2020. Both revenue and profit improved as compared to the previous year. AEM invested S$5.2 million, paid dividends of S$22.2 million, and acquired subsidiaries for a sum of S$25.2 million in FY2020, resulting in S$56.0 million of economic value being created in FY2020, as compared to S$51.9 million in FY2019.

As of 31 December 2020, AEM has a total R&D workforce of 180 engineers that provide innovative solutions to customers through various R&D programmes. The number of engineers in the R&D department is higher by 40 compared to 140 engineers last year. Please refer to "Diversity in the Workforce" for the breakdown of employees by departments.

AEM had received cash subsidies of about S$3.3 million from the government in 2020, largely grants subsidies for operation costs, development costs, job support schemes, and wage credit grants because of the COVID-19 pandemic.

SUSTAINABILITY REPORT

OUR PEOPLE

As the COVID-19 pandemic took hold, AEM is committed to evolving our HR practices to stay relevant and create the best possible environment for our workforce. We need to emphasise adapting recent HR technologies to our advantage, reinforcing workforce abilities, ensuring data security, improving candidate and employee experiences, and more.

Employee Well-Being

Workplace Health and Safety
(GRI 403-1, 403-2, 403-4, 403-6)

AEM's well-being of staff members, both physical and mental, is our core business in health and safety policy.

AEM has programmes to encourage a healthy workforce through sports, social, and health-related education talks and activities. Our employees' welfare, insurance, and benefits include body and dental checks as well as specific high-risk work-related check-ups.

AEM acknowledges that a good work-life balance is key to having a good mental health standard and promoting staff well-being. We encourage positive interaction among our team members, and we have structured social and welfare programmes that include festive celebrations, staff appreciation functions, and team-building activities.

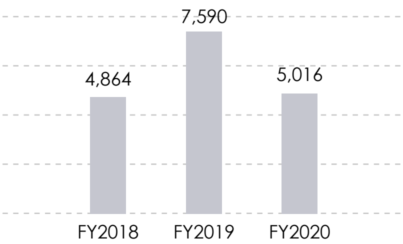
We have a designated health and safety committee whose job is to handle the scheduling of safety training, drills, and filing emergency and accident reports. We also host quarterly meetings with staff to encourage them to speak up, raise concerns, and empower them to initiate improvements.

Training and Education
(GRI 404-1, 404-2, and 404-3)

AEM believes that our greatest assets are our people and that our staff's technological and engineering skills and knowledge are the core of our success. Therefore, we invest in training, learning initiatives, and development programmes to expand our staff competencies. Besides technical skills, we also

SUSTAINABILITY REPORT

TRAINING HOURS FOR THE YEAR



organise business, leadership, train-the-trainer, finance, operational management, and enterprise resource planning training for our management and staff.

In FY2020, each employee has received an average of 8.6 hours of training. The total number of training hours reduced from 7,590 hours in FY2019 to 5,016 hours in FY2020. The reduction in training hours was mainly due to COVID-19 as physical training classroom for our staff was not allowed.

With the emergence of the At-Home Workforce, we adopted digital tools and new ways of working, and ensure our employees are equipped with the right skills. Our commitment is to help employees develop professionally and personally to advance their careers in AEM.

Social and Economic Laws and Regulations

(GRI 419-1)

AEM adheres to labor standards that include freely chosen employment, avoidance of child labor, non-discrimination, open communication, and working hours to local laws. Employees are required to avoid conflict of interest situations, uphold true and fair accounting and reporting, and comply with the Company's policies and delegated authorities.

AEM complies with all governmental laws and regulations in the social and economic areas. There are no instances of non-compliance.

Diversity and Reduced Inequality

Diversity and reduced inequality are vital to AEM business success and are integral to all of our people's practices and culture. We are committed to creating a diverse environment and complying with all fair employment practices.

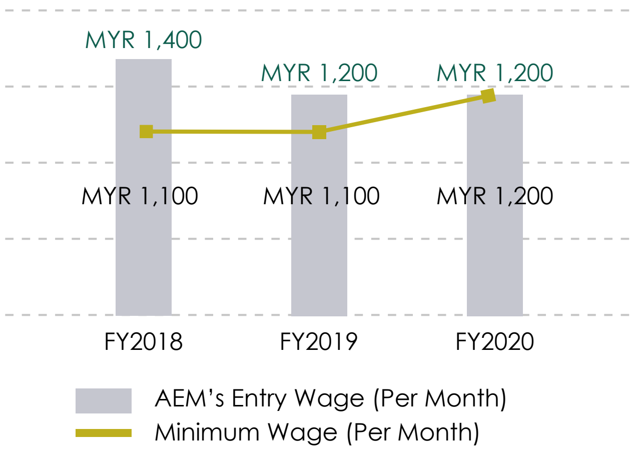
SUSTAINABILITY REPORT

Employee Entry Wages

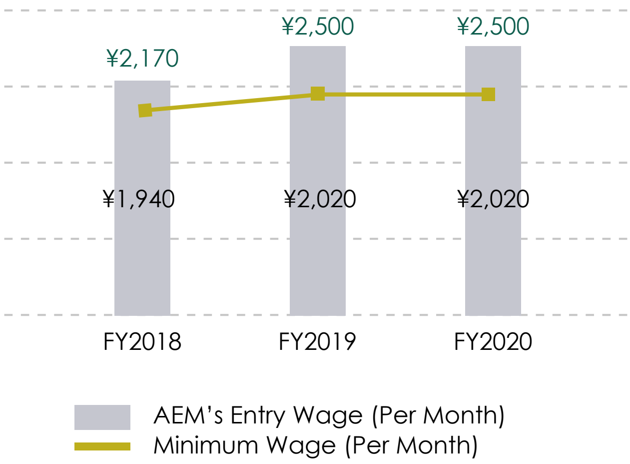
(GRI 202-1)

AEM adheres to the minimum wage laws of the countries we are operating in (i.e., China, Malaysia, the United States of America and Vietnam). In FY2020, AEM paid mostly higher entry wages than the minimum wage to attract and retain employees. Information on AEM's entry wages in Singapore and Finland are excluded as there are no minimum wage regulations. Information on Vietnam's entry wage has also been excluded as AEM only employs engineers instead of production workers.

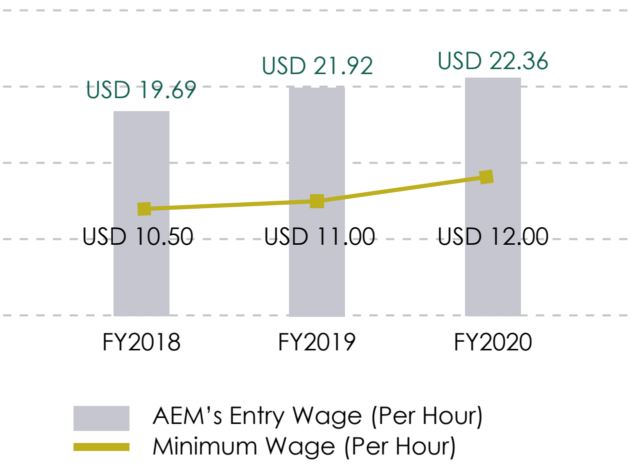
ENTRY WAGE COMPARISON (MALAYSIA)



ENTRY WAGE COMPARISON (CHINA)



ENTRY WAGE COMPARISON (US)

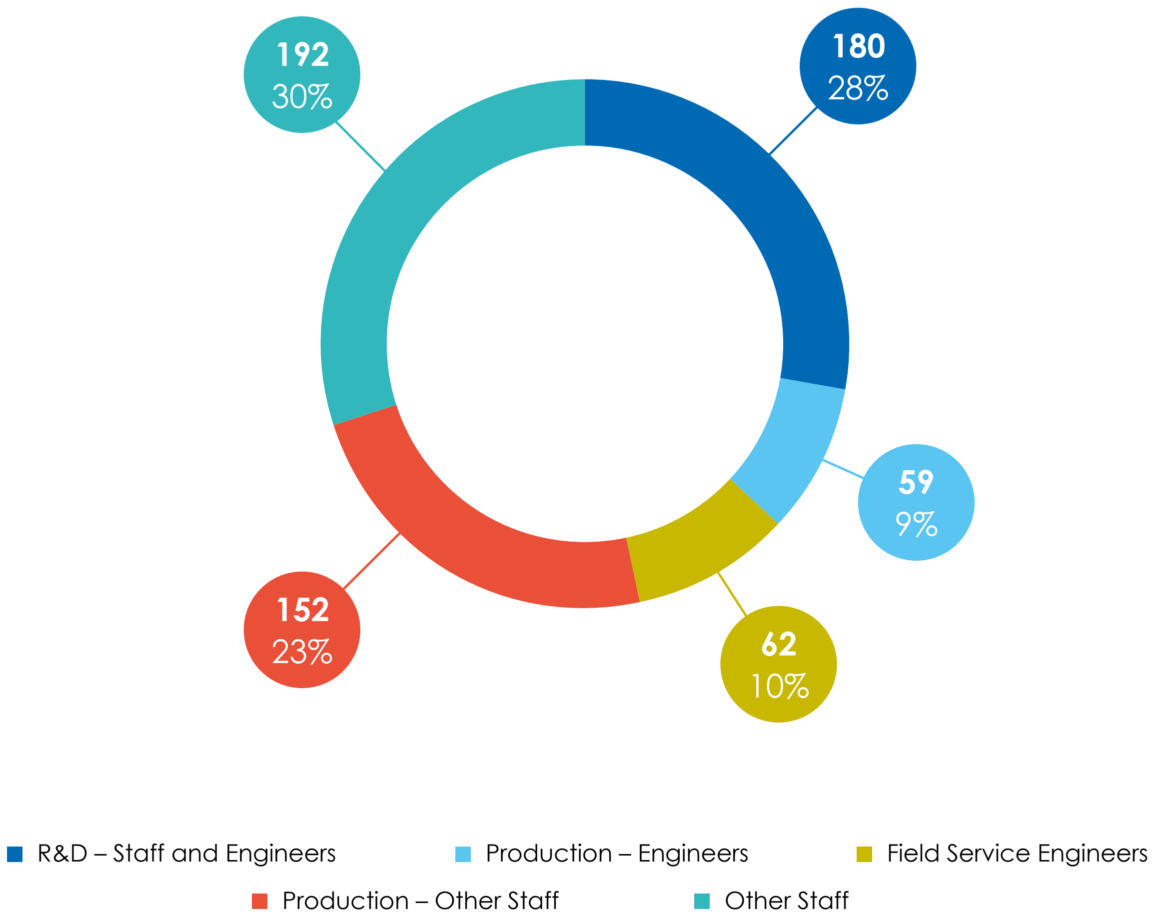


SUSTAINABILITY REPORT

Diversity in the Workforce
(GRI 202-2, 401-1, 405-1)

AEM embraces diversity and has employees from different backgrounds. We have representation from different nationalities, races, and gender in our workplace. Embracing diversity allows our organisation to be more vibrant and innovative. Each employee's diverse experiences and backgrounds contribute to this. AEM practices non-discrimination and equal opportunities. Our new hires are employed based on merits and experiences, and we seek to keep our turnover low by promoting employees' loyalty through benefits, safety, and welfare. As of 31 December 2020, AEM's workforce consists of 645 employees, an increase of 118 employees compared to the previous year.

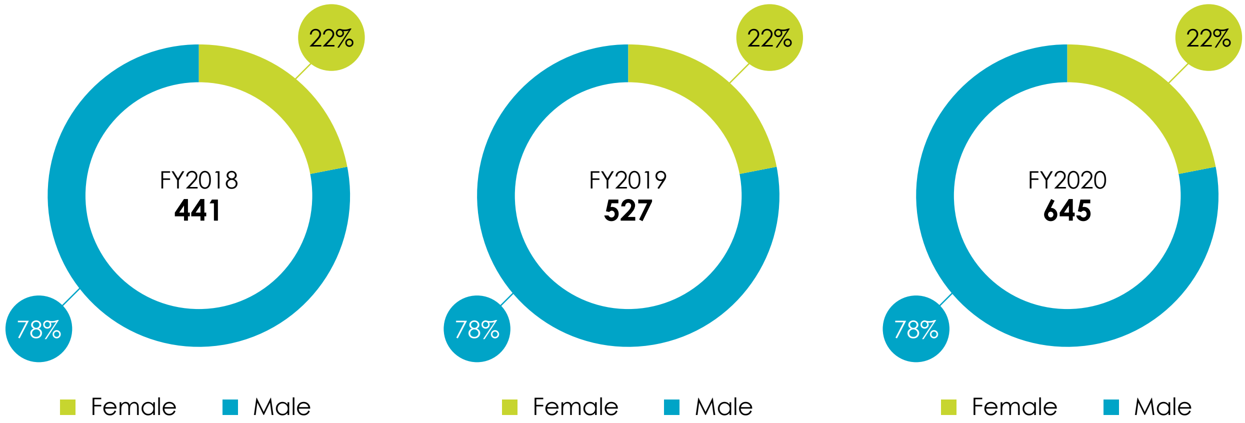
EMPLOYEES BY DEPARTMENT (DEC 2020)



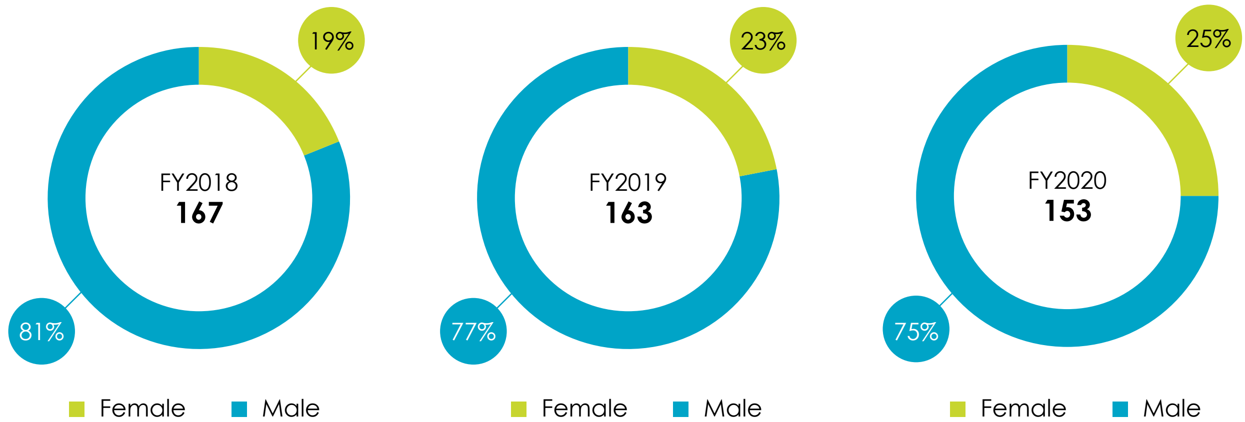
SUSTAINABILITY REPORT

OUR WORKFORCE

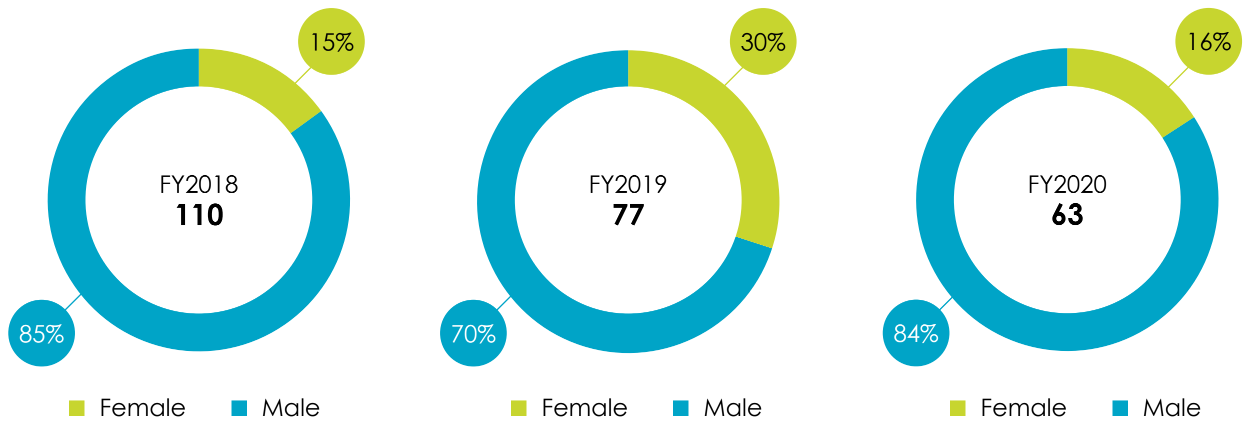
TOTAL WORKFORCE BY GENDER



NEW HIRES BY GENDER



TURNOVER BY GENDER



SUSTAINABILITY REPORT

In addition, we hire our management personnel from the local communities and the management team consists of various nationalities.

	Singapore	Malaysia	China	US	Finland	Total
Local	20	1	1	5	3	30
Foreigner	7	0	0	0	0	7
Total	27	1	1	5	3	37
% of local vs total	74%	100%	100%	100%	100%	81%

Employment Benefits

(GRI 401-2, 401-3)

Employees of AEM are entitled to a range of benefits, including healthcare-related insurance and various types of paid leaves. We believe in management and staff retention through fair market compensation, incentives such as bonus, performance shares, share options, invention-related, and other awards to encourage excellent performance and innovation within the Company. We also have additional incentives to support the government's pro-family policies and comply with Ministry of Manpower initiatives and regulations such as marriage, parental, and childcare leave.

We value the loyalty and dedication of our long-serving staff. The long service award presentation ceremony is held yearly to recognise their contribution to the Company.

Recipients of 20 and 25-year long service award

OUR PLANET

Sustainable Supplier Management

(GRI 308-1, 308-2, 414-1, 414-2)

AEM collaborates and regularly engages with our suppliers at all stages of our purchasing process. We select our suppliers based on track record and assess their ability to complement our commitment to deliver high-quality products and services before inclusion as an approved vendor. Our regular assessments and reviews on our suppliers' performances include labor, environmental, health, safety, and ethical standards and practices to ensure that they align with AEM's requirements.

Also, AEM has an internal screening process where suppliers are screened for negative environmental and social impacts resulting from their business operations. This includes, amongst others, pollutions (land, air, water, and noise), biodiversity loss, global warming, land degradation, deforestation, incidents of child labor, a violation involving rights of indigenous people, breaches of customer privacy, and non-compliance with laws and regulations in the social and economic area.

All nine key fabrication suppliers and twenty-one key standard part suppliers of AEM were screened, and none were identified to have negative environmental or social impacts.

SUSTAINABILITY REPORT

Environmental Footprint

Energy, Water and Waste Management Initiatives
(GRI 302-1, 302-3, 302-4, 305-1, 305-2, 305-4, 305-5, 305-7)

AEM endeavors to reduce energy consumption in our business activities through efficient operations and minimisation of wastages. We have taken steps to reduce our energy consumption and wastage to contribute to the environmental sustainability efforts. We have continuous energy-saving initiatives such as the use of equipment that is energy-efficient, replacing old inefficient equipment, changing fluorescent tube lightings to LED lightings, encouraging staff to switch off lights and air-conditioners upon leaving, and use of timer to save energy.

As a result of AEM's efforts to reduce electricity consumption, albeit FY2020 revenue has increased by 60.6%, our energy consumption increased only by 17.8% despite a higher electricity tariff.

The manufacturing operations of AEM entail significant energy requirements. Hence, the efficient use of energy is essential to reduce greenhouse gas emissions for AEM.

Year	Actual Consumption (kWh)	Revenue in S$M	Energy consumed per monetary unit of sales (kWh/S$)
FY2017	3,950,000	221.6	0.018
FY2018	4,400,000	262.3	0.017
FY2019	4,730,000	323.1	0.015
FY2020	5,570,000	519.0	0.011

The following chart shows the energy emission intensity ratio for the sales of AEM.

Year	Total direct CO_2 or Carbon Equivalent Emissions (Metric Tons)	Total indirect CO_2 or Carbon Equivalent Emissions (Metric Tons)	Revenue in S$M	Emission Intensity Ratio (MT/$'000)
FY2017	N.A.	2,940	221.6	0.013261
FY2018	N.A.	3,111	262.3	0.011860
FY2019	N.A.	3,344	323.1	0.010349
FY2020	N.A.	3,938	519.0	0.007588

Water Discharge
(GRI 306-1)

AEM carefully manages our water use and discharges. We transport water-glycol mixtures used in cooling systems to recycling centers for safe disposal. We discharged water from compressors into the drain, and none of the water discharged requires chemical treatment.

Environmental Laws and Regulations
(GRI 307-1)

AEM has complied with environmental protection and management regulations. Our Policy defines and guides our strategy and manufacturing processes to reduce pollution, waste, hazardous substances, and noise. Our employees are educated and trained on our environment control plan based on specific work instructions and must maintain records for this purpose. Material suppliers are also required to meet our Environmental Management System requirements for the materials and services they supply. Every year, we engaged qualified vendors to perform audits and tests. AEM complies with all National Environment Agency's (NEA) environmental laws and regulations. There are no fines or non-compliance by AEM for the past 11 years.

SUSTAINABILITY REPORT

Giving Back to the Community
(GRI 413-1)

AEM strives to be a socially responsible company by engaging and giving back to the community. We encourage all our employees to give back to the community through community services or donations. AEM organises annual corporate social responsibility activities for our employees to participate.

