

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 200006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 30 June 2017**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		2Q2017 S\$'000	2Q2016 S\$'000	Change* %	1H2017 S\$'000	Restated** 1H2016 S\$'000	Change* %
Revenue		62,342	17,108	264.4%	104,461	29,272	256.9%
Other income	A.1	30	45	-33.3%	138	127	8.7%
		62,372	17,153	263.6%	104,599	29,399	255.7%
Changes in inventories of finished goods and work-in-progress	A.2	7,143	3,638	96.3%	13,083	6,197	111.1%
Raw materials and other consumables	A.2	(52,566)	(14,202)	-270.1%	(88,765)	(23,952)	-270.6%
Staff costs		(5,361)	(3,242)	-65.4%	(10,028)	(6,186)	-62.1%
Depreciation of property, plant and equipment		(135)	(164)	17.7%	(290)	(344)	15.7%
Amortisation of intangible assets		(12)	(38)	68.4%	(28)	(91)	69.2%
Other expenses	A.3	(1,859)	(1,458)	-27.5%	(4,017)	(2,869)	-40.0%
Finance expenses		(17)	(5)	-240.0%	(21)	(11)	90.9%
Share of profit of an associate		87	-	NM	20	-	NM
Profit before taxation		9,652	1,682	473.8%	14,553	2,143	579.1%
Income tax expenses	1.1	(1,439)	(344)	-318.3%	(2,204)	(455)	-384.4%
Profit after tax from continuing operations		8,213	1,338	513.8%	12,349	1,688	631.6%
Loss from discontinued operation		-	-	NM	-	(109)	100.0%
Profit for the period		8,213	1,338	513.8%	12,349	1,579	682.1%
<u>Other comprehensive income</u>							
Translation loss relating to financial statements of foreign subsidiaries, net of tax		(576)	(437)	-31.8%	(1,259)	(861)	-46.2%
Effect of liquidation and disposal of subsidiaries		-	(660)	100.0%	695	(645)	207.8%
Other comprehensive loss for the period, net of tax		(576)	(1,097)	47.5%	(564)	(1,506)	62.5%
Total comprehensive income for the period		7,637	241	NM	11,785	73	NM

* Increase/(Decrease) Earnings
NM: Not Meaningful

**The Group sold its interest in AEM (Suzhou) Co. Ltd. (ASZ) in 1Q2016 and thus the comparative statement of profit or loss has been restated to show the discontinued operation separately from continuing operations

1.1 The Group provided for tax expenses as a result of the profits in both 2Q2017 and 1H2017.

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

Total comprehensive income attributable to:

Owners of the Company		7,637	241	NM	11,785	73	NM
Total comprehensive income for the period		7,637	241	NM	11,785	73	NM

* Increase/(Decrease) 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		
		2Q2017 S\$'000	2Q2016 S\$'000	Change* %	1H2017 S\$'000	Restated** 1H2016 S\$'000	Change* %
Government grant income		25	25	0.0%	52	88	-40.9%
Interest income		3	7	-57.1%	5	14	-64.3%
Rental income		1	8	-87.5%	1	17	-94.1%
Exchange loss, net	A.1(a)	(254)	(342)	25.7%	(382)	(600)	36.3%
Reversal of inventory obsolescence	A.1(b) , A.2	-	366	-100.0%	537	682	-21.3%
Refund of property tax		-	-	NM	76	-	NM
Gain/ (loss) on liquidation of dormant subsidiaries	A.1(c)	-	31	-100.0%	(695)	(15)	NM
Gain/ (loss) on disposal of property, plant and equipment		-	-	NM	3	(26)	111.5%
Fixed asset written off		-	(2)	100.0%	-	(4)	100.0%

* Increase/(Decrease) Earnings
NM: Not Meaningful

A.1(a) The foreign exchange loss in 2Q2017 and 1H2017 arose mainly due to depreciation of the United States dollar against the Singapore dollar and Malaysian Ringgit, resulting from the translation of our working capital.

A.1(b) In 1H2017, there were reversals of allowance for inventory obsolescence due to utilisation of obsolete inventories.

A.1(c) The Group liquidated two of its wholly owned subsidiaries which have been dormant for some time, resulting in a disposal loss of S\$695,000 in 1Q2017, mainly arising from the realisation of foreign currency translation losses.

