

SGXNET Announcement



**AEM Holdings Ltd
(Registration No. 20006417D)
Quarterly Financial Statements and Dividend Announcement
For Period Ended 31 December 2016**

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1. Financial Statements

1(a)(i). Consolidated Income Statement

	Note	Quarterly Results			YTD Results		
		4Q2016 S\$'000	4Q2015 S\$'000	Change* %	FY2016 S\$'000	FY2015 S\$'000	Change* %
Revenue		19,552	14,392	35.9%	70,123	46,797	49.8%
Other income	A.1	324	2,900	-88.8%	269	3,877	-93.1%
		19,876	17,292	14.9%	70,392	50,674	38.9%
Changes in inventories of finished goods and work-in-progress	A.2	4,093	(3,304)	223.9%	7,644	(1,220)	726.6%
Raw materials and other consumables	A.2	(16,552)	(6,794)	-143.6%	(51,533)	(25,449)	-102.5%
Staff costs		(4,016)	(2,840)	-41.4%	(13,562)	(11,815)	-14.8%
Depreciation of property, plant and equipment		(162)	(226)	28.3%	(665)	(825)	19.4%
Amortisation of intangible assets		(24)	(59)	59.3%	(153)	(257)	40.5%
Other expenses	A.3	(1,724)	(1,098)	-57.0%	(5,562)	(6,212)	10.5%
Finance expenses		(5)	(9)	44.4%	(21)	(27)	22.2%
Share of loss of an associate	A.1(f)	(220)	-	NM	(449)	-	NM
Profit before taxation		1,266	2,962	-57.3%	6,091	4,868	25.1%
Income tax (expenses)/ credit	A.1(g)	(430)	1,811	-123.8%	(1,325)	1,808	-173.3%
Profit after tax from continuing operations		836	4,773	-82.5%	4,766	6,676	-28.6%
Loss from discontinued operation		-	(211)	100.0%	(109)	(894)	87.8%
Profit for the period		836	4,562	-81.7%	4,657	5,782	-19.5%
Other comprehensive income							
Translation gain/ (loss) relating to financial statements of foreign subsidiaries, net of tax		1,580	507	211.6%	893	493	81.1%
Effect of liquidation and disposal of dormant subsidiaries		867	-	NM	852	98	769.4%
Other comprehensive gain for the period, net of tax		2,447	507	382.6%	1,745	591	195.3%
Total comprehensive income for the period		3,284	5,069	-35.2%	6,402	6,373	0.5%

* Increase/(Decrease) Earnings
NM: Not Meaningful

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

Total comprehensive income attributable to:

Owners of the Company		3,284	5,069	-35.2%	6,402	6,373	0.5%
Total comprehensive income for the period		3,284	5,069	-35.2%	6,402	6,373	0.5%

* 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		
		4Q2016 S\$'000	4Q2015 S\$'000	Change* %	FY2016 S\$'000	FY2015 S\$'000	Change* %
Government grant income		23	19	21.1%	111	56	98.2%
Interest income		1	8	-87.5%	16	58	-72.4%
Rental income	A.1(a)	-	34	-100.0%	17	295	-94.2%
Exchange gain/ (loss), net	A.1(b)	219	205	6.8%	(347)	741	-146.8%
Allowance for doubtful debts reversed/ (provided)		-	12	-100.0%	-	(67)	100.0%
Allowance for inventory obsolescence reversed / (provided)	A.1(c) , A.2	202	(1,084)	118.6%	696	(1,077)	164.6%
Loss on disposal of subsidiaries	A.1(d)	(463)	-	NM	(463)	-	NM
(Loss)/ gain on liquidation of a dormant subsidiary		-	(512)	100.0%	15	(512)	102.9%
Reversal/ (allowance) for impairment on property, plant and equipment	A.1(e)	213	(213)	200.0%	213	(213)	200.0%
Reversal of impairment loss on asset held for sale		-	597	-100.0%	-	597	-100.0%
Reversal of provision on sales rebates		-	2,034	-100.0%	-	2,034	-100.0%
Gain/ (loss) on disposal of property, plant and equipment		20	20	0.0%	(7)	20	-135.0%
Fixed asset written off		(1)	(8)	87.5%	(1)	(8)	87.5%