The COVID-19 situation this year provided both an obstacle and an opportunity for us to serve the community. We could not organise major charitable activities because of the COVID-19 restrictions on gatherings and visitations, but we could reach out in other ways. In Singapore, we continue to help the Thye Hua Kwan Nursing Home through donations, including milk powder items. We partnered with North East Community Development Council to deliver hampers to frontliners caring for COVID-19 positive patients in our hospitals. We also started an initiative to have our employees donate their vacation leave. The Company converts to cash and uses it to help employees who faced financial difficulties aggravated by job loss and medical situations. We donated the balance of these to charity. Early in the COVID-19 situation, when there was a shortage of masks, our US site donated masks to the churches there. Our Malaysia site also donated masks to the Customs office in Penang.

SUSTAINABILITY REPORT

SGX FIVE PRIMARY COMPONENTS INDEX

S/N	Primary Component	Section Reference
1	Material Topics	Corporate Governance Economic Performance Employee Well-Being Diversity and Reduced Inequality Employment Benefits Sustainable Supplier Management Environmental Footprint Giving Back to the Community
2	Policies, Practices and Performance	AEM's Commitment to Sustainability Sustainability Targets Key Stakeholders Engagement Materiality Review
3	Board Statement	Message from Board
4	Targets	Sustainability Targets
5	Framework	About This Report

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosure Content	Annual Report Section Reference
102-1	Name of the organization	Corporate Profile
102-2	Activities, brands, products, and services	Driving Our Business
102-3	Location of headquarters	Our Global Footprint
102-4	Location of operations	Our Global Footprint
102-5	Ownership and legal form	Corporate Information
102-6	Markets served	Our Global Footprint
102-7	Scale of the organisation	Our Global Footprint
102-8	Information on employees and other workers	Our People
102-9	Supply chain	Non-Executive Chairman Message and Driving Our Business
102-10	Significant changes to the organization and its supply chain	Non-Executive Chairman Message and Driving Our Business
102-11	Precautionary principle or approach	Driving Our Business
102-12	External initiatives	Driving Our Business
102-13	Membership of associations	Driving Our Business
102-14	Statement from senior decision-maker	Non-Executive Chairman Message Chief Executive Officer Message
102-15	Key impacts, risks, and opportunities	Non-Executive Chairman Message, Chief Executive Officer Message, Giving Back to the Community, AEM's Commitment to Sustainability
102-16	Values, principles, standards, and norms of behaviour	Corporate Governance
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance
102-18	Governance structure	Corporate Governance
102-40	List of stakeholder groups	Key Stakeholders Engagement

SUSTAINABILITY REPORT

GRI STANDARDS CONTENT INDEX

GRI Standards	Disclosure Content	Annual Report Section Reference
102-42	Identifying and selecting stakeholders	Key Stakeholders Engagement
102-43	Approach to stakeholder engagement	Key Stakeholders Engagement
102-44	Key topics and concerns raised	Key Stakeholders Engagement
102-45	Entities included in the consolidated financial statements	Notes to the Financial Statements
102-46	Defining report content and topic boundaries	Materiality Review
102-47	List of material topics	Materiality Review
102-48	Restatements of information	N.A.
102-49	Changes in reporting	N.A.
102-50	Reporting period	About This Report
102-51	Date of most recent Report	About This Report
102-52	Reporting cycle	About This Report
102-53	Contact point for questions regarding the Report	Contacts
102-54	Claims of reporting in accordance with the GRI Standards	About This Report
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	About This Report

GRI INDICATORS

Indicator	Annual Report Section Reference	Annual Report Section Reference
201-1	Direct economic value generated and distributed	Economic Performance
201-4	Financial assistance received from government	Economic Performance
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Our People
202-2	Proportion of senior management hired from the local community	Our People
205-1	Operations assessed for risks related to corruption	Corporate Governance
205-2	Communication and training about anti-corruption policies and procedures	Corporate Governance
205-3	Confirmed incidents of corruption and actions taken	Corporate Governance
302-1	Energy consumption within the organisation	Saving Our Planet
302-3	Energy intensity	Saving Our Planet
302-4	Reduction of energy consumption	Saving Our Planet
305-1	Direct (scope 1) GHG emissions	Saving Our Planet
305-2	Energy Indirect Greenhouse Gas Emissions (Scope 2)	Saving Our Planet
305-4	Greenhouse Gas Emissions Intensity	Saving Our Planet
305-5	Reduction in GHG emissions	Saving Our Planet
305-7	Nitrogen oxides (NOX), sulfoxides (SOX), and other significant air emissions	Saving Our Planet
306-1	Water discharged by quality & destination	Saving Our Planet
307-1	Non-compliance with environmental laws and regulations	Saving Our Planet
308-1	Percentage of new suppliers that were screened using environmental criteria	Sustainable Supplier Management

SUSTAINABILITY REPORT

GRI INDICATORS

Indicator	Annual Report Section Reference	Annual Report Section Reference
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Supplier Management
401-1	New employee hires and employee turnover	Our People
401-2	Benefits provided to full time employees that are not provided to temporary or part-time employees	Our People
401-3	Parental leave	Our People
403-1	Workers representation in formal joint managements - worker health and safety committees	Health and Safety
403-2	Injury and incidents	Health and Safety
403-4	Health & safety topics covered in formal agreements with trade union	Health and Safety
404-1	Average hours of training per employee	Our People
404-2	Programmes for upgrading employee skills and transition assistance programmes	Our People
404-3	Percentage of employees receiving regular performance and career development reviews	Our People
405-1	Diversity of governance bodies and employees	Our People
413-1	Operations with local community engagement, impact assessments, and development programmes	Giving Back to the Community
414-1	New suppliers screened using social criteria	Sustainable Supplier Management
414-2	Negative social impacts in the supply chain and actions taken	Sustainable Supplier Management
419-1	Non-compliance with laws and regulations in the social and economic area	Our People

CONTACTS

Please contact the following personnel for any information or queries relating to the Sustainability Report:

Financial PR Pte. Ltd.	**AEM Holdings Ltd.**
Romil SINGH / Shivam SARAF Financial PR Pte Ltd Tel: 6438 2990 / Fax: 6438 0064 E-mail: romil@financialpr.com.sg / shivam@financialpr.com.sg	Investor Relations Director Email: investor.relations@aem.com.sg

CORPORATE INFORMATION

BOARD OF DIRECTORS

Loke Wai San
Non-Executive Chairman & Director

Basil Chan
Independent Director

Adrian Chan Pengee
Lead Independent Director

Loh Kin Wah
Independent Director

James Toh Ban Leng
Non-Executive Director

Lavi Alexander Lev
Independent Director

Chok Yean Hung
Non-Executive Director

CHIEF EXECUTIVE OFFICER

Chandran Nair

AUDIT & RISK MANAGEMENT COMMITTEE

Basil Chan *(Chairman)*

Adrian Chan Pengee

James Toh Ban Leng

REMUNERATION COMMITTEE

Basil Chan *(Chairman)*

Adrian Chan Pengee

James Toh Ban Leng

NOMINATING COMMITTEE

Adrian Chan Pengee *(Chairman)*

Basil Chan

Loke Wai San

STRATEGY COMMITTEE

Loke Wai San *(Chairman)*

Loh Kin Wah

Lavi Alexander Lev

Chok Yean Hung

JOINT COMPANY SECRETARIES

Leong Sook Han

Kevin Cho Form Po

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

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Audit Partner-in-charge
Tan Khai Boon
Since Financial Year 2016

PRINCIPAL BANKERS

Malayan Banking Berhad, Singapore Branch

Overseas-Chinese Banking Corporation Limited

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Proxy Form

CORPORATE GOVERNANCE

The Board of Directors ("**Board**") of AEM Holdings Ltd. (the "**Company**" or together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance which is essential to ensure greater transparency and protection of shareholders' interests. This report outlines the main corporate governance practices that were in place during the year with specific reference to the principles and provisions of the Code of Corporate Governance ("**Code**") issued in August 2018. To the extent where any provisions have not been fully complied with, appropriate explanations have provided in the relevant sections.

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provisions of the Code	*Group's Corporate Governance practices*
1.1 Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.	The Board of the Company has seven Directors which comprises a Non-Executive Chairman (re-designated from Executive Chairman to Non-Executive Chairman with effect from 1 January 2021), two Non-Executive Directors and four Non-Executive Independent Directors ("**Independent Directors**"). The Board is entrusted with and committed to, oversight of the business performance and business affairs of the Group, sets appropriate tone-from-the-top and desired organisational culture and Code of Conduct and Ethics, ensures proper accountability within the Group and seeks to ensure that obligations to shareholders and other stakeholders are understood and met. The primary functions of the Board are as follows: (a) provide entrepreneurial leadership, set strategic objectives, which include appropriate focus on value creation, innovation and sustainability; (b) ensure necessary resources are in place for the Company to meet its strategic objectives; (c) oversees processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance; (d) reviews annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals; (e) monitors the financial performance of the Group and Management's performance; (f) set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met; (g) considers sustainability issues such as environmental and social factors as part of its strategic formulation; and (h) ensure transparency and accountability to key stakeholder groups. To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures whereby Directors are required to promptly declare any conflict of interest at a meeting of the Directors, or by written notification to the company secretary ("**Company Secretary**") and they are required to take such action as and when it is necessary to effectively resolve the conflict (for instance recusing themselves by refraining from participating in meetings or discussions and by abstaining from voting, on any matter in which they are interested or conflicted). The Company has established procedures for all interested persons transactions to be reviewed and approved by the Audit and Risk Management Committee ("**ARC**") on quarterly basis and that these transactions are conducted on an arm's length basis. 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.

CORPORATE GOVERNANCE

1.2	*Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.*	Upon appointment as Director of the company, each new Director is issued a formal letter of appointment setting out his roles, duties and obligations, including his responsibilities and fiduciary duties on how to deal with conflict of interest that may arise. A comprehensive orientation programme is also conducted to familiarise new appointees with the business activities, strategic directions, policies and corporate governance practices of the Group as well as their statutory duties and other responsibilities as Directors. The Company is responsible for arranging and funding the training of Directors. The Directors are provided with updates on the relevant laws, financial reporting standards, Listing Rules of the SGX-ST, codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors (SID), Singapore Exchange Limited, business and financial institutions, and consultants. In 2020, Directors were provided with training and briefing sessions in areas such as the Challenges and Considerations on Virtual Shareholder Meeting in a COVID-19 World, Listed Entity Director and Remuneration Committee Essentials, Corporate Governance Digital Symposium conducted by SID and Securities Investors Association (Singapore).
1.3	*The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring Board approval are disclosed in the company's annual report.*	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 authorisation 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 material assets and investments.
1.4	*Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.*	To efficiently discharge its responsibilities, the Board has established several board committees, namely the Audit and Risk Management Committee, the Nominating Committee and the Remuneration Committee and Strategy Committee (collectively "Board Committees"). These Board Committees are given specific responsibilities and are empowered to deal with matters within the limits of the authority set out in the terms of reference of their appointments. They assist the Board operationally without the Board losing authority over major issues. The Strategy Committee is a newly formed committee in April 2020. It is chaired by Mr. Loke Wai San and its members are Mr. Loh Kin Wah, Mr. Lavi Alexander Lev and Mr. Chok Yean Hung. The Strategy Committee has oversight responsibilities in (a) the development of the long-term strategic plan (b) the improvement and enhancement of the decision-making process relating to investment and (c) the review of major investments and strategic initiatives.
1.5	*Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.*	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 and Risk Management Committee 4 • Remuneration Committee 6 • Nominating Committee 1 • Strategy Committee 3

CORPORATE GOVERNANCE

Please refer to Table 1 – Attendance at Board, Board Committee Meetings and general meetings. 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 Nominating Committee.

1.6 *Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.*

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 whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval.

1.7 *Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.*

The Board has separate and independent access to Management and the Joint Company Secretaries at all times. The Joint Company Secretaries are 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 appointment and removal of the Joint Company Secretaries are decisions taken by the Board as a whole.

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.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Provisions of the Code

Group's Corporate Governance practices

2.1 *An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.*

2.2 *Independent directors make up a majority of the Board where the Chairman is not independent.*

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs.

A majority of the Board with four members are Independent Directors. Mr. Basil Chan, Mr. Adrian Chan, Mr. Loh Kin Wah and Mr. Lavi Alexander Lev are considered 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. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the Directors.

CORPORATE GOVERNANCE

2.3 *Non-executive directors make up a majority of the Board.*	The Non-Executive Directors and Independent Directors have at least four regular meetings with Management to keep abreast of the Group's business, financial performance, and strategy plans. The Board members with majority of Non-Executive Directors including Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels, and had open discussions with Management. Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. The Non-Executive Directors and Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management.
2.4 *The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.*	The Board comprises Directors who have broad and complementary skills to serve AEM's global business objectives and governance standards. The Directors have the relevant qualifications, experience and knowledge in various fields including technology, law, accounting, finance, mergers and acquisitions, strategic planning, and management to meet the goals of the Company in the global semiconductor industry. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Company. The Company has a Board diversity policy that takes into consideration criteria such as qualification, age, gender, experience, and expertise in various fields, in the relevant industry. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity. The Board recognises the importance and value of gender diversity in the composition of the Board. There is currently no female Board Director and the Board will work towards achieving this in the future.
2.5 *Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.*	The Independent Directors meet regularly without the presence of Management to ensure that Board matters can be effectively discussed independently from Management as and when necessary. The outcome or suggestion arising from such meetings will be provided to the Non-Executive Chairman.

PRINCIPLE 3: EXECUTIVE CHARIMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions of the Code	*Group's Corporate Governance practices*
3.1 *The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.*	The Non-Executive Chairman and the Chief Executive Officer ("**CEO**") are separate persons to ensure an appropriate balance and separation of power, increased accountability, and greater capacity of the Board for independent decision making. The division of responsibilities between the Non-Executive Chairman and the CEO are clearly demarcated. Having clarity of their respective responsibilities and separating the respective roles avoids concentration of power, ensures a degree of check and balances, increases accountability and ensure greater capacity of the Board for independent decision making.

CORPORATE GOVERNANCE

The Board has put in place a Terms of Reference of the Non-Executive Chairman, CEO and Lead Independent Director. It clearly spelt out their key roles and responsibilities.

3.2 *The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.*	The Non-Executive Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management team on strategic, business and other key issues pertinent to the business. The Non-Executive Chairman 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, 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 organised and staffed, assesses, and monitors the principal risks of the Group and ensures effective internal controls and risk management systems are in place.
3.3 *The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.*	Mr. Adrian Chan is the Lead Independent Director of the Company. The Lead Independent Director acts as a facilitative role within the Board, and where necessary, he would be available to address shareholders where they have concerns for which contact through normal channels such as the Chairman, CEO or Management are inappropriate or inadequate. The Lead Independent Director also has the authority to call and lead meetings of the Independent Directors when necessary and appropriate and to provide feedback to the Chairman after such meetings.

PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions of the Code	Group's Corporate Governance practices
4.1 *The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:*	The Company believes Board renewal is essential to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business. The Nominating Committee ("**NC**") is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors and selection of new Directors.

CORPORATE GOVERNANCE

(a) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;	The Board understands the importance of succession planning as part of corporate governance. Board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory. The NC also reviews succession and development plans for key management personnel in line with the Company's succession planning policy, which will be subsequently approved by the Board.
(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;	The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The NC evaluates the Board's effectiveness as a whole, Board Committees and the contribution of each Director to the effectiveness of the Board. The Board has adopted a system of evaluating the effectiveness of the Board's, Board Committees' and individual Director's performance, through principally a self-assessment process.
(c) the review of training and professional development programmes for the Board and its directors; and	The NC reviews the skill, training and professional development needs and programs for the Board and its Directors regularly to ensure that the Directors possess the required skills and knowledge to function as an effective Board.
(d) the appointment and re-appointment of directors (including alternate directors, if any)	The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors. When the need for a new Director arises, the NC, in consultation with the Board, evaluates and determines the selection criteria for the appointment of new Directors collectively, by taking into account, their skills, experience, contribution to the Board diversity as well as industry knowledge. The NC seeks potential candidates beyond the recommendation of Directors and Management and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary. The NC also oversees the process of Directors' re-appointment, after giving due regard to the Director's contributions and performance (such as contribution, participation and attendance). The Constitution of the Company currently requires one-third of the Directors to retire and subject themselves to re-election by the shareholders in every Annual General Meeting ("**AGM**"). All Directors of the Company, including the Non-Executive Chairman (or an equivalent office), shall retire from office at least once every three years. The Constitution of the Company also provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years. A Director who is due for retirement, shall abstain from voting on any resolution in respect of this re-nomination as a Director.
4.2 The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The Lead Independent Director, if any, is a member of the NC.	The NC comprises three Directors, a majority of whom are non-executive and independent. The Chairman is the Lead Independent Director and is not directly associated with a substantial shareholder of the Company. The NC comprises the following members: • Adrian Chan Pengee — Chairman and Lead Independent Director • Basil Chan — Member • Loke Wai San — Member

CORPORATE GOVERNANCE

4.3	*The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's Annual Report.*	Please refer to Principle 4.1(d) above.
4.4	*The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.*	The NC is responsible for reviewing the independence of each Director based on the provisions set out in the Code. The Board conducts the review annually and requires each Independent Director to confirm annually, that there are no material relationships which would render him non-independent. Each Independent Director is given an independence declaration form each year under which he is asked to assess his own independence, with specific references to the relevant provisions in the Listing Rules, the Code, and its accompanying Practice Guide. The NC has reviewed and is satisfied with the independence of the Independent Directors. Currently, the Company does not have any alternate director. The NC and Board have also reviewed the independence of Mr. Basil Chan and Mr. Adrian Chan with particular regard to the Guideline 2.1 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years. In addition, self and peer review assessments have been conducted by all the Board members on Mr. Basil Chan and Mr. Adrian Chan. Based on the assessments and review, the NC is satisfied that Mr. Basil Chan and Mr. Adrian Chan continue to serve effectively as Independent Directors of the Company. In arriving at this view, the NC and Board considered the following factors: a) The need to ensure both continuity and renewal on the Board, as reflected in the current balance of directorship tenures; b) The complementary mix of skills contributed by the Directors on the Company's Board; and c) The ability to continue to act as Independent Directors and their records of independent directorship at the Company during their tenures.
4.5	*The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.*	A formal letter stating the duties and responsibilities of the Director is given upon the appointment of the Director to join the Board and an orientation program to better understand Director's duties and the Company's business is also conducted. All Directors are required to declare their board representations. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the Directors of the Company so that sufficient time and attention can be given to the affairs of the Company.

CORPORATE GOVERNANCE

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions of the Code	Group's Corporate Governance practices
5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.	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 and Board Committees as well as individual Director's performance, 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. The completed evaluation forms were submitted to a Joint Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board, Board Committees and individual Directors. Following the review, the Board is of the view that the Board and Board Committees operate effectively, and each Director is contributing to the overall effectiveness of the Board.
5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.	The NC evaluates the individual Director's performance through a process that would enable the members of the NC to assess the contribution of each individual to the effectiveness of the Board, taking into account numerous factors, including the Directors' attendance, participation and contribution at the Board and various Board Committees meetings. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where appropriate, the NC will consider such engagement.

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions of the Code	*Group's Corporate Governance practices*
6.1 The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on: *(a) a framework of remuneration for the Board and key management personnel; and* *(b) the specific remuneration packages for each director as well as for the key management personnel.*	The Company believes in adopting a formal and transparent procedure for determining the remuneration of the Directors and Key Management Personnel to ensure that the level of remuneration is appropriate to attract, retain and motivate the Directors and Key Management Personnel to run the Group successfully. The RC comprises three Non-Executive Directors of whom two are independent. The RC comprises the following members: • Basil Chan — Chairman • Adrian Chan Pengee — Member • James Toh Ban Leng — Member

CORPORATE GOVERNANCE

6.2 *The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.*

6.3 *The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.*

6.4 *The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.*

The Remuneration Committee ("RC") is principally responsible for overseeing, reviewing and recommending to the Board:

(i) the remuneration framework for Directors and Key Management Personnel, taking into consideration and benchmarking against the compensation and employment conditions within the industry and with comparable companies; with a goal to motivate, recruit and retain employees. The remuneration framework, which covers all other aspects of remuneration including salaries, allowances, performance bonuses, grant of share awards and incentives of Executive Directors (if any) and Key Management Personnel to provide a fair system and rewards based on performance. The RC has direct access to the Company's Head of Human Resources should they have any queries on human resources matters. In discharging its responsibilities, the RC considers all aspects of remuneration and performs benchmarking against comparable market data. As and when required, the RC and the Company may engage independent consultants for diversified views and specific expertise to ensure that the remuneration and welfare packages for employees are competitive and sufficient to ensure that the interests of the employees and Company are taken care of. During the year, the Company engaged Carrots Consulting Pte Ltd to perform a review on the remuneration package of the former Executive Chairman (who has been redesignated as Non-Executive Chairman on 1 January 2021) and the former CEO, based on a combination of share-based and cash components, benchmarking against peer company data for the RC's review;

(ii) to review the Employee Share Option Scheme and such other incentive schemes as may be approved by the Board and the shareholders from time to time. For any such schemes, it shall determine each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to eligible persons and the performance targets to be used; and

(iii) to review the Group's obligations in the event of the termination of Executive Directors and Key Management Personnel contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses, which are not overly generous.

