

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Unaudited Fourth Quarter and Full Year
Financial Statements and Dividend Announcement
For The Year Ended 31 December 2018**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		4Q2018 S\$'000	4Q2017 S\$'000	Change* %	FY2018 S\$'000	FY2017 S\$'000	Change* %
Revenue		39,349	59,048	-33.4%	262,325	221,622	18.4%
Other income		266	95	179.8%	668	249	168.6%
Changes in inventories of finished goods and work-in-progress	A.2	(1,307)	(457)	-186.1%	(7,017)	13,531	-151.9%
Raw materials and other consumables	A.2	(21,465)	(36,578)	41.3%	(166,205)	(162,130)	-2.5%
Staff costs		(7,296)	(7,974)	8.5%	(32,521)	(25,338)	-28.3%
Depreciation of property, plant and equipment		(300)	(182)	-65.0%	(1,158)	(612)	-89.2%
Amortisation of intangible assets		(38)	(46)	17.4%	(713)	(86)	-729.0%
Other expenses	A.3	(4,752)	(3,126)	-52.0%	(15,332)	(10,258)	-49.5%
Finance expenses		(18)	(10)	-77.6%	(40)	(37)	-7.5%
Share of gain/ (loss) of equity-accounted investee		245	(151)	262.0%	(38)	(105)	63.4%
Profit before taxation		4,684	10,619	-55.9%	39,968	36,836	8.5%
Income tax expenses	1.1	(293)	(906)	67.7%	(6,475)	(5,347)	-21.1%
Profit for the period		4,391	9,713	-54.8%	33,493	31,489	6.4%
<u>Other comprehensive income</u>							
Translation (loss)/ gain relating to financial statements of foreign subsidiaries, net of tax		(168)	(458)	63.3%	1,437	(2,683)	153.6%
Effect of liquidation and disposal of subsidiaries		-	-	NM	-	695	NM
Other comprehensive (loss)/ income for the period, net of tax		(168)	(458)	63.3%	1,437	(1,988)	172.3%
Total comprehensive income for the period		4,222	9,255	-54.4%	34,930	29,501	18.4%

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

- 1.1 The effective tax rates recorded in 4Q2018 and FY2018 were lower than the statutory rate due mainly to tax allowances and incentives.

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

Total comprehensive income attributable to:

Owners of the Company		4,222	9,255	-54.4%	34,930	29,501	18.4%
Total comprehensive income for the period		4,222	9,255	-54.4%	34,930	29,501	18.4%

* 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		
		4Q2018 S\$'000	4Q2017 S\$'000	Change* %	FY2018 S\$'000	FY2017 S\$'000	Change* %
Government grant income		154	15	NM	349	67	420.9%
Interest income		109	58	87.9%	300	73	311.0%
Exchange loss, net	A.1(a)	(138)	(202)	31.7%	(1,941)	(1,362)	-42.5%
Inventory obsolescence (allowance)/ reversal	A.1(b)	(226)	155	-245.8%	226	692	-67.3%
Non-operating expenses							
Loss on liquidation dormant subsidiaries	A.1(c)	-	-	NM	-	(695)	100.0%
Real property gain tax on Malacca property	A.1(d)	(562)	-	NM	(562)	-	NM
Contingent consideration fair value adjustment	A.1(e)	(1,250)	-	NM	(1,250)	-	NM
M&A expenses	A.1(f)	(143)	(387)	63.2%	(772)	(559)	-38.0%
	A.1(g)	(1,954)	(387)	-404.6%	(2,584)	(1,254)	-106.0%

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

- A.1 (a)** The foreign exchange loss in 4Q2018 and FY2018 arose mainly due to unfavourable movements in foreign exchange translation differences between United States dollar and Singapore dollar.
- A.1 (b)** The allowance for inventory obsolescence of S\$226,000 in 4Q2018 was due to slow moving inventory. The reversal of allowance for inventory obsolescence in FY2018 was 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 FY2017.
- A.1 (d)** The real property gain tax was due to the sale of our Malacca factory in 2016.
- A.1 (e)** The Group recorded a one-off adjustment in the fair value of contingent consideration relating to the acquisition of InspiRain Technologies Pte Ltd for the probable achievement of the key performance indicators (KPI) as set out in the sale and purchase agreement.
- A.1 (f)** The merger and acquisition (M&A) expenses were incurred in relation to the acquisition of InspiRain Technologies Pte Ltd, Afore Oy, Iris Solution Pte Ltd and other potential companies.

