

SGXNET Announcement



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

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		2Q2018 S\$'000	2Q2017 S\$'000	Change* %	1H2018 S\$'000	1H2017 S\$'000	Change* %
Revenue		72,658	62,342	16.5%	138,308	104,461	32.4%
Other income		269	30	780.8%	258	138	86.3%
Changes in inventories of finished goods and work-in-progress	A.2	9,433	7,143	32.1%	13,304	13,083	1.7%
Raw materials and other consumables	A.2	(59,221)	(52,566)	-12.7%	(106,302)	(88,765)	-19.8%
Staff costs		(8,173)	(5,361)	-52.4%	(16,478)	(10,028)	-64.3%
Depreciation of property, plant and equipment		(263)	(135)	-94.7%	(525)	(290)	-81.0%
Amortisation of intangible assets		(77)	(12)	-531.1%	(160)	(28)	-467.4%
Other expenses	A.3	(3,084)	(1,859)	-65.9%	(6,666)	(4,017)	-65.9%
Finance expenses		(12)	(17)	26.3%	(17)	(21)	16.4%
Share of loss of equity-accounted investee		(11)	87	-112.7%	(192)	20	-1078.1%
Profit before taxation		11,519	9,652	19.3%	21,530	14,553	47.9%
Income tax expenses		(2,024)	(1,439)	-40.7%	(3,817)	(2,204)	-73.2%
Profit for the period		9,495	8,213	15.6%	17,713	12,349	43.4%
Other comprehensive income							
Translation gain/ (loss) relating to financial statements of foreign subsidiaries, net of tax		1,430	(576)	348.1%	575	(1,259)	145.6%
Effect of liquidation and disposal of subsidiaries		-	-	NM	-	695	-100.0%
Other comprehensive income/ (loss) for the period, net of tax		1,430	(576)	NM	575	(564)	201.9%
Total comprehensive income for the period		10,925	7,637	43.1%	18,288	11,785	55.2%

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

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

Total comprehensive income attributable to:

Owners of the Company		10,925	7,637	43.1%	18,288	11,785	55.2%
Total comprehensive income for the period		10,925	7,637	43.1%	18,288	11,785	55.2%

* 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		
		2Q2018 S\$'000	2Q2017 S\$'000	Change* %	1H2018 S\$'000	1H2017 S\$'000	Change* %
Government grant income		73	25	192.0%	132	52	153.8%
Interest income		52	3	NM	113	5	NM
Exchange gain/ (loss), net	A.1(a)	140	(255)	154.9%	(449)	(382)	-17.5%
Allowance for inventory obsolescence reversed	A.1(b)	78	-	NM	453	537	-15.6%
Loss on liquidation dormant subsidiaries	A.1(c)	-	-	NM	-	(695)	NM

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

- A.1 (a)** The foreign exchange gain in 2Q2018 arose mainly due to appreciation of the United States dollar against the Singapore dollar and Malaysian Ringgit.
- A.1 (b)** There was a reversal of allowance for inventory obsolescence in 2Q2018 and 1H2018 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 1H2017.

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	2Q2018 S\$'000	2Q2017 S\$'000	Change* %	1H2018 S\$'000	1H2017 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding reversal of allowance for inventory obsolescence	9,355	7,143	31.0%	12,851	12,546	2.4%
Raw materials and consumables cost	(59,221)	(52,566)	-12.7%	(106,302)	(88,765)	-19.8%
Material cost before reversal of allowance for inventory obsolescence	(49,866)	(45,423)	-9.8%	(93,451)	(76,219)	-22.6%
Allowance for inventory obsolescence reversed	78	-	NM	453	537	-15.6%
Total	(49,788)	(45,423)	-9.6%	(92,998)	(75,682)	-22.9%

* 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\$45.4 million in 2Q2017 to S\$49.9 million in 2Q2018, representing an increase of 9.8% and increased from S\$76.2 million in 1H2017 to S\$93.5 million in 1H2018, representing an increase of 22.6%. The raw materials and other consumables cost increase in 2Q2018 and 1H2018 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		
		2Q2018 S\$'000	2Q2017 S\$'000	Change* %	1H2018 S\$'000	1H2017 S\$'000	Change* %
Rental, utilities and upkeep	A.3(a)	1,231	752	-63.7%	2,274	1,469	-54.8%
Sales, marketing & general expenses	A.3(b)	1,853	852	-117.5%	3,943	1,471	-168.0%
Loss on liquidation dormant subsidiaries	A.1(c)	-	-	NM	-	695	NM
Foreign exchange loss	A.1(a)	-	255	100.0%	449	382	-17.5%
Total		3,084	1,859	-65.9%	6,666	4,017	-65.9%