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. There were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top five Key Management Personnel.

In summary, AEM's remuneration policies for Executive Directors and Key Management Personnel are based on the following principles:

CORPORATE GOVERNANCE

Philosophy	Principles
Shareholder & Business Alignment	• Build **sustainable value in alignment** with shareholder interests • Attract and **retain** key talents to build a world class organizational capability • A **cost-effective** compensation system in line with the Company's strategic goals • Create an **ownership** mindset for the long-term success of the Company
Motivate Right Behaviours	• **Pay for performance** – align, differentiate and balance rewards according to Country, business units and individual performance • Strengthen **line-of-sight** linking rewards and performance goals • **Robust target setting** taking into account shareholder expectations over foreseeable performance horizon and commensurate with reward levels • Foster Group-wide interests to **drive Group performance**
Fair, Appropriate and Effective Implementation	• Maintain **rigorous corporate governance standards** • Exercise appropriate **flexibility** to meet strategic business needs and practical implementation considerations • Facilitate **employee understanding** to maximise the value of the remuneration programs • Disclose **relationships between remuneration, performance and value creation for shareholders and other stakeholders**

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions of the Code

7.1 A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

Group's Corporate Governance practices

The Company adopts a remuneration framework that is responsive to the market conditions and performance of the Group. It is structured to link a significant proportion of rewards to the Group's and each individual's performance and value creation for the Company's stakeholders. The grant of performance shares and share options promotes ownership and accountability for the long-term success of the Company.

The RC carries out annual reviews of the remuneration packages of the Executive Directors and the Key Management Personnel, with regards to their contributions as well as the financial and non-financial performance achievement of the Company.

The remuneration structure for the Executive Directors and the Key Management Personnel comprises the following components:

Fixed Component (Salary)

The fixed component comprises annual base salary and, in the case of the Key Management Personnel, certain fixed cash allowances. The fixed components are benchmarked to comparable positions in the market and reflect the market worth of the positions.

CORPORATE GOVERNANCE

Performance Bonus (Annual Cash Incentive)

The variable bonus is in the form of a Performance Target Bonus (PTB) plan for the former Executive Chairman and the CEO position. A Target Individual Annual Bonus based on a multiple of the annual base salary is determined for each position and is adjusted by company and individual performance scorecard achievement factors ranging from 0% to 200% to determine the Actual Individual Annual Bonus.

Achievement factors are subject to RC moderation taking into account the context within which performance is delivered.

For Key Management Personnel, the Board initially decides the incentive funding for the Company based on the Company's results. The pool is then allocated to the Key Management Personnel based on their individual contribution, assessed based on Objectives and Key Results (OKR) achievement.

The former Executive Chairman and Key Management Personnel also received an Annual Wage Supplement (AWS) equivalent to 1 month of base salary.

Equity Incentive

As part of AEM's value creation process, a transformational roadmap spanning three financial years (FY2019, FY2020, FY2021) was agreed between the RC and former Executive Chairman and former CEO in 2019. The individual contribution assessment for the former Executive Chairman and the former CEO would be based on the following perspectives – technology, business development, strategic leadership, and operations – and implemented via a Strategic and Transformational Scorecard.

A mega grant structure was approved by the RC in 2019 for the former Executive Chairman and the former CEO, based on a one-off contingent award of 3x the Annual Target of Equity Incentive grants, apportioned 50:50 between Share Option Plan (SOP) and Performance Share Award (PSA).

The respective mega grant would then be settled over a three financial year performance period, based on the extent of achievement on the Strategic and Transformational Scorecard. No new grants of share options and performance shares would be made to the former Executive Chairman and former CEO during this period.

The RC is of the view that the former Executive Chairman had achieved the targets set out in 2019 under the Strategic and Transformational Scorecard in the space of 2 years as compared to the original target of 3 years. Under the former Executive Chairman's strong leadership, the Company's market capitalisation exceeded the 3-year target that was set in 2019, within 2 years.

(A) Share Option Plan (SOP)

Based on the outstanding results of the Company in the last two years and the former Executive Chairman's contribution to these results, the RC recommended to the Board that the share options awarded as part of the mega grant for the former Executive Chairman vest out in full over three annual tranches and can be exercised up to the end of the contractual life of 10 years from the Date of Grant or at the discretion of RC upon ceasing to be the Board Chairman.

CORPORATE GOVERNANCE

The RC determined that with regard to the share options awarded as part of the mega grant for the former CEO which was intended to vest out over three annual tranches, the second vesting tranche would be pro-rated for service rendered in FY2020 given that he stepped down from his role in mid-2020 and the third vesting tranche will lapse. The RC also determined that the former CEO can exercise his vested options anytime up to the end of the original contractual life of 10 years from the Date of Grant or at the discretion of RC upon ceasing to be a Board member.

For the current CEO, a share option grant was made which vests 1/3 per annum over 3 years commencing on the 1st anniversary of the Date of Grant and can be exercised up to the end of the contractual life of 10 years from the Date of Grant.

(B) Performance Share Award (PSA)

A PSA mega grant was awarded in 2019 for the former Executive Chairman and the former CEO. An **Initial Award** of 3x Annual Target PSA Value was made upfront on a contingent basis with a performance period set for **3 financial years**. The Initial Award would be adjusted by an achievement factor based on the Strategic and Transformational Scorecard ranging from **0% to 200%** for existing initiatives and **an additional 100%** for new initiatives, depending on RC discretion over the performance period. The achievement would be assessed annually, and incremental shares would vest annually as determined by the RC.

At the end of FY2019, the RC determined that the Year 1 Achievement Factor was 33.33% for both the former Executive Chairman and the former CEO, and the PSA shares vested and were settled accordingly.

Based on the outstanding results of the Company in the last two years and the former Executive Chairman's contribution to these results, the RC recommended, and the Board approved that the incremental shares to be settled for the former Executive Chairman at the end of Year 2 would be such that the total shares settled under his mega grant is 100% of the Initial Award (less the 33.33% of the Initial Award which has been vested based on Year 1 Achievement Factor). The former Executive Chairman's PSA scheme will lapse after the Year 2 settlement given that he has stepped down from his executive role at end of December 2020 and there would be no further PSA settlement from his mega grant.

The RC recommended and the Board approved that the incremental shares to be settled for the former CEO at the end of Year 2 would be such that the total shares settled under his mega grant is 50% of the Initial Award (less the 33.33% of the Initial Award which has been vested based on Year 1 Achievement Factor) and further pro-rated based on 6 months of service in Year 2. The former CEO's PSA scheme will lapse after the Year 2 settlement given that he has stepped down from his role in mid-2020 and there would be no further PSA settlement from his mega grant.

Further details on the equity incentive plans are in the Directors' Statement section.

In addition to the above total compensation structure the Company also offers standard market benefits.

CORPORATE GOVERNANCE

7.2 *The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.*	The RC reviews Non-Executive Directors' fees annually and makes recommendations to the Board and shareholders for endorsement and approval at Annual General Meetings, respectively. Under the current remuneration framework, Non-Executive Directors with additional duties as members or Chairman of Board Committees would be remunerated based on a fee structure. In the financial year ended 31 December 2020 ("FY2020"), the Non-Executive Directors were paid a basic yearly retainer fee of S$60,000 for their appointment as members of the Board. The Chairman of the Audit and Risk Management Committee was paid S$24,000 while the Chairman of the Nominating Committee and Remuneration Committee were paid S$8,000 respectively. The members of the Audit and Risk Management Committee were paid S$12,000 each while the members of Nominating Committee and Remuneration Committee were paid S$4,000 each. The members of the Strategy Committee were paid S$3,000 each while Mr. Chok Yean Hung was paid S$2,000 (on a prorated basis). The Lead Independent Director was paid S$8,000. The RC will seek shareholders' approval for an additional cash award of S$25,000 for each of the Non-Executive Directors for FY2020 for additional time commitments and heightened governance requirements due to COVID-19 and M&A transactions. Executive Directors are not entitled to director fees.
7.3. *Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.*	The remuneration framework for fixing Directors' fee and the Key Management Personnel remuneration adopted by the Company takes into consideration the need to pay competitively to attract, retain and motivate the Non-Executive Directors and the Management staff. In addition, the Independent Directors are not over-compensated to the extent that their independence may be compromised. The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors (if any) and Key Management Personnel as the Executive Directors and Key Management Personnel owe a fiduciary duty to the Company. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the Executive Directors and Key Management Personnel in case of such breach of fiduciary duties will be available.

PRINCPLE 8: DISCLOSURE ON REMUNERATION

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions of the Code	*Group's Corporate Governance practices*
8.1 *The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:* *(a) each individual director and the CEO; and*	Please refer to Principle 7.1 to 7.3. The Board has, on review, decided to disclose the remuneration of the former Executive Chairman, former CEO, current CEO and the top five Key Management Personnel in remuneration bands of S$250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialised industry, potential for poaching of staff and other disadvantages that this might bring.

CORPORATE GOVERNANCE

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	The remuneration bands and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under consideration) in percentage terms for the former Executive Chairman and former and current CEO of the Company and absolute amounts for the Non-Executive Directors for FY2020 are set out in Table 2 Directors and CEO Remuneration Breakdown. The remuneration bands and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under consideration) of the Key Management Personnel of the Company (in percentage terms) for FY2020 are disclosed in Table 3 Key Management Personnel Remuneration Breakdown. The share option and performance share costs are based on fair value recognised over the respective vesting periods as disclosed in the footnotes under Table 2 and Table 3.
8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	There is no employee who is a substantial shareholder of the Company or immediate family member of any of the Directors, CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year.
8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.	During FY2020, the Company issued share options under the AEM Holdings Employee Share Option Scheme 2014 and performance shares under the AEM Performance Share Plan 2017 ("**PSP 2017**") to Directors and employees of the Company. There were 1,160,000 performance shares granted on 21 January 2020 for financial performance of 2019, and 50,287* performance shares granted on 29 September 2020. The number of share options granted was 620,690 on 1 April 2020. *Granted to Chief Technology Officer ("**CTO**") and vests two years after grant date provided in service or such other date as may be determined by the Directors administering the PSP 2017, following which it will be released by way of transfer of treasury shares of the Company based on Section 161 Resolution 7.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provisions of the Code	*Group's Corporate Governance practices*
9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.	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.

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A framework has been established and the Board continues through the ARC 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 Asia, Europe and North and Central Americas is therefore exposed to changes in government regulations and any unfavourable political development which may limit the realisation 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 abreast with 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 minimise 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.

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(iv) Investment risk

Investments, major acquisitions, and disposals are undertaken only after extensive due diligence and risk/benefit analysis. 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.

(v) Information Technology (IT) risk

IT risk includes breakdown, disruption, viruses, scams and malicious attacks on its infrastructure, application systems, hardware and network. The Group has in place the necessary and up-to-date IT controls, maintenance and monitoring methodologies. A structured way of implementing and testing new software and applications is adopted to ensure requirements and specifications are met. Appropriate measures are put in place to safeguard against data security and loss of information so as to ensure business continuity.

9.2 *The Board requires and discloses in the company's annual report that it has received assurance from:*

(a) *the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and*

(b) *the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.*

The Board has received assurance from the current CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal control systems.

In addition, the current CEO and CFO have given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

The risk management and internal control procedures for financial, operational, compliance and information technology and their effectiveness and adequacy are reviewed by the ARC and the Board 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 and representations made by the Management to the Board that internal controls are in place, the Board is of the opinion (with the concurrence of the ARC) that there are adequate and effective internal controls and risk management systems in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and Information Technology Risks.

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provisions of the Code

Group's Corporate Governance practices

10.1 *The duties of the AC include:*

(a) *reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;*

The ARC performs the following main functions:

(i) reviews the financial information provided by the Group, in particular the relevance and consistency of the accounting standards used by the Group.

(ii) reviews disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO or other Key Management Personnel, and concurrences received from the ARC.

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(b) *reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;*

(c) *reviewing the assurance from the CEO and the CFO on the financial records and financial statements;*

(iii) keep under review the Company's overall risk assessment processes and reviews the assurance provided by the CEO and CFO that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances.

(iv) reviews and approves the audit plans, taking into consideration independence, effectiveness, scope of work, remuneration and terms of engagement of the internal and external auditors and adequacy and effectiveness of internal and external auditors.

(v) 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.

(vi) reviews the effectiveness of the internal controls, risk management systems, findings of the internal and external auditors and the response and follow-up actions from Management.

(d) *making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;*

(e) *reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and*

(f) *reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.*

(vii) reviews the half yearly and full year announcements and the financial statements of the Group and of the Company, Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.

(viii) reviews the requirements for approval and disclosure of interested person transactions.

(ix) investigates any matters reported to the ARC about improprieties in matters of financial reporting or other matters within its terms of reference.

(x) reviews and approves the corporate governance and control policies of the Group.

(xi) advises the Board on the Company's overall risk tolerance and strategy.

(xii) oversees and advises the Board on the current risk exposures and future risk strategy of the Company.

The role of the ARC in relation to financial reporting is to monitor the integrity of the half-yearly and full year financial statements. The ARC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

The ARC has conducted an annual review of the amount of non-audit services provided by the external auditors and satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. A breakdown of the fees in total for audit and non-audit services is set out in the notes to the financial statement. In addition, the ARC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARC is satisfied that the external auditors are able to meet their audit obligations and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company.

The Company has put in place a Whistle-Blowing policy and guidelines, endorsed by the ARC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters to the Board of Directors through the Joint Company Secretaries. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance that employees will be protected from reprisal within the limits of the law. Details of the Whistle-Blowing policy and arrangements have been made available to all employees of the Group and published on the Company's website for ease of reference by various stakeholders for raising concerns.

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		The ARC is given full access to Management and receives its full cooperation. The ARC 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. For FY2020, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the SGX-ST in relation to the appointment of the auditing firms.
10.2	*The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.*	The ARC 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 effective discharge of their responsibilities as members of the ARC. The ARC comprises the following members: • Basil Chan — Chairman • Adrian Chan Pengee — Member • James Toh Ban Leng — Member
10.3	*The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.*	No former partner or director of the Company's existing auditing firm or audit corporation is a member of the ARC.
10.4	*The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.*	The ARC approves the appointment, removal, evaluation, and fees of the outsourced internal audit function. The Group outsourced its internal audit function to an independent professional firm, RSM Risk Advisory Pte Ltd, to provide internal audit services, as recommended by the ARC. The internal auditors report directly to the ARC on internal audit matters and to the CFO on administrative matters. The internal auditors have unfettered access to the ARC, the Company's documents, records, and personnel. The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the external auditors and their independence of the areas reviewed. RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The ARC reviews the independence, adequacy, and effectiveness of the internal audit function yearly. The ARC is satisfied that the internal auditor is independent and effective, and the internal auditor is adequately resourced and has the appropriate standing within the Company.
10.5	*The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.*	The ARC 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.

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Following discussions with Management, external and internal auditors, the ARC has determined that the following areas are the key risks of misstatement of the Group's financial statements:

Significant matters	How the ARC reviewed these matters and what decisions were made
Valuation of inventories – (S$79.7 million)	The ARC recognises that the Group manufactures highly customised tools and consumables based on both committed orders and estimated future demand. To assess and ascertain that the carrying values of the inventories are not materially misstated, the ARC reviewed the accuracy in the inventory count, costing methodologies adopted by the Group, the ageing of the various classes of inventories and obtained assurance from the Management that detailed impairment testing had been undertaken using appropriate methodologies and assumptions. As a result of the above procedures, the ARC was satisfied that correct accounting treatment had been adopted and consistently applied in the inventories valuation to ensure the accuracy of reported inventories.

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions of the Code	*Group's Corporate Governance practices*
11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.	The Group encourages active shareholder participation at the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the newspapers and posted onto the SGXNET. Shareholders are encouraged to attend the general meetings and given the opportunity to participate effectively and vote for resolutions to be passed at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.
11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.	Resolutions at general meetings are each on separate issue. All resolutions at the general meetings are single item resolutions. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of general meeting. All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's corporate website.
11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.	The former Executive Chairman, Directors and the Chairmen of the various Board Committees of the Company are present at each shareholders' meeting to respond to questions from shareholders. Please refer to Table 1 – Attendance at Board, and Board Committee Meetings and general meetings. The external auditors is also present to address shareholders' queries in relation to the conduct of audit and the preparation and content of the external auditors' report. The responses from the Board and Management during the AGM or Extraordinary General Meeting, and such minutes are available on the Company's corporate website as soon as practicable.

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11.4	*The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.*	For greater transparency, the Company has implemented electronic poll voting since its 2019 AGM. This entails shareholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hand), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all cast for, or against each resolution is then screened at the meeting and announced to SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. If any shareholder is unable to attend the meetings, the Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. As the authentication of shareholder identity and other related security and integrity issues still remain a concern. The Company is in the process of reviewing to allow voting in absentia (such as via mail, or email). 2020 and 2021 AGMs In view of the COVID-19 situation in Singapore, the 2020 AGM was held via electronic means. The 2021 AGM will also be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holder) Order 2020 ("Alternative Meeting Arrangements"). Alternative Meeting Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions at, prior to, the AGM and voting by appointing the Chairman of the meeting as proxy at the AGM, will put in place for the AGM.
11.5	*The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.*	One of the Joint Company Secretaries prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available on the Company's corporate website as soon as practicable. Under the Alternative Meeting Arrangements, the minutes of the AGM will be uploaded to the Company's corporate website and SGXNet within one month from the date of the AGM. The Company may revert to comply with all the applicable provisions of Principle 11 after Alternative Meeting Arrangements have ceased to be in force.
11.6	*The company has a dividend policy and communicates it to shareholders.*	In determining the dividends, the Board balances the need for a satisfactory return to shareholders against the Company's investment requirement to ensure sustainable growth in the future. Over the years, the Board has maintained a track record of generous shareholder distributions. The Company has established and announced a policy on payment of dividends of not less than 25% of the Company's consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors. The Board of Directors has proposed a final tax exempt (one-tier) dividend of 4.0 Singapore cents per ordinary share for FY2020, which is subject to the approval by shareholders at the forthcoming AGM of the Company. Including the interim dividend of 5.0 Singapore cents per ordinary share paid on 11 September 2020, the total dividend payout for FY2020 will be amounted to 9.0 Singapore cents (FY2019: 5.1 Singapore cents) per ordinary share (assuming that the proposed final tax exempt dividend is approved by the shareholders).

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PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The company communicates regularly with its shareholders and facilitates the participation of shareholders during ***general meetings*** and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provisions of the Code	*Group's Corporate Governance practices*
12.1 The company provides avenues for communication between the Board and all shareholders, and discloses in its Annual Report the steps taken to solicit and understand the views of 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 and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practise selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly as soon as practicable. The Board provides the shareholders a balanced and clear assessment of the Group's performance, financial position, and prospects on a quarterly basis. The Company releases its half-yearly results and full year results to shareholders no later than 45 days and 60 days respectively after the relevant financial period with accompanied press release on its website and SGXNET. Briefings for analysts, with a PowerPoint presentation, are held in conjunction with the release of all results with the presence of the Non-Executive Chairman, CEO and CFO to address the relevant questions which analysts may have. The PowerPoint presentation and briefing for analysts are also posted on its website and SGXNET. The Company is committed to disclosing all relevant information as much as possible in a timely, fair and transparent manner as well as to hearing and addressing its stakeholders' concerns.
12.2 The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.	The Group 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, or visit investor centre on the Company's website.
12.3 The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.	The Company has put in place an Investor Relations policy to enhance effective communications and engagements with its investors and shareholders.

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PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provisions of the Code	Group's Corporate Governance practices
13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.	Stakeholder relations are important for the sustainable growth of the Company's business and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders. The Company engages its stakeholders regularly through the following channels to understand and address their needs and expectations.
13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	The Company has put in place a Stakeholder Engagement policy to enhance effective communications and engagements with its material stakeholders. More details of the Stakeholders Engagement policy can be found on the Company's corporate website at https://www.aem.com.sg/company.
13.3 The company maintains a current corporate website to communicate and engage with stakeholders.	The Company strives to build and maintain strong relationships based on trust and respect to all stakeholders including the investment community, employees, suppliers and trade customers, regulators and the broader community. The Company has arrangements in place to engage with its material stakeholder group to manage its relationships with such groups. The Company also maintains a corporate website at https://www.aem.com.sg to communicate and engage with stakeholders.

OTHER CORPOARTE GOVERNANCE MATTERS

Dealings in Securities

The Company has adopted its own internal compliance code of best practice on securities transaction 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 of one month prior to the announcement of the Group's half-yearly and full year results. Directors, Key Management Personnel and any other persons, as determined by Management, who may possess unpublished material price-sensitive information of the Group (relevant persons) are also reminded to observe insider trading laws at all times, and not to deal in the Company's securities when in possession of any price-sensitive and confidential information regarding the Group, or on short-term considerations. A reminder will be circulated to Directors, Executive Officers, and relevant personnel of the Company and its subsidiaries before the commencement of each Closed Period, during which, dealing of the Company's securities are prohibited and to those with access to price-sensitive and confidential information. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's Securities.

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Material Contracts
Except as disclosed on SGXNET or herein for the financial year, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions ("IPT")
The Company has established Interested Person Transactions policy and procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC and that these transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. Currently, there is no shareholders' mandate for IPT pursuant to Rule 920 of the SGX-ST Listing Manual.

