

# SGXNET Announcement



**AEM Holdings Ltd  
(Registration No. 200006417D)  
Quarterly Financial Statements and Dividend Announcement  
For Period Ended 30 September 2018**

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## 1. Financial Statements

### 1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		3Q2018 S\$'000	3Q2017 S\$'000	Change* %	9M2018 S\$'000	9M2017 S\$'000	Change* %
Revenue		84,668	58,113	45.7%	222,976	162,574	37.2%
Other income		145	16	NM	401	154	160.4%
Changes in inventories of finished goods and work-in-progress	A.2	(22,658)	8,682	-361.0%	(9,354)	21,765	-143.0%
Raw materials and other consumables	A.2	(34,794)	(44,564)	21.9%	(141,096)	(133,329)	-5.8%
Staff costs		(8,748)	(7,336)	-19.2%	(25,225)	(17,364)	-45.3%
Depreciation of property, plant and equipment		(333)	(140)	-138.0%	(858)	(430)	-99.6%
Amortisation of intangible assets		(515)	(12)	NM	(675)	(40)	NM
Other expenses	A.3	(3,915)	(3,115)	-25.7%	(10,578)	(7,132)	-48.3%
Finance expenses		(5)	(6)	16.7%	(22)	(27)	18.5%
Share of loss of equity-accounted investee		(91)	26	NM	(283)	46	NM
<b>Profit before taxation</b>		<b>13,754</b>	<b>11,664</b>	<b>17.9%</b>	<b>35,286</b>	<b>26,217</b>	<b>34.6%</b>
Income tax expenses	1.1	(2,365)	(2,237)	-5.7%	(6,182)	(4,441)	-39.2%
<b>Profit for the period</b>		<b>11,389</b>	<b>9,427</b>	<b>20.8%</b>	<b>29,104</b>	<b>21,776</b>	<b>33.7%</b>
<b>Other comprehensive income</b>							
Translation gain/ (loss) relating to financial statements of foreign subsidiaries, net of tax		1,030	(966)	209.7%	1,605	(2,225)	172.1%
Effect of liquidation and disposal of subsidiaries		-	-	NM	-	695	NM
<b>Other comprehensive income/ (loss) for the period, net of tax</b>		<b>1,030</b>	<b>(966)</b>	<b>209.7%</b>	<b>1,605</b>	<b>(1,530)</b>	<b>204.9%</b>
<b>Total comprehensive income for the period</b>		<b>12,419</b>	<b>8,461</b>	<b>46.8%</b>	<b>30,709</b>	<b>20,246</b>	<b>51.7%</b>

\* Increase/(Decrease) in Earnings  
NM: Not Meaningful

- 1.1 The effective tax rate recorded in 3Q2018 was lower than 3Q2017 mainly due to higher profits recorded in 3Q2017 from our Malaysian subsidiary, which has a higher statutory rate.

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

#### Total comprehensive income attributable to:

Owners of the Company		12,419	8,461	46.8%	30,709	20,246	51.7%
<b>Total comprehensive income for the period</b>		<b>12,419</b>	<b>8,461</b>	<b>46.8%</b>	<b>30,709</b>	<b>20,246</b>	<b>51.7%</b>

\* 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		
		3Q2018 S\$'000	3Q2017 S\$'000	Change* %	9M2018 S\$'000	9M2017 S\$'000	Change* %
Government grant income		62	-	NM	194	52	273.1%
Interest income		78	10	NM	191	15	NM
Exchange loss, net	A.1(a)	(1,356)	(778)	-74.3%	(1,804)	(1,160)	-55.5%
Allowance for inventory obsolescence reversed	A.1(b)	-	-	NM	453	537	-15.6%
Loss on liquidation dormant subsidiaries	A.1(c)	-	-	NM	-	(695)	NM
Staff redundancy and restructuring expenses	A.1(d)	(624)	-	NM	(624)	-	NM

\* Increase/(Decrease) in Earnings  
NM: Not Meaningful

- A.1 (a)** The foreign exchange loss in 3Q2018 arose mainly due to appreciation of the United States dollar against the Singapore dollar.
- A.1 (b)** There was a reversal of allowance for inventory obsolescence in 9M2018 and 9M2017 due to utilisation of slow moving inventories.
- A.1 (c)** The Group liquidated two of its wholly owned subsidiaries which had been dormant for some time, resulting in a disposal loss of S\$695,000 in 9M2017.
- A.1 (d)** In 3Q2018 the Group incurred staff compensation expenses due to a restructuring exercise to achieve a better staff and talent mix to be able to respond to market dynamics.