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	4Q2018 S\$'000	4Q2017 S\$'000	Change* %	FY2018 S\$'000	FY2017 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence	(1,081)	(612)	-76.7%	(7,243)	12,839	-156.4%
Raw materials and consumables cost	(21,465)	(36,578)	41.3%	(166,205)	(162,130)	-2.5%
Material cost before allowance and reversal for inventory obsolescence	(22,546)	(37,190)	39.4%	(173,448)	(149,291)	-16.2%
Inventory obsolescence (allowance)/ reversal	(226)	155	-245.8%	226	692	-67.3%
Total	(22,772)	(37,035)	38.5%	(173,222)	(148,599)	-16.6%

* Increase/(Decrease) Earnings
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, decreased from S\$37.2 million in 4Q2017 to S\$22.6 million in 4Q2018, representing a decrease of 39.4% and increased from S\$149.3 million in FY2017 to S\$173.5 million in FY2018, representing an increase of 16.2%. The raw materials and other consumables cost decrease in 4Q2018 was lower than revenue decrease mainly due to higher development engineering revenue. The raw materials and other consumables cost increase in FY2018 was lower than revenue increase mainly due to cost reduction initiatives.

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

	Note	Quarterly Results			YTD Results		
		4Q2018 S\$'000	4Q2017 S\$'000	Change* %	FY2018 S\$'000	FY2017 S\$'000	Change* %
Rental, utilities and upkeep	A.3(a)	1,105	954	-15.8%	4,422	3,305	-33.8%
Sales, marketing & general expenses	A.3(b)	1,555	1,583	1.8%	6,385	4,337	-47.2%
Exchange loss, net	A.1(a)	138	202	31.7%	1,941	1,362	-42.5%
Non-operating expenses	A.1(g)	1,954	387	-404.6%	2,584	1,254	-106.0%
		4,752	3,126	-52.0%	15,332	10,258	-49.5%

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

A.3 (a) The increase in rental, utilities and upkeep in FY2018 compared to FY2017 was mainly due to the increased production space and activities to fulfill the higher sales in FY2018.

A.3 (b) Sales, marketing and general expenses increased 47.2% from S\$4.3 million in FY2017 to S\$6.4 million in FY2018 mainly due to higher warranty cost, travelling and professional expenses.

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

	Note	Group		Company	
		31-Dec-18 S\$'000	31-Dec-17 S\$'000	31-Dec-18 S\$'000	31-Dec-17 S\$'000
Non-current assets					
Property, plant and equipment	B.1	5,606	3,623	21	34
Intangible assets and goodwill	B.2	16,815	3,449	-	-
Subsidiaries		-	-	26,578	12,914
Associate		4,153	4,133	4,667	4,667
Deferred tax asset		57	-	-	-
		26,631	11,205	31,266	17,615
Current assets					
Inventories		28,221	35,803	-	-
Trade and other receivables		21,667	23,557	6,558	4,841
Finance lease asset		120	-	-	-
Cash and cash equivalents	B.3	58,890	46,095	950	2,384
		108,898	105,455	7,508	7,225
Total assets		135,529	116,660	38,774	24,840
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	45,786	39,737	45,786	39,737
Reserves	1(d)(i)	790	(10,787)	620	2,043
Accumulated gains/ (losses)	1(d)(i)	42,928	28,860	(13,230)	(21,844)
Total equity		89,504	57,810	33,176	19,936
Non-current liabilities					
Financial liabilities	1(b)(ii)	49	-	-	-
Provisions		426	277	-	18
Deferred tax liabilities		976	309	-	-
		1,451	586	-	18
Current liabilities					
Trade and other payables	B.4	36,609	52,214	4,734	4,755
Financial liabilities	1(b)(ii)	210	7	-	-
Current tax payable		7,284	5,648	864	131
Provisions		471	395	-	-
		44,574	58,264	5,598	4,886
Total liabilities		46,025	58,850	5,598	4,904
Total equity and liabilities		135,529	116,660	38,774	24,840

- 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** In FY2018, the Group generated cash flows from operating activities of S\$33.5 million, paid for the acquisition of subsidiaries of S\$8.3 million, made dividend payments of S\$8.4 million, and purchased property, plant and equipment of S\$2.8 million.
- B.4** The reduction in trade and other payables was mainly due to payments made for and reduction in trade purchases.