The details of the IPT during FY2020 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPT during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	Common Directors	S$312,000	Not applicable

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

The IPT of S$312,000 for FY2020 comprised professional fee of S$240,000 paid by the Company to Novo Tellus for advisory services in upgrading of software capabilities, merger and acquisition activities of the Group and the Group's share of the consultancy service fee of S$72,000 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

Table 1 – Attendance at Board, Board Committee Meetings and general meetings
The attendance of the Directors at the scheduled Board and Board Committees meetings during the year is as follows:

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee		Strategy Committee		AGM	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San [1]	5	5	N.A.	N.A.	N.A.	N.A.	1	1	3	3	1	1
Adrian Chan Pengee	5	5	4	4	6	6	1	1	N.A.	N.A.	1	1
Basil Chan	5	5	4	4	6	6	1	1	N.A.	N.A.	1	1
James Toh Ban Leng	5	5	4	4	6	6	N.A.	N.A.	N.A.	N.A.	1	1
Loh Kin Wah	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3	3	1	1
Lavi Alexander Lev	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3	3	1	1
Chok Yean Hung*	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	3	3	1	1

[1] Redesignated from Executive Chairman to Non-Executive Chairman on 1 January 2021

*Appointed as a Non-Executive Director on 1 July 2020

CORPORATE GOVERNANCE

Table 2 – Directors and CEO Remuneration Breakdown

The remuneration bands and breakdown of the gross remuneration of the Directors including the former Executive Chairman, the former and the current CEO of the Company in percentage terms or absolute amount for FY2020 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus[9]	Performance Shares	Share Options	Other Fees/ Allowances	Total
Directors (Executive)							
S$2,750,000 to S$3,000,000	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Loke Wai San	–	19	43	22[1]	16[2]	–	100
Directors (Non-Executive)	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**	**S$**
Adrian Chan Pengee	92,000	–	–	–	–	25,000[8]	117,000
Basil Chan	96,000	–	–	–	–	25,000[8]	121,000
James Toh Ban Leng	76,000	–	–	–	–	25,000[8]	101,000
Lavi Alexander Lev	63,000	–	–	–	–	25,000[8]	88,000
Loh Kin Wah	63,000	–	–	–	–	25,000[8]	88,000
Chok Yean Hung[3]	32,000	–	–	–	–	12,500[8]	44,500
CEO							
S$500,000 to S$750,000	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Chok Yean Hung[3]	–	33	33	13[4]	21[5]	–	100
S$1,000,000 to S$1,250,000	**%**	**%**	**%**	**%**	**%**	**%**	**%**
Chandran Nair[6]	–	38	47	–	15[7]	–	100

(1) Loke Wai San's FY2020 PSA value based on Initial Award multiplied by 66.67% achievement factor multiplied by fair value of S$1.096.

(2) Loke Wai San's FY2020 option value based on 2,472,000 options grant and fair value of S$0.45 and amortised over vesting period of 3 years.

(3) Chok Yean Hung resigned as CEO effective 1 July 2020, salary and variable bonus pro-rated for 6 months service. He joined the Board effective 1 July 2020.

(4) Chok Yean Hung's FY2020 PSA value based on Initial Award multiplied by 16.67% achievement factor multiplied by fair value of S$1.096.

(5) Chok Yean Hung's FY2020 option value based on 1,352,000 options grant and fair value of S$0.45 and amortised over vesting period of 2 years and pro-rated for 6 months of service in FY2020.

(6) Chandran Nair served as President from 1 January 2020 and took over CEO position from 1 July 2020.

(7) Based on 620,690 options grant and fair value of S$0.677 and amortised over vesting period of 3 years with effect from 1 April 2020.

(8) The RC will seek shareholder approval for an additional cash award of S$25,000 each for the Non-Executive Directors for FY2020 for additional time commitments and heightened governance requirements due to COVID-19 and M&A transactions. The additional cash award is pro-rated for 6 months for Chok Yean Hung as he joined the Board in mid FY2020.

(9) Annual Wage Supplement is not contractual and is categorised under "Variable Bonus" for purposes of remuneration disclosure.

In addition to the above compensation for the former Executive Chairman and the former and the current CEO, the Company also offers standard market benefits.

Table 3 – Key Management Personnel Remuneration Breakdown

The remuneration bands of the Company's top 5 Key Management Personnel (who are not Directors or CEO of the Company) are disclosed below and the total remuneration paid to the top 5 Key Management Personnel was S$2,374,371:

Name of personnel	Designation	Fixed Salary* (%)	Variable Bonus* (%)	Other Allowance (%)	Share Awards (%)	Total
S$250,001 to S$500,000						
Leong Sook Han	CFO	54	42	4	–	100
Samer Kabbani	CTO	48	43	2	7	100
S$500,001 to S$750,000						
Chua Tat Ming	VP, Engineering	37	54	3	6	100
Goh Meng Kiang	VP, Operations	37	52	3	8	100
Pascal Pierra	SVP, SLTi Business Unit	57	33	10	–	100

* Annual Wage Supplement is not contractual and is categorised under "Variable Bonus" for purposes of remuneration disclosure except for the CFO for which the AWS is contractual and categorised under "Fixed Salary".

CORPORATE GOVERNANCE

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 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following Directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng

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, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. 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 second 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 2 types of options that may be granted by the Company, namely, (a) Market Price Options and (b) Discount Price Options.

(iv) 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 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.

(v) 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.

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

At the end of the financial year, details of the options granted under the Scheme to subscribe for ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share (S$)	Options outstanding at 1 January 2020	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2020	Exercise Period
27/2/2017	0.196*	459,000	–	(459,000)	–	–	28/2/2018 - 26/2/2027
23/8/2017	0.627**	128,000	–	(56,000)	(28,000)	44,000	24/8/2018 - 22/8/2027
15/1/2019	0.890	3,414,638	–	(3,132,638)	(38,000)	244,000	16/1/2020 - 14/1/2029
7/10/2019	1.142	2,674,667	–	(465,000)	–	2,209,667	8/10/2020 - 6/10/2029
7/10/2019	1.142	1,274,667	–	–	–	1,274,667	8/10/2021 - 6/10/2029
7/10/2019	1.142	1,274,666	–	–	–	1,274,666	8/10/2022 - 6/10/2029
1/4/2020	1.652	–	206,897	–	–	206,897	2/4/2021 - 31/3/2030
1/4/2020	1.652	–	206,897	–	–	206,897	2/4/2022 - 31/3/2030
1/4/2020	1.652	–	206,896	–	–	206,896	2/4/2023 - 31/3/2030
Total		**9,225,638**	**620,690**	**(4,112,638)**	**(66,000)**	**5,667,690**	

* Prices and number of options adjusted for the bonus shares issues on 18 April 2017 and 4 June 2018.

** Prices and number of options adjusted for the bonus shares issue on 4 June 2018.

CORPORATE GOVERNANCE

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.

Details of options granted to Directors and employees of the Company under the Scheme are as follows:

	Number of options to subscribe for ordinary shares				
	Options granted for financial year ended 31 December 2020	**Aggregate options granted since the commencement to 31 December 2020 +**	**Aggregate options exercised**	**Aggregate options forfeited since the commencement to 31 December 2020**	**Aggregate options outstanding at 31 December 2020**
Directors					
Loke Wai San	–	3,453,250	(981,250)	–	2,472,000
Basil Chan	–	20,250	(20,250)	–	–
Others					
Company	620,690	4,375,997	(2,293,307)	–	2,082,690
Subsidiaries	–	3,638,500	(2,434,500)	(91,000)	1,113,000
Total	**620,690**	**11,487,997**	**(5,729,307)**	**(91,000)**	**5,667,690**

+ Where options were outstanding on date of bonus shares issues on 18 April 2017 and 4 June 2018, the number of options granted was adjusted for the corresponding effect of the bonus shares issues.

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and other than a former director of the Company, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Except as disclosed above, since the commencement of the Scheme, no options have been granted to Directors and employees of the holding company or its related corporations under the Scheme.

No options have been granted at a discount.

There were 620,690 (2019: 8,638,638, 2018: 0) options granted to the Directors and Key Management Personnel under the Scheme during the financial year. The options granted amounted to 0.23% of total AEM issued shares (excluding Treasury Shares) as of 31 December 2020 (2019: 3.2%, 2018: 0%).

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 AEM Performance Share Plan 2008 (PSP 2008) 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. PSP 2008 was terminated and replaced by the AEM Performance Share Plan 2017 (PSP 2017) which was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017.

PSP 2008 and PSP 2017 (collectively, PSPs) are administered by the Remuneration Committee. Under the PSPs, 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 PSP and awards may also be granted for past performance where the participant has performed well and/or made a significant contribution to the Company.

CORPORATE GOVERNANCE

Details of performance shares awarded and released (allotted) under the PSPs are as follows:

Participants	Shares awards granted & released during the year	Aggregate shares awards granted & released at end of the year
Under PSP 2008		
Directors and key executives	–	5,059,529
Under PSP 2017		
Directors and key executives	1,210,287	4,392,953

Details of performance shares granted to Directors under PSP 2017 are as follows:

	Shares granted in 2020	Aggregate shares granted since commencement of PSP 2017 to the end of 2020
Loke Wai San	–	1,349,333
Basil Chan	25,000	45,000
Adrian Chan Pengee	25,000	40,000
Loh Kin Wah	25,000	25,000
Lavi Alexander Lev	25,000	25,000
James Toh Ban Leng	25,000	25,000
Chok Yean Hung*	–	763,333

* Shares awards granted during his tenure as key executive and CEO of the Company.

There were 1,210,287 performance shares (2019: 2,587,666, 2018: 525,000) performance shares granted to the Directors and Key Management Personnel under the Scheme during the financial year. The Company granted 1,160,000 performance shares on 21 January 2020 and 50,287 performance shares** on 29 September 2020 to the Directors and Key Management Personnel under the Scheme. The performance shares granted amounted to 0.44% of total AEM issued shares (excluding treasury shares) as of 31 December 2020 (2019: 0.96%, 2018: 0.8%).

**Granted to CTO and vests two years after grant date provided in service or such other date as may be determined by the Directors administering the PSP plan, following which it will be released by way of transfer of treasury shares of the Company based on Section 161 Resolution 7.

In aggregate, the total shares granted in FY2020 amounted to 0.67% of total AEM issued shares (excluding treasury shares) as of 31 December 2020 (FY2019: 4.16%, 2018: 0.8%).

The Remuneration Committee has approved to introduce a 1% annual sub-limit for grant of performance shares and share options with carryover provision of any unused for future years' usage under the share plans.

DIRECTORS' STATEMENT

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 2020.

In our opinion:

(a) the financial statements set out on pages 75 to 136 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, 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 (International); 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.

Directors

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

Loke Wai San
Basil Chan
Adrian Chan Pengee
James Toh Ban Leng
Loh Kin Wah
Lavi Alexander Lev
Chok Yean Hung (Appointed on 1 July 2020)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the 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 children) in shares, debentures, warrants or share options in the Company (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/ date of appointment	Holdings at end of the year
AEM Holdings Ltd.		
Loke Wai San		
– ordinary shares, fully paid (direct interest)	5,713,977	5,444,310
– share options to subscribe for ordinary shares at:		
– $0.890 per share between 16 January 2020 to 14 January 2029	880,000	–
– $1.142 per share between 8 October 2020 to 6 October 2029	2,472,000	2,472,000

DIRECTORS' STATEMENT

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
AEM Holdings Ltd.		
Basil Chan		
– ordinary shares, fully paid (direct interest)	180,000	150,000
Adrian Chan Pengee		
– ordinary shares, fully paid (direct interest)	60,000	85,000
James Toh Ban Leng		
– ordinary shares, fully paid (direct interest)	13,806,620	12,225,020
– ordinary shares, fully paid (deemed interest)	7,196,772	2,196,772
Loh Kin Wah		
– ordinary shares, fully paid (direct interest)	500,000	525,000
Lavi Alexander Lev		
– ordinary shares, fully paid (direct interest)	–	25,000
Chok Yean Hung		
– ordinary shares, fully paid (direct interest)	1,514,467	1,514,467
– share options to subscribe for ordinary shares at*:		
– $1.142 per share between 8 October 2020 to 6 October 2029	1,352,000	1,352,000

* No shares or options have been granted to Chok Yean Hung since his appointment as director on 1 July 2020.

By virtue of Section 7 of the Act,

- James Toh Ban Leng is deemed to have interests in the Company through his shareholding in A.C.T. Holdings Pte Ltd at the beginning and at the end of the financial year;
- All directors except Lavi Alexander Lev are deemed to have interests in other subsidiaries of the Company, all of which are wholly-owned, at the beginning of the financial year, or date of appointment if later, and at the end of the financial year; and
- Lavi Alexander Lev is deemed to have interests in other subsidiaries of the Company, all of which are wholly-owned, at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Except as disclosed under the "Equity Compensation" section of this statement, 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.

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 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng

DIRECTORS' STATEMENT

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, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. 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 second 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 2 types of options that may be granted by the Company, namely, (a) Market Price Options and (b) Discount Price Options.

(iv) 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 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.

(v) 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.

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

At the end of the financial year, details of the options granted under the Scheme to subscribe for ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share ($)	Outstanding at 1 January 2020	Granted	Exercised	Forfeited/ expired	Outstanding at 31 December 2020	Exercise Period
27/2/2017	0.196*	459,000	–	(459,000)	–	–	28/2/2018-26/2/2027
23/8/2017	0.627**	128,000	–	(56,000)	(28,000)	44,000	24/8/2018-22/8/2027
15/1/2019	0.890	3,414,638	–	(3,132,638)	(38,000)	244,000	16/1/2020-14/1/2029
7/10/2019	1.142	2,674,667	–	(465,000)	–	2,209,667	8/10/2020-6/10/2029
7/10/2019	1.142	1,274,667	–	–	–	1,274,667	8/10/2021-6/10/2029
7/10/2019	1.142	1,274,666	–	–	–	1,274,666	8/10/2022-6/10/2029
1/4/2020	1.652	–	206,897	–	–	206,897	2/4/2021-31/3/2030
1/4/2020	1.652	–	206,897	–	–	206,897	2/4/2022-31/3/2030
1/4/2020	1.652	–	206,896	–	–	206,896	2/4/2023-31/3/2030
		9,225,638	**620,690**	**(4,112,638)**	**(66,000)**	**5,667,690**	

* Prices and number of options adjusted for the bonus shares issues on 18 April 2017 and 4 June 2018.

** Prices and number of options adjusted for the bonus shares issue on 4 June 2018.

DIRECTORS' STATEMENT

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.

Details of options granted to directors and employees of the Company under the Scheme are as follows:

	Number of options to subscribe for ordinary shares				
	Options granted for financial year ended 31 December 2020	**Aggregate options granted since the commencement to 31 December 2020+**	**Aggregate options exercised since the commencement to 31 December 2020**	**Aggregate options forfeited since the commencement to 31 December 2020**	**Aggregate options outstanding at 31 December 2020**
Directors					
Loke Wai San	–	3,453,250	(981,250)	–	2,472,000
Basil Chan	–	20,250	(20,250)	–	–
Others					
Company	620,690	4,375,997	(2,293,307)	–	2,082,690
Subsidiaries	–	3,638,500	(2,434,500)	(91,000)	1,113,000
Total	**620,690**	**11,487,997**	**(5,729,307)**	**(91,000)**	**5,667,690**

\+ Where options were outstanding on date of bonus shares issues on 18 April 2017 and 4 June 2018, the number of options granted was adjusted for the corresponding effect of the bonus shares issues.

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates and other than a former director of the Company, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

Except as disclosed above, since the commencement of the Scheme, no options have been granted to directors and employees of the holding company or its related corporations under the Scheme.

No options have been granted at a discount.

There were 620,690 (2019: 8,638,638) options granted to the directors and employees under the Scheme during the financial year. The Company granted 620,690 options on 1 April 2020 to an employee under the Scheme (2019: 3,414,688 options on 15 January 2019 and 5,224,000 options on 7 October 2019 to directors and employees).

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 AEM Performance Share Plan 2008 (PSP 2008) 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. PSP 2008 was terminated and replaced by the AEM Performance Share Plan 2017 (PSP 2017) which was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017.

PSP 2008 and PSP 2017 (collectively, PSPs) are administered by the Remuneration Committee. Under the PSPs, 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 PSP 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' STATEMENT

Details of performance shares awarded and released (allotted) under the PSPs are as follows:

Participants	Shares awards granted & released during the year	Aggregate shares awards granted & released at end of the year
Under PSP 2008		
Directors and key executives	–	5,059,529
Under PSP 2017		
Directors and key executives	1,210,287	4,392,953

Details of performance shares granted to directors under PSP 2017 are as follows:

	Shares granted in 2020	Aggregate shares granted since commencement of PSP 2017 to the end of 2020
Loke Wai San	–	1,349,333
Basil Chan	25,000	45,000
Adrian Chan Pengee	25,000	40,000
James Toh Ban Leng	25,000	25,000
Loh Kin Wah	25,000	25,000
Lavi Alexander Lev	25,000	25,000
Chok Yean Hung*	–	763,333

* Share awards granted during his tenure as key executive and CEO of the Company.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee during the year and at the date of this statement are:

- Basil Chan (Chairman), non-executive independent director
- Adrian Chan Pengee, non-executive independent director
- James Toh Ban Leng, non-executive director

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the Singapore Exchange (SGX) Listing Manual and the Code of Corporate Governance.

The Audit and Risk Management Committee held four meetings since the last directors' statement. In performing its functions, the Audit and Risk Management 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 and Risk Management Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual 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 SGX Listing Manual).

DIRECTORS' STATEMENT

The Audit and Risk Management 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 and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management 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 indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Loke Wai San
Director

Basil Chan
Director

1 April 2021

INDEPENDENT AUDITORS' REPORT

Members of the Company
AEM Holdings Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of AEM Holdings Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 75 to 136.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories (Refer to note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
The Group manufactures highly customised inventories that are sold to customers based on both committed orders and estimated future demand. These inventories have low resale values and are measured at the lower of cost and net realisable value. This is a key audit focus area due to the estimation uncertainty in determining the level and pricing of future customer demand and hence the provision required to write down slow-moving, excess and obsolete inventory items.	We reviewed the ageing profile of the inventories to identify any slow-moving inventories. Where available, for inventories backed by confirmed purchase orders, we reviewed supporting documentation relating to future sales to assess whether the purchase order sales pricing is at a higher value than the carrying value. We also inspected sales invoices to assess whether the inventory is being sold at a higher value than the carrying value.
Findings The assumptions and estimates applied by the Group in determining the provision for inventory obsolescence was balanced.	