### A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	3Q2018 S\$'000	3Q2017 S\$'000	Change* %	9M2018 S\$'000	9M2017 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence	(22,658)	8,682	-361.0%	(9,807)	21,228	-146.2%
Raw materials and consumables cost	(34,794)	(44,564)	21.9%	(141,096)	(133,329)	-5.8%
Material cost before reversal of allowance for inventory obsolescence	(57,452)	(35,882)	-60.1%	(150,903)	(112,101)	-34.6%
Allowance for inventory obsolescence reversed	-	-	NM	453	537	-15.6%
Total	(57,452)	(35,882)	-60.1%	(150,450)	(111,564)	-34.9%

\* Increase/(Decrease) Earnings  
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S\$35.9 million in 3Q2017 to S\$57.5 million in 3Q2018, representing an increase of 60.1% and increased from S\$112.1 million in 9M2017 to S\$150.9 million in 9M2018, representing an increase of 34.6%. The raw materials and other consumables cost increase in 3Q2018 was higher than revenue increase mainly due to volume discount on equipment sales and lower development engineering revenue.

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

	Note	Quarterly Results			YTD Results		
		3Q2018 S\$'000	3Q2017 S\$'000	Change* %	9M2018 S\$'000	9M2017 S\$'000	Change* %
Rental, utilities and upkeep	A.3(a)	1,129	882	-28.0%	3,317	2,351	-41.1%
Sales, marketing & general expenses	A.3(b)	1,430	1,455	1.7%	5,457	2,926	-86.5%
Loss on liquidation dormant subsidiaries	A.1(c)	-	-	NM	-	695	NM
Foreign exchange loss	A.1(a)	1,356	778	-74.3%	1,804	1,160	-55.5%
<b>Total</b>		<b>3,915</b>	<b>3,115</b>	<b>-25.7%</b>	<b>10,578</b>	<b>7,132</b>	<b>-48.3%</b>

\* Increase/(Decrease) in Earnings  
NM: Not Meaningful

- A.3 (a)** The increase in rental, utilities and upkeep in 3Q2018 and 9M2018 compared to 3Q2017 and 9M2017 was mainly due to the increased production space to fulfill the higher sales orders.
- A.3 (b)** In 9M2018, sales, marketing and general expenses increased 86.5% from S\$2.9 million to S\$5.5 million mainly due to higher warranty cost, travelling and professional expenses.

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

	Note	Group		Company	
		30-Sep-18 S\$'000	31-Dec-17 S\$'000	30-Sep-18 S\$'000	31-Dec-17 S\$'000
<b>Non-current assets</b>					
Property, plant and equipment	B.1	6,249	3,623	24	34
Intangible assets and goodwill	B.2	16,324	3,449	-	-
Subsidiaries		-	-	27,514	12,914
Associate		3,905	4,133	4,667	4,667
		<b>26,478</b>	<b>11,205</b>	<b>32,205</b>	<b>17,615</b>
<b>Current assets</b>					
Inventories		29,006	35,803	-	-
Trade and other receivables	B.3	32,227	23,557	4,625	4,841
Cash and cash equivalents	B.4	42,539	46,095	1,601	2,384
		<b>103,772</b>	<b>105,455</b>	<b>6,226</b>	<b>7,225</b>
<b>Total assets</b>		<b>130,250</b>	<b>116,660</b>	<b>38,431</b>	<b>24,840</b>
<b>Equity Attributable to Owners of the Company</b>					
Share capital	1(d)(i)	45,786	39,737	45,786	39,737
Reserves	1(d)(i)	785	(10,787)	1,007	2,043
Accumulated gains/ (losses)	1(d)(i)	38,534	28,860	(13,032)	(21,844)
Total equity		<b>85,105</b>	<b>57,810</b>	<b>33,761</b>	<b>19,936</b>
<b>Non-current liabilities</b>					
Financial liabilities	1(b)(ii)	160	-	-	-
Provisions		418	277	-	18
Deferred tax liabilities		282	309	-	-
		<b>860</b>	<b>586</b>	<b>-</b>	<b>18</b>
<b>Current liabilities</b>					
Trade and other payables	B.5	37,971	52,214	3,653	4,755
Financial liabilities	1(b)(ii)	83	7	-	-
Current tax payable		5,693	5,648	1,017	131
Provisions		538	395	-	-
		<b>44,285</b>	<b>58,264</b>	<b>4,670</b>	<b>4,886</b>
<b>Total liabilities</b>		<b>45,145</b>	<b>58,850</b>	<b>4,670</b>	<b>4,904</b>
<b>Total equity and liabilities</b>		<b>130,250</b>	<b>116,660</b>	<b>38,431</b>	<b>24,840</b>