* Increase/(Decrease) Earnings
NM: Not Meaningful

- A.1(a)** In 2Q2015, the lease for AEM building in Singapore expired. The Group took the opportunity to revise its rental arrangement and reduce its rented space and hence there was no rental income for 4Q2016 as compared to S\$33,000 in 4Q2015.
- A.1(b)** The foreign exchange gain in 4Q2016 arose mainly due to appreciation of the United States dollar against the Singapore dollar and Malaysian Ringgit, resulting from the translation of our working capital.
- A.1(c)** In 4Q2016 and FY2016, there were reversals of allowance for inventory obsolescence due to utilisation of obsolete inventories.
- A.1(d)** In FY2016, the Group disposed two of its wholly owned subsidiaries, resulting in a disposal loss of S\$463,000, mainly arising from the realisation of foreign currency translation losses.
- A.1(e)** An impairment for property, plant and equipment was recognised in 4Q2015 for the subsidiary that owned the plating operation that was disposed in February 2016. The impairment is reversed after the loss on disposal has been recognised.
- A.1(f)** The share of loss of an associate of S\$449,000 in FY2016 was mainly due to the financing and professional expenses incurred by Novoflex Pte Ltd in the acquisition of Smartflex Technology Pte Ltd ("SFT") and Smartflex Innovation Pte Ltd ("SFI") during the year and the higher depreciation and amortisation costs arising from the higher fair value of Novoflex's assets at the acquisition date.
- A.1(g)** The Group provided for tax expenses as a result of the profits in 4Q2016 and FY2016. In 4Q2015 and FY2015, there was a net tax credit of S\$1.8 million mainly due to a reversal of provision for tax payable of S\$2.6 million and the utilisation of deferred tax assets of S\$1.0 million.

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

A.2 Raw Material and Other Consumables

	Quarterly Results			YTD Results		
	4Q2016 S\$'000	4Q2015 S\$'000	Change* %	FY2016 S\$'000	FY2015 S\$'000	Change* %
Changes in inventories of finished goods and work-in-progress excluding allowance to inventory obsolescence	3,891	(2,220)	275.3%	6,948	(143)	NM
Raw materials and consumables cost	(16,552)	(6,794)	-143.6%	(51,533)	(25,449)	-102.5%
Material cost before obsolescence	(12,661)	(9,014)	-40.5%	(44,585)	(25,592)	-74.2%
Allowance for inventory obsolescence reversed /(provided)	202	(1,084)	118.6%	696	(1,077)	164.6%
Total	(12,459)	(10,098)	-23.4%	(43,889)	(26,669)	-64.6%

* Increase/(Decrease) Earnings
NM: Not Meaningful

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S\$9.0 million in 4Q2015 to S\$12.7 million in 4Q2016, representing an increase of 40.5% and increased from S\$25.6 million in FY2015 to S\$44.6 million in FY2016, representing an increase of 74.2%. The increase in raw materials and other consumables cost in 4Q2016 and FY2016 was mainly due to a shift in revenue mix towards sales of new equipment, which requires higher material costs compared to material costs used in kits sales.

A.3 Other expenses

	Note	Quarterly Results			YTD Results		
		4Q2016 S\$'000	4Q2015 S\$'000	Change* %	FY2016 S\$'000	FY2015 S\$'000	Change* %
Factory overheads expenses	A.3(a)	612	543	-12.7%	2,554	2,950	13.4%
Sales, marketing & general expenses	A.3(b)	583	(178)	-427.6%	2,082	2,318	10.2%
Loss on disposal/ liquidation of subsidiaries	A.1(d)	463	512	9.6%	448	512	12.5%
Allowance for impairment on other property, plant and equipment	A.1(e)	(213)	213	200.0%	(213)	213	200.0%
Bad debts written off for disposed subsidiary		-	-	NM	-	76	100.0%
Staff redundancy expense for closure of plating operation	A.3(c)	147	-	NM	147	-	NM
Property tax expenses	A.3(d)	82	-	NM	82	-	NM
Foreign exchange loss		-	-	NM	347	-	NM
Other operating expenses		50	8	NM	115	142	19.3%
Total		1,724	1,098	-57.0%	5,562	6,212	10.5%

* Increase/(Decrease) Earnings
NM: Not Meaningful

A.3(a) The reduction in factory overheads expenses in FY2016 compared to FY2015 was mainly due to the lower rental expenses explained in A.1(a) above.

A.3(b) In 4Q2015, there was a reclassification of S\$742,000 from other expenses to stock obsolescence due to expenses relating to stock obsolescence were classified as other expenses in prior quarters. Excluding the reclassification, the sales, marketing and general expenses would have been S\$564,000 in 4Q2015 as compared to S\$583,000 in 4Q2016. Comparing year-on-year, sales, marketing and general expenses decreased 10.2% from S\$2.3 million to S\$2.1 million mainly due to lower travelling and legal expenses.