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

	31-Dec-18	31-Dec-18	31-Dec-17	31-Dec-17
	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	-	7	-
	210	-	7	-
<i>Amount repayable after one year</i>				
- Finance lease liabilities	49	-	-	-
	49	-	-	-
Total	259	-	7	-

The short term borrowing was secured by a floating charge on business assets of Afore Oy that are being financed.

1(c). Consolidated Cash Flow Statement

	Note	4Q2018 S\$'000	4Q2017 S\$'000	FY2018 S\$'000	FY2017 S\$'000
Operating activities					
Profit for the period		4,391	9,713	33,493	31,489
Adjustments for:					
Depreciation and amortisation		338	228	1,871	698
Gain on disposal of property, plant and equipment		-	-	-	(3)
Losses on liquidation of dormant subsidiaries		-	-	-	695
Allowance for inventory obsolescence provided/ (reversed)		226	(155)	(226)	(692)
Interest income		(109)	(58)	(300)	(73)
Interest expense		18	10	40	37
Provision made/ (reversed)		612	(53)	1,206	178
Equity settled transactions		1,158	1,581	1,158	2,473
Tax expense		293	906	6,475	5,347
Share of (profit)/ loss from equity accounted investee, net of tax		(245)	151	38	105
Operating profit before working capital changes		6,682	12,323	43,755	40,253
Changes in:					
Inventories		1,915	1,010	11,223	(19,584)
Trade and other receivables		8,958	2,359	1,981	(7,269)
Trade and other payables		(1,894)	13,214	(18,313)	36,789
Cash from operations		15,661	28,906	38,646	50,189
Income tax recovered/ (paid)		1,378	126	(5,122)	(275)
Cash flows from operating activities		17,039	29,032	33,524	49,914
Investing activities					
Interest income		109	58	300	73
Purchase of property, plant and equipment		(223)	(1,537)	(2,842)	(2,012)
Proceeds from sale of property, plant and equipment		-	-	-	3
Acquisition of intangible assets		(769)	(398)	(1,862)	(439)
Acquisition of subsidiaries, net of cash acquired		-	-	(8,318)	-
Net cash used in investing activities		(883)	(1,877)	(12,722)	(2,375)
Financing activities					
Interest paid		(18)	(10)	(40)	(19)
Repayment of finance lease liabilities		(96)	(24)	(275)	(81)
Proceeds from short term borrowings		-	-	-	1,351
Repayment of short term borrowings		-	-	-	(1,351)
Dividend unclaimed/ (payment)		3	(3,621)	(8,421)	(4,468)
Purchase of treasury shares		(80)	(1,754)	(1,176)	(1,960)
Proceeds from share options		118	141	706	147
Net cash used in financing activities		(73)	(5,268)	(9,206)	(6,381)
Net increase in cash and cash equivalents		16,082	21,887	11,595	41,158
Cash and cash equivalents at beginning of period		42,539	25,012	46,095	6,310
Effect of exchange rate changes on balances held in foreign currencies		269	(804)	1,200	(1,374)
Cash and cash equivalents at end of period		58,890	46,095	58,890	46,095

