

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Unaudited Second Quarter and Half Year
Financial Statements and Dividend Announcement
For The Period Ended 30 June 2019**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		2Q2019 S\$'000	2Q2018 S\$'000	Change* %	1H2019 S\$'000	1H2018 S\$'000	Change* %
Revenue		97,919	72,658	34.8%	150,635	138,308	8.9%
Other income		261	269	-3.0%	359	258	39.1%
Changes in inventories of finished goods and work-in-progress	A.2	(794)	9,433	-108.4%	14,832	13,304	11.5%
Raw materials and other consumables	A.2	(61,978)	(59,221)	-4.7%	(110,163)	(106,302)	-3.6%
Staff costs		(11,311)	(8,173)	-38.4%	(19,584)	(16,478)	-18.8%
Depreciation expense		(981)	(263)	-273.0%	(2,062)	(525)	-292.8%
Amortisation of intangible assets		(409)	(77)	-431.2%	(840)	(160)	-425.0%
Operating lease expenses		(509)	(1,066)	52.3%	(872)	(1,944)	55.1%
Legal and professional fees		(373)	(553)	32.5%	(820)	(1,304)	37.1%
Sales and marketing expenses		(2,695)	(1,265)	-113.0%	(4,253)	(2,446)	-73.9%
Other expenses		(147)	(200)	26.5%	(344)	(972)	64.6%
Finance expenses		(44)	(12)	-266.7%	(57)	(17)	-235.3%
Share of gain/ (loss) of equity-accounted investee		45	(11)	509.1%	134	(192)	169.8%
Profit before taxation		18,984	11,519	64.8%	26,965	21,530	25.2%
Income tax expenses		(3,276)	(2,024)	-61.9%	(4,661)	(3,817)	-22.1%
Profit for the period		15,708	9,495	65.4%	22,304	17,713	25.9%

Profit attributable to:

Owners of the Company		15,708	9,495	65.4%	22,304	17,713	25.9%
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* Increase/(Decrease) in Earnings

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

Profit for the period		15,708	9,495	65.4%	22,304	17,713	25.9%
<u>Other comprehensive income</u>							
Foreign currency translation differences		418	1,370	-69.5%	(428)	589	-172.7%
Share of foreign currency translation difference of equity-accounted investee		173	60	188.3%	(43)	(14)	-207.1%
Other comprehensive gain/ (loss) for the period, net of tax		591	1,430	-58.7%	(471)	575	-181.9%
Total comprehensive income for the period		16,299	10,925	49.2%	21,833	18,288	19.4%

Total comprehensive income attributable to:

Owners of the Company		16,299	10,925	49.2%	21,833	18,288	19.4%
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* Increase/(Decrease) in Earnings

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

A.1 Profit for continuing operation is arrived at after crediting/(charging) the following items:

	Note	Quarterly Results			YTD Results		
		2Q2019 S\$'000	2Q2018 S\$'000	Change* %	1H2019 S\$'000	1H2018 S\$'000	Change* %
Government grant income		47	73	-35.6%	131	132	-0.8%
Interest income		112	52	115.4%	199	113	76.1%
Exchange gain/ (loss), net	A.1(a)	93	140	-33.6%	12	(449)	102.7%
Inventory obsolescence reversal /(allowance)	A.1(b)	-	78	-100.0%	(44)	453	-109.7%

* Increase/(Decrease) in Earnings

A.1 (a) Exchange gain in 2Q2019 and 1H2019 arose mainly due to favourable movements in foreign exchange rates between United States dollar and Singapore dollar.

A.1 (b) Allowance for inventory obsolescence of S\$44,000 in 1H2019 was made for slow-moving inventory.