- B.1** The increase of property, plant and equipment was mainly due to the acquisition of Afore Oy, equipment and renovation of the Group's premises.
- B.2** The increase in intangible assets and goodwill was mainly due to the acquisition of Afore Oy and InspiRain Technologies Pte Ltd that resulted in the recognition of intangible assets.
- B.3** Trade and other receivables increased mainly due to the increased sales in 3Q2018.
- B.4** In 9M2018, the Group generated cash flows from operating activities of S\$16.9 million, paid for the acquisition of subsidiaries of S\$8.6 million, made dividend payments of S\$8.4 million, and purchased property, plant and equipment of S\$2.8 million.
- B.5** The reduction in trade and other payables was mainly due to payments made for trade purchases and capital expenditures.

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

	30-Sep-18	30-Sep-18	31-Dec-17	31-Dec-17
	S\$'000	S\$'000	S\$'000	S\$'000
	Secured	Unsecured	Secured	Unsecured
<b><i>Amount repayable in one year or less, or on demand</i></b>				
- Short term borrowing	83	-	-	-
- Finance lease liabilities	-	-	7	-
	<b>83</b>	-	<b>7</b>	-
<b><i>Amount repayable after one year</i></b>				
- Long term borrowing	160	-	-	-
- Finance lease liabilities	-	-	-	-
	<b>160</b>	-	-	-
<b>Total</b>	<b>243</b>	-	<b>7</b>	-

The short term and long term borrowings were secured by a floating charge on business assets of Afore Oy that are being financed.

### 1(c). Consolidated Cash Flow Statement

	Note	3Q2018 S\$'000	3Q2017 S\$'000	9M2018 S\$'000	9M2017 S\$'000
<b>Operating activities</b>					
<b>Profit for the period</b>		<b>11,389</b>	<b>9,427</b>	<b>29,104</b>	<b>21,776</b>
Adjustments for:					
Depreciation and amortisation		848	152	1,533	470
Gain on disposal of property, plant and equipment		-	-	-	(3)
Loss on liquidation dormant subsidiaries		-	-	-	695
Allowance for inventory obsolescence reversed		-	-	(453)	(537)
Interest income		(78)	(10)	(191)	(15)
Interest expense		5	6	22	27
Provision made for warranties		122	181	594	53
Equity settled transactions		-	457	-	718
Tax expense		2,560	2,290	6,377	4,456
Share of profit/ (loss) from equity accounted investee, net of tax		91	(26)	283	(46)
<b>Operating profit before working capital changes</b>		<b>14,937</b>	<b>12,477</b>	<b>37,269</b>	<b>27,594</b>
Changes in:					
Inventories		21,904	(8,794)	9,308	(20,594)
Trade and other receivables		(7,715)	16,573	(6,977)	(9,628)
Trade and other payables		(22,721)	778	(16,182)	23,854
<b>Cash from operations</b>		<b>6,405</b>	<b>21,034</b>	<b>23,418</b>	<b>21,226</b>
Income tax paid		(3,197)	(126)	(6,500)	(400)
<b>Cash flows from operating activities</b>		<b>3,208</b>	<b>20,908</b>	<b>16,918</b>	<b>20,826</b>
<b>Investing activities</b>					
Interest income		78	10	191	15
Purchase of property, plant and equipment		(1,871)	(301)	(2,815)	(528)
Proceeds from sale of property, plant and equipment		-	-	-	3
Acquisition of intangible assets		(1,027)	-	(1,093)	(25)
Acquisition of subsidiaries, net of cash acquired		-	-	(8,555)	-
<b>Net cash used in investing activities</b>		<b>(2,820)</b>	<b>(291)</b>	<b>(12,272)</b>	<b>(535)</b>
<b>Financing activities</b>					
Interest paid		(5)	(6)	(22)	(27)
Repayment of finance lease liabilities		(89)	(26)	(179)	(58)
Proceeds from short term borrowings		-	-	-	1,351
Repayment of short term borrowings		-	(1,351)	-	(1,351)
Dividend payment		(4,039)	-	(8,424)	(846)
Purchase of treasury shares		(717)	(162)	(1,096)	(207)
Proceeds from share options		59	5	588	5
<b>Net cash used in financing activities</b>		<b>(4,791)</b>	<b>(1,540)</b>	<b>(9,133)</b>	<b>(1,133)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(4,403)</b>	<b>19,077</b>	<b>(4,487)</b>	<b>19,158</b>
Cash and cash equivalents at beginning of period		46,271	5,271	46,095	6,310
Effect of exchange rate changes on balances held in foreign currencies		671	664	931	(456)
<b>Cash and cash equivalents at end of period</b>		<b>42,539</b>	<b>25,012</b>	<b>42,539</b>	<b>25,012</b>