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
Group							
As at 1 Jan 2017	39,737	(1,264)	161	759	(11,004)	1,839	30,228
Changes in equity for the period							
Profit for the period	-	-	-	-	-	4,136	4,136
Foreign currency translation differences	-	-	-	-	(683)*	-	(683)
Liquidation of dormant subsidiaries	-	-	-	-	695	-	695
Total comprehensive income for the period	-	-	-	-	12	4,136	4,148
Own shares acquired	-	(25)	-	-	-	-	(25)
Equity settled transactions	-	324	-	(114)	-	-	210
Issue of share options	-	-	-	127	-	-	127
Total transactions with owners for the period	-	299	-	13	-	-	312
As at 31 Mar 2017	39,737	(965)	161	772	(10,992)	5,975	34,688
Profit for the period	-	-	-	-	-	8,213	8,213
Foreign currency translation differences	-	-	-	-	(576)*	-	(576)
Disposal of a dormant subsidiary	-	-	-	-	-	-	-
Total comprehensive (loss)/ income for the period	-	-	-	-	(576)	8,213	7,637
Own shares acquired	-	(20)	-	-	-	-	(20)
Equity settled transactions	-	41	-	73	-	-	114
Dividend declared	-	-	-	-	-	(846)	(846)
Total transactions with owners for the period	-	21	-	73	-	(846)	(752)
As at 30 Jun 2017	39,737	(944)	161	845	(11,568)	13,342	41,573
Profit for the period	-	-	-	-	-	9,427	9,427
Foreign currency translation differences	-	-	-	-	(966)*	-	(966)
Total comprehensive (loss)/ income for the period	-	-	-	-	(966)	9,427	8,461
Own shares acquired	-	(162)	-	-	-	-	(162)
Equity settled transactions	-	16	-	79	-	-	95
Total transactions with owners for the period	-	(146)	-	79	-	-	(67)
As at 30 Sep 2017	39,737	(1,090)	161	925	(12,534)	22,769	49,968
Profit for the period	-	-	-	-	-	9,713	9,713
Foreign currency translation differences	-	-	-	-	(458)*	-	(458)
Total comprehensive (loss)/ income for the period	-	-	-	-	(458)	9,713	9,255
Issue of shares related to business combination	-	376	1,148	-	-	-	1,524
Own shares acquired	-	(1,754)	-	-	-	-	(1,754)
Equity settled transactions	-	295	-	2,144	-	-	2,439
Dividend declared	-	-	-	-	-	(3,621)	(3,621)
Total transactions with owners for the period	-	(1,083)	1,148	2,144	-	(3,621)	(1,412)
As at 31 Dec 2017	39,737	(2,173)	1,309	3,069	(12,991)	28,860	57,810

* 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 2018	39,737	(2,173)	1,146	3,232	(12,992)	28,860	57,810
Reclassification of currency translation reserve under SFRS(I) transition exemption	-	-	-	-	11,004	(11,004)	-
Changes in equity for the period							
Profit for the period	-	-	-	-	-	8,218	8,218
Foreign currency translation differences	-	-	-	-	(855)*	-	(855)
Total comprehensive (loss)/ 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
Equity settled transactions	486	934	1,362	(2,296)	-	-	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	(2,843)	26,074	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)
Equity settled transactions	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	(1,413)	31,184	77,383
Profit for the period	-	-	-	-	-	11,389	11,389
Foreign currency translation differences	-	-	-	-	1,030 *	-	1,030
Total comprehensive income for the period	-	-	-	-	1,030	11,389	12,420
Own shares acquired	-	(717)	-	-	-	-	(717)
Equity settled transactions	-	50	-	9	-	-	59
Dividend declared	-	-	-	-	-	(4,039)	(4,039)
Total transactions with owners for the period	-	(667)	-	9	-	(4,039)	(4,697)
As at 30 Sep 2018	45,786	(2,285)	2,508	945	(383)	38,534	85,105
Profit for the period	-	-	-	-	-	4,391	4,391
Foreign currency translation differences	-	-	-	-	(168)*	-	(168)
Total comprehensive (loss)/ income for the period	-	-	-	-	(168)	4,391	4,222
Own shares acquired	-	(80)	-	-	-	-	(80)
Equity settled transactions	-	34	-	1,240	-	-	1,274
Unclaimed dividend	-	-	-	-	-	3	3
Issue of shares related to business combination	-	-	(1,022)	-	-	-	(1,022)
Total transactions with owners for the period	-	(45)	(1,022)	1,240	-	3	176
As at 31 Dec 2018	45,786	(2,331)	1,486	2,185	(551)	42,928	89,504