A.3(c) In 4Q2016 and FY2016 the Group incurred staff redundancy expense due to the disposal of plating operation.

A.3(d) The property tax expense was incurred for the sale of Malacca property.

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

	Note	Group		Company	
		31-Dec-16 S\$'000	31-Dec-15 S\$'000	31-Dec-16 S\$'000	31-Dec-15 S\$'000
Non-current assets					
Property, plant and equipment	B.1	2,227	3,236	40	51
Intangible assets		65	217	1	37
Subsidiaries		-	-	10,194	10,194
Associate	B.2	4,217	-	4,667	-
Deferred tax asset	B.3	76	1,115	4	328
		6,585	4,568	14,906	10,610
Current assets					
Assets held for sale	B.1	-	2,551	-	-
Inventories	B.4	17,443	8,896	-	-
Trade and other receivables	B.5	17,777	10,375	3,758	3,809
Cash and cash equivalents	B.6	6,310	10,363	914	3,680
		41,530	32,185	4,672	7,489
Total assets		48,115	36,753	19,578	18,099
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)	(11,629)	(13,075)	(505)	(259)
Accumulated gains/ (losses)	1(d)(i)	1,839	(2,160)	(20,831)	(22,711)
Total equity		29,947	24,502	18,401	16,767
Non-current liabilities					
Financial liabilities	1(b)(ii)	7	86	-	-
Provision		264	261	-	16
Deferred tax liabilities		42	43	-	-
		313	390	-	16
Current liabilities					
Trade and other payables	B.7	16,729	11,122	1,166	1,235
Financial liabilities	1(b)(ii)	78	76	-	-
Current tax payable		805	453	11	81
Provisions		243	210	-	-
		17,855	11,861	1,177	1,316
Total liabilities		18,168	12,251	1,177	1,332
Total equity and liabilities		48,115	36,753	19,578	18,099

- B.1** In 1Q2016, the Group entered into an agreement to dispose of its plating operations. The disposal of the plating operations and the company that owns the plating assets has been substantially completed in December 2016. Properties in Malacca that were classified as assets held for sale in FY2015 were disposed of in 2Q2016.
- B.2** In FY2016, the Group acquired a 21.2% associate in Novoflex Pte Ltd. In 3Q2016, the Group commenced equity accounting for the share of associate's loss.
- B.3** The decrease was mainly due to the utilisation of deferred tax as a result of profits in FY2016.
- B.4** The increase in inventories was mainly due to inventory builds for fulfilment of sales orders over the next few quarters.
- B.5** Trade and other receivables increased mainly due to the increased sales in FY2016.
- B.6** Cash and cash equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales orders to be fulfilled over the next few quarters, as well as for the acquisition of an associate.
- B.7** The increase in trade and other payables was mainly due to increased material purchases as a result of the increase in sales orders to be fulfilled.

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

	31-Dec-16 S\$'000	31-Dec-15 S\$'000
Amount repayable in one year or less, or on demand		
- Secured finance lease liabilities	78	86
Amount repayable after one year		
- Secured finance lease liabilities	7	26
Total	85	162

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

1(c). Consolidated Cash Flow Statement

	Note	4Q2016 S\$'000	4Q2015 S\$'000	FY2016 S\$'000	FY2015 S\$'000
Operating activities					
Profit from continuing operations		836	4,773	4,766	6,676
Loss from discontinued operations		-	(211)	(109)	(894)
Profit for the period		836	4,562	4,657	5,782
Adjustments for:					
Depreciation and amortisation		186	285	855	1,082
Provision (reversed)/ made for impairment loss on property, plant and equipment		(213)	213	(213)	213
(Gain)/ loss on disposal of property, plant and equipment		(19)	(20)	7	(20)
Fixed asset written off		1	8	1	8
Reversal of impairment of assets held for sale		-	(597)	-	(597)
Loss/ (gain) on liquidation of a subsidiary		-	512	(15)	512
Loss on disposal of subsidiaries		463	-	463	-
Allowance (reversed)/ made for inventories obsolescence		(202)	1,084	(801)	1,077
Allowance (reversed)/ made for doubtful debts and bad debts written off		-	(12)	-	67
Interest income		(1)	(8)	(16)	(58)
Interest expense		5	9	21	27
Provision made/ (reversed) for warranties		72	(339)	29	(4)
Reversal of provision for sales rebates		-	(2,034)	-	(2,034)
Issue of share options		-	-	29	-
Equity settled share based payment transaction		500	-	500	283
Tax expense		430	(1,811)	1,325	(1,808)
Share of loss from equity accounted investee, net of tax		220	-	449	-
Operating profit before working capital changes		2,279	1,852	7,291	4,530
Changes in working capital:					
Inventories		(4,238)	1,650	(7,271)	(337)
Trade and other receivables		(448)	(2,610)	(7,072)	(5,089)
Trade and other payables		1,324	(497)	5,290	(1,366)
Cash (used in)/ from operations		(1,082)	395	(1,762)	(2,262)
Government grant received		23	19	111	56
Income tax (paid)/ recovered		(141)	754	-	666
Cash flows (used in)/ from operating activities		(1,200)	1,168	(1,651)	(1,540)