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

	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
<b>Group</b>							
<b>As at 1 Jan 2017</b>	<b>39,737</b>	<b>(1,264)</b>	<b>161</b>	<b>759</b>	<b>(11,004)</b>	<b>1,839</b>	<b>30,228</b>
<b>Changes in equity for the period</b>							
Profit for the period	-	-	-	-	-	4,136	4,136
Foreign currency translation differences	-	-	-	-	(683)*	-	(683)
Liquidation of dormant subsidiaries	-	-	-	-	695	-	695
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>4,136</b>	<b>4,148</b>
Own shares acquired	-	(25)	-	-	-	-	(25)
Equity settled transactions	-	324	-	(113)	-	-	211
<b>Total transactions with owners for the period</b>	<b>-</b>	<b>299</b>	<b>-</b>	<b>(113)</b>	<b>-</b>	<b>-</b>	<b>186</b>
<b>As at 31 Mar 2017</b>	<b>39,737</b>	<b>(965)</b>	<b>161</b>	<b>646</b>	<b>(10,992)</b>	<b>5,975</b>	<b>34,562</b>
Profit for the period	-	-	-	-	-	8,213	8,213
Foreign currency translation differences	-	-	-	-	(576)*	-	(576)
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(576)</b>	<b>8,213</b>	<b>7,637</b>
Own shares acquired	-	(20)	-	-	-	-	(20)
Equity settled transactions	-	41	-	6	-	-	47
Dividend declared	-	-	-	-	-	(846)	(846)
<b>Total transactions with owners for the period</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>(846)</b>	<b>(818)</b>
<b>As at 30 Jun 2017</b>	<b>39,737</b>	<b>(944)</b>	<b>161</b>	<b>652</b>	<b>(11,568)</b>	<b>13,342</b>	<b>41,380</b>
Profit for the period	-	-	-	-	-	9,427	9,427
Foreign currency translation differences	-	-	-	-	(966)*	-	(966)
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(966)</b>	<b>9,427</b>	<b>8,461</b>
Own shares acquired	-	(162)	-	-	-	-	(162)
Equity settled transactions	-	16	-	449	-	-	465
<b>Total transactions with owners for the period</b>	<b>-</b>	<b>(146)</b>	<b>-</b>	<b>449</b>	<b>-</b>	<b>-</b>	<b>303</b>
<b>As at 30 Sep 2017</b>	<b>39,737</b>	<b>(1,090)</b>	<b>161</b>	<b>1,101</b>	<b>(12,534)</b>	<b>22,769</b>	<b>50,144</b>