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	2Q2019 S\$'000	2Q2018 S\$'000	Change* %	1H2019 S\$'000	1H2018 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence	(794)	9,355	-108.5%	14,876	12,851	15.8%
Raw materials and consumables cost	(61,978)	(59,221)	-4.7%	(110,163)	(106,302)	-3.6%
Material cost before allowance and reversal for inventory obsolescence	(62,772)	(49,866)	-25.9%	(95,287)	(93,451)	-2.0%
Inventory obsolescence reversal/ (allowance)	-	78	-100.0%	(44)	453	-109.7%
Total	(62,772)	(49,788)	-26.1%	(95,331)	(92,998)	-2.5%

* Increase/(Decrease) Earnings

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S\$49.9 million in 2Q2018 to S\$62.8 million in 2Q2019, representing an increase of 25.9% and increased from S\$93.5 million in 1H2018 to S\$95.3 million in 1H2019, representing an increase of 2.0%. Material margin improved in 2Q2019 and 1H2019 mainly due to favourable change in product mix and higher engineering development revenue.

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

	Note	Group		Company	
		30-Jun-19 S\$'000	31-Dec-18 S\$'000	30-Jun-19 S\$'000	31-Dec-18 S\$'000
Non-current assets					
Property, plant and equipment		5,651	5,725	29	21
Right of use assets	B.1	3,056	-	-	-
Intangible assets and goodwill		17,380	17,717	-	-
Subsidiaries		-	-	26,781	26,578
Associate		4,250	4,153	4,667	4,667
Deferred tax asset		57	57	-	-
		30,394	27,652	31,477	31,266
Current assets					
Inventories	B.2	44,387	27,433	-	-
Contract cost		221	788	-	-
Trade and other receivables	B.3	50,206	17,965	6,109	7,111
Contract assets		2,717	3,702	-	-
Cash and cash equivalents	B.4	57,371	58,890	2,061	950
		154,902	108,778	8,170	8,061
Total assets		185,296	136,430	39,647	39,327
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	45,786	45,786	45,786	45,786
Other Reserves	1(d)(i)	(302)	95	1,262	1,188
Accumulated gains/ (losses)	1(d)(i)	60,748	43,623	(15,416)	(13,678)
	1(d)(i)	106,232	89,504	31,632	33,296
Non-current liabilities					
Financial liabilities	1(b)(ii)	-	49	-	-
Lease liabilities	B.1	1,285	-	-	-
Trade and other payables		907	907	907	907
Deferred tax liabilities		1,750	1,878	-	-
Provisions		461	426	-	-
		4,403	3,260	907	907
Current liabilities					
Financial liabilities	1(b)(ii)	-	210	-	-
Lease liabilities	B.1	1,894	-	-	-
Trade and other payables	B.5	61,892	33,094	5,758	3,812
Contract liabilities		2,038	2,607	-	-
Current tax payable		8,305	7,284	1,350	1,312
Provisions		532	471	-	-
		74,661	43,666	7,108	5,124
Total liabilities		79,064	46,926	8,015	6,031
Total equity and liabilities		185,296	136,430	39,647	39,327

- B.1** The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and lease liability represents its obligation to make lease payments.
- B.2** The increase in inventories was mainly due to an increase in inventory builds for the fulfillment of sales orders.
- B.3** Trade and other receivables increased mainly due to the increased sales in 2Q2019 as compared to the previous quarter.
- B.4** In 1H2019, the Group generated cash flows from operating activities of S\$7.7 million, it paid for dividend of S\$5.1 million, capital expenditure of S\$1.4 million and acquisition of own shares of S\$1.2 million.
- B.5** The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.