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

	Note	4Q2016 S\$'000	4Q2015 S\$'000	FY2016 S\$'000	FY2015 S\$'000
Investing activities					
Interest income		1	8	16	58
Purchase of property, plant and equipment		(310)	(384)	(605)	(603)
Proceeds from sale of property, plant and equipment		25	77	25	77
Net cash inflow from disposal of subsidiary		-	-	2,740	-
Net cash inflow from disposal of discontinued operation		-	-	1,351	-
Acquisition of intangible assets		(3)	(17)	(4)	(79)
Acquisition of equity-accounted investee		(897)	-	(4,667)	-
Loan repaid by former subsidiary		-	1,417	-	1,417
Net cash (used in)/ from investing activities		(1,185)	1,101	(1,144)	870
Financing activities					
Interest paid		9	(9)	(7)	(27)
Repayment of financial liabilities		(33)	(23)	(90)	(84)
Repayment of bank loan		-	(206)	-	(211)
Purchase of treasury shares		(290)	(70)	(775)	(81)
Dividend paid		-	-	(658)	-
Net cash used in financing activities		(314)	(308)	(1,530)	(403)
Net (decreased)/ increase in cash and cash equivalents		(2,700)	1,961	(4,326)	(1,073)
Cash and cash equivalents at beginning of period		8,405	8,445	10,363	11,152
Effect of exchange rate changes on balances held in foreign currencies		605	(43)	272	284
Cash and cash equivalents at end of period		6,310	10,363	6,310	10,363

Explanatory Notes on Cash Flow Statement

The Group generated cash and operating profit before working capital changes of S\$2.3 million and S\$7.4 million in 4Q2016 and FY2016 respectively. The cash used in operations was only S\$1.1 million and S\$1.8 million in 4Q2016 and FY2016 respectively due to higher working capital changes to finance the increase in inventories and receivables net payables due to the higher sales and demand for equipment and kits to be delivered in the next few quarters.

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

	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
Group							
As at 1 Jan 2015	39,737	(691)	214	230	(13,621)	(7,942)	17,927
Changes in equity for the period							
Total comprehensive income	-	-	-	-	222 *	229	451
As at 31 Mar 2015	39,737	(691)	214	230	(13,399)	(7,713)	18,378
Equity settled share based payment transaction	-	283	-	-	-	-	283
Total comprehensive (loss)/ income	-	-	-	-	(329)*	468	139
As at 30 Jun 2015	39,737	(408)	214	230	(13,728)	(7,245)	18,800
Own shares acquired	-	(11)	-	-	-	-	(11)
Disposal of dormant subsidiaries	-	-	-	-	98	-	98
Total comprehensive income	-	-	-	-	93 *	523	616
As at 30 Sep 2015	39,737	(419)	214	230	(13,537)	(6,722)	19,503
Own shares acquired	-	(70)	-	-	-	-	(70)
Total comprehensive income	-	-	-	-	507 *	4,562	5,069
As at 31 Dec 2015	39,737	(489)	214	230	(13,030)	(2,160)	24,502