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

- A.3 (a)** The increase in rental, utilities and upkeep in 2Q2018 and 1H2018 compared to 2Q2017 and 1H2017 were mainly due to the increased production space to fulfill the increased sales orders.
- A.3 (b)** Sales, marketing and general expenses increased 117.5% from S\$852,000 in 2Q2017 to S\$1.9 million in 2Q2018 and increased 168.1% from S\$1.5 million in 1H2017 to S\$3.9 million in 1H2018 mainly due to higher warranty cost, travelling expenses and professional expenses.

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

	Note	Group		Company	
		30-Jun-18 S\$'000	31-Dec-17 S\$'000	30-Jun-18 S\$'000	31-Dec-17 S\$'000
Non-current assets					
Property, plant and equipment	B.1	4,663	3,623	39	34
Intangible assets and goodwill	B.2	15,811	3,449	-	-
Subsidiaries		-	-	27,514	12,914
Associate		3,927	4,133	4,667	4,667
		24,401	11,205	32,220	17,615
Current assets					
Inventories	B.3	50,663	35,803	-	-
Trade and other receivables		24,029	23,557	14,892	4,841
Cash and cash equivalents	B.4	46,271	46,095	1,770	2,384
		120,963	105,455	16,662	7,225
Total assets		145,364	116,660	48,882	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)	413	(10,787)	1,665	2,043
Accumulated gains/ (losses)	1(d)(i)	31,184	28,860	(11,438)	(21,844)
Total equity		77,383	57,810	36,013	19,936
Non-current liabilities					
Financial liabilities	1(b)(ii)	157	-	-	-
Provisions		344	277	-	18
Deferred tax liabilities		287	309	-	-
		788	586	-	18
Current liabilities					
Trade and other payables	B.5	60,234	52,214	12,141	4,755
Financial liabilities	1(b)(ii)	163	7	-	-
Current tax payable	B.6	6,271	5,648	728	131
Provisions		525	395	-	-
		67,193	58,264	12,869	4,886
Total liabilities		67,981	58,850	12,869	4,904
Total equity and liabilities		145,364	116,660	48,882	24,840

- B.1** The increase of property, plant and equipment was mainly due to the acquisition of subsidiaries and the purchase of new equipment and tools.
- B.2** The increase in intangible assets and goodwill was mainly due to the acquisition of subsidiaries that resulted in the recognition of intangible assets.
- B.3** The increase in inventories was mainly due to increase in sales, business volume and inventory builds for fulfillment of sales orders.
- B.4** In 1H2018, the Group generated cash flows from operating activities of S\$14.2 million, it paid for acquisition of subsidiaries of S\$8.6 million, dividend payment of S\$4.4 million, and purchase of property of plant and equipment of S\$944,000.
- B.5** The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.
- B.6** The increase in current tax payable was mainly due to increased profits in 1H2018.

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

	30-Jun-18 S\$'000	31-Dec-17 S\$'000
Amount repayable in one year or less, or on demand		
- Secured short term borrowing	163	-
- Secured finance lease liabilities	-	7
	163	7
Amount repayable after one year		
- Secured long term borrowing	157	-
	157	-
Total	320	7

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	2Q2018 S\$'000	2Q2017 S\$'000	1H2018 S\$'000	1H2017 S\$'000
Operating activities					
Profit for the period		9,495	8,213	17,713	12,349
Adjustments for:					
Depreciation and amortisation		340	147	685	318
Gain on disposal of property, plant and equipment		-	-	-	(3)
Loss on liquidation dormant subsidiaries		-	-	-	695
Allowance for inventory obsolescence reversed		(78)	-	(453)	(537)
Interest income		(52)	(3)	(113)	(5)
Interest expense		12	17	17	21
Provision made/ (reversed) for warranties		247	(5)	472	(128)
Equity settled transactions		45	47	529	261
Tax expense		2,024	1,439	3,817	2,204
Share of profit/ (loss) from equity accounted investee, net of tax		11	(87)	192	(20)
Operating profit before working capital changes		12,044	9,769	22,859	15,156
Changes in:					
Inventories		(9,684)	(7,008)	(12,596)	(11,800)
Trade and other receivables		10,068	(4,576)	737	(26,201)
Trade and other payables		(1,727)	(887)	6,539	23,076
Cash from/ (used in) operations		10,701	(2,703)	17,539	230
Income tax paid		(3,238)	(274)	(3,303)	(274)
Cash flows from/ (used in) operating activities		7,463	(2,977)	14,236	(44)