\* 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
<b>Group</b>							
<b>As at 1 Jan 2018</b>	<b>39,737</b>	<b>(2,173)</b>	<b>1,146</b>	<b>3,232</b>	<b>(12,992)</b>	<b>28,860</b>	<b>57,810</b>
Reclassification of currency translation reserve under SFRS(I) transition exemption	-	-	-	-	11,004	(11,004)	-
<b>Changes in equity for the period</b>							
Profit for the period	-	-	-	-	-	8,218	8,218
Foreign currency translation differences	-	-	-	-	(855)*	-	(855)
<b>Total comprehensive (loss)/ income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(855)</b>	<b>8,218</b>	<b>7,363</b>
Own shares acquired	-	(170)	-	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	-	5,518
Equity settled transactions	486	934	1,362	(2,296)	-	-	486
<b>Total transactions with owners for the period</b>	<b>6,004</b>	<b>764</b>	<b>1,362</b>	<b>(2,296)</b>	<b>-</b>	<b>-</b>	<b>5,834</b>
<b>As at 31 Mar 2018</b>	<b>45,741</b>	<b>(1,409)</b>	<b>2,508</b>	<b>936</b>	<b>(2,843)</b>	<b>26,074</b>	<b>71,007</b>
Profit for the period	-	-	-	-	-	9,495	9,495
Foreign currency translation differences	-	-	-	-	1,430 *	-	1,430
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,430</b>	<b>9,495</b>	<b>10,925</b>
Own shares acquired	-	(209)	-	-	-	-	(209)
Equity settled transactions	45	-	-	-	-	-	45
Dividend declared	-	-	-	-	-	(4,385)	(4,385)
<b>Total transactions with owners for the period</b>	<b>45</b>	<b>(209)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,385)</b>	<b>(4,549)</b>
<b>As at 30 Jun 2018</b>	<b>45,786</b>	<b>(1,618)</b>	<b>2,508</b>	<b>936</b>	<b>(1,413)</b>	<b>31,184</b>	<b>77,383</b>
Profit for the period	-	-	-	-	-	11,389	11,389
Foreign currency translation differences	-	-	-	-	1,030 *	-	1,030
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,030</b>	<b>11,389</b>	<b>12,419</b>
Own shares acquired	-	(717)	-	-	-	-	(717)
Equity settled transactions	-	50	-	9	-	-	59
Dividend declared	-	-	-	-	-	(4,039)	(4,039)
<b>Total transactions with owners for the period</b>	<b>-</b>	<b>(667)</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>(4,039)</b>	<b>(4,697)</b>
<b>As at 30 Sep 2018</b>	<b>45,786</b>	<b>(2,285)</b>	<b>2,508</b>	<b>945</b>	<b>(383)</b>	<b>38,534</b>	<b>85,105</b>

\* 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
<b>Company</b>						
<b>As at 1 Jan 2017</b>	<b>39,737</b>	<b>(1,264)</b>	<b>-</b>	<b>759</b>	<b>(20,829)</b>	<b>18,403</b>
<b>Changes in equity for the period</b>						
Own shares acquired	-	(25)	-	-	-	(25)
Equity settled transactions	-	324	-	(113)	-	211
Total comprehensive income	-	-	-	-	957	957
<b>As at 31 Mar 2017</b>	<b>39,737</b>	<b>(965)</b>	<b>-</b>	<b>646</b>	<b>(19,872)</b>	<b>19,546</b>
Own shares acquired	-	(20)	-	-	-	(20)
Equity settled transactions	-	41	-	6	-	47
Dividend declared	-	-	-	-	(846)	(846)
Total comprehensive income	-	-	-	-	1,628	1,628
<b>As at 30 Jun 2017</b>	<b>39,737</b>	<b>(944)</b>	<b>-</b>	<b>652</b>	<b>(19,090)</b>	<b>20,355</b>
Own shares acquired	-	(162)	-	-	-	(162)
Equity settled transactions	-	16	-	449	-	465
Total comprehensive income	-	-	-	-	987	987
<b>As at 30 Sep 2017</b>	<b>39,737</b>	<b>(1,090)</b>	<b>-</b>	<b>1,101</b>	<b>(18,103)</b>	<b>21,645</b>