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITORS' REPORT

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Khai Boon.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
1 April 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Assets					
Property, plant and equipment	4	8,127	6,392	29	31
Right-of-use assets	5	9,509	2,051	–	–
Intangible assets	6	46,646	16,905	–	–
Interests in subsidiaries	7	–	–	42,986	26,781
Investment in an associate	9	4,680	4,572	4,667	4,667
Deferred tax assets	17	168	54	19	19
Non-current assets		69,130	29,974	47,701	31,498
Inventories	10	79,676	57,479	–	–
Contract cost	20	1,234	–	–	–
Trade and other receivables	11	47,571	27,976	9,316	10,692
Contract assets	20	3,123	4,856	–	–
Cash and cash equivalents	12	134,785	107,676	8,944	7,862
Current assets		266,389	197,987	18,260	18,554
Total assets		335,519	227,961	65,961	50,052
Equity					
Share capital	13	50,727	45,786	50,727	45,786
Reserves	14	(226)	2,968	6,570	5,174
Accumulated profits/(losses)		160,929	85,582	(6,335)	(10,092)
Total equity attributable to owners of the Group		211,430	134,336	50,962	40,868
Liabilities					
Financial liabilities	15	6,310	527	–	–
Trade and other payables	16	3,050	1,565	2,581	1,565
Deferred tax liabilities	17	3,073	1,823	–	–
Provisions	18	871	–	–	–
Non-current liabilities		13,304	3,915	2,581	1,565
Financial liabilities	15	4,977	1,681	–	–
Trade and other payables	16	83,658	71,563	9,957	6,260
Contract liabilities	20	2,806	3,688	–	–
Current tax payable		17,854	11,607	2,461	1,359
Provisions	18	1,490	1,171	–	–
Current liabilities		110,785	89,710	12,418	7,619
Total liabilities		124,089	93,625	14,999	9,184
Total equity and liabilities		335,519	227,961	65,961	50,052

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Revenue	20	518,959	323,130
Other income		3,360	177
Changes in inventories of finished goods and work-in-progress		10,452	18,588
Raw materials and other consumables		(325,943)	(210,949)
Staff costs		(67,536)	(47,423)
Depreciation of property, plant and equipment		(2,085)	(1,689)
Depreciation of right-of-use assets		(4,060)	(2,739)
Amortisation of intangible assets		(2,270)	(1,648)
Expense relating to low-value leases		(414)	(284)
Utilities and maintenance expenses		(1,861)	(1,551)
Legal and professional fees		(5,116)	(2,000)
Sales and marketing expenses		(6,295)	(7,678)
Other expenses		(4,033)	(3,016)
Results from operating activities		113,158	62,918
Finance income		672	516
Finance costs		(224)	(160)
Net finance income	21	448	356
Share of equity-accounted investee's profit (net of tax)	9	199	461
Profit before tax		113,805	63,735
Tax expense	22	(16,218)	(10,972)
Profit for the year		97,587	52,763
Profit attributable to:			
Owners of the Company		97,587	52,763
Profit for the year	23	97,587	52,763
Earnings per share			
Basic earnings per share	24	35.49 cents	19.48 cents
Diluted earnings per share	24	35.12 cents	19.38 cents
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation difference		(4,497)	(1,068)
Share of foreign currency translation difference of equity-accounted investee		(91)	(42)
Other comprehensive income for the year, net of tax		(4,588)	(1,110)
Total comprehensive income for the year		92,999	51,653
Total comprehensive income attributable to:			
Owners of the Company		92,999	51,653
Total comprehensive income for the year		92,999	51,653

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 1 January 2019	45,786	(2,331)	1,500	2,172	(1,246)	43,369	89,250
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	52,763	52,763
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	(1,068)	–	(1,068)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(42)	–	(42)
Total comprehensive income for the year	–	–	–	–	(1,110)	52,763	51,653
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(1,688)	–	–	–	–	(1,688)
Treasury shares reissued on settlement of deferred and contingent consideration	–	450	210	–	–	–	660
Treasury shares reissued pursuant to share plans	–	937	438	(1,201)	–	–	174
Share-based payment transactions (Note 19)	–	–	–	4,837	–	–	4,837
Final dividend of 1.9 cents per share in respect of 2018	–	–	–	–	–	(5,142)	(5,142)
Interim dividend of 2.0 cents per share in respect of 2019	–	–	–	–	–	(5,408)	(5,408)
Total transactions with owners	–	(301)	648	3,636	–	(10,550)	(6,567)
At 31 December 2019	45,786	(2,632)	2,148	5,808	(2,356)	85,582	134,336

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital $'000	Reserve for own shares $'000	Other reserves $'000	Share compensation reserve $'000	Currency translation reserve $'000	Accumulated profits $'000	Total equity $'000
Group							
At 1 January 2020	45,786	(2,632)	2,148	5,808	(2,356)	85,582	134,336
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	97,587	97,587
Other comprehensive income							
Foreign currency translation difference	–	–	–	–	(4,497)	–	(4,497)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(91)	–	(91)
Total comprehensive income for the year	–	–	–	–	(4,588)	97,587	92,999
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Own shares acquired	–	(2,864)	–	–	–	–	(2,864)
Treasury shares reissued on settlement of deferred and contingent consideration	–	270	443	–	–	–	713
Issue of shares related to settlement of deferred and contingent consideration	2,248	–	78	–	–	–	2,326
Issue of shares related to business combination	834	–	–	–	–	–	834
Treasury shares reissued pursuant to share plans	–	3,214	2,773	(4,403)	–	–	1,584
Issue of shares related to share plans	1,859	–	–	–	–	–	1,859
Share-based payment transactions (Note 19)	–	–	–	1,883	–	–	1,883
Final dividend of 3.1 cents per share in respect of 2019	–	–	–	–	–	(8,508)	(8,508)
Interim dividend of 5.0 cents per share in respect of 2020	–	–	–	–	–	(13,732)	(13,732)
Total transactions with owners	4,941	620	3,294	(2,520)	–	(22,240)	(15,905)
At 31 December 2020	50,727	(2,012)	5,442	3,288	(6,944)	160,929	211,430

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		97,587	52,763
Adjustments for:			
Depreciation of property, plant and equipment	4	2,085	1,689
Depreciation of right-of-use assets	5	4,060	2,739
Amortisation of intangible assets	6	2,270	1,648
Allowance for stock obsolescence		76	311
Gain on disposal of property, plant and equipment		–	(23)
Net finance income		(448)	(356)
Share of profit of equity-accounted investee, net of tax		(199)	(461)
Equity-settled share-based payment expenses		1,883	4,837
Remeasurement of deferred and contingent consideration		1,814	2,411
Tax expense		16,218	10,972
		125,346	76,530
Changes in:			
Inventories		(21,878)	(30,825)
Contract costs		(1,243)	785
Trade and other receivables		(17,905)	(10,300)
Contract assets		2,017	(1,292)
Trade and other payables		10,093	38,017
Contract liabilities		(1,491)	1,128
Provisions		1,192	256
Cash generated from operating activities		96,131	74,299
Tax paid		(9,844)	(6,648)
Net cash from operating activities		86,287	67,651
Cash flows from investing activities			
Acquisition of intangible assets		(1,995)	(873)
Interest received		672	516
Proceeds from disposal of property, plant and equipment		–	23
Acquisition of property, plant and equipment	4	(3,243)	(2,436)
Acquisition of subsidiaries, net of cash acquired	8	(25,205)	–
Net cash used in investing activities		(29,771)	(2,770)
Cash flows from financing activities			
Interest paid		(192)	(129)
Repayment of borrowings		(594)	(157)
Payment of lease liabilities		(4,430)	(2,868)
Proceeds from borrowings		973	–
Repurchase of own shares		(2,864)	(1,688)
Proceeds from exercise of share options		3,443	174
Dividends paid		(22,241)	(10,533)
Net cash used in financing activities		(25,905)	(15,201)
Net increase in cash and cash equivalents		30,611	49,680
Cash and cash equivalents at 1 January		107,676	58,890
Effect of exchange rate fluctuations on cash held		(3,502)	(894)
Cash and cash equivalents at 31 December	12	134,785	107,676

Significant non-cash transaction

During the year, the Group acquired subsidiaries by means of cash and shares consideration (see note 8).

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 1 April 2021.

1 DOMICILE AND ACTIVITIES

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

The financial statements of the Group as at and for the year ended 31 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

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 7 to the financial statements.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (SFRS(I)). The changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) 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 amounts recognised in the financial statements is included in the following notes:

- Note 8 - identification of assets acquired and liabilities assumed in a business combination

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 8 - measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired
- Note 10 - valuation of inventories

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION

2.4 Use of estimates and judgements (continued)

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 - impairment of intangible assets and goodwill
- Note 8 - acquisition of subsidiaries
- Note 19 - share-based payment
- Note 27 - financial risk management

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business (Amendments to SFRS(I) 3)*
- *Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)*
- *Interest Rate Benchmark Reform (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)*

Other than the amendments relating to definition of a business, the application of these amendments to standards and interpretations did not have a material effect on the financial statements.

The Group applied the amendments relating to definition of a business to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out in note 3.1. See also note 8 for details of the Group's acquisition of subsidiary during the year.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

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

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in "other expenses" within 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 pre-combination service.

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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

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 and associates in the separate financial statements

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

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities using monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign 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 translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are generally recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currencies (continued)

Foreign operations (continued)

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

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 assets to a working condition for their intended use, when the Group has an obligation to remove the asset or restore the site, an estimate of 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 (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component 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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset.

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.

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

Motor vehicles	5 – 10 years
Furniture and fittings	3 – 10 years
Renovation and installation	3 – 10 years
Computers	3 years
Plant and equipment	3 – 10 years

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

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.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date the asset is available for use.

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

Technology	15 – 20 years
Customer relationships	10 years
Computer software	3 years
Capitalised development costs	3 – 5 years

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise lease liabilities, loans and borrowings and trade and other payables (excluding employee benefits, deferred and contingent consideration arising from acquisition of a subsidiary measured at FVTPL).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

(iii) Derecognition

Financial assets

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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control over the transferred asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) 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 (treasury shares)

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 treasury shares and are presented in the reserve for own shares account. When treasury 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 equity reserve.

(vii) 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to measure loss allowances at an amount equal to lifetime ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts (FGC). Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(i) ***Non-derivative financial assets and contract assets*** (continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise; or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty.

Presentation of loss allowance for ECLs in the balance sheet

Loss allowance for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) ***Non-financial assets***

The carrying amounts of the Group's non-financial assets other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. 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 estimated 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 CGUs. 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (continued)

(ii) Non-financial assets (continued)

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.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, except for leasehold property. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of items segregated for specific projects and equipment are assigned using specific identification of their individual costs. All other inventories are determined using the weighted average cost formula.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production 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 estimated costs necessary to make the sale.

3.9 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

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.

Site restoration

In accordance with the applicable terms and conditions in the lease agreement, a provision for site restoration in respect of the leased premises, and the related expenses, were recognised at the date of inception of the lease.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Tax

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.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

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 reporting date, 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 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.

Deferred tax asset are recognised for unused tax losses, unused 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. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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 Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group 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. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

3.12 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in statement of comprehensive income as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as "other income" on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

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 related 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 payment transactions

The grant date fair value of equity-settled 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 performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in profit or loss, using the effective interest method.

Finance costs comprise unwinding of the discount on provision for site restoration and interest expense on borrowings and leases 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 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.

The weighted average number of ordinary shares outstanding during the year and for all years presented are adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

3.16 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 (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's 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 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.

3.17 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- SFRS(I) *17 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current (Amendments to SFRS(I) 1-1)*
- *Covid-19 Related Rent Concessions (Amendment to SFRS(I) 16)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 10 and SFRS(I) 1-28)*

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles $'000	Furniture and fittings $'000	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Group						
Cost						
At 1 January 2019	144	535	7,590	2,520	9,051	19,840
Additions	–	42	862	219	1,313	2,436
Disposals	–	–	–	(2)	(133)	(135)
Translation adjustment	(2)	(5)	(76)	(21)	(111)	(215)
At 31 December 2019	142	572	8,376	2,716	10,120	21,926
Additions	–	246	1,152	587	1,258	3,243
Acquisition through business combination (note 8)	–	54	128	21	416	619
Disposals	(6)	(2)	–	(54)	–	(62)
Translation adjustment	4	(8)	(206)	(49)	31	(228)
At 31 December 2020	140	862	9,450	3,221	11,825	25,498
Accumulated depreciation and impairment losses						
At 1 January 2019	54	320	5,294	1,638	6,809	14,115
Depreciation charge for the year	20	33	596	468	572	1,689
Disposals	–	–	–	(2)	(133)	(135)
Translation adjustment	(1)	(3)	(49)	(14)	(68)	(135)
At 31 December 2019	73	350	5,841	2,090	7,180	15,534
Depreciation charge for the year	15	51	812	532	675	2,085
Disposals	(6)	(2)	–	(54)	–	(62)
Translation adjustment	1	(5)	(146)	(40)	4	(186)
At 31 December 2020	83	394	6,507	2,528	7,859	17,371
Carrying amounts						
At 1 January 2019	90	215	2,296	882	2,242	5,725
At 31 December 2019	69	222	2,535	626	2,940	6,392
At 31 December 2020	57	468	2,943	693	3,966	8,127

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Renovation and installation $'000	Computers $'000	Plant and equipment $'000	Total $'000
Company				
Cost				
At 1 January 2019	34	332	8	374
Additions	–	7	13	20
At 31 December 2019	34	339	21	394
Additions	–	11	–	11
At 31 December 2020	34	350	21	405
Accumulated depreciation				
At 1 January 2019	33	316	4	353
Depreciation charge for the year	1	7	2	10
At 31 December 2019	34	323	6	363
Depreciation charge for the year	–	11	2	13
At 31 December 2020	34	334	8	376
Carrying amounts				
At 1 January 2019	1	16	4	21
At 31 December 2019	–	16	15	31
At 31 December 2020	–	16	13	29

5 RIGHT-OF-USE ASSETS

Information about leases for which the Group is a lessee is presented below.

	Leasehold property 2020 $'000	Leasehold property 2019 $'000
Balance at 1 January	2,051	3,390
Depreciation charge for the year	(4,060)	(2,739)
Additions to right-of-use assets	11,518	1,400
Balance at 31 December	9,509	2,051

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS

	Goodwill $'000	Technology $'000	Customer relationships $'000	Computer software $'000	Development costs $'000	Other $'000	Total $'000
Group							
Cost							
At 1 January 2019	5,994	7,830	2,300	4,155	475	5	20,759
Additions	–	–	–	315	515	43	873
Translation adjustment	(12)	(18)	(3)	(19)	(2)	–	(54)
At 31 December 2019	5,982	7,812	2,297	4,451	988	48	21,578
Additions	–	–	–	889	1,055	51	1,995
Acquisition through business combination	23,318	2,842	1,164	–	2,331	292	29,947
Translation adjustment	(50)	(28)	(9)	(75)	175	5	18
At 31 December 2020	29,250	10,626	3,452	5,265	4,549	396	53,538
Accumulated amortisation							
At 1 January 2019	–	207	198	2,635	–	2	3,042
Amortisation charge for the year	–	616	300	697	29	6	1,648
Translation adjustment	–	(10)	(2)	(6)	1	–	(17)
At 31 December 2019	–	813	496	3,326	30	8	4,673
Amortisation charge for the year	–	464	221	873	692	20	2,270
Translation adjustment	–	(8)	(3)	(61)	21	–	(51)
At 31 December 2020	–	1,269	714	4,138	743	28	6,892
Carrying amounts							
At 1 January 2019	5,994	7,623	2,102	1,520	475	3	17,717
At 31 December 2019	5,982	6,999	1,801	1,125	958	40	16,905
At 31 December 2020	29,250	9,357	2,738	1,127	3,806	368	46,646

	Computer software $'000
Company	
Cost	
At 1 January 2019 and 31 December 2019 and 31 December 2020	1,190
Accumulated amortisation	
At 1 January 2019 and 31 December 2019 and 31 December 2020	1,190
Carrying amounts	
At 1 January 2019 and 31 December 2019 and 31 December 2020	–

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS (CONTINUED)

Impairment testing for CGUs containing Goodwill

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	Group	
	2020	2019
	$'000	$'000
– Equipment systems solutions (ESS)	14,487	–
– System Level Test & Inspection (SLT-i)	8,831	–
– Micro-Electro-Mechanical Systems (MEMS) testing solutions	4,314	4,364
– Machine vision solutions	388	388
– Test and measurement solutions (TMS)	1,230	1,230
	29,250	5,982

Equipment systems solutions and System Level Test & Inspection

Goodwill was recognised from the acquisition of three new subsidiaries during the year as the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. The key assumptions to determine the fair values are described in note 8.

At 31 December 2020, management performed an impairment assessment on the goodwill arising from the acquisition of the three new subsidiaries. In ascertaining the recoverable amount of the respective CGUs, management was of the view that the total consideration amounting to $32,309,000 was representative of the fair value less costs to sell, adjusted for any changes in value arising from factors since acquisition, given that there were no significant change in the fair value.

In this context, the recoverable amount approximates the carrying amount as at 31 December 2020 and accordingly, no impairment loss was recorded on the goodwill of $23,318,000.

MEMS testing solutions

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

	2020	2019
	%	%
Group		
Pre-tax discount rate	14.4	12.2
Terminal value growth rate	2.8	2.7
EBITDA margin	4.0 to 16.0	-1.0 to 11.0

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

In 2020, the estimated recoverable amount of the CGU exceeded its carrying amount by approximately $13,948,000 (2019: $9,448,000) and no impairment was recorded.

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS (CONTINUED)

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

Test and measurement solutions

The recoverable amount of this CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

Group	2020 %	2019 %
Pre-tax discount rate	8.8	14.6
Terminal value growth rate	3.0	2.2
EBITDA margin	5.0 to 9.0	-36.0 to 18.0

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $8,218,000 (2019: $3,793,000) and no impairment was recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

7 INTERESTS IN SUBSIDIARIES

	Company	
	2020 $'000	2019 $'000
Investment in subsidiaries – Unquoted equity shares, at cost	42,541	27,067
Interest in subsidiary – Loan	731	–
Allowance for impairment	(286)	(286)
	42,986	26,781

Interest in subsidiary pertains to a loan given to a subsidiary upon acquisition in exchange for control of the subsidiary (see note 8).

The Group carried out a review of the recoverable amounts of its investments in subsidiaries based on the performance of the subsidiaries, including the investments in Afore Oy and InspiRain Technologies Pte. Ltd. which relates to the MEMS and TMS segments respectively (see note 6).

The recoverable amount estimated based on value in use, exceeded the carrying value of these investments. Based on the assessment, no impairment loss was recognised for the investments in subsidiaries in 2020 (2019: nil).

Impairment losses of $286,000 pertain to an inactive subsidiary that remained inactive during the year. Hence, no reversal of impairment was necessary.

NOTES TO THE FINANCIAL STATEMENTS

7 INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group 2020 %	2019 %
AEM Singapore Pte. Ltd.[1*]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Singapore	100	100
AEM Microtronics (M) Sdn. Bhd.[2#]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	100	100
AEM International (US) Ltd.[3#]	Engineering services	United States of America	100	100
Tianjin Ever Technologies Co., Ltd.[4#]	Inactive	People's Republic of China	100	100
AEM China (S) Pte. Ltd.[4]	Inactive	Singapore	100	100
InspiRain Technologies Pte. Ltd.[4]	Inactive	Singapore	100	100
AEM Microtronics (Suzhou) Co. Ltd.[5]	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	100	100
Afore Oy[2]	Micro-Electro-Mechanical Systems test solutions provider	Finland	100	100
IRIS Solution Pte. Ltd.[1]	Research, development, and integration of advance machine vision solutions to manufacturers	Singapore	100	100
Mu-TEST[6]	Provides full test solutions for medium and high-end integrated circuits	France	100[+]	–
DB Design Group, Inc.[3]	Design services and manufacturing of handler change kits, tester interfaces, test handlers and related tooling parts and thermal solutions	United States of America	100[+]	–
AEM Costa Rica Limited[3#]	Engineering services	Republic of Costa Rica	100[^]	–
Wavem US Inc.[3#]	Investment holding	United States of America	100[^]	–
Lattice Innovation, Inc.[3@]	Provides a highly differentiated technology offering in the thermal control space, with exceptional simulation, design, and process knowledge	United States of America	100[+]	–

NOTES TO THE FINANCIAL STATEMENTS

7 INTERESTS IN SUBSIDIARIES (CONTINUED)

KPMG Singapore is the auditor of the significant subsidiary and all Singapore-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] Audit is not required.
[4] Inactive and audit is not required.
[5] Audited by Suzhou Deheng Certified Public Accountants.
[6] Audited by Arthaud & Associates, France.
[#] Held by AEM Singapore Pte. Ltd.
[@] Held by Wavem US Inc.
* Significant subsidiary as defined under the SGX Listing Manual.
[+] In March, July and December 2020, the Group acquired Mu-TEST, DB Design Group, Inc. and Lattice Innovation, Inc. respectively.
[^] In September and November 2020, the Group incorporated AEM Costa Rica Limited and Wavem US Inc. respectively.

8 ACQUISITION OF SUBSIDIARIES

Acquisitions in 2020

On 20 March 2020 and 21 July 2020, the Group acquired 100% of the shares and voting interests in Mu-TEST ("Mu-Test") and DB Design Group, Inc ("DB Design"), obtaining control of Mu-Test and DB Design respectively.

On 24 November 2020 and 6 December 2020 respectively, the Group acquired 47.7% and the remaining 52.3% of the shares and voting interests in Lattice Innovation, Inc., ("Lattice"), obtaining control of Lattice.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Mu-Test, DB Design and Lattice are inputs (registered offices, factories, technology, inventories and customer relationships), production processes and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired sets constitutes a business.

Taking control of Mu-Test, DB Design and Lattice enables the Group to enhance its product range and services that the Group can offer to semiconductors and industrial sections. The acquisitions are expected to yield significant business synergies for the Group.

For the nine months ended 31 December 2020, Mu-Test contributed revenue of $2,329,000 and loss of $987,000 to the Group's results. For six months ended 31 December 2020, DB Design contributed revenue of $1,719,000 and loss of $250,000 to the Group's results. For one month ended 31 December 2020, Lattice contributed revenue of $437,000 and net profit of $100,000 to the Group's results.

If the acquisitions had occurred on 1 January 2020, management estimates that the consolidated revenue would have been $526,362,000 and net profit of $97,913,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

8 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2020 (continued)

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration:

	Note	Acquisition of: Mu-Test $'000	DB Design $'000	Lattice $'000	Total $'000
Equity shares issued (263,000 ordinary shares)	13	–	708	–	708
Deferred consideration		–	160	1,396	1,556
Contingent consideration		2,975	–	–	2,975
Cash		9,783	2,592	14,695	27,070
Total consideration		12,758	3,460	16,091	32,309

Net cash outflow

	Acquisition of: Mu-Test $'000	DB Design $'000	Lattice $'000	Total $'000
Cash consideration paid	9,783	2,592	14,695	27,070
Cash in acquired company	(896)	(196)	(773)	(1,865)
Total net cash outflow	8,887	2,396	13,922	25,205

Equity shares issued

The weighted average fair value of ordinary shares issued of $2.69 per share was based on the listed share price of the Company at 17 September 2020, as part of the consideration paid for acquisition of DB Design.

Deferred consideration

Deferred consideration comprise cash consideration that will be paid to the selling shareholders one year after the acquisition of the respective subsidiaries.

Contingent consideration

Contingent consideration comprise consideration payable in cash or shares at the selling shareholders' discretion. The Group has agreed to transfer the selling shareholders an earnout payment over a three year period from the date of acquisition if certain milestones are met, which includes the development of new products, expansion into specific markets and revenue targets.