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

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

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

1(c). Consolidated Cash Flow Statement

	Note	2Q2019 S\$'000	2Q2018 S\$'000	1H2019 S\$'000	1H2018 S\$'000
Profit for the period		15,708	9,495	22,304	17,713
Adjustments for:					
Depreciation and amortisation		1,390	340	2,902	685
(Reversal)/ allowance for inventory obsolescence		-	(78)	44	(453)
Interest income		(112)	(52)	(199)	(113)
Interest expense		44	12	57	17
Equity-settled transactions		246	45	494	529
Tax expense		3,276	2,024	4,661	3,817
Share of (profit)/ loss from equity accounted investee, net of tax		(45)	11	(134)	192
Operating profit before working capital changes		20,507	11,797	30,129	22,387
Changes in:					
Inventories		(263)	(9,684)	(17,118)	(12,596)
Contract costs		137	-	561	-
Contract assets		1,312	-	937	-
Trade and other receivables		(21,809)	10,068	(31,618)	737
Contract liabilities		(716)	-	(549)	-
Trade and other payables		14,075	(1,727)	29,025	6,539
Provisions		86	247	95	472
Cash from operating activities		13,329	10,701	11,462	17,539
Tax paid		(3,593)	(3,238)	(3,736)	(3,303)
Net cash from operating activities		9,736	7,463	7,726	14,236
Investing activities					
Interest received		112	52	199	113
Purchase of property, plant and equipment		(192)	(427)	(833)	(944)
Acquisition of intangible assets		(267)	(49)	(519)	(66)
Acquisition of subsidiaries, net of cash acquired		-	-	-	(8,555)
Net cash used in investing activities		(347)	(424)	(1,153)	(9,452)
Financing activities					
Payment of lease liabilities		(611)	-	(1,207)	-
Interest paid		(44)	(12)	(57)	(17)
Repayment of finance lease liabilities		(103)	(83)	(103)	(90)
Repayment of borrowings		(79)	-	(156)	-
Own shares acquired		(1,022)	(209)	(1,188)	(379)
Proceeds from share options exercised		25	-	108	-
Dividends paid		(5,142)	(4,385)	(5,142)	(4,385)
Net cash used in financing activities		(6,976)	(4,689)	(7,745)	(4,871)
Net increase/ (decrease) in cash and cash equivalents		2,413	2,350	(1,172)	(87)
Cash and cash equivalents at beginning of period		54,693	42,986	58,890	46,095
Effect of exchange rate changes on balances held in foreign currencies		265	934	(347)	262
Cash and cash equivalents at end of period		57,371	46,270	57,371	46,270

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

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

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

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

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Group							
As at 1 Jan 2019	45,786	(2,331)	1,500	2,172	(1,246)	43,623	89,504
Effect of adoption of SFRS (I) 16	-	-	-	-	-	(37)	(37)
Changes in equity for the period							
Profit for the period	-	-	-	-	-	6,596	6,596
Foreign currency translation differences	-	-	-	-	(1,062)*	-	(1,062)
Total comprehensive income for the period	-	-	-	-	(1,062)	6,596	5,534
Own shares acquired	-	(166)	-	-	-	-	(166)
Treasury shares reissued on settlement of contingent consideration	-	407	27	-	-	-	434
Treasury shares reissued pursuant to share plans	-	699	380	(996)	-	-	83
Share-based payment transactions	-	-	-	248	-	-	248
Total transactions with owners for the period	-	940	407	(748)	-	-	599
As at 31 Mar 2019	45,786	(1,391)	1,907	1,424	(2,308)	50,182	95,600
Profit for the period	-	-	-	-	-	15,708	15,708
Foreign currency translation differences	-	-	-	-	591 *	-	591
Total comprehensive income for the period	-	-	-	-	591	15,708	16,299
Own shares acquired	-	(1,022)	-	-	-	-	(1,022)
Treasury shares reissued on settlement of contingent consideration	-	43	183	-	-	-	226
Treasury shares reissued pursuant to share plans	-	122	58	(155)	-	-	25
Share-based payment transactions	-	-	-	246	-	-	246
Dividend declared	-	-	-	-	-	(5,142)	(5,142)
Total transactions with owners for the period	-	(857)	241	91	-	(5,142)	(5,667)
As at 30 Jun 2019	45,786	(2,248)	2,148	1,515	(1,717)	60,748	106,232