	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
<b>Company</b>						
<b>As at 1 Jan 2018</b>	<b>39,737</b>	<b>(2,173)</b>	<b>985</b>	<b>3,232</b>	<b>(21,844)</b>	<b>19,936</b>
<b>Changes in equity for the period</b>						
Own shares acquired	-	(170)	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	5,518
Equity settled transactions	486	934	1,362	(2,296)	-	486
Total comprehensive income	-	-	-	-	918	918
<b>As at 31 Mar 2018</b>	<b>45,741</b>	<b>(1,409)</b>	<b>2,347</b>	<b>936</b>	<b>(20,926)</b>	<b>26,689</b>
Own shares acquired	-	(209)	-	-	-	(209)
Equity settled transactions	45	-	-	-	-	45
Dividend declared	-	-	-	-	(4,385)	(4,385)
Total comprehensive income	-	-	-	-	13,873	13,873
<b>As at 30 Jun 2018</b>	<b>45,786</b>	<b>(1,618)</b>	<b>2,347</b>	<b>936</b>	<b>(11,438)</b>	<b>36,013</b>
Own shares acquired	-	(717)	-	-	-	(717)
Equity settled transactions	-	50	-	9	-	59
Dividend declared	-	-	-	-	(4,039)	(4,039)
Total comprehensive income	-	-	-	-	2,445	2,445
<b>As at 30 Sep 2018</b>	<b>45,786</b>	<b>(2,285)</b>	<b>2,347</b>	<b>945</b>	<b>(13,032)</b>	<b>33,761</b>

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

	As at 30-Sep-18		As at 31-Dec-17		As at 30-Sep-17	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
<b>Issued and fully paid shares</b>						
At 1 January	66,783,731	39,737	45,112,629	39,737	45,112,629	39,737
Bonus shares issue*	204,980,865	-	21,671,102	-	21,671,102	-
Issue of shares pursuant to share plans	675,669	531	-	-	-	-
Issue of shares related to business combination	867,555	5,518	-	-	-	-
<b>Total issued shares</b>	<b>273,307,820</b>	<b>45,786</b>	<b>66,783,731</b>	<b>39,737</b>	<b>66,783,731</b>	<b>39,737</b>
Less treasury shares balance	(4,225,084)	(2,285)	(1,266,771)	(2,173)	(1,740,371)	(1,090)
<b>Total issued shares less treasury shares reserve at end of period</b>	<b>269,082,736</b>	<b>43,501</b>	<b>65,516,960</b>	<b>37,564</b>	<b>65,043,360</b>	<b>38,647</b>

\*The Group issued 204,980,865 bonus shares on 4 June 2018 and 21,671,102 bonus shares on 18 April 2017

	As at 30-Sep-18		As at 31-Dec-17		As at 30-Sep-17	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
<b>Treasury shares</b>						
At 1 January	(1,266,771)	(2,173)	(2,347,500)	(1,264)	(2,347,500)	(1,264)
Bonus shares issue*	(2,375,313)	-	-	-	-	-
Add: purchase of own shares	(1,200,000)	(1,096)	(638,400)	(1,960)	(90,000)	(207)
Treasury shares reissued pursuant to share plans	525,000	934	667,129	366	667,129	365
Share options exercised	92,000	50	452,000	310	30,000	16
Issue of shares related to business combination	-	-	600,000	376	-	-
<b>Treasury shares balance at end of period</b>	<b>(4,225,084)</b>	<b>(2,285)</b>	<b>(1,266,771)</b>	<b>(2,173)</b>	<b>(1,740,371)</b>	<b>(1,090)</b>

\*The Group issued 204,980,865 bonus shares on 4 June 2018 and 21,671,102 bonus shares on 18 April 2017

### 1(d)(iii). Share Options

Date of grant of options	Exercise price	Options outstanding at 1/1/2018	Bonus Shares Issue 4/6/2018	Options exercised	Options outstanding at period end	Exercise Period
12-05-16	\$0.324*	931	-	(931)	-	13 May 2017 - 13 May 2027
27-02-17	\$0.196*^	809,738	405,000	(674,738)	540,000	28 Feb 2018 - 28 Feb 2028
23-08-17	\$0.627*^	134,000	402,000	(92,000)	444,000	18 Aug 2018 - 18 Aug 2028
<b>Total</b>		<b>944,669</b>	<b>807,000</b>	<b>(767,669)</b>	<b>984,000</b>	

\*Exercise price was adjusted due to the Group issued 21,671,102 bonus shares on 18 April 2017

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

As at 30 September 2018, the number of share options of the company outstanding was 984,000 (30 September 2017: 955,779). There were 767,669 options being exercised in 9M2018 (9M2017: 30,000 - pre bonus issue).