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

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	2Q2017 S\$'000	2Q2016 S\$'000	Change* %	1H2017 S\$'000	Restated** 1H2016 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding allowance for inventory obsolescence	7,143	3,272	118.3%	12,546	5,515	127.5%
Raw materials and consumables cost	(52,566)	(14,202)	-270.1%	(88,765)	(23,952)	-270.6%
Material cost before obsolescence	(45,423)	(10,930)	-315.6%	(76,219)	(18,437)	-313.4%
Reversal of inventory obsolescence	-	366	-100.0%	537	682	-21.3%
Total	(45,423)	(10,564)	-330.0%	(75,682)	(17,755)	-326.3%

* Increase/(Decrease) Earnings
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, rose from S\$10.9 million in 2Q2016 to S\$45.4 million in 2Q2017, representing an increase of 315.6%, and rose from S\$18.4 million in 1H2016 to S\$76.2 million in 1H2017, representing an increase of 313.4%. The rise in raw materials and other consumables cost in 2Q2017 and 1H2017 was mainly due to the increase in sales of equipment and pans which have higher Bill-of-Materials.

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

	Note	Quarterly Results			YTD Results		
		2Q2017 S\$'000	2Q2016 S\$'000	Change* %	1H2017 S\$'000	Restated** 1H2016 S\$'000	Change* %
Rental, utilities and upkeep	A.3(a)	752	646	-16.4%	1,469	1,319	-11.4%
Sales, marketing & general expenses	A.3(b)	853	438	-94.7%	1,471	909	-61.8%
Loss on liquidation of subsidiaries	A.1(c)	-	-	NM	695	15	NM
Loss on disposal of property, plant and equipment		-	-	NM	-	26	100.0%
Foreign exchange loss	A.1(a)	254	374	32.1%	382	600	36.3%
Total		1,859	1,458	-27.5%	4,017	2,869	-40.0%

* Increase/(Decrease) Earnings
NM: Not Meaningful

A.3(a) The increase in rental, utilities and upkeep in 2Q2017 and 1H2017 compared to 2Q2016 and 1H2016 were mainly due to higher rental and upkeep of facilities from the increased production space to fulfill the increased sales orders.

A.3(b) In 2Q2017 and 1H2017, sales, marketing and general expenses increased 94.7% from S\$438,000 to S\$853,000 and increased 61.8% from S\$909,000 to S\$1.5 million mainly due to higher sales resulting in higher costs in packing and delivery, overseas travel, professional charges and withholding tax.

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

	Note	Group		Company	
		30-Jun-17 S\$'000	31-Dec-16 S\$'000	30-Jun-17 S\$'000	31-Dec-16 S\$'000
Non-current assets					
Property, plant and equipment		2,084	2,226	34	40
Intangible assets		61	65	-	1
Subsidiaries		-	-	10,194	10,194
Associate		4,341	4,499	4,667	4,667
Deferred tax asset		4	76	4	4
		6,490	6,866	14,899	14,906
Current assets					
Inventories	B.1	29,718	17,443	-	-
Trade and other receivables	B.2	44,813	17,777	7,014	3,758
Cash and cash equivalents	B.3	5,271	6,310	741	914
		79,802	41,530	7,755	4,672
Total assets		86,292	48,396	22,654	19,578
Equity Attributable to Owners of the Company					
Share capital	1(d)(i)	39,737	39,737	39,737	39,737
Other reserves	1(d)(i)	(11,693)	(11,348)	(290)	(505)
Accumulated gains/ (losses)	1(d)(i)	13,342	1,839	(19,090)	(20,831)
Total equity		41,386	30,228	20,357	18,401
Non-current liabilities					
Financial liabilities	1(b)(ii)	-	7	-	-
Provision		259	280	-	17
Deferred tax liabilities		-	42	-	-
		259	329	-	17
Current liabilities					
Trade and other payables	B.4	40,390	16,713	2,159	1,149
Financial liabilities	1(b)(ii)	1,386	78	-	-
Current tax payable	B.5	2,735	805	138	11
Provisions		136	243	-	-
		44,647	17,839	2,297	1,160
Total liabilities		44,906	18,168	2,297	1,177
Total equity and liabilities		86,292	48,396	22,654	19,578

B.1 The increase in inventories was mainly due to inventory builds for fulfilment of sales orders over the next few quarters.