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

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

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

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

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

	As at 30-Jun-19		As at 31-Dec-18		As at 30-Jun-18	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid shares						
At 1 January	273,307,820	45,786	66,783,731	39,737	66,783,731	39,737
Bonus shares issue*	-	-	204,980,865	-	204,980,865	-
Exercise of share options	-	-	675,669	531	675,669	531
Issue of shares related to business combination	-	-	867,555	5,518	867,555	5,518
Total issued shares	273,307,820	45,786	273,307,820	45,786	273,307,820	45,786
Less treasury shares balance	(3,302,418)	(2,248)	(4,261,084)	(2,331)	(3,367,084)	(1,618)
Total issued shares less treasury shares reserve at end of period	270,005,402	43,538	269,046,736	43,455	269,940,736	44,168

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

	As at 30-Jun-19		As at 31-Dec-18		As at 30-Jun-18	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(4,261,084)	(2,331)	(1,266,771)	(2,173)	(1,266,771)	(2,173)
Bonus shares issue*	-	-	(2,375,313)	-	(2,375,313)	-
Own shares acquired	(1,300,000)	(1,188)	(1,300,000)	(1,176)	(250,000)	(379)
Treasury shares reissued pursuant to Performance Share Plan	1,286,666	720	525,000	934	525,000	934
Treasury shares reissued on settlement of contingent consideration	800,000	450	-	-	-	-
Exercise of share options	172,000	101	156,000	84	-	-
Treasury shares balance at end of period	(3,302,418)	(2,248)	(4,261,084)	(2,331)	(3,367,084)	(1,618)

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

1(d)(iii). Share Options

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

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

As at 30 June 2019, the number of share options of the company outstanding was 4,162,638 (30 June 2018: 1,076,000). There were 172,000 options being exercised in 1H2019 (1H2018: 675,669).

1(d)(iv). Treasury Shares

As at 30 June 2019, the treasury shares balance was 3,302,418 (30 June 2018: 3,367,084). The total number of issued ordinary shares excluding treasury shares at the end of the period was 270,005,402 (30 June 2018: 269,940,736).

2. Statement on Audit

Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The figures have not been audited or reviewed.

3. Auditors' Report

Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Accounting Policies

Whether the same accounting policies and methods of computations as in the issuer's most

Other than the adoption of SFRS(I) 16 as mentioned in paragraph 5 below, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2018.

5. Changes in Accounting Policies

If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

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

As at 1 January 2019, the Group has recognised ROU assets of S\$4,246,000, lease liabilities of S\$4,283,000, and a decrease in accumulated profits of S\$37,000. The Company did not have any material impact from the initial application of SFRS(I) 16 as at 1 January 2019.

6. Earnings Per Share

Earnings per ordinary share for the period for continuing operations based on net profit attributable to shareholders after deducting any provision for preference dividends

	Group		Group	
	2Q2019	2Q2018	1H2019	1H2018
(i) a) EPS based on weighted average number of ordinary shares in issue	5.81 cents	3.49 cents	8.25 cents	6.56 cents
Weighted average number of shares in issue	270,564,022	271,813,212	270,247,178	269,940,736
(ii) a) EPS based on a fully diluted basis	5.76 cents	3.50 cents	8.18 cents	6.58 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares	272,864,980	271,137,543	272,548,137	269,265,067

7. Net Asset Value Per Share

	Group		Company	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
Net asset value per share	39.3 cents	33.3 cents	11.7 cents	12.4 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 270,005,402 ordinary shares as at 30 June 2019 (31 December 2018: 269,046,736).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	2Q2019 S\$'000	2Q2018 S\$'000	Change %	1H2019 S\$'000	1H2018 S\$'000	Change %
Equipment Systems Solutions ("ESS")	94,914	71,067	33.6%	143,899	136,152	5.7%
System Level Test & Inspection ("SLT-i")	1,270	859	47.8%	3,096	1,221	153.6%
Micro-Electro-Mechanical Systems ("MEMS")	688	467	47.3%	2,258	604	273.8%
Test and Measurement Solutions ("TMS")	1,047	265	295.1%	1,382	331	317.5%
Total	97,919	72,658	34.8%	150,635	138,308	8.9%

Revenue from ESS increased 33.6% from S\$71.1 million in 2Q2018 to S\$94.9 million in 2Q2019 and increased 5.7% from S\$136.2 million in 1H2018 to S\$143.9 million in 1H2019 mainly due to an increase in orders from our main customer.