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

	Note	2Q2018 S\$'000	2Q2017 S\$'000	1H2018 S\$'000	1H2017 S\$'000
Investing activities					
Interest income		52	3	113	5
Purchase of property, plant and equipment		(427)	(176)	(944)	(227)
Proceeds from sale of property, plant and equipment		-	-	-	3
Acquisition of intangible assets		(49)	(25)	(66)	(25)
Acquisition of subsidiaries, net of cash acquired		-	-	(8,555)	-
Net cash used in investing activities		(424)	(199)	(9,452)	(245)
Financing activities					
Interest paid		(12)	(17)	(17)	(21)
Repayment of finance lease liabilities		(83)	(13)	(90)	(32)
Proceeds from short term borrowings		-	1,351	-	1,351
Dividend payment		(4,385)	(845)	(4,385)	(845)
Purchase of treasury shares		(209)	(20)	(379)	(45)
Net cash (used in)/ from financing activities		(4,689)	455	(4,871)	407
Net increase/ (decreased) in cash and cash equivalents		2,350	(2,721)	(87)	118
Cash and cash equivalents at beginning of period		42,986	9,135	46,095	6,310
Effect of exchange rate changes on balances held in foreign currencies		934	(1,143)	262	(1,157)
Cash and cash equivalents at end of period		46,270	5,271	46,270	5,271

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	-	-	-	-	-	4,137	4,137
Foreign currency translation differences	-	-	-	-	(683)*	-	(683)
Liquidation of dormant subsidiaries	-	-	-	-	695	-	695
Total comprehensive income for the period	-	-	-	-	12	4,137	4,149
Own shares acquired	-	(25)	-	-	-	-	(25)
Treasury shares reissued pursuant to share plans	-	324	-	(113)	-	-	211
Total transactions with owners for the period	-	299	-	(113)	-	-	186
As at 31 Mar 2017	39,737	(965)	161	646	(10,992)	5,976	34,563
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 transactions	-	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' 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 income/ (loss) for the period	-	-	-	-	(855)	8,218	7,363
Own shares acquired	-	(170)	-	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	-	5,518
Treasury shares reissued pursuant to share plans	-	934	1,362	(2,296)	-	-	-
Equity settled transactions	486	-	-	-	-	-	486
Total transactions with owners for the period	6,004	764	1,362	(2,296)	-	-	5,834
As at 31 Mar 2018	45,741	(1,409)	2,508	936	(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

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

	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	(20,829)	18,403
Changes in equity for the period						
Own shares acquired	-	(25)	-	-	-	(25)
Equity settled transactions	-	324	-	(113)	-	211
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 transactions	-	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)(i). Statements of Changes in Equity (Cont'd)

	Share capital S\$'000	Reserve for own shares S\$'000	Other reserves S\$'000	Share compensation reserve S\$'000	Retained earnings S\$'000	Total Equity S\$'000
Company						
As at 1 Jan 2018	39,737	(2,173)	985	3,232	(21,844)	19,936
Changes in equity for the period						
Own shares acquired	-	(170)	-	-	-	(170)
Issue of shares related to business combination	5,518	-	-	-	-	5,518
Treasury shares reissued pursuant to share plans	-	934	1,362	(2,296)	-	-
Equity settled transactions	486	-	-	-	-	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	(1,617)	2,347	936	(11,438)	36,013

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

	As at 30-Jun-18		As at 31-Dec-17		As at 30-Jun-17	
	No. of shares	S\$'000	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	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	45,112,629	39,737
Less treasury shares balance	(3,367,084)	(1,618)	(1,266,771)	(2,173)	(1,770,371)	(965)
Total issued shares less treasury shares reserve at end of period	269,940,736	44,169	65,516,960	37,564	43,342,258	38,772

*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-Jun-18		As at 31-Dec-17		As at 30-Jun-17	
	No. of shares	S\$'000	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)	(2,347,500)	(1,264)
Bonus shares issue*	(2,375,313)	-	-	-	-	-
Add: purchase of own shares	(250,000)	(379)	(638,400)	(1,960)	(20,000)	(25)
Treasury shares reissued pursuant to share plans	525,000	934	667,129	366	597,129	324
Share options exercised	-	-	452,000	310	-	-
Issue of shares related to business combination	-	-	600,000	376	-	-
Treasury shares balance at end of period	(3,367,084)	(1,618)	(1,266,771)	(2,173)	(1,770,371)	(965)