B.2 Trade and other receivables increased mainly due to the increased sales in 2Q2017.

B.3 The cash and cash equivalents of the Group decreased by S\$1.0 million in 1H2017 mainly due to a S\$14.9 million increase in working capital changes to support higher sales orders received.

B.4 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.

B.5 The increase in current tax payable is due to higher profits in 1H2017.

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

	30-Jun-17 S\$'000	31-Dec-16 S\$'000
Amount repayable in one year or less, or on demand		
- Secured short term borrowing	1,339	-
- Secured finance lease liabilities	47	78
	1,386	78
Amount repayable after one year		
- Secured finance lease liabilities	-	7
Total	1,386	85

The short term borrowing is secured by corporate guarantee from AEM Holdings Ltd. The finance lease liabilities are secured by both corporate guarantee from AEM Holdings Ltd and fixed charge on the equipment being financed.

1(c). Consolidated Cash Flow Statement

	Note	2Q2017 S\$'000	2Q2016 S\$'000	1H2017 S\$'000	1H2016 S\$'000
Operating activities					
Profit from continuing operations		8,213	1,338	12,349	1,688
Loss from discontinued operations		-	-	-	(109)
Profit for the period		8,213	1,338	12,349	1,578
Adjustments for:					
Depreciation and amortisation		147	202	318	472
(Gain)/ loss on disposal of property, plant and equipment		-	(5)	(3)	19
Fixed asset written off		-	2	-	4
Loss on liquidation of dormant subsidiaries		-	-	695	15
Refund of property tax		-	-	(76)	-
Allowance reversed for inventories obsolescence		-	(366)	(537)	(682)
Interest income		(4)	(7)	(5)	(14)
Interest expense		17	5	21	11
Provision reversed for warranties		(5)	(9)	(128)	(9)
Equity settled share based payment transaction		50	-	261	-
Tax expense		1,401	394	2,166	505
Share of profit from equity accounted investee, net of tax		(87)	-	(20)	-
Operating profit before working capital changes		9,733	1,554	15,041	1,899
Changes in:					
Inventories		(7,008)	(3,157)	(11,800)	(5,300)
Trade and other receivables		(4,576)	(889)	(26,201)	(2,161)
Trade and other payables		(887)	3,918	23,076	3,720
Cash (used in)/ from operations		(2,739)	1,426	116	(1,842)
Income tax paid		(274)	-	(274)	-
Cash flows (used in)/ from operating activities		(3,013)	1,426	(158)	(1,842)

1(c). Consolidated Cash Flow Statement (Cont'd)

	Note	2Q2017 S\$'000	2Q2016 S\$'000	1H2017 S\$'000	1H2016 S\$'000
Investing activities					
Interest income		4	7	5	14
Purchase of property, plant and equipment		(176)	(144)	(227)	(295)
Proceeds from disposal of subsidiary		-	2,551	-	2,551
Refund of property tax		-	-	76	-
Proceeds from sale of property, plant and equipment		-	-	3	-
Net cash inflow from disposal of		-	-	-	-
Acquisition of intangible assets		(25)	(1)	(25)	(1)
Acquisition of equity-accounted investee		-	(4,000)	-	(4,000)
Loan repaid by former subsidiary		-	-	-	-
Net cash used in investing activities		(198)	(1,587)	(169)	(1,731)
Financing activities					
Interest paid		(20)	(5)	(21)	(11)
Repayment of finance lease liabilities		(13)	(15)	(32)	(38)
Proceeds from short term borrowings		1,351	-	1,351	-
Dividend payment		(845)	(440)	(845)	(440)
Purchase of treasury shares		(20)	(155)	(45)	(261)
Net cash from/ (used in) financing activities		453	(615)	408	(750)
Net decreased in cash and cash equivalents		(2,758)	(776)	81	(4,323)
Cash and cash equivalents at beginning of period		9,135	6,972	6,310	10,363
Effect of exchange rate changes on balances held in foreign currencies		(1,106)	(410)	(1,120)	(254)
Cash and cash equivalents at end of period		5,271	5,786	5,271	5,786