Revenue from SLT-i increased 47.8% from S\$859,000 in 2Q2018 to S\$1.3 million in 2Q2019 and increased 153.6% from S\$1.2 million in 1H2018 to S\$3.1 million in 1H2019 mainly due to increase in orders from new and existing customers.

Revenue from MEMS increased 47.3% from S\$467,000 in 2Q2018 to S\$688,000 in 2Q2019 and increased 273.8% from S\$604,000 in 1H2018 to S\$2.3 million in 1H2019 mainly due to sales from new projects.

Revenue from TMS increased 295.1% from S\$265,000 in 2Q2018 to S\$1.0 million in 2Q2019 and increased 357.6% from S\$331,000 in 1H2018 to S\$1.4 million in 1H2019 mainly due to increase in orders from new customers.

As a result of the above, the Group recorded a 34.8% increase in its total revenue from S\$72.7 million in 2Q2018 to S\$97.9 million in 2Q2019 and 8.9% increase from S\$138.3 million in 1H2018 to S\$150.6 million in 1H2019.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S\$49.9 million in 2Q2018 to S\$62.8 million in 2Q2019, representing an increase of 25.9% and increased from S\$93.5 million in 1H2018 to S\$95.3 million in 1H2019, representing an increase of 2.0%. Material margin improved in 2Q2019 and 1H2019 mainly due to favourable change in product mix and higher engineering development revenue.

Depreciation expense increased 273.0% from S\$263,000 in 2Q2018 to S\$981,000 in 2Q2019 and 292.8% from S\$525,000 in 1H2018 to S\$2.1 million in 1H2019 mainly due to additional depreciation charge incurred upon the recognition of ROU assets as a result of the adoption of the new SFRS(I) 16 Leases as well as higher carrying value from renovation and equipment expenditure in 2018. Operating lease expenses in 2Q2019 and 1H2019 compared to 2Q2018 and 1H2018 was lower mainly due to lower rental expenses upon the recognition of the ROU assets, offset by the increase in operating lease expenses arising from the acquisition of Afore Oy.

Amortisation of intangible assets increased from S\$77,000 in 2Q2018 to S\$409,000 in 2Q2019 and S\$160,000 in 1H2018 to S\$840,000 in 1H2019 due to the higher carrying value of intangible assets in 2Q2019 and 1H2019 resulted mainly from the acquisition of Afore Oy and IRIS Solution Pte Ltd in 2018.

Staff costs increased 38.4% in 2Q2019 as compared to 2Q2018 was mainly due to higher bonus provision. Staff costs increased 18.8% in 1H2019 as compared to 1H2018 was due to higher bonus provision and additional headcount for business development and engineering project and from Afore Oy acquired in March 2018.

Legal and professional fees decreased 32.5% in 2Q2019 from S\$553,000 in 2Q2018 to S\$373,000 mainly due to lower professional fees incurred on software support and legal fee. Legal and professional fees decreased 37.1% in 1H2019 from S\$1.3 million to S\$820,000 mainly due to lower merger and acquisition expenses incurred in 1H2019.

Sales and marketing expenses increased 113.0% from S\$1.3 million in 2Q2018 to S\$2.7 million in 2Q2019 and 73.9% from S\$2.4 million in 1H2018 to S\$4.3 million in 1H2019 mainly due to higher warranty, exhibition, packing and other marketing expenses.

Other expenses decreased 64.6% from S\$972,000 in 1H2018 to S\$344,000 in 1H2019 mainly due to foreign exchange loss included in 1H2018.

After taking into consideration the above and tax expenses of S\$3.3 million in 2Q2019 and S\$4.7 million in 1H2019, profit after tax increased 65.4% from S\$9.5 million in 2Q2018 to S\$15.7 million in 2Q2019 and increased 25.9% from S\$17.7 million in 1H2018 to S\$22.3 million in 1H2019.

8. Group Performance Review (Cont'd)

Analysis of Statement of Financial Position

Trade and other receivables increased mainly due to the increased sales in 2Q2019 as compared to the previous quarter.