*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	\$0.197 [^]	809,738	405,000	(674,738)	540,000	28 Feb 2018 - 28 Feb 2028
23-08-17	\$0.628 [^]	134,000	402,000	-	536,000	18 Aug 2018 - 18 Aug 2028
Total		944,669	807,000	(675,669)	1,076,000	

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

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

As at 30 June 2018, the number of share options of the company outstanding was 1,076,000 (30 June 2017: 1,232,668). There were 675,669 options being exercised in 1H2018 (1H2017: 30,000).

1(d)(iv). Treasury Shares

As at 30 June 2018, the treasury shares balance was 3,367,084 (30 June 2017: 1,770,371). The total number of issued ordinary shares excluding treasury shares at the end of the period was 269,940,736 (30 June 2017: 43,342,258).

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	
	2Q2018	2Q2017	1H2018	1H2017
(i) a) EPS based on weighted average number of ordinary shares in issue	3.49 cents	12.63 cents	6.56 cents	19.06 cents
Weighted average number of shares in issue	271,813,212	65,026,874	269,940,736	64,791,896
(i) b) EPS based on weighted average number of ordinary shares in issue [adjusted for bonus issue*]	3.49 cents	3.16 cents	6.56 cents	4.74 cents
Weighted average number of shares in issue [adjusted for bonus issue*]	271,813,212	260,110,572	269,940,736	260,353,440
(ii) a) EPS based on a fully diluted basis	3.50 cents	12.50 cents	6.58 cents	18.86 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	271,137,543	65,727,836	269,265,067	65,492,859
(ii) b) EPS based on a fully diluted basis [adjusted for bonus issue*]	3.50 cents	3.12 cents	6.58 cents	4.69 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*]	271,137,543	263,013,778	269,265,067	263,256,646

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

7. Net Asset Value Per Share

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
Net asset value per share *	28.7 cents	88.2 cents	13.3 cents	30.4 cents
Net asset value per share [adjusted for bonus issue**]	28.7 cents	22.1 cents	13.3 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 269,940,736 ordinary shares as at 30 June 2018 (31 December 2017: 65,516,960 shares).

8. Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	2Q2018 S\$'000	2Q2017 S\$'000	Change %	1H2018 S\$'000	1H2017 S\$'000	Change %
Equipment Systems (ESS)	71,107	60,362	17.8%	134,876	100,596	34.1%
Precision Components (PCS)	1,551	1,980	-21.7%	3,432	3,866	-11.2%
Overall	72,658	62,342	16.5%	138,308	104,461	32.4%

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, pans and kits sales. Sales from ESS were 17.8% higher in 2Q2018, increasing from S\$60.4 million in 2Q2017 to S\$71.1 million in 2Q2018 and 34.1% higher in 1H2018, increasing from S\$100.6 million in 1H2017 to S\$134.9 million in 1H2018.

Revenue from the Precision Components ("PCS") business was 21.7% lower in 2Q2018, decreasing from S\$2.0 million in 2Q2017 to S\$1.6 million in 2Q2018 and 11.2% lower in 1H2018, decreasing from S\$3.9 million in 1H2017 to S\$3.4 million in 1H2018 mainly due to the decision to divert our capacity for the manufacturing of components for equipment revenue.

As a result of the above, the Group recorded a 16.5% increase in its total revenue for 2Q2018, which rose from S\$62.3 million in 2Q2017 to S\$72.7 million in 2Q2018, and a 32.4% increase from S\$104.5 million in 1H2017 to S\$138.3 million in 1H2018.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal for inventory obsolescence, increased from S\$45.4 million in 2Q2017 to S\$49.9 million in 2Q2018, representing an increase of 9.8% and increased from S\$76.2 million in 1H2017 to S\$93.5 million in 1H2018, representing an increase of 22.6%. The raw materials and other consumables cost increase in 2Q2018 and 1H2018 was lower than revenue increase mainly due to cost reduction initiatives.

Depreciation increased by 94.7% from S\$135,000 in 2Q2017 to S\$263,000 in 2Q2018 and increased by 81.0% from S\$290,000 in 1H2017 to S\$525,000 in 1H2018 mainly due to higher carrying value from renovation and computer & peripherals in 2Q2018 and 1H2018.