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

Group	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
As at 1 Jan 2016	39,737	(489)	214	230	(13,030)	(2,160)	24,502
Changes in equity for the period							
Profit for the period	-	-	-	-	-	241	241
Foreign currency translation differences	-	-	-	-	(424)*	-	(424)
Liquidation of a dormant subsidiary	-	-	-	-	15	-	15
Total comprehensive (loss)/ income for the period	-	-	-	-	(409)	241	(168)
Own shares acquired	-	(105)	-	-	-	-	(105)
Total transactions with owners for the period	-	(105)	-	-	-	-	(105)
As at 31 Mar 2016	39,737	(594)	214	230	(13,439)	(1,919)	24,229
Profit for the period	-	-	-	-	-	1,338	1,338
Foreign currency translation differences	-	-	-	-	(437)*	-	(437)
Disposal of a dormant subsidiary	-	-	-	-	(5,254)	4,594	(660)
Total comprehensive (loss)/ income for the period	-	-	-	-	(5,691)	5,932	241
Own shares acquired	-	(157)	-	-	-	-	(157)
Dividend declared	-	-	-	-	-	(440)	(440)
Total transactions with owners for the period	-	(157)	-	-	-	(440)	(597)
As at 30 Jun 2016	39,737	(751)	214	230	(19,130)	3,573	23,873

* The net exchange difference arose mainly from translation of subsidiaries' net assets and liabilities whose functional currency other than SGD.

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

Group	Share capital S\$'000	Treasury share reserve S\$'000	Capital reserve S\$'000	Share compensation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	S\$'000
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	-	-	-	-	(678)*	-	(678)
Liquidation of dormant subsidiaries	-	-	-	-	695	-	695
Total comprehensive income for the period	-	-	-	-	17	4,136	4,153
Own shares acquired	-	(25)	-	-	-	-	(25)
Equity settled share based payment transaction	-	324	-	(113)	-	-	211
Total transactions with owners for the period	-	299	-	(113)	-	-	186
As at 31 Mar 2017	39,737	(965)	161	646	(10,987)	5,975	34,567
Profit for the period	-	-	-	-	-	8,213	8,213
Foreign currency translation differences	-	-	-	-	(576)*	-	(576)
Total comprehensive (loss)/ income for the period	-	-	-	-	(576)	8,213	7,637
Own shares acquired	-	(20)	-	-	-	-	(20)
Equity settled share based payment transaction	-	41	-	6	-	-	47
Dividend declared	-	-	-	-	-	(845)	(845)
Total transactions with owners for the period	-	21	-	6	-	(845)	(818)
As at 30 Jun 2017	39,737	(944)	161	652	(11,563)	13,343	41,386

* The net exchange difference arose mainly from translation of subsidiaries' net assets and liabilities whose functional currency other than SGD.

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

	Share capital S\$'000	Treasury share reserve S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company					
As at 1 Jan 2016	39,737	(489)	230	(22,711)	16,767
Changes in equity for the period					
Own shares acquired	-	(105)	-	-	(105)
Total comprehensive income	-	-	-	88	88
As at 31 Mar 2016	39,737	(594)	230	(22,623)	16,750
Own shares acquired	-	(157)	-	-	(157)
Dividend declared	-	-	-	(440)	(440)
Total comprehensive income	-	-	-	2,732	2,732
As at 30 Jun 2016	39,737	(751)	230	(20,332)	18,885

	Share capital S\$'000	Treasury share reserve 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	(20,829)	18,403
Changes in equity for the period					
Issue of share options	-	-	(113)	-	(113)
Own shares acquired	-	(25)	-	-	(25)
Equity settled share based payment transaction	-	324	-	-	324
Total comprehensive income	-	-	-	957	957
As at 31 Mar 2017	39,737	(965)	646	(19,872)	19,546
Own shares acquired	-	(20)	-	-	(20)
Equity settled share based payment transaction	-	41	6	-	47
Dividend declared	-	-	-	(845)	(845)
Total comprehensive income	-	-	-	1,628	1,628
As at 30 Jun 2017	39,737	(944)	652	(19,089)	20,357

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

	As at 30-Jun-17		As at 31-Dec-16		As at 30-Jun-16	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid						
At 1 January	45,112,629	39,737	45,112,629	39,737	45,112,629	39,737
Bonus shares issue*	21,671,102	-	-	-	-	-
Total issued shares	66,783,731	39,737	45,112,629	39,737	45,112,629	39,737
Less treasury shares balance	(1,705,371)	(944)	(2,347,500)	(1,264)	(1,415,300)	(751)
Total issued shares less treasury shares reserve at end of period	65,078,360	38,793	42,765,129	38,473	43,697,329	38,986

*The Group issued 21,671,102 bonus shares on 18 April 2017.