In 1H2019, the Group generated cash flows from operating activities of S\$7.7 million, it paid for dividend of S\$5.1 million, capital expenditure of S\$1.4 million and acquisition of own shares of S\$1.2 million.

The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.

9. Prospect vs Actual Results

Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

In our financial guidance dated 25 July 2019, we stated that we expect to achieve revenue between S\$265 million to S\$280 million in FY2019.

The Group achieved revenue of S\$150.6 million in 1H2019.

10. Business Outlook

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

The need for complex semiconductor chip integration for mission-critical applications such as 5G, EV, Industry 4.0 and data centrality has been rising. The challenge for semiconductor manufacturers is to contain the cost-of-test while increasing test coverage and assurance. AEM's integrated smart testing capabilities and handling solutions will play an important role in big data analytics and the interconnected 5G world in the future.

1H2019 has been a record half for AEM as our key customer introduces new products based on more advanced semiconductor nodes. AEM's test handlers which are optimised for testing complex logic chips subsequently saw an increase in demand. On 25 July 2019, the Group announced sales orders worth S\$255 million for delivery in FY2019, and revised its revenue guidance for FY2019 to be between S\$265 million to S\$280 million. Capital expenditure is expected to be between S\$4 million to S\$7 million for FY2019 to support engineering and business development for future customer programs. The sales momentum for our high-density handler will be closely linked to the timing and pace at which our main customer replaces legacy platforms with our equipment, sales seasonality, its market share, and new product/program launches. The Group also expects continued sales of its kits and pans which go into our existing installed base of equipment at our customer's sites.

AEM has been working towards diversifying our customer base through its AMPS (Asynchronous Modular Parallel Smart platform) initiative. The Group has delivered early commercial systems to a memory manufacturer and is working on securing new orders from this customer. AEM also aims to develop accounts with other semiconductor manufacturers for solutions through its AMPS initiative.

The MEMs testing solutions division (Afore) recently received an equipment order for its wafer-level environmental sensor test solutions from a major German sensor supplier in the automotive and consumer industries. This is an important first step in a multi-year sales process.

On the TMS Group, it has delivered optical fiber cable-test equipment to Huawei for its high-performance short reach cabling links for 5G backhaul network. It is currently working with Huawei, CETC23 and their suppliers to offer them additional systems and solutions.

11. Dividends

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	2.0 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	1.5 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

11. Dividends (Cont'd)

(c) Date Payable

Payment will be made on 13 September 2019.

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 30 August 2019 for the preparation of the proposed dividend. Duly completed and stamped transfers together with all relevant documents of or evidencing title 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 5.00 p.m. on 30 August 2019 will be registered to determine shareholders' entitlements to the proposed dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 30 August 2019 will be entitled to the proposed dividend.

(e) Dividend Policy

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

12. Statement on Dividends

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

Not applicable.

13. Interested Person Transactions

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

No IPT mandate has been obtained.

6 Months Period Ended 30 June 2019		
Name of interested person	Note	Aggregate Value S\$'000
Novo Tellus Capital Partners Pte Ltd ("Novo Tellus")	1	96
Kerem Pte Ltd ("Kerem")	2	10

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

The above value represents the professional fee of S\$60,000 paid by the Company to Novo Tellus for advisory services in merger and acquisition activities of the Group and the Group's share of the consultancy services fee of S\$36,000 paid by the Company's associated company, Novoflex Pte Ltd. to Novo Tellus.

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

The above value represents the professional fee of S\$10,000 paid by the Company to Kerem for business and project advisory services.

14. Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the period ended 30 June 2019, to be false or misleading in any material respect.

15. Confirmation by the Directors and Officers Pursuant to Rule 720(1) of the Listing Manual

The Group confirms that it has procured undertakings from all its Directors and Executive Officers.

16. Person Occupying a Managerial Position

Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(11). If there are no such persons, the issuer must make an appropriate negative statement.

There is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Loke Wai San
Executive Chairman
8 August 2019