

AEM Holdings Ltd.  
**Annual Report 2022**





# Testing Innovation

AEM is a global leader in test innovation. We provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support.

We deliver customised, and application-specific solutions to meet our customers' needs. With full-stack test capabilities for advanced engineering to high-volume manufacturing, we provide innovative test solutions to drive successful customer outcomes in innovation. We set ourselves to redefine test through our Test Cell Solutions Business and Instrumentation Business.

We innovate test to test innovation, providing leading-edge engineering solutions to meet the demands of fast-moving industries. With customer intimacy at our core, we build strong partnerships with our customers through our global network, tailoring solutions and delivering services that meet their needs. Beyond our leading-edge test innovation, we take pride in building strong partnerships with our customers and catering to the demands of an ever-evolving advanced manufacturing landscape.

AEM has a global presence across Asia, Europe, and the Americas. Our R&D centers are crucial in innovating and advancing our in-house engineering capabilities to deliver technologies and solutions for the next generation of semiconductor testing needs. AEM's R&D centers are situated in Singapore, Malaysia, Finland, France, and the US.

With manufacturing plants located in Singapore, Malaysia (Penang), Indonesia (Batam), Vietnam (Ho Chi Minh City), China (Suzhou), and Finland (Lieto), and a global network of engineering support, sales offices, associates, and distributors, we offer our customers a robust and resilient ecosystem of test innovation and support.

AEM Holdings Ltd. is listed on the Mainboard of the Singapore Exchange (Reuters: AEM. SI; Bloomberg: AEM: SP).



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# Our Vision for the Future **A Zero Failure World**





As technology rapidly progresses and integrates with every aspect of how the world works, testing becomes crucial to mitigate the exponential risk created and to fully realise the possibilities of technological advancement.

## Mission Statement

To provide the most comprehensive semiconductor and electronics test solutions based on the best-in-class technologies, processes, and customer support.

## Our Values

An Innovative organisation is a Resilient one.

Customer & Employee Intimacy for a unified organisation.

Agility and Operational Excellence for a strong execution.

Ethical & Trustworthy.



**We partner closely with our customers across the innovation process** to set the standards and pace for innovation and to ensure their success.