	As at 30-Jun-17		As at 31-Dec-16		As at 30-Jun-16	
	No. of shares	S\$'000	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares						
At 1 January	(2,347,500)	(1,264)	(752,100)	(489)	(752,100)	(489)
Add: purchase of own shares	(30,000)	(45)	(1,595,400)	(775)	(663,200)	(262)
Issue of treasury shares to management under Performance Share Plan	672,129	365	-	-	-	-
Treasury shares balance at end of period	(1,705,371)	(944)	(2,347,500)	(1,264)	(1,415,300)	(751)

1(d)(iii). Share Options

As at 30 June 2017, the number of share options of the company outstanding was 1,232,668 (30 June 2016: 301,954). During the financial period, there were 30,000 options being exercised in 2Q2017.

1(d)(iv). Treasury Shares

As at 30 June 2017, the treasury shares balance was 1,705,371 (30 June 2016: 1,415,300). The total number of issued ordinary shares excluding treasury shares at the end of the period was 65,078,360 (30 June 2016: 43,697,329), the increase was mainly due to the issuance of bonus shares on 18 April 2017.

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 the new and revised Financial Reporting Standards (FRSs) 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 2016.

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 reviewed the applicable new and revised Financial Reporting Standards (FRS) and the Interpretations of FRS that become effective for accounting periods beginning 1 January 2017. The adoption of these new and revised FRS do not have a material impact to the Group financial statements.

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	
	2Q2017	2Q2016	1H2017	Restated** 1H2016
(i) EPS based on weighted average number of ordinary shares in issue	12.63 cents	3.05 cents	19.06 cents	3.55 cents
Weighted average number of shares in issue	65,026,874 *	43,893,192	64,791,896 *	44,513,890
(ii) EPS based on a fully diluted basis	12.50 cents	3.05 cents	18.86 cents	3.55 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	65,727,836 *	43,893,192	65,492,859 *	44,513,890

*The company issued 21,671,102 bonus shares on 18 April 2017.

7. Net Asset Value Per Share

	Group		Company	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
Net asset value per share	63.6 cents*	70.7 cents	31.3 cents*	43.0 cents

*The company issued 21,671,102 bonus shares on 18 April 2017, resulting in a lower NAV per share.

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 65,078,360 ordinary shares as at 30 June 2017 (30 June 2016: 43,967,329 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	2Q2017 S\$'000	2Q2016 S\$'000	Change %	1H2017 S\$'000	Restated** 1H2016 S\$'000	Change %
Equipment Systems (ESS)	60,365	15,553	288.1%	100,597	26,252	283.2%
Precision Components (PCS)	1,977	1,555	27.1%	3,864	3,020	28.0%
Overall	62,342	17,108	264.4%	104,461	29,272	256.9%

The Group delivered stronger than expected growth in 2Q2017. The higher than expected performance was largely driven by one-off catch-up sales of kits/ pans. On a Y-o-Y quarter basis, sales from Equipment Systems ("ESS") business increased 288.1% from S\$15.6 million in 2Q2016 to S\$60.4 million in 2Q2017. On a 1H Y-o-Y basis, sales increased 283.2% from S\$26.3 million in 1H2016 to S\$100.6 million in 1H2017. We expect our product mix between equipment tools and kits/ pans to revert to historical averages for the entire FY2017.

Revenue from the Precision Components ("PCS") business was higher by 27.1% in 2Q2017, increasing from S\$1.6 million in 2Q2016 to S\$2.0 million in 2Q2017. On a 1H Y-o-Y basis, sales increased 28.0% from S\$3.0 million in 1H2016 to S\$3.9 million in 1H2017 due to increase in demand from customers.

As a result of the above, the Group recorded a 264.4% increase in its total revenue for 2Q2017, which rose from S\$17.1 million in 2Q2016 to S\$62.3 million in 2Q2017, and a 256.9% increase from S\$29.3 million in 1H2016 to S\$104.5 million in 1H2017.