* 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 2017	39,737	(1,264)	-	759	(20,831)	18,401
Changes in equity for the period						
Own shares acquired	-	(25)	-	-	-	(25)
Equity settled transactions	-	324	-	13	-	337
Total comprehensive income	-	-	-	-	957	957
As at 31 Mar 2017	39,737	(965)	-	772	(19,874)	19,670
Own shares acquired	-	(20)	-	-	-	(20)
Equity settled transactions	-	41	-	73	-	114
Dividend declared	-	-	-	-	(846)	(846)
Total comprehensive income	-	-	-	-	1,628	1,628
As at 30 Jun 2017	39,737	(944)	-	846	(19,092)	20,547
Own shares acquired	-	(162)	-	-	-	(162)
Equity settled transactions	-	16	-	79	-	95
Total comprehensive income	-	-	-	-	987	987
As at 30 Sep 2017	39,737	(1,090)	-	925	(18,105)	21,467
Own shares acquired	-	(1,378)	1,148	-	(3,621)	(3,851)
Total comprehensive loss	-	-	-	-	(118)	(118)
Equity settled transactions	-	295	-	2,144	-	2,439
As at 31 Dec 2017	39,737	(2,173)	1,148	3,069	(21,844)	19,936

	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)	19,936
Changes in equity for the period						
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
As at 31 Mar 2018	45,741	(1,409)	2,347	936	(20,926)	26,689
Own shares acquired	-	(209)	-	-	-	(209)
Equity settled transactions	45	-	-	-	-	45
Dividend declared	-	-	-	-	(4,385)	(4,385)
Total comprehensive income	-	-	-	-	13,873	13,873
As at 30 Jun 2018	45,786	(1,618)	2,347	936	(11,438)	36,013
Own shares acquired	-	(717)	-	-	-	(717)
Equity settled transactions	-	50	-	9	-	59
Dividend declared	-	-	-	-	(4,039)	(4,039)
Total comprehensive income	-	-	-	-	2,445	2,445
As at 30 Sep 2018	45,786	(2,285)	2,347	945	(13,032)	33,760
Own shares acquired	-	(80)	-	-	-	(80)
Equity settled transactions	-	34	-	673	-	707
Dividend declared	-	-	-	-	3	3
Issue of shares related to business combination	-	-	(1,013)	-	-	(1,013)
Total comprehensive loss	-	-	-	-	(200)	(200)
As at 31 Dec 2018	45,786	(2,331)	1,333	1,618	(13,230)	33,176

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

	As at 31-Dec-18		As at 31-Dec-17	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid shares				
At 1 January	66,783,731	39,737	45,112,629	39,737
Bonus shares issue*	204,980,865	-	21,671,102	-
Issue of shares pursuant to share plans	675,669	531	-	-
Issue of shares related to business combination	867,555	5,518	-	-
Total issued shares	273,307,820	45,786	66,783,731	39,737
Less treasury shares balance	(4,261,084)	(2,331)	(1,266,771)	(2,173)
Total issued shares less treasury shares reserve at end of period	269,046,736	43,455	65,516,960	37,564

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

	As at 31-Dec-18		As at 31-Dec-17	
	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares				
At 1 January	(1,266,771)	(2,173)	(2,347,500)	(1,264)
Bonus shares issue*	(2,375,313)	-	-	-
Add: purchase of own shares	(1,300,000)	(1,176)	(638,400)	(1,960)
Treasury shares reissued pursuant to share plans	525,000	934	667,129	365
Share options exercised	156,000	84	452,000	310
Issue of shares related to business combination	-	-	600,000	376
Treasury shares balance at end of period	(4,261,084)	(2,331)	(1,266,771)	(2,173)

*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 May 2016	\$0.324*	931	-	(931)	-	13 May 2017 - 11 May 2026
27 Feb 2017	\$0.196*^	809,738	405,000	(674,738)	540,000	28 Feb 2018 - 26 Feb 2027
23 Aug 2017	\$0.627*^	134,000	402,000	(92,000)	444,000	24 Aug 2018 - 22 Aug 2027
Total		944,669	807,000	(767,669)	984,000	

*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 31 December 2018, the number of share options of the company outstanding was 920,000 (31 December 2017: 944,669). There were 831,669 options being exercised in FY2018 (FY2017: 452,000 - pre bonus issue).