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

	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
Group							
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	-	-	-	-	(439)	241	(198)
Own shares acquired	-	(105)	-	-	-	-	(105)
Total transactions with owners for the period	-	(105)	-	-	-	-	(105)
As at 31 Mar 2016	39,737	(594)	214	230	(13,469)	(1,919)	24,199
Profit for the period	-	-	-	-	-	1,338	1,338
Foreign currency translation differences	-	-	-	-	(437)*	-	(437)
Total comprehensive (loss)/ income for the period	-	-	-	-	(437)	1,338	901
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	(13,906)	(1,022)	24,503
Profit for the period	-	-	-	-	-	2,242	2,242
Foreign currency translation differences	-	-	-	-	174 *	-	174
Total comprehensive income for the period	-	-	-	-	174	2,242	2,416
Issue of share options	-	-	-	29	-	-	29
Own shares acquired	-	(224)	-	-	-	-	(224)
Dividend declared	-	-	-	-	-	(218)	(218)
Total transactions with owners for the period	-	(224)	-	29	-	(218)	(413)
As at 30 Sep 2016	39,737	(975)	214	259	(13,732)	1,002	26,506
Profit for the period	-	-	-	-	-	836	836
Foreign currency translation differences	-	-	-	-	1,580 *	-	1,580
Disposal of subsidiaries	-	-	(90)	37	867	-	815
Total comprehensive income for the period	-	-	(90)	37	2,447	836	3,231
Equity settled share based payment transaction	-	-	-	500	-	-	500
Own shares acquired	-	(289)	-	-	-	-	(289)
As at 31 Dec 2016	39,737	(1,264)	124	796	(11,285)	1,838	29,947

* 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 2015	39,737	(691)	230	(24,525)	14,751
Changes in equity for the period					
Total comprehensive loss	-	-	-	(189)	(189)
As at 31 Mar 2015	39,737	(691)	230	(24,714)	14,562
Performance Shares Plan shares issuance	-	283	-	-	283
Total comprehensive loss	-	-	-	(74)	(74)
As at 30 Jun 2015	39,737	(408)	230	(24,788)	14,771
Own shares acquired	-	(11)	-	-	(11)
Total comprehensive income	-	-	-	48	48
As at 30 Sep 2015	39,737	(419)	230	(24,740)	14,808
Total comprehensive income	-	(70)	-	2,029	1,959
As at 31 Dec 2015	39,737	(489)	230	(22,711)	16,767

	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	(20,331)	18,885
Own shares acquired	-	(224)	-	-	(224)
Dividend declared	-	-	-	(218)	(218)
Total comprehensive income	-	-	-	464	464
Performance Share Plan issuance	-	-	29	-	29
As at 30 Sep 2016	39,737	(975)	259	(20,085)	18,936
Own shares acquired	-	(289)	-	-	(289)
Total comprehensive loss	-	-	-	(627)	(627)
Performance Share Plan issuance	-	-	500	-	500
As at 31 Dec 2016	39,737	(1,264)	759	(20,712)	18,520

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

	As at 31-Dec-16		As at 31-Dec-15	
	No. of shares	S\$'000	No. of shares	S\$'000
Issued and fully paid				
At 1 January	45,112,629	39,737	45,112,676	39,737
Total issued shares	45,112,629	39,737	45,112,676	39,737
Less treasury shares balance	(2,347,500)	(1,264)	(752,100)	(489)
Total issued shares less treasury shares reserve at end of period	42,765,129	38,473	44,360,576	39,248

	As at 31-Dec-16		As at 31-Dec-15	
	No. of shares	S\$'000	No. of shares	S\$'000
Treasury shares				
At 1 January	(752,100)	(489)	(765,000)	(691)
Add: purchase of own shares	(1,595,400)	(775)	(299,500)	(81)
Issue of treasury shares to management under Performance Share Plan	-	-	312,400	283
Treasury shares balance at end of period	(2,347,500)	(1,264)	(752,100)	(489)

1(d)(iii). Share Options

On 12 May 2016, the Company issued 326,954 share options under the AEM Employee Share Option Plan. As at 31 December 2016, the number of share options of the company outstanding was 301,954 (31 December 2015: nil). During the financial period there were no options being exercised.

1(d)(iv). Treasury Shares

As at 31 December 2016, the treasury shares balance was 2,347,500 (31 December 2015: 752,100). The total number of issued ordinary shares excluding treasury shares at the end of the period was 42,765,129 (31 December 2015: 44,360,576).

There was no sale, transfer or cancellation of treasury shares during the period.

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 2015.

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 2016. The adoption of these new and revised FRS does 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	
	4Q2016	4Q2015	FY2016	FY2015
(i) EPS based on weighted average number of ordinary shares in issue	1.95 cents	10.72 cents	10.93 cents	15.00 cents
Weighted average number of shares in issue	42,933,763	44,519,308	43,588,302	44,513,937
(ii) EPS based on a fully diluted basis	1.94 cents	10.72 cents	10.88 cents	15.00 cents
Weighted average number of shares adjusted for the effect of dilutive potential ordinary shares arising from the exercise of share options	43,142,476	44,519,308	43,797,015	44,513,937

7. Net Asset Value Per Share

	Group		Company	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Net asset value per share	70.0 cents	55.2 cents	43.0 cents	37.8 cents

Net asset value per share is calculated based on the existing issued share capital less treasury shares of 42,765,129 ordinary shares as at 31 December 2016 (31 December 2015: 44,360,576 shares).