Acquisition-related costs

The Group incurred acquisition-related costs of $749,000 (2019: $nil) on legal fees and due diligence costs for the above acquisitions. These costs have been included in 'legal and professional fees' within the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

8 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2020 (continued)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	Acquisition of: Mu-Test	DB Design	Lattice	Total
		$'000	$'000	$'000	$'000
Property, plant and equipment	4	199	375	45	619
Intangible assets	6	2,634	1,596	2,399	6,629
Cash		896	196	773	1,865
Inventories		1,354	262	257	1,873
Trade and other receivables		1,362	665	1,134	3,161
Net deferred tax liabilities	17	(293)	(475)	(624)	(1,392)
Trade and other payables		(849)	(479)	(516)	(1,844)
Contract Liabilities		(474)	–	–	(474)
Financial liabilities		(902)	(544)	–	(1,446)
Total identifiable net assets		3,927	1,596	3,468	8,991

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
Intangible assets	
– Technology	Relief-from-royalty method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.
– Customer relationships	Multi-period excess earnings method: The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
– Development costs	Cost approach: The cost approach considers the costs required to reproduce the intangible asset and a developer's profit mark-up.

The trade and other receivables comprise gross contractual amounts of $3,161,000, all of which are expected to be collectible.

Fair values measured on a provisional basis

Other than Lattice, the accounting for business combination for the acquisitions of Mu-Test and DB Design has been completed. The fair value of Lattice's intangible assets (technology) has been determined provisionally pending completion of an independent valuation. A provisional amount has been recognised and the Group will continue to review the valuation during the measurement period.

If new information obtained within one year from the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

NOTES TO THE FINANCIAL STATEMENTS

8 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisitions in 2020 (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Acquisition of:			
	Mu-Test	DB Design	Lattice	Total
	$'000	$'000	$'000	$'000
Total consideration	12,758	3,460	16,091	32,309
Fair value of identifiable net assets	(3,927)	(1,596)	(3,468)	(8,991)
Goodwill	8,831	1,864	12,623	23,318

The goodwill is attributable mainly to skills and technical talent of the work force and synergies expected to be achieved from integrating the companies into the Group's existing business.

None of the goodwill recognised is expected to be deductible for tax purposes.

Acquisitions in 2019

There were no acquisitions in 2019.

9 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Unquoted shares	4,680	4,572	4,667	4,667

Details of associate are as follows:

Name of associate	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group	
			2020	2019
			%	%
Novoflex Pte Ltd[1] ("Novoflex")	Investment holding company with full control of Smartflex Technology Pte Ltd, a leading outsourced assembly & test company for smart card modules used in banking and Smartflex Innovation Pte Ltd, a company that has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking	Singapore	21.2	21.2

1 Audited by Ernst & Young Singapore

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENT IN AN ASSOCIATE (CONTINUED)

The following summarises the financial information of the Group's associate based on Novoflex's consolidated financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	2020 $'000	2019 $'000
Revenue	31,371	54,873
Profit after tax	938	2,176
Total comprehensive profit	938	2,176
Attributable to investee's shareholders	938	2,176
Non-current assets	18,930	22,124
Current assets	20,537	35,168
Non-current liabilities	(8,682)	(7,187)
Current liabilities	(8,700)	(28,529)
Net assets	22,085	21,576
Attributable to investee's shareholders	22,085	21,576
Group's interest in net assets of investee at beginning of the year	4,572	4,153
Group's share of:		
- profit after tax	199	461
Total comprehensive income	199	461
Translation adjustment	(91)	(42)
Carrying amount of interest in investee at end of the year	4,680	4,572

10 INVENTORIES

	Group	
	2020 $'000	2019 $'000
Raw materials	29,637	17,892
Work-in-progress	45,056	34,348
Finished goods	4,363	4,699
Goods in-transit	620	540
	79,676	57,479

Stock obsolescence is estimated based on future customer demands. Inventories have been reduced by $76,000 (2019: $311,000) as a result of the write-down to net realisable value. The write-downs are included in "changes in inventories of finished goods and work-in-progress" within the statement of comprehensive income.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	42,361	23,531	–	–
Other receivables	3,281	2,789	–	–
Amounts due from subsidiaries:				
– trade	–	–	934	2,786
– non-trade	–	–	8,090	7,441
Deposits	1,295	1,122	5	63
	46,937	27,442	9,029	10,290
Prepayments	634	534	287	402
	47,571	27,976	9,316	10,692

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts due from subsidiaries

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The ECL for these amounts is disclosed in note 27.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 27.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at bank and in hand	134,785	100,889	8,944	7,862
Fixed deposits with banks	–	6,787	–	–
Cash and cash equivalents	134,785	107,676	8,944	7,862

As at 31 December 2020, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.05% (2019: 0.06%). Interest rates are repriced monthly.

13 SHARE CAPITAL

	Number of shares			
	Share capital		Treasury shares	
	2020	2019	2020	2019
	'000	'000	'000	'000
Company				
Issued and fully paid ordinary shares, with no par value:				
At 1 January	273,308	273,308	(3,541)	(4,261)
Purchase of treasury shares	–	–	(1,378)	(1,700)
Issue of treasury shares to management under Performance Share Plan	–	–	1,593	1,287
Exercise of share options	2,456	–	1,657	333
Issued in business combination	263	–	–	–
Issued for settlement of deferred and contingent consideration	836	–	364	800
At 31 December	276,863	273,308	(1,305)	(3,541)

Ordinary shares

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, 2,456,000 ordinary shares (2019: nil) were issued out of the ordinary shares for share options exercised, 263,000 ordinary shares (2019: nil) were issued out of ordinary shares as a result of the acquisition of DB Design (see note 8) and 836,000 ordinary shares (2019: nil) were issued out of ordinary shares for settlement of deferred and contingent consideration relating to acquisition of InspiRain Technologies Pte. Ltd. in 2017.

During the year, the Company purchased 1,378,000 (2019: 1,700,000) of its own ordinary shares from the open market and as at the end of 31 December 2020, the treasury shares balance was 1,305,000 (2019: 3,541,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 275,558,000 (2019: 269,767,000).

NOTES TO THE FINANCIAL STATEMENTS

13 SHARE CAPITAL (CONTINUED)

Treasury shares

During the year, 1,593,000 (2019: 1,287,000) shares were issued out of the treasury shares under the Performance Share Plan, 1,657,000 (2019: 333,000) shares were issued out of the treasury shares for share options exercised and 364,000 shares (2019: 800,000 shares) were issued out of the treasury shares for settlement of deferred and contingent consideration relating to acquisition of InspiRain in 2017.

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 for expansion and growth.

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.

14 RESERVES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Reserve for own shares	(2,012)	(2,632)	(2,012)	(2,632)
Other reserves	5,442	2,148	5,294	1,998
Share compensation reserve	3,288	5,808	3,288	5,808
Currency translation reserve	(6,944)	(2,356)	–	–
	(226)	2,968	6,570	5,174

Reserve for own shares

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

Other reserves

Other reserves comprises accumulated profits transferred by a foreign subsidiary as required by local legislations which can only be distributed upon approval by the relevant authorities and surplus of own shares reissued.

Share compensation reserve

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

Currency translation reserve

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.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES

	Group 2020 $'000	Group 2019 $'000
Non-current liabilities		
Lease liabilities	5,985	527
Unsecured bank loans	325	–
	6,310	527
Current liabilities		
Lease liabilities	3,434	1,681
Unsecured bank loans	1,543	–
	4,977	1,681
Total financial liabilities	11,287	2,208
Maturity of liabilities:		
Within 1 year	4,977	1,681
After 1 year but within 5 years	6,310	527
	11,287	2,208

Lease liabilities

As at 31 December 2020, the lease liabilities include office and warehouse leases. Lease payments are renegotiated every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The total cash outflow for leases recognised in the statement of cash flows is $4,603,000 (2019: $2,984,000).

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	2020 Face value $'000	2020 Carrying amount $'000	2019 Face value $'000	2019 Carrying amount $'000
Group						
Unsecured bank loans	0.50% - 1.00%	2021 – 2023	1,878	1,868	–	–
Lease liabilities	1.76% - 7.09%	2021 – 2029	10,130	9,419	2,274	2,208
			12,008	11,287	2,274	2,208

The Company does not have any borrowings as at 31 December 2020 (2019: nil).

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 27.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 January 2019	156	3,747	3,903
Changes from financing cash flows			
Interest paid	(13)	(116)	(129)
Repayment of borrowings	(157)	–	(157)
Payment of lease liabilities	–	(2,868)	(2,868)
Total changes from financing cash flows	(170)	(2,984)	(3,154)
The effect of changes in foreign exchange rates	1	7	8
Liability-related			
Additions	–	1,322	1,322
Interest expense	13	116	129
Total liability-related other changes	13	1,438	1,451
Balance at 31 December 2019	–	2,208	2,208
Balance at 1 January 2020	–	2,208	2,208
Changes from financing cash flows			
Interest paid	(19)	(173)	(192)
Proceeds from borrowings	973	–	973
Repayment of borrowings	(594)	–	(594)
Payment of lease liabilities	–	(4,430)	(4,430)
Total changes from financing cash flows	360	(4,603)	(4,243)
Changes arising from acquisition of subsidiaries	1,446	–	1,446
The effect of changes in foreign exchange rates	43	(163)	(120)
Liability-related			
Additions	–	11,804	11,804
Interest expense	19	173	192
Total liability-related other changes	19	11,977	11,996
Balance at 31 December 2020	1,868	9,419	11,287

16 TRADE AND OTHER PAYABLES

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade payables	49,427	52,507	–	–
Amount due to subsidiaries (non-trade)	–	–	490	59
Accrued operating expenses	4,041	1,728	664	456
Other payables	10,881	5,808	6,667	4,842
	64,349	60,043	7,821	5,357
Employee benefits	22,359	13,085	4,717	2,468
	86,708	73,128	12,538	7,825
Current	83,658	71,563	9,957	6,260
Non-current	3,050	1,565	2,581	1,565
	86,708	73,128	12,538	7,825

Other payables include deferred cash consideration and contingent consideration relating to the acquisition of subsidiaries during the year of $1,556,000 (2019: $nil) and $2,975,000 (2019: $nil) respectively (see note 8), and contingent consideration relating to the acquisition of subsidiary in 2017 of $2,742,000 (2019: $2,373,000 contingent consideration and $1,594,000 deferred consideration) at the Group and Company level.

NOTES TO THE FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES (CONTINUED)

Consideration relating to acquisition in 2017

The deferred and contingent consideration relating to the acquisition of InspiRain Technologies Pte. Ltd. (InspiRain) in 2017, comprises:

– Deferred cash consideration of $500,000 payable in 2018 and 300,000* shares in tranches of 100,000* shares each over the next three years from 2018 to 2020; and
– Contingent consideration of 400,000* shares in tranches of 100,000* shares each over the next four years from 2018 to 2021 if agreed performance targets are met. Performance targets were revenue exceeding the annual target of between $1,000,000 to $4,000,000 and gross profit margin of at least 30%. In 2019, InspiRain achieved its 2019 target and the fair value of the contingent consideration was remeasured and $1,250,000 was recognised based on the revised forecast of the TMS segment. In 2020, TMS achieved the annual target for 2020 and the second tranche of the contingent consideration pertaining to achieved targets for 2019 was settled. The Group assessed the performance of the TMS segment and believes that the targets will continue to be achieved.

* Number of shares not adjusted for bonus issue on 4 June 2018.

Deferred consideration

The deferred cash consideration of $500,000 was paid in 2018 and the first tranche of deferred share payments pertaining to 2018 with a carrying amount of $330,000 were settled in 2019.

During the year, the remaining two tranches of deferred share payments pertaining to 2019 and 2020 of $1,594,000 were settled. As at 31 December 2020, all deferred consideration relating to InspiRain has been settled.

Contingent consideration

The first tranche of contingent share payments pertaining to 2018 with a carrying amount of $330,000 was settled in 2019.

During the year, the second tranche of contingent share payments pertaining to 2019 with a carrying amount of $868,000 was settled. At 31 December 2020, there are two remaining tranches of contingent consideration with a carrying amount of $2,742,000 (2019: three tranches with carrying amount of $2,373,000) which represents its fair value at reporting date.

Amounts due to subsidiaries

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

Measurement of fair values

The basis of measurement of the fair value of deferred and contingent consideration are disclosed in note 27.

Market and liquidity risks

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 27.

Outstanding balances with related parties are unsecured.

17 DEFERRED TAX

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

	At 1 January 2019 $'000	Recognised in profit or loss (Note 22) $'000	Translation adjustment $'000	At 31 December 2019 $'000	Recognised in profit or loss (Note 22) $'000	Acquired in business (Note 8) $'000	Translation adjustment $'000	At 31 December 2020 $'000
Group								
Deferred tax liabilities								
Property, plant and equipment	25	562	(5)	582	(1)	60	(10)	631
Trade and other payables	(34)	34	–	–	–	–	–	–
Intangible assets	1,886	(240)	3	1,649	(138)	1,111	6	2,628
Right-of-use assets	–	360	(2)	358	1,201	–	(13)	1,546
Others	1	–	–	1	(18)	221	*	204
	1,878	716	(4)	2,590	1,044	1,392	(17)	5,009
Deferred tax assets								
Property, plant and equipment	307	(345)	–	(38)	38	–	–	–
Provisions	(364)	43	(1)	(322)	(104)	–	7	(419)
Trade and other payables	–	(71)	1	(70)	(65)	–	*	(135)
Lease liabilities	–	(394)	3	(391)	(1,172)	–	13	(1,550)
	(57)	(767)	3	(821)	(1,303)	–	20	(2,104)
Company								
Deferred tax assets								
Property, plant and equipment	3	(1)	–	2	2	–	–	4
Deferred tax liabilities								
Provisions	(3)	(18)	–	(21)	(2)	–	–	(23)

* Amount less than $1,000.

NOTES TO THE FINANCIAL STATEMENTS

17 DEFERRED TAX (CONTINUED)

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax liabilities	3,073	1,823	–	–
Deferred tax assets	(168)	(54)	(19)	(19)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the tax losses in the table below, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. 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.

	Group			
	Gross amount	Tax effect	Gross amount	Tax effect
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
Tax losses	1,833	534	473	90

The Company does not have any unrecognised deferred tax assets.

18 PROVISIONS

Group	Warranties $'000	Site restoration $'000
At 1 January 2019	471	426
Provisions made	589	22
Translation adjustment	(6)	(5)
Provisions utilised	(357)	–
Unwind of discount	–	31
At 31 December 2019	697	474
Provisions made	1,410	180
Translation adjustment	(50)	(16)
Provisions utilised	(366)	–
Unwind of discount	–	32
At 31 December 2020	1,691	670

	Group	
	2020	2019
	$'000	$'000
Current	1,490	1,171
Non-current	871	–
	2,361	1,171

NOTES TO THE FINANCIAL STATEMENTS

18 PROVISIONS (CONTINUED)

	Site restoration	
	2020	2019
Company	$'000	$'000
At 1 January	–	18
Provisions reversed	–	(18)
At 31 December	–	–

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

Provision for restoration costs is made in respect of the Group's obligation to carry out the reinstatement work to restore the leased premises to its original condition prior to vacating the premises at the end of the lease term.

19 SHARE-BASED PAYMENT

Description of the share-based payment arrangements

At 31 December 2020, the Group has the following share-based payment arrangements:

Employee share options (equity-settled)

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 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the Committee) comprising the following directors:

- Basil Chan (Chairman)
- Adrian Chan Pengee
- James Toh Ban Leng

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, which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option. Subject to this cap on the discount, the Committee will have the discretion and flexibility to decide the exact quantum of discount for each participant. 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 second 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 2 types of options that may be granted by the Company, namely, (a) Market Price Options and (b) Discount Price Options.

(iv) 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 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.

(v) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE-BASED PAYMENT (CONTINUED)

Performance Share Plan (equity-settled)

The AEM Performance Share Plan 2017 (the Plan) of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017 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.

Measurement of fair values

Employee share options (equity-settled)

The fair value of the employee share options has been measured using the Option Valuation Model. Service and non-market performance conditions attached to the arrangements were applied in the valuation of the options. The inputs used in the measurement of the fair values at grant date of the share options were as follows:

Grant Date	**1 Apr 20**	**7 Oct 19**	**15 Jan 19**	**23 Aug 17**	**27 Feb 17**
Fair value at grant date	$0.620-$0.730	$0.407-$0.483	$0.260-$0.320	$0.148-$0.180	$0.038-$0.045
Share price at grant date	$1.640	$1.140	$0.900	$0.635*	$0.198*
Exercise price	$1.652	$1.142	$0.890	$0.627*	$0.196*
Expected volatility (weighted average)	63.00%	60.00%	50.00%	40.00%	40.00%
Expected life (years)	3-5	3-5	3-5	3-5	3-5
Expected dividend yield	2.65%	2.65%	2.00%	2.45%	2.45%
Risk-free interest rate (based on government bonds)	1.561-1.574	1.561-1.574	1.930-2.000	1.490-1.680	1.386-1.693

* Prices were adjusted for the bonus share issue in June 2018.

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

During the year, the Group recognised $1,161,000 (2019: $1,937,000) expenses for share options granted.

Performance Share Plan (equity-settled)

The weighted average fair value of the shares was $3.63 (2019: $1.17) per share, based on the closing share price of the Company at the grant date (2019: closing share price of the Company at the reporting date).

During the year, the Group recognised the following:

- $699,000 for the second tranche (637,334 of 1,301,000 performance shares granted on 7 October 2019) subsequent to the achievement of the second year target over the three-year performance period from 2019 to 2021; and
- $23,000 for the performance shares granted on 29 September 2020 to an employee.

For the corresponding period in 2019, the Group recognised $2,900,000 for the first tranche, 433,667 of 1,301,000 performance shares granted on 7 October 2019 subsequent to the achievement of the first year target over the three-year performance period from 2019 to 2021 and 1,160,000 performance shares granted on 21 January 2020 for the performance year 2019 to certain key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

19 SHARE-BASED PAYMENT (CONTINUED)

Reconciliation of outstanding share options

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

	Weighted average exercise price 2020 $	No. of options 2020 '000	Weighted average exercise price 2019 $	No. of options 2019 '000
Outstanding at 1 January	0.994	9,226	0.374	920
Granted during the year	1.652	621	1.042	8,639
Exercised during the year	0.838	(4,113)	0.522	(333)
Forfeited during the year	0.779	(66)	–	–
Outstanding at 31 December	1.183	5,668	0.994	9,226
Exercisable at 31 December	1.108	2,498	0.291	587

The options outstanding at 31 December 2020 have an exercise price in the range of $0.627 to $1.652 (2019: $0.196 to $1.142) and a weighted average contractual life of 8.8 years (2019: 9.3 years).

	Group and Company 2020 $'000	2019 $'000
Share compensation reserve		
At 1 January	5,808	2,172
Shares options granted	1,161	1,937
Settlement of share-based payment transactions	(4,403)	(1,201)
Share-based payment transactions	722	2,900
At 31 December	3,288	5,808

Expense recognised in statement of comprehensive income

For details on the related employee benefits expenses, see note 23.

20 REVENUE

	Group 2020 $'000	2019 $'000
Revenue from contracts with customers		
– Sale of goods	489,571	300,376
– Services	29,388	22,754
	518,959	323,130

NOTES TO THE FINANCIAL STATEMENTS

20 REVENUE (CONTINUED)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sale of goods

Nature of goods	Machines, equipment and components
When revenue is recognised	***Machines, equipment and components, excluding prototype machines*** Revenue from the sale of machines, equipment and components are recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied. ***Prototype machines*** The Group has assessed that revenue from the sale of prototype machines qualify for over time revenue recognition as the prototype machines are highly customised and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.
Significant payment terms	***Machines, equipment and components, excluding prototype machines*** Payment is due 30 days upon delivery of the goods to the customers. ***Prototype machines*** Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value for the achievement exceeds payments received from the customer, a contract asset is recognised. Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.
Obligations for warranties	All products come with warranty terms of two years, under which customers are able to return and replace any defective products. The Group reviews its estimate of warranties and records a provision for its obligations for warranties (see note 18).

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. As at 31 December 2020, $1,234,000 (2019: $nil) of costs incurred to fulfil a contract were capitalised.

NOTES TO THE FINANCIAL STATEMENTS

20 REVENUE (CONTINUED)

Services

Nature of services	Field service support and non-recurring engineering services
When revenue is recognised	Revenue is recognised over time as services are being rendered. Where applicable the Group applies the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the Group has a right to consideration from the customers in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.
Significant payment terms	Invoices are issued once services are provided on a monthly or quarterly basis and due within 30 days of invoice date.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is disclosed in note 27 with the Group's reportable segments. The following table disaggregates revenue by the timing of revenue recognition:

	Group	
	2020	**2019**
	$'000	**$'000**
Timing of revenue recognition		
Products transferred at a point in time	489,616	294,451
Products and services transferred over time	29,343	28,679
	518,959	323,130

Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers:

	Group	
	2020	**2019**
	$'000	**$'000**
Contract assets	3,123	4,856
Contract liabilities	(2,806)	(3,688)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on prototype machines. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advanced consideration received from customers for sale of machines.