1(d)(iv). Treasury Shares

As at 31 December 2018, the treasury shares balance was 4,261,084 (31 December 2017: 1,266,771 - pre 2018 bonus issue). The total number of issued ordinary shares excluding treasury shares at the end of the period was 269,046,736 (31 December 2017: 66,783,731 - 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	
	4Q2018	4Q2017	FY2018	FY2017
(i) a) EPS based on weighted average number of ordinary shares in issue	1.62 cents	14.79 cents	12.31 cents	48.39 cents
Weighted average number of shares in issue	271,506,614	65,655,440	272,020,216	65,075,378
(i) b) EPS based on weighted average number of ordinary shares in issue [adjusted for 2018 bonus issue*]	1.62 cents	3.70 cents	12.31 cents	12.10 cents
Weighted average number of shares in issue [adjusted for 2018 bonus issue*]	271,506,614	262,621,762	272,020,216	260,301,511
(ii) a) EPS based on a fully diluted basis	1.61 cents	14.63 cents	12.27 cents	47.85 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	272,490,614	66,385,164	273,004,216	65,805,102
(ii) b) EPS based on a fully diluted basis [adjusted for 2018 bonus issue*]	1.61 cents	3.66 cents	12.27 cents	11.96 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options [adjusted for 2018 bonus issue*]	272,490,614	265,540,655	273,004,216	263,220,409

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

7. Net Asset Value Per Share

	Group		Company	
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Net asset value per share	33.3 cents	88.2 cents	12.3 cents	30.4 cents
Net asset value per share [adjusted for bonus issue*]	33.3 cents	22.1 cents	12.3 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 269,046,736 ordinary shares as at 31 December 2018 (31 December 2017: 66,783,731 shares - pre 2018 bonus issue).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	4Q2018 S\$'000	4Q2017 S\$'000	Change %	FY2018 S\$'000	FY2017 S\$'000	Change %
Equipment Systems (ESS)	38,227	57,514	-33.5%	256,617	214,795	19.5%
Precision Components (PCS)	1,121	1,534	-27.0%	5,708	6,827	-16.4%
Overall	39,349	59,048	-33.4%	262,325	221,622	18.4%

Revenue from ESS decreased 33.5% from S\$57.5 million in 4Q2017 to S\$38.2 million in 4Q2018 due to reduction in orders from our main customer. Revenue increased 19.5% in FY2018 from S\$214.8 million in FY2017 to S\$256.6 million in FY2018 due to the growth of our sales orders for high density modular test handlers and its related kits and pans for delivery in FY2018.

Revenue from the Precision Components ("PCS") business was 27.0% lower in 4Q2018, decreasing from S\$1.5 million in 4Q2017 to S\$1.1 million in 4Q2018 and 16.4% lower in FY2018, decreasing from S\$6.8 million in FY2017 to S\$5.7 million in FY2018 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 33.4% decrease in its total revenue for 4Q2018, which reduced from S\$59.0 million in 4Q2017 to S\$39.3 million in 4Q2018, and a 18.4% increase from S\$221.6 million in FY2017 to S\$262.3 million in FY2018.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, decreased from S\$37.2 million in 4Q2017 to S\$22.6 million in 4Q2018, representing a decrease of 39.4% and increased from S\$149.3 million in FY2017 to S\$173.5 million in FY2018, representing an increase of 16.2%. The raw materials and other consumables cost decrease in 4Q2018 was lower than revenue decrease mainly due to higher development engineering revenue. The raw materials and other consumables cost increase in FY2018 was lower than revenue increase mainly due to cost reduction initiatives.

Depreciation increased by 65.0% from S\$182,000 in 4Q2017 to S\$300,000 in 4Q2018 and increased by 89.2% from S\$612,000 in FY2017 to S\$1.2 million in FY2018 mainly due to higher carrying value from renovation and equipment expenditures in 2018.