8(a). Group Performance Review

Analysis of Consolidated Income Statement

	Quarterly Results			YTD Results		
	4Q2016	4Q2015	Change	FY2016	FY2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Equipment Systems (ESS)	18,258	13,180	38.5%	64,436	41,031	57.0%
Precision Components (PCS)	1,294	1,212	6.8%	5,687	5,766	-1.4%
Overall	19,552	14,392	35.9%	70,123	46,797	49.8%

The Group reported higher revenue from its Equipment Systems ("ESS") business mainly due to higher equipment and kits sales. Sales from ESS were higher by 38.5%, increasing from S\$13.2 million in 4Q2015 to S\$18.3 million in 4Q2016 and increased by 57.0% from S\$41.0 million in FY2015 to S\$64.4 million in FY2016.

Revenue from the Precision Components ("PCS") business were higher by 6.8%, increasing from S\$1.2 million in 4Q2015 to S\$1.3 million in 4Q2016 due to increase in demand and lower by 1.4% from S\$5.8 million in FY2015 to S\$5.7 million in FY2016 due to reduced orders from customers in 1H2016.

As a result of the above, the Group recorded a 35.9% increase in its total revenue, which rose from S\$14.4 million in 4Q2015 to S\$19.5 million in 4Q2016 and a 49.8% increase in revenue from S\$46.8 million in FY2015 to S\$70.1 million in FY2016.

Raw materials and consumables cost, taking into consideration changes in inventories excluding reversal of allowance for inventory obsolescence, increased from S\$9.0 million in 4Q2015 to S\$12.7 million in 4Q2016, representing an increase of 40.5% and increased from S\$25.6 million in FY2015 to S\$44.6 million in FY2016, representing an increase of 74.2%. The increase in raw materials and other consumables cost in 4Q2016 and FY2016 was mainly due to a shift in revenue mix towards sales of new equipment, which requires higher material costs compared to material costs used in kits sales.

Depreciation cost decreased by 28.3% from S\$226,000 in 4Q2015 to S\$162,000 in 4Q2016 and decreased by 19.4% from S\$825,000 in FY2015 to S\$665,000 in FY2016 mainly due to the disposal of plating business during the year, resulting in lower property, plant and equipment carrying value in 4Q2016 as well as FY2016.

Amortisation of intangible assets was lower by 59.3%, decreasing from S\$59,000 in 4Q2015 to S\$24,000 in 4Q2016 and by 40.5% from S\$257,000 in FY2015 to S\$153,000 in FY2016. These were mainly due to lower intangible assets carrying value in FY2016.

Staff costs increased by 41.4% from S\$2.8 million in 4Q2015 to S\$4.0 million in 4Q2016 mainly due to bonus provision reversal of S\$393,000 in 4Q2015, higher bonus and performance share plan issuance provision in 4Q2016 of S\$383,000 and higher headcount for the increased sales orders from customers. Comparing year on year, staff cost increased by 14.8% from S\$11.8 million in FY2015 to S\$13.6 million in FY2016 mainly due higher bonus provision made as well as higher headcount for the increased sales orders from customers.

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

Analysis of Consolidated Income Statement

(i) Proforma profit before tax if exclude impairments, other gains, expenses and share of loss of an associate

	4Q2016	4Q2015	Change	FY2016	FY2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit before tax as reported	1,266	2,962	-57.3%	6,091	4,868	25.1%
Loss on disposal of subsidiary	463	-	NM	463	-	NM
(Gain)/ Loss on liquidation of subsidiaries	-	512	100.0%	(15)	512	102.9%
(Reversal)/ allowance for impairment on property, plant and equipment	(213)	213	200.0%	(213)	213	200.0%
Reclassification of prior quarters' other expenses to stock obsolescence*	-	(742)	-100.0%	-	-	NM
Allowance for inventory obsolescence (reversed)/provided	(202)	1,084	118.6%	(696)	1,077	164.6%
Reversal of impairment loss on asset held for sale	-	(597)	-100.0%	-	(597)	-100.0%
Reversal of provision on sales rebates	-	(2,034)	-100.0%	-	(2,034)	-100.0%
Share of loss of an associate	220	-	NM	449	-	NM
Net impairments, allowances, reversal loss/ (gain) and share of associate loss	268	(1,564)	117.1%	(12)	(829)	98.6%
Proforma profit before tax	1,534	1,398	9.8%	6,079	4,040	50.5%