NOTES TO THE FINANCIAL STATEMENTS

20 REVENUE (CONTINUED)

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	–	–	3,688	2,607
Increases due to cash received, excluding amounts recognised as revenue during the year	–	–	(2,806)	(3,688)
Contract asset reclassified to trade receivables	(4,856)	(3,702)	–	–
Recognition of revenue, net of receivables recognised	3,123	4,856	–	–

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

Transaction price allocated to the remaining performance obligations

There is no revenue (2019: $2,274,000) expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date which is expected to be recognised beyond 2021 (2019: 2020).

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

21 NET FINANCE INCOME

	Group	
	2020	2019
	$'000	$'000
Interest income on fixed deposits	330	260
Other interest income	342	256
Finance income	672	516
Interest expense on lease liabilities	(173)	(116)
Interest expense on unsecured bank loans	(11)	(1)
Interest expense on bank overdraft	(8)	(12)
Unwind of discount on site restoration provision	(32)	(31)
Finance costs	(224)	(160)
Net finance income	448	356

NOTES TO THE FINANCIAL STATEMENTS

22 TAX EXPENSE

	Group 2020 $'000	Group 2019 $'000
Current tax expense		
Current year	16,880	11,298
Overprovision in prior years	(403)	(275)
	16,477	11,023
Deferred tax expense		
Origination and reversal of temporary differences	(177)	(51)
Overprovision in prior years	(82)	–
	(259)	(51)
Total tax expense	16,218	10,972

Reconciliation of effective tax rate

	Group 2020 $'000	Group 2019 $'000
Profit before tax	113,805	63,735
Income tax using Singapore tax rate of 17%	19,347	10,835
Effect of different tax rates in other countries	822	53
Effect of results from equity-accounted investee presented net of tax	(15)	(220)
Tax exempt income	(2,550)	(39)
Tax incentives	(2,538)	(914)
Expenses not deductible for tax purposes	908	1,495
Overprovision in prior years	(485)	(275)
Change in unrecognised temporary differences	5	7
Current year losses for which no deferred tax asset was recognised	534	90
Others	190	(60)
	16,218	10,972

23 PROFIT FOR THE YEAR

The following items have been included in arriving at profit for the year:

	Group 2020 $'000	Group 2019 $'000
Audit fees paid/payable to:		
– auditors of the Company	292	220
– other auditors	65	45
Non-audit fees paid/payable to auditors of the Company	63	29
Allowance for stock obsolescence	76	311
Contributions to defined contribution plans included in staff costs	3,764	2,550
Directors' fees	422	305
Equity-settled share-based payment expenses	1,883	4,837
Remeasurement of deferred and contingent consideration (see note 16)	1,814	2,411
Net foreign exchange loss	803	45
Gain on disposal of property, plant and equipment	–	(23)
Government grant income	(3,250)	(181)
Provision made for:		
– Site restoration	180	22
– Warranties	1,410	589
Research and development costs included in staff costs, materials, overheads and depreciation expense	11,441	8,164

NOTES TO THE FINANCIAL STATEMENTS

23 PROFIT FOR THE YEAR (CONTINUED)

Government grant income

Included in the government grants is $2,283,000 relating to a wage subsidy programme introduced in Singapore in response to the COVID-19 coronavirus pandemic. The grant was recognised in profit or loss in 'other income' as the related wages and salaries for the employees were recognised in 'staff costs' over the period of economic uncertainty as defined under the programme. As at 31 December 2020, $469,000 of deferred income and $197,000 grant receivable are related to this grant.

24 EARNINGS PER SHARE

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2020	**2019**
	$'000	**$'000**
Basic and diluted earnings per share has been based on:		
Profit attributable to ordinary shareholders	97,587	52,763

Weighted average number of ordinary shares

	Group	
	2020	**2019**
	'000	**'000**
Issued ordinary shares at 1 January (excluding treasury shares)	269,767	269,047
Issue of new ordinary shares	3,555	–
Effect of performance shares issued	1,350	1,137
Effect of share options exercised	901	147
Effect of shares issued for settlement of deferred and contingent consideration	327	671
Effect of deferred consideration to be issued	–	800
Effect of own shares held	(959)	(972)
Weighted average number of ordinary shares (basic) during the year	274,941	270,830

Weighted average number of ordinary shares (diluted)

	Group	
	2020	**2019**
	'000	**'000**
Weighted average number of ordinary shares (basic)	274,941	270,830
Effect of share options on issue	2,310	1,054
Effect of performance shares granted but not issued	637	433
Weighted average number of ordinary shares (diluted) during the year	277,888	272,317

At 31 December 2020, 400,000 (2019: 400,000) shares relating to the contingent consideration for the acquisition of InspiRain were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

25 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2020	**2019**
	$'000	**$'000**
Advisory fee paid to a private equity firm of which two directors are shareholders and partners	240	233

Key management personnel 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.

Key management personnel compensation comprised:

	Group	
	2020	**2019**
	$'000	**$'000**
Short-term employee benefits	6,945	5,346
Share-based payment	1,660	2,424
Post-employment benefits	176	115
	8,781	7,885

During the year, management had reviewed the list of employees included as key management personnel which resulted in a smaller group of employees identified as key management personnel. Accordingly, comparatives were restated to reflect the compensation on the same basis.

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:

- Equipment systems solutions (ESS)

  Providing customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories.

- System Level Test & Inspection (SLT-i)

  Providing solutions that bridge the growing gap between user applications and standard ATE coverage with complex IC designs and advanced packaging techniques. It enables testing complex devices in their real end-user environment including extreme temperature range.

- Micro-Electro-Mechanical Systems (MEMS)

  Provides test solutions for Micro-Electro-Mechanical Systems and special wafer probing needs ranging from the R&D phase to high volume production and system-level testing which enables manufacturers to achieve the lowest cost-of-test, reduced time to market, effective process cycle, accurate stimulus, and high production yields.

- Test and Measurement Solutions (TMS)

  Engages in the research, development, and production of advanced communications and industrial test solutions.

- Others

  Non allocated, dormant companies and other activities.

NOTES TO THE FINANCIAL STATEMENTS

26 SEGMENT INFORMATION (CONTINUED)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after 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:

	ESS $'000	SLT-i $'000	MEMS $'000	TMS $'000	Others $'000	Total $'000
2020						
Revenue	501,277	7,772	5,886	4,024	–	518,959
Depreciation and amortisation	(6,461)	(1,066)	(178)	(128)	(582)	(8,415)
Finance income	671	1	–	–	–	672
Finance costs	(203)	(12)	(8)	(1)	–	(224)
Tax (expense)/credit	(17,148)	766	16	63	85	(16,218)
Share of gain of equity-accounted investee	–	–	–	–	199	199
Profit/(loss) for the year	101,930	(614)	(69)	(1,548)	(2,112)	97,587
Reportable segment assets	258,430	28,919	20,874	4,307	22,989	335,519
Reportable segment liabilities	94,404	7,708	6,501	475	15,001	124,089
Other segment information						
Equity-accounted investee	–	–	–	–	4,680	4,680
Expenditure for non-current assets	3,211	1,652	310	65	–	5,238
Other material non-cash items:						
– Allowance made for stock obsolescence	(76)	–	–	–	–	(76)
– Remeasurement of deferred and contingent consideration in relation to the acquisition of InspiRain	–	–	–	–	(1,814)	(1,814)

NOTES TO THE FINANCIAL STATEMENTS

26 SEGMENT INFORMATION (CONTINUED)

	ESS $'000	SLT-i $'000	MEMS $'000	TMS $'000	Others $'000	Total $'000
2019						
Revenue	307,932	4,889	7,394	2,915	–	323,130
Depreciation and amortisation	(4,700)	(179)	(153)	(69)	(975)	(6,076)
Finance income	515	1	–	–	–	516
Finance costs	(147)	–	(13)	–	–	(160)
Tax (expense)/credit	(11,242)	(411)	(18)	448	251	(10,972)
Share of gain of equity-accounted investee	–	–	–	–	461	461
Profit/(loss) for the year	57,305	548	(301)	(2,115)	(2,674)	52,763
Reportable segment assets	191,325	4,346	9,266	2,449	20,575	227,961
Reportable segment liabilities	81,413	2,123	7,503	554	2,032	93,625
Other segment information						
Equity-accounted investee	–	–	–	–	4,572	4,572
Expenditure for non-current assets	2,431	24	836	18	–	3,309
Other material non-cash items:						
– Allowance made for stock obsolescence	(311)	–	–	–	–	(311)
– Remeasurement of deferred and contingent consideration in relation to the acquisition of InspiRain	–	–	–	–	(2,411)	(2,411)

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.

	2020		2019	
	Revenue $'000	Non-current assets $'000	Revenue $'000	Non-current assets $'000
Singapore	3,417	46,405	2,759	19,191
Malaysia	140,787	3,850	102,124	1,588
China	68,504	410	51,782	323
USA	58,295	5,408	49,837	4
Vietnam	140,460	–	78,152	–
Israel	6,834	–	3,683	–
Finland	4,210	8,443	2,741	8,868
Japan	1,094	–	2,937	–
France	1,500	4,323	24	–
United Kingdom	1,225	–	1,713	–
Costa Rica	90,853	290	24,464	–
Other countries	1,780	–	2,914	–
	518,959	69,129	323,130	29,974

Major customers

Revenue from one customer of the Group's ESS segment represents approximately $493,595,000 (2019: $303,246,000) of the Group's total revenues.

NOTES TO THE FINANCIAL STATEMENTS

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 and Risk Management 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 and Risk Management 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 and Risk Management Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

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.

Trade and other receivables (excluding deposits and prepayments) and contract assets

The Group's most significant customer has been transacting with the Group for many years, and none of the customer's balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including industry, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

At the reporting date, the Group's most significant customer accounted for 85% (2019: 85%) of total trade receivables of the Group. There is no other concentration of credit risk at the Group level. There is no concentration of customers' credit risk at the Company level.

The following table provides information about the exposure to credit risk for trade and other receivables (excluding deposits and prepayments) and contract assets:

	Gross and net carrying amount	
	2020	**2019**
Group	**$'000**	**$'000**
Trade receivables	42,361	23,531
Other receivables	3,281	2,789
Contract assets	3,123	4,856
	48,765	31,176

There was no impairment loss recognised on trade and other receivables and contract assets in 2020 and 2019 as the amount of ECL on these balances is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Company	Credit impaired	Gross $'000	Loss allowance $'000	Net carrying amount $'000
31 December 2020				
Amounts due from subsidiaries:				
– Trade	No	934	–	934
– Trade	Yes	226	(226)	–
– Non-trade	No	8,090	–	8,090
– Non-trade	Yes	1,294	(1,294)	–
		10,544	(1,520)	9,024
31 December 2019				
Amounts due from subsidiaries:				
– Trade	No	2,786	–	2,786
– Trade	Yes	126	(126)	–
– Non-trade	No	7,441	–	7,441
– Non-trade	Yes	1,294	(1,294)	–
		11,647	(1,420)	10,227

Movements in allowance for impairment in respect of amounts due from subsidiaries

The movement in the allowance for impairment in respect of amounts due from subsidiaries during the year was as follows:

Company	2020 $'000	2019 $'000
Balance at 1 January	1,420	1,321
Impairment loss recognised	100	99
Balance at 31 December	1,520	1,420

During the year, the Company recognised an impairment of $100,000 (2019: $99,000) on an amount due from a subsidiary as the subsidiary continued to incur losses for the year.

Non-trade amounts due from subsidiaries

The Company held non-trade receivables from its subsidiaries of $8,090,000 (2019: $7,441,000). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. Other than credit-impaired balances, the amount of the allowance on the remaining balances is insignificant.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $134,785,000 and $8,944,000, respectively at 31 December 2020 (2019: $107,676,000 and $7,862,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to A2, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured using the general expected loss approach where loss allowance equal to 12-month expected credit losses. An ECL rate is calculated for based on probabilities of default and loss given default. Probabilities of default are based on historical data supplied by Moody's for each credit rating. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

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.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

Group	Carrying amount $'000	Cash flows Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
31 December 2020					
Lease liabilities	9,419	(10,130)	(3,717)	(5,703)	(710)
Unsecured bank loans	1,868	(1,878)	(1,541)	(337)	–
Trade and other payables	64,349	(64,393)	(61,299)	(3,094)	–
	75,636	(76,401)	(66,557)	(9,134)	(710)
31 December 2019					
Lease liabilities	2,208	(2,274)	(1,737)	(537)	–
Trade and other payables	60,043	(60,043)	(58,478)	(1,565)	–
	62,251	(62,317)	(60,215)	(2,102)	–

Company	Carrying amount $'000	Cash flows Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
31 December 2020					
Trade and other payables	7,821	(7,865)	(5,240)	(2,625)	–
31 December 2019					
Trade and other payables	5,357	(5,357)	(3,792)	(1,565)	–

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk

(a) Foreign currency risk of reporting subsidiaries

The functional currency of the Group's key operating subsidiary is in US dollar (USD) as the sales revenues are mostly denominated in the US dollar. This subsidiary accounts for a substantial proportion of the Group's revenue and has transactional currency exposures arising from materials purchases and local operating overheads that are denominated in currencies other than US dollar. 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 key operating subsidiary 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 subsidiary.

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.

(b) Foreign currency risk of the Group and Company

The Group's and Company's primary exposure to foreign currency risks are as follows:

	2020		2019	
	SGD	**USD**	**SGD**	**USD**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Trade and other receivables	623	211	2,914	73
Cash and cash equivalents	27,334	472	2,223	532
Trade and other payables	(22,897)	(167)	(21,146)	(71)
	5,060	516	(16,009)	534
Company				
Cash and cash equivalents	–	92	–	45

Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) 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 2019.

	Group		Company	
	Profit or loss		**Profit or loss**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
SGD	(506)	1,601	–	–
USD	(52)	(53)	(9)	(5)

A 10% weakening of the Group's major functional currencies 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 (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

(c) *Translation risk arising from reporting of Group consolidated results in SGD*

The Group reports its consolidated results in SGD. 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 are primarily the US dollar and secondarily the Malaysian Ringgit (MYR), Chinese Renminbi (RMB) and Euro (EUR). The Group does not hedge its foreign currency consolidation translation exposure.

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

	Group	
	2020	**2019**
Net assets	**$'000**	**$'000**
USD	162,675	105,673
MYR	10,751	2,550
RMB	1,483	2,052
EUR	10,751	6,607

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would decrease net assets 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 2019.

	Group	
	2020	**2019**
	$'000	**$'000**
USD (10% strengthening)	(16,268)	(10,567)
MYR (10% strengthening)	(1,075)	(255)
RMB (10% strengthening)	(148)	(205)
EUR (10% strengthening)	(1,075)	(661)

Interest rate risk

The Group and Company does not have any significant financial instruments with variable interest rates as at 31 December 2020 (2019: nil). Hence, interest rate risk is insignificant for the Group and Company.

Accounting classification and fair values

Other than deferred and contingent consideration that is classified as mandatorily at FVTPL and measured at fair value, all of the Group's and Company's financial assets and financial liabilities are classified as financial assets measured at amortised cost and other financial liabilities at amortised cost respectively.

Other than the measurement of the fair value of deferred and contingent consideration as described below, 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.

Measurement of fair value

Deferred consideration

Deferred consideration of $1,556,000 (2019: $1,594,000) is measured based on the present value of the cash consideration (2019: at fair value (Level 1) based on the Company's share price as at the reporting date).

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting classification and fair values (continued)

Measurement of fair value (continued)

Contingent consideration

Contingent consideration of $5,717,000 (2019: $2,373,000) is measured at fair value (Level 3). The following table shows the valuation technique used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group and Company Contingent consideration	Discounted cash flow: The fair value is estimated considering (i) quoted prices for the Group's listed securities and (ii) the probability of achieving targets for the remaining years based on the present value of expected future cash flows from the test and measurement solutions segment, discounted using a risk-adjusted discount rate.	• Expected cash flows • Probability of achieving targets *See note 8 and 16.*	The estimated fair value would decrease if the expected cash flows were lower, resulting in the targets not achieved.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	2,373	1,250	2,373	1,250
Payment of shares consideration	(868)	(330)	(868)	(330)
Remeasurement of contingent consideration	1,237	1,453	1,237	1,453
Recognition of contingent consideration relating to acquisition during the year	2,975	–	2,975	–
At 31 December	5,717	2,373	5,717	2,373

28 OFFSETTING FINANCIAL INSTRUMENTS

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's and the Company's statements of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

28 OFFSETTING FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements:

Company	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments presented in the statement of financial position $'000
31 December 2020			
Financial assets			
Amounts due from subsidiaries:			
– trade	934	–	934
– non-trade	8,090	–	8,090
Total	9,024	–	9,024
Financial liabilities			
Amount due to subsidiaries (non-trade)	490	–	490
31 December 2019			
Financial assets			
Amounts due from subsidiaries:			
– trade	2,786	–	2,786
– non-trade	7,441	–	7,441
Total	10,227	–	10,227
Financial liabilities			
Amount due to subsidiaries (non-trade)	59	–	59

There are no financial assets and liabilities that are offset in the Group's statement of financial position; or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- amounts due from subsidiaries – amortised cost
- amounts due to subsidiaries – amortised cost

The amounts in the above tables that are offset in the statements of financial position are measured on the same basis.

NOTES TO THE FINANCIAL STATEMENTS

29 SUBSEQUENT EVENTS

(a) The Board of Directors of the Group has recommended a final tax exempt one-tier dividend of 4.0 cents per share for the year. The total amount of dividends expected to be paid is $11,022,000. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 31 May 2021.

(b) On 11 January 2021, the Board of Directors announced the proposed Pre-Conditional Voluntary Offer for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited.

On 15 February 2021, PricewaterhouseCoopers Corporate Finance Pte Ltd for and on behalf of AEM Singapore Pte. Ltd. announced its intention to make a voluntary conditional offer for all the issued and paid-up ordinary shares (excluding any shares held in treasury) in the capital of CEI Limited.

On 3 March 2021, PricewaterhouseCoopers Corporate Finance Pte Ltd for and on behalf of AEM Singapore Pte. Ltd. announced that the Notification containing the address and instructions for the electronic retrieval of the offer document dated 3 March 2021 (the "Offer Document"), which contains the terms and conditions of the Offer, and related documents, together with the accompanying Form of Acceptance and Authorisation for Offer Shares (the "FAA") and/or the Form of Acceptance and Transfer for Offer Shares (the "FAT"), has been despatched to the shareholders of CEI Limited (the "Shareholders") on 3 March 2021 (As stated in the Offer Document, the Offer will close at 5.30 p.m. (Singapore time) on 31 March 2021 or such later date(s) as may be announced from time to time by or on behalf of AEM Singapore Pte. Ltd. (the "Closing Date").

On 19 March 2021, PricewaterhouseCoopers Corporate Finance Pte Ltd for and on behalf of AEM Singapore Pte. Ltd. announced that pursuant to the Offer, valid acceptances in respect of 46,337,681 Shares, which, when taken together with the Shares owned, controlled or agreed to be acquired by AEM Singapore Pte. Ltd. and its Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), resulted in the AEM Singapore Pte. Ltd. and its Concert Parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding Shares held in treasury) and will be consolidated as a subsidiary of the Group.

The Minimum Acceptance Condition of the Offer (as set out in Section 2.7 of the Offer Document) has been satisfied and the Offer has therefore become unconditional in all respects.

In accordance with Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would have closed.

Accordingly, the Closing Date for the Offer be extended to 5.30 p.m. (Singapore time) on 26 April 2021 ("Final Closing Date"), being not less than 14 days after 5.30 p.m. (Singapore time) on 31 March 2021, which was the first closing date of the Offer. As such, the initial accounting for the business combination will only be completed in 2021.

(c) On 5 March 2021, the Group agreed to waive its pre-emption rights under the Constitution of Novoflex Pte Ltd and entered into a deed of accession and amendment with NT SPV 13, to bind the latter to the Shareholders Agreement dated 6 May 2016. Subsequently, NT SPV 13 subscribed for 3,796,507 shares in the share capital of Novoflex Pte Ltd at a total price of US$5,000,000 thereby reducing the Group's shareholding in Novoflex Pte Ltd from 21.2% to 18.1%. Following the reduction in shareholding, the Group will be reassessing the classification of Novoflex Pte Ltd as an associate.

(d) On 12 January 2021, the Group has drawn down $50 million of the $75 million committed revolving credit facility from Malayan Banking Berhad for working capital requirement.

(e) On 15 March 2021, the Group entered into a subscription and shareholders agreement for potential subscription of 3,037,500 shares in the capital of NT Thor Holdings Pte. Ltd. ("NT Thor"), a joint venture holding company which was established by its subsidiary, AEM Singapore Pte. Ltd. and other parties, including Novo Tellus PE Fund 2, L.P. ("NTPEF 2"), through a subscription and shareholders agreement ("SSA").

Under the SSA, AEM Singapore Pte. Ltd. will provide an interest free convertible loan of US$3,037,500 to NT Thor. The full amount of loan will be converted to equity upon fulfilment of certain conditions precedent. Upon the conversion of loan to equity, AEM Singapore Pte. Ltd. will hold a shareholding interest of 7.5% of the total issued shares of NT Thor.

NOTES TO THE FINANCIAL STATEMENTS

29 SUBSEQUENT EVENTS (CONTINUED)

(f) On 1 April 2021, the Company announced the following:

(i) Grant of Award of Ordinary Shares on 7 October 2019 Pursuant to the Transformational Performance Share Award (T-PSA) under the AEM PSP 2017.