Amortisation of intangible assets increased from S\$86,000 in FY2017 to S\$713,000 in FY2018 mainly due to higher carrying value of intangible assets in 4Q2018 and FY2018 resulted mainly from the acquisition of Afore Oy and InspiRain Technologies Pte Ltd.

Staff costs decreased by 8.5% from S\$8.0 million in 4Q2017 to S\$7.3 million in 4Q2018 mainly due to lower bonus provision in 4Q2018. In FY2018, staff cost increased by 28.3% from S\$25.3 million in FY2017 to S\$32.5 million in FY2018 mainly due to the acquired business and additional headcount to handle the increased sales orders from customers, business development, enhancement and development projects.

As a result of the above, operating profit before tax in 4Q2018 was S\$6.4 million compared to an operating profit before tax of S\$11.2 million in 4Q2017 and operating profit before tax in FY2018 was S\$42.6 million compared to an operating profit before tax of S\$38.2 million in FY2017.

	Note	Quarterly Results			YTD Results		
		4Q2018 S\$'000	4Q2017 S\$'000	Change* %	FY2018 S\$'000	FY2017 S\$'000	Change* %
Profit before taxation		4,684	10,619	-55.9%	39,968	36,836	8.5%
Add/ (less):							
Non-operating expenses	A.1(g)	1,954	387	404.6%	2,584	1,254	106.0%
Share of gain/ (loss) of equity-accounted investee		(245)	151	-262.0%	38	105	-63.4%
Operating profit before taxation		6,393	11,157	-42.7%	42,590	38,195	11.5%

After taking into consideration the above and tax expenses of S\$293,000 in 4Q2018 and S\$6.5 million in FY2018, profit after tax decreased 54.8% from S\$9.7 million in 4Q2017 to S\$4.4 million in 4Q2018 and increased 6.4% from S\$31.5 million in FY2017 to S\$33.5 million in FY2018.

8. Group Performance Review (Cont'd)

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 FY2018, the Group generated cash flows from operating activities of S\$33.5 million, paid for the acquisition of subsidiaries of S\$8.3 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 and reduction in trade purchases.

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 profit guidance and results announcements, 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 revenue of S\$262.3 million and operating profit before tax of S\$42.6 million in FY2018.

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. In 2019, we expect continued sales though at a moderated level compared with that of 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 also expect continued sales of our kits and pans which go into our existing fleet of equipment at our customer's sites.

As at 22 February 2019, the Group has sales orders of S\$140 million for delivery in FY2019, an increase of S\$30 million from the sales orders announced on 31 December 2018. We expect to receive further orders throughout the year and expect FY 2019 revenue to be between S\$180 million to S\$210 million, and capital expenditures to be between S\$3 million to S\$5 million.

We have also been working towards diversifying our customer base and through our AMPS (Asynchronous Modular Parallel Smart) solution platform, which we have secured a Memory manufacturer as a client, with the scheduled delivery of our first commercial solution in 1H 2019.

In 2017 and 2018, we completed three acquisitions and expanded our capabilities into industrial RF Test solutions, wafer-level MEMS testing solutions and vision inspection. Following the acquisition of InspiRain, on 9 October 2018, we won an initial order from Huawei for our optical fibre cable-test solution to 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.

On our operations, management will strive to proactively manage our fixed costs in line with any volatility in our business.

11. Dividends

(a) Current Financial Period Reported On

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

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	1.9 cents per ordinary share (after 3 for 1 bonus issue)
Tax Rate	Tax Exempt One-Tier

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	6.5 cents per ordinary share (before 3 for 1 bonus issue)
Tax Rate	Tax Exempt One-Tier

(c) Date Payable

Payment will be made on 31 May 2019.

11. Dividends (Cont'd)

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 17 May 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 17 May 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 17 May 2019 will be entitled to the proposed dividend.

(e) Breakdown of Total Annual Dividend

	Latest Full Year (2018)	Previous Full Year (2017)
	S\$'000	S\$'000
Interim	4,036	3,621
Final	5,144	4,385
Total	9,180	8,006

(f) 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.