As a result of the above, profit before tax excluding net gain from impairment, allowance, reversal and share of associate loss of S\$1.6M in 4Q2015 and net loss of S\$268,000 in 4Q2016, the profit before tax would have increased by 9.7% from S\$1.4 million in 4Q2015 to S\$1.5 million in 4Q2016. The profit before tax excluding net gain in impairment, allowance, reversal and share of associate loss of S\$829,000 in FY2015 and net gain of S\$12,000 in FY2016, profit before tax would have increased by 50.5% from S\$4.0 million in FY2015 to S\$6.1 million in FY2016.

(ii) Proforma profit after tax if exclude impairments, other gains, expenses and share of loss of an associate

	4Q2016	4Q2015	Change	FY2016	FY2015	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit after tax as reported	836	4,562	-81.7%	4,657	5,782	-19.5%
Net impairments, allowances, reversal loss/ (gain) and share of associate loss	268	(1,564)	-117.1%	(12)	(829)	-98.5%
Income tax credit	-	(1,811)	-100.0%	-	(1,808)	-100.0%
Net impairments, allowances, reversal (gain)/ loss, income tax credit and share of associate loss	268	(3,375)	-107.9%	(12)	(2,637)	-99.5%
Proforma profit after tax	1,104	1,187	-7.0%	4,644	3,144	47.7%

Profit after tax excluding net gain in impairment, allowance, reversal gain, income tax credit and share of associate loss of S\$3.4 million in 4Q2015 and net loss of S\$268,000 in 4Q2016, the profit after tax would have decreased by 7.0% from S\$1.2 million in 4Q2015 to S\$1.1 million in 4Q2016 mainly due to the above reasons and there was bonus reversal of S\$393,000 in 4Q2015 whereas higher bonus and performance share plan expense provisions of S\$383,000 was provided in 4Q2016. Profit after tax excluding the net gain in impairment, allowance, reversal gain, income tax credit and share of associate loss of S\$2.6 million in FY2015 and net gain of S\$12,000 in FY2016, profit after tax would have increased by 47.7% from S\$3.1 million in FY2015 to S\$4.6 million in FY2016.

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

Analysis of Statement of Financial Position

Cash and cash equivalents reduced mainly due to payments made for trade and material purchases as a result of the increase in sales orders to be fulfilled over the next few quarters, as well as for the acquisition of associate.

8(b). Discontinued Operations

On 2 February 2016, the Company announced that it has entered into an agreement to dispose of the plating business in its wholly owned subsidiary AEM (Suzhou) Co., Ltd. The disposal was substantially completed as at 31 December 2016. The Company chose to voluntarily disclose the disposed business as discontinued operations.

(i) The financial results of discontinued operations in FY2016 are as set out below:

	YTD Results	
	FY2016	FY2015
	S\$'000	S\$'000
Revenue	30	814
Other income	-	-
	30	814
Changes in inventories of finished goods and work-in-progress	5	(24)
Raw materials and other consumables	(38)	(702)
Staff costs	(43)	(375)
Depreciation of property, plant and equipment	(37)	(180)
Other expenses	(26)	(427)
Loss for the year	(109)	(894)

(ii) The major classes of assets and liabilities that were disposed as plating segment were as follows:

	31-Dec-16 S\$'000
Assets	
Property, plant and equipment	1,029
Intangible assets	-
Inventories	104
Trade and other receivables	-
Cash and bank balances	-
Total assets	1,133
Liabilities	
Trade and other payables	-
Financial liabilities	-
Total liabilities	-

8(b). Discontinued Operations (Cont'd)

(iii) The net cash flows related to the segment that has been disposed are as follows:

	FY2016 S\$'000	FY2015 S\$'000
Operating activities	(116)	(686)
Investing activities	(7)	(560)
Financing activities	-	-
Effect of exchange rate changes on balances held in foreign currencies	80	(18)
Net cash outflow	(43)	(1,264)

(vi) Effect of disposal on the financial position of the Group:

	FY2016 S\$'000
Property, plant and equipment	1,029
Intangible assets	-
Inventories	104
Trade and other receivables	-
Cash and cash equivalent	-
Trade and other payables	-
Net asset and liabilities	1,132
Foreign currency translation difference	1,001
Group's share of net assets and liabilities	2,133
Loss on disposal of subsidiaries	(783)
Consideration received, satisfied in cash	1,351
Cash proceeds from disposal	
Consideration received, satisfied in cash	1,351
Cash and cash equivalents disposed of	-
Net cash inflow/(outflow)	1,351

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 3Q2016 results announcement, we stated "The Group expects that it will continue to be profitable in the fourth quarter of FY2016". The Group achieved profit after tax of S\$836,000 and S\$4.7 million in 4Q2016 and FY2016 respectively.