### 1(d)(iv). Treasury Shares

As at 30 September 2018, the treasury shares balance was 4,225,084 (30 September 2017: 1,740,371). The total number of issued ordinary shares excluding treasury shares at the end of the period was 269,082,736 (30 September 2017: 65,043,360 - pre bonus issue).

## 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 Singapore Financial Reporting Standards (International), SFRS(I) 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 2017.

#### 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 adopted Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is equivalent to the International Financial Reporting Standards ("IFRS") with effect from 1 January 2018. Accordingly, the financial statements have been prepared based on the new reporting framework.

Upon the adoption of SFRS(I) 1, the Group elected the optional exemption in SFRS(I) 1 to reset its cumulative foreign currency translation differences for all foreign operations to nil at the date of transition, and reclassify the cumulative foreign currency translation differences of \$11,004,000 as at 1 January 2017 determined in accordance with Financial Reporting Standards at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Other than the above change, the adoption of SFRS(I) did not have a material impact on the Group and Company.

#### 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	
	3Q2018	3Q2017	9M2018	9M2017
(i) a) EPS based on weighted average number of ordinary shares in issue	4.19 cents	14.49 cents	10.69 cents	33.56 cents
Weighted average number of shares in issue	271,837,940	65,052,273	272,193,298	64,879,899
(i) b) EPS based on weighted average number of ordinary shares in issue [adjusted for bonus issue*]	4.19 cents	3.62 cents	10.69 cents	8.39 cents
Weighted average number of shares in issue [adjusted for bonus issue*]	271,837,940	260,209,092	272,193,298	259,519,595
(ii) a) EPS based on a fully diluted basis	4.17 cents	14.31 cents	10.65 cents	33.15 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	272,821,940	65,869,938	273,177,298	65,697,564
(ii) b) EPS based on a fully diluted basis [adjusted for bonus issue*]	4.17 cents	3.57 cents	10.65 cents	8.27 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options [adjusted for bonus issue*]	272,821,940	263,928,692	273,177,298	263,239,195

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

#### 7. Net Asset Value Per Share

	Group		Company	
	30-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
Net asset value per share	31.6 cents	88.2 cents	12.5 cents	30.4 cents
Net asset value per share [adjusted for bonus issue*]	31.6 cents	22.1 cents	12.5 cents	7.6 cents

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

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 268,882,736 ordinary shares as at 30 September 2018 (31 December 2017: 65,516,960 shares - pre bonus issue).

## 8. Group Performance Review

### Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	3Q2018 S\$'000	3Q2017 S\$'000	Change %	9M2018 S\$'000	9M2017 S\$'000	Change %
Equipment Systems (ESS)	83,514	56,685	47.3%	218,390	157,282	38.9%
Precision Components (PCS)	1,154	1,428	-19.2%	4,586	5,292	-13.3%
Overall	84,668	58,113	45.7%	222,976	162,574	37.2%

In line with our announcements regarding the growth of our sales orders for delivery in FY2018, the Group reported higher revenue from its Equipment Systems Solutions ("ESS") business mainly due to higher equipment and pans sales. Revenue from ESS were 47.3% higher in 3Q2018, increasing from S\$56.7 million in 3Q2017 to S\$83.5 million in 3Q2018 and 38.9% higher in 9M2018, increasing from S\$157.3 million in 9M2017 to S\$218.4 million in 9M2018.

Revenue from the Precision Components ("PCS") business was 19.2% lower in 3Q2018, decreasing from S\$1.4 million in 3Q2017 to S\$1.2 million in 3Q2018 and 13.3% lower in 9M2018, decreasing from S\$5.3 million in 9M2017 to S\$4.6 million in 9M2018 due to a decrease in demand from customers and utilisation of capacity for components manufacturing for ESS business.

As a result of the above, the Group recorded a 45.7% increase in its total revenue for 3Q2018, which rose from S\$58.1 million in 3Q2017 to S\$84.7 million in 3Q2018, and a 37.2% increase from S\$162.6 million in 9M2017 to S\$223.0 million in 9M2018.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S\$35.9 million in 3Q2017 to S\$57.5 million in 3Q2018, representing an increase of 60.1% and increased from S\$112.1 million in 9M2017 to S\$150.9 million in 9M2018, representing an increase of 34.6%. The raw materials and other consumables cost increase in 3Q2018 was higher than revenue increase mainly due to volume discount on equipment sales and lower development engineering revenue.