Raw materials and consumables cost, taking into consideration changes in inventories excluding allowance and reversal for inventory obsolescence, rose from S\$10.9 million in 2Q2016 to S\$45.4 million in 2Q2017, representing an increase of 315.6%, and rose from S\$18.4 million in 1H2016 to S\$76.2 million in 1H2017, representing an increase of 313.4%. The rise in raw materials and other consumables cost in 2Q2017 and 1H2017 was mainly due to the increase in sales of equipment and pans which have higher Bill-of-Materials.

Depreciation expense decreased by 17.7% from S\$164,000 in 2Q2016 to S\$135,000 in 2Q2017, and decreased 15.7% from S\$344,000 in 1H2016 to S\$290,000 in 1H2017 mainly due to the lower carrying value of the property, plant and equipment in 2Q2017 and 1H2017.

Amortisation of intangible assets was lower by 68.4%, decreasing from S\$38,000 in 2Q2016 to S\$12,000 in 2Q2017 and was lower by 69.2% from S\$91,000 in 1H2016 to S\$28,000 in 1H2017 mainly due to lower carrying value of the intangible assets in 2Q2017 and 1H2017.

8(a). Group Performance Review (Cont'd)

Analysis of Consolidated Income Statement (Cont'd)

Staff costs increased by 65.4% from S\$3.2 million in 2Q2016 to S\$5.4 million in 2Q2017 and 62.1% from S\$6.2 million in 1H2016 to S\$10.0 million in 1H2017 mainly due to higher salary cost of S\$0.9 million in 2Q2017 and S\$1.6 million in 1H2017 for additional headcount to support the increased sales orders, and a higher bonus provision (including share-based benefits provision) of S\$1.3 million in 2Q2017 and S\$2.3 million in 1H2017.

As a result of the above, profit before tax in 2Q2017 was S\$9.7 million compared to a profit before tax of S\$1.7 million in 2Q2016, and profit before tax in 1H2017 was S\$14.6 million compared to a profit before tax of S\$2.1 million in 1H2016. After taking into consideration tax expense of S\$1.4 million in 2Q2017 and S\$2.2 million in 1H2017, profit after tax was S\$8.2 million in 1H2017 compared to S\$1.3 million in 2Q2016, and was S\$12.3 million in 1H2017 compared to S\$1.7 million in 1H2016.

Net profit margin improved from 7.8% in 2Q2016 to 13.2% in 2Q2017 and improved from 5.4% in 1H2016 to 11.8% in 1H2017 mainly due to higher sales and improvement in cost efficiency.

Analysis of Statement of Financial Position

The cash and cash equivalents of the Group decreased by \$1.0 million in 1H2017 mainly due to a S\$14.9 million increase in working capital changes to support higher sales orders received.

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 4Q2016 announcement, we guided that "we expect to deliver at least S\$70 million in sales and achieve at least S\$6.5 million operating profit before tax for 1H2017". The Group achieved sales of S\$104.5 million and profit before tax of S\$14.6 million in 1H2017.

10. Business Outlook

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

Business outlook remains positive as AEM progresses on its multi-year rollout of its next-generation platforms. In addition, the global semiconductor market outlook looks positive for 2017 and 2018. According to the World Semiconductor Trade Statistics (WSTS) forecasts, there will be annual growth of 11.5% in 2017 and 2.7% in 2018 (source: <http://www.telecomlead.com/telecom-statistics/semiconductor-market-forecast-2017-2018-77176>). Also Gartner Inc. forecasts that the global semiconductor market for 2017 will grow 12.3%, adding that favourable market conditions that gained momentum in the second half of 2016 have accelerated and raised the outlook for the market in 2017 and 2018.

As a result of the above, the Group benefitted from growing sales of equipment and kits/ pans which contributed to a strong 1H2017 performance. As at 31 July 2017, the Group has sales orders of S\$198 million for delivery in FY2017. With these strong sales orders, we expect to achieve revenue and operating profit before tax for FY2017 of at least S\$200 million and S\$24 million respectively.

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	2.5 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date Payable

Payment will be made on 20 October 2017

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 9 October 2017 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, Intertrust Singapore Corporate Services Pte. Ltd., at 77 Robinson Road #13-00, Robinson 77, Singapore 068896, up to 5.00 p.m. on 6 October 2017 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 6 October 2017 will be entitled to the proposed dividend.

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.

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 June 2017, 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

Charles Cher Lew Siang
Chief Executive Officer
7 August 2017