Based on the outstanding results of the Company in FY2019 and FY2020, and taking into consideration the former Executive Chairman's contribution to these results, the Board has approved that the number of performance shares to be vested for the former Executive Chairman at the end of Year 2 (FY2020) would be such that the total shares vested under his mega grant is 100% of the Initial Award (841,000 shares), which was granted on 7 October 2019, with 280,333 shares having vested on 1 April 2020 and the remaining 560,667 shares vested on 1 April 2021 (via delivery of existing treasury shares). There will be no further vesting of shares under the Initial Award given that he has stepped down from his executive role at the end of December 2020.

The Board has approved that the number of performance shares to be vested for the former Chief Executive Officer for Year 2 (FY 2020) would be such that the total shares vested under his mega grant is 50% of the Initial Award (460,000 shares), which was granted on 7 October 2019, with 153,334 shares having vested on 1 April 2020 and the remaining 76,666 shares vested on 1 April 2021 (via delivery of existing treasury shares). There will be no further vesting of shares under his Initial Award given that he has stepped down from his role in mid-2020. Accordingly, the award in respect of 230,000 shares will lapse on 1 April 2021.

(ii) Grant of Share Options on 7 October 2019 under the AEM Holdings Share Option Scheme 2014

Based on the outstanding results of the Company in FY2019 and FY2020, and the former Executive Chairman's contribution to these results, the Board has approved that the share options awarded as part of the mega grant for the former Executive Chairman vest out in full over three annual tranches, with the first vesting commencing on the first anniversary of the Date of Grant, and can be exercised up to the end of the contractual life of 10 years from the Date of Grant or at the discretion of the Board upon his ceasing to be a Board member. The total number of Share Options granted on 7 October 2019 remain unchanged at 2,472,000 shares. One-third of the share options (being 824,000 share options) vested on 7 October 2020 and the balance two-thirds will vest on 7 October 2021 and 7 October 2022 respectively.

The Board has determined that in respect of the share options awarded as part of the mega grant for the former Chief Executive Officer, which options were intended to vest out over three annual tranches, with the first vesting commencing on the first anniversary of the Date of Grant, the second tranche would be pro-rated for his services rendered to the Company in FY2020 given that he had stepped down from his role in mid-2020 and the third tranche will lapse. Accordingly, the total number of Share Options granted will be reduced from 1,352,000 shares to 676,000 shares. One-third of the share options (being 450,666 share options) vested on 7 October 2020 and the balance 225,334 share options will vest on 7 October 2021. The remaining share options over 676,000 shares will lapse on 1 April 2021. The former CEO can exercise his vested share options anytime up to the end of the original contractual life of 10 years from the Date of Grant or at the discretion of the Board upon his ceasing to be a Board member.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2021

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	33	0.36	1,625	0.00
100 - 1,000	1,984	21.47	1,466,056	0.53
1,001 - 10,000	5,598	60.58	24,326,820	8.83
10,001 - 1,000,000	1,602	17.34	66,773,792	24.23
1,000,001 AND ABOVE	23	0.25	182,989,374	66.41
TOTAL	**9,240**	**100.00**	**275,557,667**	**100.00**

Number of issued shares	: 276,862,980
Number of issued shares (excluding treasury shares)	: 275,557,667
Number/Percentage of Treasury Shares	: 1,305,313 (0.47%)
Class of shares	: ordinary shares
Voting rights	: one vote per share

Based on information available to the Company as at 17 March 2021, approximately 91.96% 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 compiled with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	55,230,909	20.04
2	CITIBANK NOMINEES SINGAPORE PTE LTD	36,116,661	13.11
3	BPSS NOMINEES SINGAPORE (PTE.) LTD.	13,083,731	4.75
4	TOH BAN LENG JAMES	12,225,020	4.44
5	RAFFLES NOMINEES (PTE.) LIMITED	10,566,747	3.83
6	DBSN SERVICES PTE. LTD.	6,941,688	2.52
7	PHILLIP SECURITIES PTE LTD	6,688,357	2.43
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	5,585,200	2.03
9	LOKE WAI SAN	5,444,310	1.98
10	HSBC (SINGAPORE) NOMINEES PTE LTD	4,189,128	1.52
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,800,300	1.38
12	UOB KAY HIAN PRIVATE LIMITED	3,413,900	1.24
13	OCBC SECURITIES PRIVATE LIMITED	2,562,380	0.93
14	A C T HOLDINGS PTE LTD	2,196,772	0.80
15	IFAST FINANCIAL PTE. LTD.	2,123,600	0.77
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,100,797	0.76
17	DB NOMINEES (SINGAPORE) PTE LTD	1,968,100	0.71
18	ONG ENG BOON	1,860,000	0.67
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,601,211	0.58
20	CHOK YEAN HUNG	1,514,467	0.55
	TOTAL	**179,213,278**	**65.04**

SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
James Toh Ban Leng [1]	12,225,020	4.44	2,196,772	0.78

[1] The deemed interest arises as Mr. James Toh Ban Leng is a shareholder of A.C.T. Holdings Pte Ltd which owns 2,196,772 shares in the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 Annual General Meeting (the "**Meeting**") of the Company will be held by way of electronic means on Friday, 30 April 2021 at 3:00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2020 with the Auditors' Report thereon. — Resolution 1

2. To declare a final exempt (one-tier) dividend of 4.0 cents per ordinary share for the year ended 31 December 2020. — Resolution 2

3. To re-elect the following Director retiring pursuant to the Company's Constitution: — Resolution 3

   Mr. Loke Wai San (Regulation 109)

4. To re-elect the following Director retiring pursuant to the Company's Constitution: — Resolution 4

   Mr. James Toh Ban Leng (Regulation 109)

5. To re-elect the following Director retiring pursuant to the Company's Constitution: — Resolution 5

   Mr. Chok Yean Hung (Regulation 119)

6. To approve the Directors' fees of S$648,000 (2019: S$422,000) for the financial year ending 31 December 2021, payable quarterly in arrears. — Resolution 6

7. To approve an additional cash award of S$25,000 for each Non-Executive Director in view of their additional time commitment and heightened governance responsibilities for the financial year ended 31 December 2020 with a total fee pool of S$137,500 to be paid in cash. — Resolution 7

8. To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration. — Resolution 8

AS SPECIAL BUSINESS

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

9. **Proposed Share Issue Mandate** — Resolution 9

   "That pursuant to Section 161 of the Companies Act, Cap. 50. and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (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 during the continuance of this authority or thereafter, 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

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Ordinary 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 Ordinary Resolution is in force,

provided that:

(A) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) 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 shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);

(B) (subject to such manner of 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 percentage of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed, 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, provided the share options or share awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares,

provided further that adjustments in accordance with sub-paragraphs B(i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution;

(C) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(D) unless revoked or varied by the Company in a general meeting, such authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held whichever is earlier."

(See Explanatory Note (i))

NOTICE OF ANNUAL GENERAL MEETING

10. Grant of options and/or awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017 Resolution 10

"That the Directors of the Company be and are hereby authorised to:

(a) grant awards and options in accordance with the provisions of the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 respectively;
(b) allot and issue from time to time such number of fully paid-up ordinary shares as may be required to be delivered pursuant to the vesting of awards under the AEM Performance Share Plan 2017 and/or the exercise of options under the AEM Employee Share Option Scheme 2014;
(c) allot and issue shares pursuant to any awards granted in accordance with the AEM Performance Share Plan 2017 while this Ordinary Resolution was in force (notwithstanding that such issue of shares pursuant to any awards granted may occur after the expiration of the authority contained in this Ordinary Resolution); and
(d) allot and issue shares pursuant to the exercise of any options granted in accordance with the AEM Employee Share Option Scheme 2014 while this Ordinary Resolution was in force (notwithstanding that such issue of shares pursuant to any options granted may occur after the expiration of the authority contained in this Ordinary Resolution),

provided that:

(1) the aggregate number of (i) new ordinary shares allotted and issued and/or to be allotted and issued and (ii) existing ordinary shares (including ordinary shares held in treasury) delivered and/or to be delivered, pursuant to the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 and any other share schemes of the Company then in force, shall not exceed 15% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time;

(2) the aggregate number of new ordinary shares which may be issued and existing ordinary shares (including ordinary shares held in treasury) which may be delivered pursuant to awards and/or options granted under the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 respectively during the period (the "Relevant Year") commencing from this Annual General Meeting and ending on the date 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 the earlier, shall not exceed 1% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time (the "Yearly Limit"); and

(3) if the Yearly Limit is not fully utilised during the Relevant Year, any unutilised portion of the Yearly Limit may be used for the grant of awards under the AEM Performance Share Plan 2017 and of options under the AEM Employee Share Option Scheme 2014 in subsequent years, for the duration of the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 respectively,

and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Exchange Securities Trading Limited.

(See Explanatory Note (ii))

NOTICE OF ANNUAL GENERAL MEETING

11. **Share Purchase Mandate Renewal** Resolution 11

"That:

(a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued and fully paid 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 may, in their absolute discretion, deem 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 Ordinary Resolution and expiring on the earlier of:

(i) the date on which the next AGM of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law to be held; and

(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 Ordinary Resolution:

"Maximum Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) of the Company as at the date of the passing of this Ordinary 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 centum (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 centum (110%) of the Average Closing Price of the Shares.

NOTICE OF ANNUAL GENERAL MEETING

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 during the relevant five-day period and the day of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase; 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))

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

Explanatory Notes:

(i) Ordinary Resolution 6, if passed, will facilitate the Company to make payment of Directors' fees during the financial year in which the fees are incurred. FY2021 Directors' fees had taken into consideration (a) the retainer fees for Non-Executive Chairman and his appointment as Chairman of Strategy Committee and a member of the NC for a total sum of S$132,000, (b) an additional amount of S$32,000 payable to the former CEO as Non-Executive, Non-Independent Director of the Company for the full year of FY2021 (as compared to the half year for FY2020), and (c) a contingency sum of S$60,000 for the appointment of any new additional Directors. Other than the (a), (b) and (c) mentioned above, there is no change in the yearly retainer fees for other Directors.

(ii) The proposed Ordinary Resolution 10 above, if passed, will empower the Directors to take certain actions relating to the AEM Holdings Employee Share Option Scheme 2014 and the AEM Performance Share Plan 2017. Directors may exercise their power to issue and allot shares in the Company and/or transfer existing ordinary shares in the Company pursuant to the exercise of options under the AEM Holdings Employee Share Option Scheme 2014 or the vesting of the awards under the AEM Performance Share Plan 2017, provided that (a) the aggregate number of shares to be issued and allotted and existing shares to be delivered pursuant to the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 and any other share schemes of the Company then in force, shall not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company from time to time, and (b) the aggregate number of shares which may be issued and existing shares which may be delivered pursuant to awards and/or options granted under the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 respectively during the period from the date of the Meeting until the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier, shall not exceed 1% of the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) from time to time (the "Yearly Limit"). If, however, the Yearly Limit is not fully utilised in any given year, the balance of the unutilised Yearly Limit may be used by the Company to make grants of awards and options in subsequent years for the duration of the AEM Performance Share Plan 2017 and the AEM Employee Share Option Scheme 2014 respectively. This authority is in addition to the general authority to issue shares sought under Ordinary Resolution 9.

(iii) The proposed Ordinary Resolution 11 above, if passed, will, unless varied or revoked by the Company in general meeting, empower the Directors of the Company from the date of the Meeting until the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held , whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Ordinary Resolution at a Maximum Price (as defined in Ordinary Resolution 11 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 11 above) is set out in the Letter to Shareholders dated 15 April 2021.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF RECORD DATE AND DISTRIBUTION PAYMENT DATE

As stated in the Notice of Record Date and Distribution Payment Date set out in the Company's announcement dated 25 February 2021, the Company wishes to notify shareholders that the Register of Members and Share Transfer Books of AEM Holdings Ltd. (the "**Company**") will be closed on 17 May 2021 for the purpose of determining members' entitlements to a final exempt (one-tier) dividend of 4.0 cents per ordinary share in respect of the financial year ended 31 December 2020 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the 2021 AGM, will be paid on 31 May 2021.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to the close of business at 5:00 p.m. on 17 May 2021 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5:00 p.m. on 17 May 2021 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final 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

Leong Sook Han
Joint Company Secretary

Date: 15 April 2021

Notes:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company's Letter to Shareholders dated 15 April 2021 which has been uploaded together with this Notice of Annual General Meeting on SGXNet on the same day. The announcement may also be accessed at the URL https://www.aem.com.sg/announcements. For convenience, printed copies of Letter to Shareholders will also be sent by post to shareholders.

   In particular, the Annual General Meeting will be held by way of electronic means and a member will be able to watch the proceedings of the Annual General Meeting through a "live" webcast via his/her/its mobile phones, tablets or computers or listen to these proceedings through a "live" audio feed via telephone. In order to do so, a member who wishes to watch the "live" webcast or listen to the "live" audio feed must pre-register by 3:00 p.m. on 27 April 2021, at URL https://www.aem.com.sg/agm2021. Following authentication of his/her/its status as members, authenticated members will receive email instructions on how to access the webcast and audio feed of the proceedings of the Annual General Meeting by 12:00 p.m. on 29 April 2021.

   A member who pre-registers to watch the "live" webcast or listen to the "live" audio feed may also submit questions related to the resolutions to be tabled for approval at the Annual General Meeting. To do so, all questions must be submitted by 3:00 p.m. on 27 April 2021:

   (a) via the following email address at agm2021@aem.com.sg, with your full name, number of shares held and manner in which you hold shares (via CDP, Scrip, CPF or SRS); or

   (b) in hard copy by sending personally or by post and lodging the same at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

2. A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at srs.teamc@boardroomlimited.com

   in either case, by no later than 3:00 p.m. on 27 April 2021, and in default the instrument of proxy shall not be treated as valid.

5. The instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (such as in the case where the appointor submits more than one instrument of proxy).

7. In the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 3:00 p.m. on 27 April 2021, as certified by The Central Depository (Pte) Limited to the Company.

8. Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") investors should be informed that if they wish to vote, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries at least 7 working days (i.e. by 20 April 2021) before the Annual General Meeting if they wish to vote. Proxy forms appointing such person other than the Chairman of the Meeting shall be deemed to appoint the Chairman of the Meeting as proxy.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

AEM HOLDINGS LTD.
Company Registration No: 200006417D
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Annual General Meeting are set out in the Company's announcement dated 15 April 2021 entitled "Annual General Meeting" which has been uploaded together with the Notice of Annual General Meeting ("**AGM**") dated 15 April 2021 on SGXNet on the same day. This announcement may also be accessed at the URL https://www.aem.com.sg/announcements.
2. A member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
3. For investors (CPFIS Members and SRS Investors) who have used their CPF monies to buy ordinary shares in the capital of the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them. CPF/SRS Investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
4. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 April 2021.
5. Please read the notes to the Proxy Form.

I/We ____

(NRIC/Passport No./Registration No. ____

of____

being a member/members of AEM HOLDINGS LTD. (the "**Company**"), hereby appoint

The Chairman of the Meeting

as my/our proxy to attend and to vote for me/us on my/our behalf at the 2021 Annual General Meeting ("**AGM**") of the Company to be held by way of electronic means on Friday, 30 April 2021 at 3:00 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "**For**" or "**Against**". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "**Abstained**". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "**For**" or "**Against**" or "**Abstained**". In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid.)

No.	Resolutions	For	Against	Abstained
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2020			
2	Approval of Final Dividend			
3	Re-election of Mr. Loke Wai San as Director			
4	Re-election of Mr. James Toh Ban Leng as Director			
5	Re-election of Mr. Chok Yean Hung as Director			
6	Approval of Directors' fees for the year ending 31 December 2021			
7	To approve an additional cash award for each Non-Executive Director in view of their additional time commitment and heightened governance responsibilities for the financial year ended 31 December 2020			
8	Re-appointment of KPMG LLP as Auditors			
9	Proposed Share Issue Mandate			
10	Grant of options and/or shares awards and issue of additional shares pursuant to AEM Holdings Employee Share Option Scheme 2014 and AEM Performance Share Plan 2017			
11	Share Purchase Mandate Renewal			

Dated this ________ day of _______________ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or, Common Seal of Corporate Shareholder

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 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you only 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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).

2. A member will not be able to attend the Annual General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Annual General Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:

   (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at srs.teamc@boardroomlimited.com.

   in either case, by no later than 3:00 p.m. on 27 April 2021, and in default the instrument of proxy shall not be treated as valid.

5. Where an instrument appointing the Chairman of the Meeting as proxy is sent personally or by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing the Chairman of the Meeting as proxy is submitted by email, it must be authorised in the following manner:

   (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or

   (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

   Where an instrument appointing the Chairman of the Meeting as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing the Chairman of the Meeting as proxy, failing which the instrument may be treated as invalid.

6. The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy (including any related attachment) (such as in the case where the appointor submits more than one instrument appointing the Chairman of the Meeting as proxy). In addition, in the case of members 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 as at 3:00 p.m. on 27 April 2021 as certified by The Central Depository (Pte) Limited to the Company.

7. Central Provident Fund ("**CPF**") and Supplementary Retirement Scheme ("**SRS**") investors should be informed that if they wish to vote, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM (i.e. by 20 April 2021). Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries at least 7 working days before the Annual General Meeting if they wish to vote. Proxy forms appointing such person other than the Chairman of the Meeting shall be deemed to appoint the Chairman of the Meeting as proxy.

Personal Data Privacy:
By submitting an instrument appointing the Chairman of the Meeting as proxy, the member(s) accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2021.

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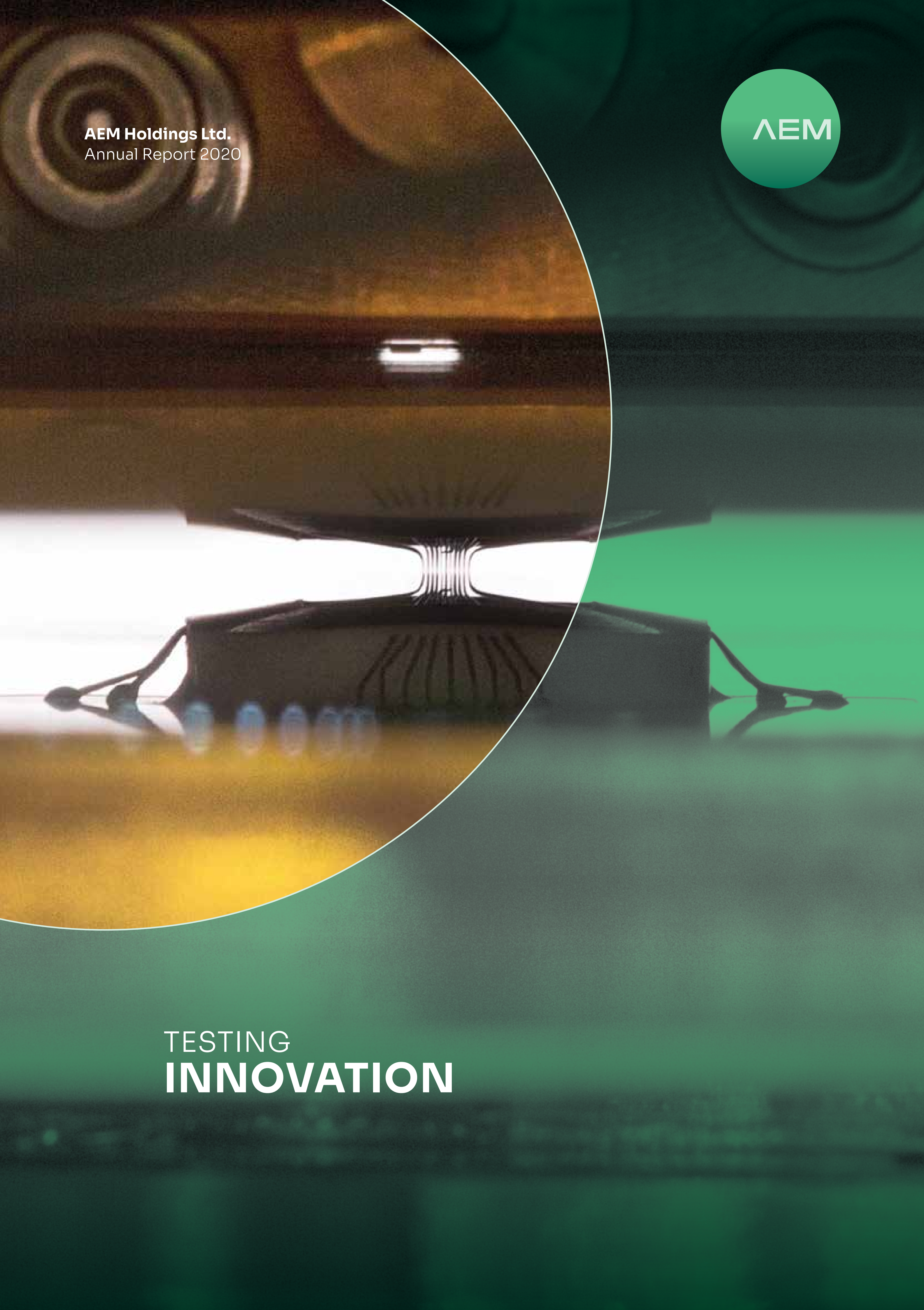

AEM Holdings Ltd.
Annual Report 2020

TESTING
INNOVATION