10. Business Outlook

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

We continue to be positive on our high volume ramp of our new equipment and kits, and will be expanding our capacity in 2H2017. As at 16 February 2017, the Group has received purchase orders of S\$95.7 million for equipment and kits to be delivered in FY2017. 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.

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Name of Dividend	First & Final
Dividend Type	Cash
Dividend Rate	1 cent per ordinary share
Tax Rate	Tax Exempt One-Tier

(c) Date payable

31 May 2017

(d) Books closure date

NOTICE IS HEREBY GIVEN that, the Transfer Books and Register of Members of the Company will be closed on 23 May 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 3 Anson Road #27-01, Springleaf Tower Singapore 079909, up to 5.00 p.m. on 22 May 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 22 May 2017 will be entitled to the proposed dividend.

(e) Breakdown of Total Annual Dividend

	Latest Full Year (2016)	Previous Full Year (2015)
	\$'000	\$'000
Interim	218	0
Final	556	440
Total	773	440

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 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	Share of Associate Loss S\$'000	Consolidated Continuing Operations S\$'000
2016				
Revenue and expenses				
Total revenue from external customers	64,436	5,687	-	70,123
Inter-segment revenue	1,548	494	-	2,042
Reportable segment revenue	65,984	6,181	-	72,165
Depreciation and amortisation	(536)	(319)	-	(855)
Finance costs	(21)	-	-	(21)
Finance income	16	-	-	16
Tax expenses	(1,218)	(107)	-	(1,325)
Profit/ (loss) before tax	6,855	(315)	(449)	6,091
Profit/ (loss) for the year	5,638	(423)	(449)	4,766
Reportable segment assets	43,375	4,740	-	48,115
Reportable segment liabilities	16,122	2,046	-	18,168
Other Segment Information				
Expenditures for non-current assets	(454)	(128)	-	(582)
Other material non-cash items:				-
(Impairment loss) / Reversal of :-				-
- Doubtful debts	-	-	-	-
- Inventory obsolescence	470	226	-	696
- Property, plant and equipment, net	3	210	-	213

15. Business Segment Information (Cont'd)

	Equipment Systems (ESS) S\$'000	Precision Components (PCS) S\$'000	Consolidated Continuing Operations S\$'000
2015			
Revenue and expenses			
Total revenue from external customers	41,031	5,766	46,797
Inter-segment revenue	1,351	775	2,126
Reportable segment revenue	42,382	6,541	48,923
Depreciation and amortisation	(690)	(392)	(1,082)
Finance costs	(25)	(1)	(27)
Finance income	51	7	58
Tax credit	1,808	-	1,808
Profit/ (loss) before tax for the year	5,593	(725)	4,868
Profit/ (loss) for the year	7,401	(725)	6,676
Reportable segment assets	28,814	5,541	34,355
Reportable segment liabilities	7,743	1,921	9,664
Other Segment Information			
Expenditures for non-current assets	(250)	(44)	(294)
Other material non-cash items:			
(Impairment loss) / Reversal of :-			
- Doubtful debts	(65)	(2)	(67)
- Inventory obsolescence	(882)	(195)	(1,077)
- Property, plant and equipment, net	(3)	(210)	(213)

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\$6.9 million in FY2016 increased as compared to the profit before tax of S\$5.6 million in FY2015. The increase in the profit before tax was a result of the increase in demand for equipment and kits.

For the PCS business, it recorded a net loss before tax of S\$315,000 in FY2016 compared to the net loss before tax of S\$725,000 in FY2015 mainly due to reversal of inventory impairment and reversal of property, plant and equipment impairment amounting to S\$226,000 and S\$210,000 in FY2016 respectively.

17. Breakdown of Half Yearly Sales and Profit

	Group		
	FY2016 \$'000	FY2015 \$'000	Change* %
(a) Sales reported for first half year	29,302	19,979	46.7%
(b) Net profit for first half year	1,579	1,129	39.9%
(c) Sales reported for second half year	40,821	26,817	52.2%
(d) Net profit for second half year	3,078	5,547	-44.5%

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 issuer.

BY ORDER OF THE BOARD

Charles Cher Lew Siang
Chief Executive Officer
23 February 2017