In FY2018, the Company paid merger and acquisition advisory fee of S\$280,000 to Novo Tellus Capital Partners Pte Ltd ("NTCP") of which Mr. Loke Wai San and Mr. James Toh are shareholders and directors of NTCP.

14. 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.

15. Business Segment Information

Segment information is presented based on the information reviewed by chief operating decision makers ("CODM") for performance assessment and resource allocation. The CODM assess the Group's financial performance using performance indicators which include revenue, EBITDA and net profit of the Group.

	Equipment Systems (ESS) S\$'000	Precision Components (PCS) S\$'000	Others S\$'000	Consolidated S\$'000
2018				
Revenue and expenses				
Total revenue from external customers	256,617	5,708	-	262,325
Inter-segment revenue	-	3,552	-	3,552
Reportable segment revenue	256,617	9,260	-	265,877
Depreciation and amortisation	(1,664)	(207)	-	(1,871)
Finance costs	(40)	-	-	(40)
Finance income	300	-	-	300
Exchange loss, net	(1,872)	(69)	-	(1,941)
Tax expenses	(6,388)	(87)	-	(6,475)
Share of loss of equity-accounted investee	-	-	(38)	(38)
Profit for the year	33,089	443	(38)	33,493
Reportable segment assets	129,675	4,577	-	134,252
Reportable segment liabilities	41,898	3,021	-	44,919
Other Segment Information				
Equity-accounted investees	-	-	4,153	4,153
Expenditure for non-current assets	4,461	243	-	4,704
Other material non-cash items:				
Reversal of impairment made for stock obsolescence	226	-	-	226

	Equipment Systems (ESS) S\$'000	Precision Components (PCS) S\$'000	Others S\$'000	Consolidated S\$'000
2017				
Revenue and expenses				
Total revenue from external customers	214,795	6,827	-	221,622
Inter-segment revenue	6,289	4,357	-	10,646
Reportable segment revenue	221,084	11,184	-	232,268
Depreciation and amortisation	(477)	(221)	-	(698)
Finance costs	(35)	(2)	-	(37)
Finance income	71	2	-	73
Exchange loss, net	(1,284)	(78)	-	(1,362)
Tax expenses	(5,178)	(169)	-	(5,347)
Share of loss of equity-accounted investee	-	-	(105)	(105)
Profit for the year	31,030	1,258	(799)	31,489
Reportable segment assets	110,814	5,846	-	116,660
Reportable segment liabilities	55,076	3,774	-	58,850
Other Segment Information				
Equity-accounted investees	-	-	4,133	4,133
Expenditure for non-current assets	2,351	182	-	2,533
Other material non-cash items:				
Loss on liquidation of subsidiaries	-	-	(695)	(695)
Reversal of impairment made for stock obsolescence	692	-	-	692

16. Review of Segmental Sales and Earnings

Refer paragraph 8 for analysis of sales by business segments.

For the ESS business segment, the profit before tax of S\$39.5 million in FY2018 increased as compared to the profit before tax of S\$36.2 million in FY2017. The increase in the profit before tax was a result of the increase in demand for equipment and kits as well as cost reduction initiatives. For the PCS business, it recorded a profit before tax of S\$530,000 in FY2018 compared to the profit before tax of S\$1.4 million in FY2017 mainly due to the decrease in sales of about S\$1.9 million.

17. Breakdown of Full Yearly Sales and Profit

	Group		
	FY2018 S\$'000	FY2017 S\$'000	Change* %
(a) Sales reported for first half year	138,308	104,461	32.4%
(b) Net profit for first half year	17,713	12,349	43.4%
(c) Sales reported for second half year	124,017	117,161	5.9%
(d) Net profit for second half year	15,780	19,140	-17.6%

Net profit decreased 17.6% from S\$19.1 million in 2H2017 to S\$15.8 million in 2H2018 despite sales increase by 5.9% mainly due to staff restructuring expenses of S\$624,000, Malacca property sales gain tax of S\$562,000, contingent consideration fair value adjustment of S\$1.3 million, volume discount on equipment sales, higher depreciation and amortization of intangibles of S\$806,000 and payroll cost of S\$734,000.

18. 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
22 February 2019