Amortisation of intangible assets was higher by 531.1%, increasing from S\$12,000 in 2Q2017 to S\$77,000 in 2Q2018 and higher by 467.4%, increasing from S\$28,000 in 1H2017 to S\$160,000 in 1H2018 mainly due to higher carrying value of intangible assets (technology and software) in 2Q2018 and 1H2018.

8. Group Performance Review (Cont'd)

Analysis of Consolidated Income Statement (Cont'd)

Staff costs increased by 52.4% from S\$5.4 million in 2Q2017 to S\$8.2 million in 2Q2018 and increased by 64.3% from S\$10.0 million in 1H2017 to S\$16.5 million in 1H2018 mainly due to additional headcount to handle the increased sales orders from customers, enhancement and development projects and business development.

	2Q2018 S\$'000	2Q2017 S\$'000	Change %	1H2018 S\$'000	1H2017 S\$'000	Change %
Profit before taxation	11,519	9,652	19.3%	21,530	14,553	47.9%
Profit before taxation margin	15.9%	15.5%	0.4%	15.6%	13.9%	1.6%
Net profit	9,495	8,213	15.6%	17,713	12,349	43.4%
Net profit margin	13.1%	13.2%	-0.1%	12.8%	11.8%	1.0%

As a result of the above, profit before tax in 2Q2018 was S\$11.5 million compared to a profit before tax of S\$9.7 million in 2Q2017 and profit before tax in 1H2018 was S\$21.5 million compared to a profit before tax of S\$14.6 million in 1H2017. Profit before tax margin improved from 15.5% in 2Q2017 to 15.9% in 2Q2018 and improved from 13.9% in 1H2017 to 15.6% in 1H2018 mainly due to higher sales, product margin and improvement in cost efficiency.

The tax provision and effective tax rate of the Group were higher due to higher profit before tax of the Group and profit contribution from our Penang subsidiary in 2Q2018 and 1H2018. Consequently, net profit improved by 15.6% from S\$8.2 million in 2Q2017 to S\$9.5 million in 2Q2018 and by 43.4% from S\$12.3 million in 1H2017 to S\$17.7 million in 1H2018.

Analysis of Statement of Financial Position

The increase in intangible assets and goodwill was mainly due to the acquisition of subsidiaries that resulted in the recognition of intangible assets.

The increase in inventories was mainly due to increase in sales, business volume and inventory builds for fulfillment of sales orders.

In 1H2018, the Group generated cash flows from operating activities of S\$14.2 million, it paid for acquisition of subsidiaries of S\$8.6 million, dividend payment of S\$4.4 million, and purchase of property of plant and equipment of S\$944,000.

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

9. Prospect vs Actual Results

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

In our 1Q2018 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 revenue of S\$138.3 million and profit before tax of S\$21.5 million in 1H2018.

10. Business Outlook

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

The Group benefitted from the growing sales of equipment, kits/ pans and engineering development projects as a result of the commercial rollout of our next-generation handler platforms. Our equipment has reached a wide adoption at our customer's sites since the start of the high volume manufacturing in 2016; we expect seasonality in our sales with peak quarters in Q2 and Q3. As stated during our Annual General Meeting on, and in our announcement of, 26 April 2018, we expect the initial ramp phase of our equipment at our customer's sites to be completed by the end of 2018. We expect to enter a rolling upgrade phase starting 2019, which may introduce significant volatility into our business. The pace of equipment upgrades will depend on our customer's 1) timing of new product introductions, 2) utilisation improvements of our tool with increased familiarity, 3) seasonality, 4) market share, and 5) commissioning of new manufacturing sites. Our visibility into 2019 remains dim though we continue to work on our consumables business and have teams working on several new product initiatives. Management will strive to proactively manage our fixed costs inline with any volatility in our business.

The Group has to-date received sales orders worth S\$235 million for delivery in FY2018. 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? Yes

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	Interim
Dividend Type	Cash
Dividend Rate	2.5 cents per ordinary share
Tax Rate	Tax Exempt One-Tier

(c) Date Payable

Payment will be made on 14 September 2018.

(d) Books Closure Date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 3 September 2018 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 31 August 2018 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 31 August 2018 will be entitled to the proposed dividend.

(e) Dividend Policy

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

12. Statement on Dividends

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

Not applicable.

13. Interested Person Transactions

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

No IPT mandate has been obtained.

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 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 July 2018