Depreciation increased by 138.0% from S\$140,000 in 3Q2017 to S\$333,000 in 3Q2018 and increased by 99.6% from S\$430,000 in 9M2017 to S\$858,000 in 9M2018 mainly due to higher carrying value from renovation and equipment expenditures in 2018.

Amortisation of intangible assets increased from S\$12,000 in 3Q2017 to S\$515,000 in 3Q2018 and from S\$40,000 in 9M2017 to S\$675,000 in 9M2018 mainly due to higher carrying value of intangible assets in 3Q2018 and 9M2018 resulted from the acquisition of Afore Oy and InspiRain Technologies Pte Ltd.

For 9M2018, staff costs increased by 45.3% from S\$17.4 million in 9M2017 to S\$25.2 million mainly due to additional headcount to handle the increased sales orders from customers, enhancement and development projects, business development. Included in 3Q2018 was a one off non-operating staff compensation and restructuring expenses of S\$624,000 to achieve a better staff and talent mix to be able to respond to market dynamics.

After taking into consideration the above and tax expenses of S\$2.4 million in 3Q2018 and S\$6.2 million in 9M2018, profit after tax increased 20.8% from S\$9.4 million in 3Q2017 to S\$11.4 million in 3Q2018 and increased 33.7% from S\$21.8 million in 9M2017 to S\$29.1 million in 9M2018.

### Analysis of Statement of Financial Position

The increase of property, plant and equipment was mainly due to the acquisition of Afore Oy, equipment and renovation of the Group's premises.

In 9M2018, the Group generated cash flows from operating activities of S\$16.9 million, paid for the acquisition of subsidiaries of S\$8.6 million, made dividend payments of S\$8.4 million, and purchased property, plant and equipment of S\$2.8 million.

The reduction in trade and other payables was mainly due to payments made for trade purchases and capital expenditures.

## 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 2Q2018 results announcement and latest profit guidance announcement on 5 April 2018, we stated that we expect to achieve revenue and operating profit before tax for FY2018 of at least S\$255 million and S\$42 million respectively.

The Group achieved sales of S\$223.0 million and profit before tax of S\$35.3 million in 9M2018.

## **10. Business Outlook**

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

Our current high density handler has been in high volume manufacturing since late 2016, and we expect a moderation in demand after 2018. New equipment sales will depend on the timing and pace at which our customer replaces legacy platforms with our equipment, sales seasonality, and on market share gains by our customer. We expect continued sales of our high density handler in 2019 though at a lower level compared with 2018. We also expect continued sales of our kits and pans which go into our existing fleet of equipment at our customer's sites.

On 9 October 2018, we announced an initial order win from Huawei for our optical fibre cable-test solution. AEM will provide a cable-test solution developed in collaboration with China Electronics Technology Group Corporation No.23 Research Institute for qualifying high-performance short reach cabling links for Huawei's 5G backhaul network. AEM will deliver the first test solution for this contract in 2019. This is an exciting opportunity and potentially a very meaningful market over the next 5 years. The 5G test equipment market comprising of signal and network analyzers, is estimated to be worth US\$350 million in 2018 (source: Technavio) and growing between 4% -5% annually over the next 5 years.

On our operations, management will strive to proactively manage our fixed costs in line with any volatility in our business. Our profit guidance for FY2018 remains unchanged from the guidance provided on 22 January and 5 April 2018 of at least S\$255 million in revenue and S\$42 million in operating profit before tax.

## **11. Dividends**

### **(a) Current Financial Period Reported On**

Any dividend recommended for the current financial period reported on? No.

Name of Dividend	NA
Dividend Type	NA
Dividend Rate	NA
Tax Rate	NA

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	3.0 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

### **(c) Date Payable**

Not applicable.

### **(d) Books Closure Date**

Not applicable.

### **(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**

No dividend has been declared.

## **13. Interested Person Transactions**

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

No IPT mandate has been obtained.

## **14. Confirmation by the Board Pursuant to Rule 705(4) of the Listing Manual**

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results of the Group and the Company for the period ended 30 September 2018, to be false or misleading in any material respect.

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

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

## **16. Person Occupying a Managerial Position**

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

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

### **BY ORDER OF THE BOARD**

Loke Wai San  
Executive Chairman  
30 October 2018