**DIRECT ENGINEERING/SALES SUPPORT**

**ASIA**

CHENGDU  
HSINCHU  
SHANGHAI  
SINGAPORE  
KOREA  
KULIM  
VIETNAM

**EUROPE**

FRANCE  
FINLAND

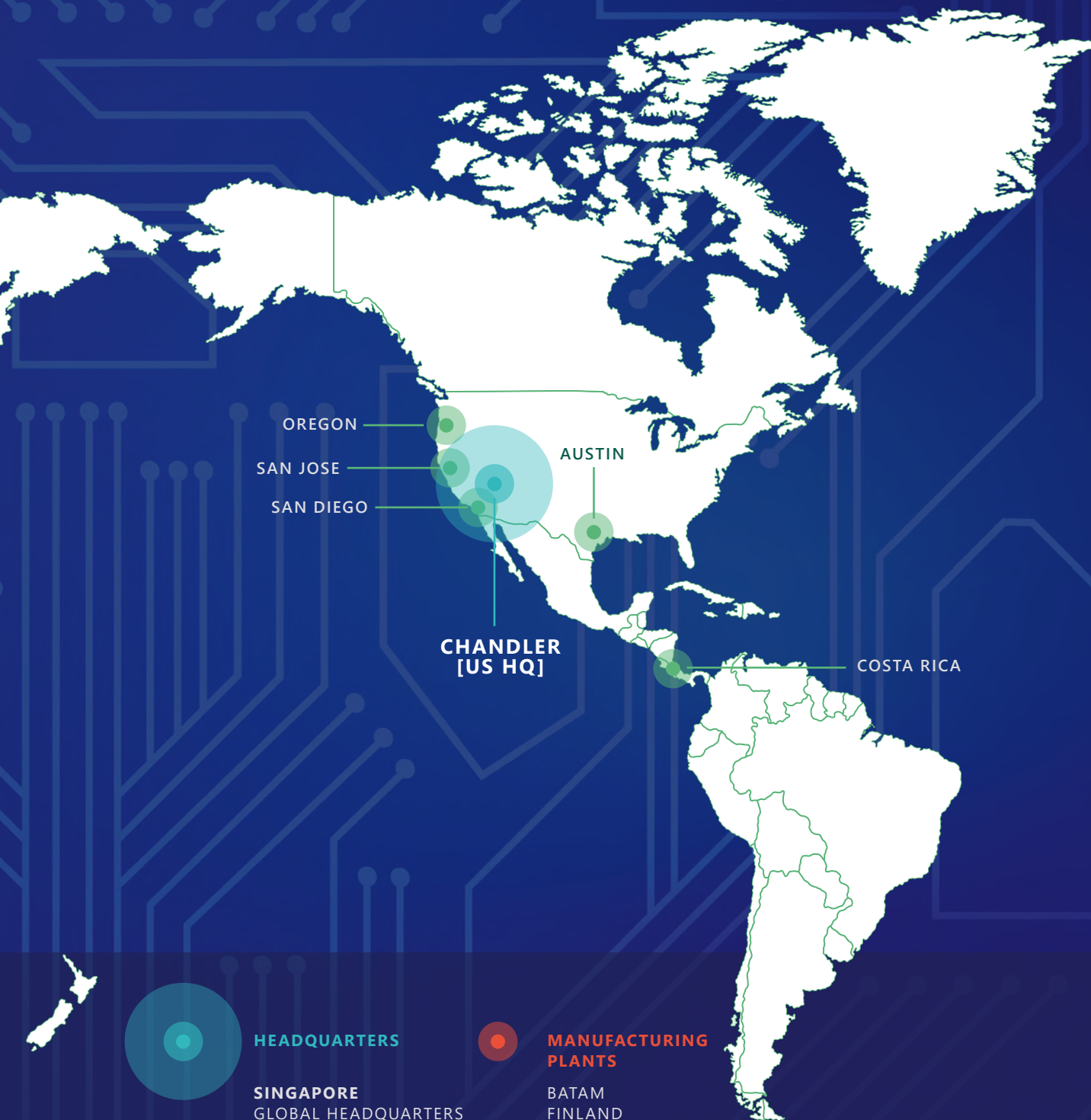
**MIDDLE EAST**

ISRAEL

**AMERICAS**

AUSTIN  
CHANDLER  
OREGON  
SAN DIEGO  
SAN JOSE  
COSTA RICA







AEM

## AEM at A Glance

AEM is a global leader in the fast-growing Test 2.0 market, delivering application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving the advanced computing, 5G, and AI markets.

# 2022

**An exceptionally strong year** for us as we record our highest annual revenue with growth driven by platform ramps and supply chain resilience.



REVENUE

**S\$ 870.5M**

Exceeding our revenue guidance for FY2022 of between S\$820 million and S\$850 million on the back of strong demand from existing and new customers



PROFIT BEFORE TAX

**S\$ 158.7M**

Our profit before tax for the same period increased 43% year-on-year, the highest in the Group's history



NET ASSET VALUE PER SHARE  
(in Singapore Cents)

**157.1**

Our net asset value per share increased from 130.0 Singapore cents as of 31 December 2021 to 157.1 Singapore cents as of 31 December 2022



DILUTED EARNINGS PER SHARE  
(in Singapore Cents)

**40.7**

Representing a 29% year-on-year increase from 31.6 Singapore cents in FY2021



# Leader in Fast Growing Test 2.0 Market

Test 2.0 growth is driven by advanced packaging & integrated logic.

AEM has over **1,000** Test 2.0 tools in production

# Full Stack Technology

Delivering **composable** technologies and solutions for advanced, integrated semiconductor test needs

# Deploy at Scale

Critical delivery capabilities giving our customers a **reduced time to market**

# Listed on SGX

Market Cap: ~S\$1.05B\*  
AEM Holdings Ltd.  
(SGD: AWX) (USD: XWA)

\* As at 24 Feb 2023





## *Dear Shareholders and Readers,*

2022 was a tale of two halves that were separated by meaningful shifts in the global macro environment. In the first half of 2022, the world was still in COVID mitigation, in a decade-long low interest rate environment, and still coping with supply chain shortages. Work From Home was still the norm as was the adoption pull-in of all things digital while inflation was low. Companies globally were increasing levels of inventory for resilience.

Driven by a record first half, AEM reported its best performance for the financial year ended 31 December 2022 ("FY2022"). The growth in 2022 revenue was partially driven by our new generation equipment and partially by inventory pull-ins as customers increased inventory for supply chain resilience in an initial low interest rate environment. Our team at AEM worked tirelessly in 2022 to deliver on the unprecedented ramp in volume and new products introduced, all under very tight delivery schedules. My sincere thanks to Team AEM!

In the second half of 2022, the world started to exit its collective COVID mitigation with people returning to a more normal life of physical interaction and IT consumption. Governments pulled back previous monetary easing policies and inflation kicked in. For the past nine months, central banks globally have been raising interest rates aggressively to stave off inflation. This has resulted in a slowdown in discretionary spend, capital expenditures, and a rush to reduce levels of inventory. We are now flirtingly close to an interest rate driven recession with many corporates right sizing their workforce and reducing levels of capital spend. This swing of the pendulum to contractionary policies will likely normalise over the next nine to 18 months but not in time to make 2023 a year of growth for many.

## Embracing Uncertainties in 2023

Economic uncertainty, looming global recession, and geopolitical turmoil have been the key topics of interest as we enter 2023. Financial and operational uncertainty are the themes for most industries globally and the semiconductor industry is no different. With an anticipated global recession this year, we expect the semiconductor industry slowdown that started in 2H2022 to continue for the better part of 2023. Accordingly, we also expect our financial performance to normalise to pre-COVID levels amidst these near-term uncertainties, and management at AEM has taken steps to lower our operating costs yet still investing in our ability to develop innovative solutions for our customers.

Though ebbs and flows are common in the semiconductor industry, we believe the ongoing structural shift with the need for more semiconductors across multiple end markets will continue.

## Longer Term Growth With More Than Moore

Moore's Law has been slowing down over the past few years as fab costs rise and production yields take longer to stabilise at smaller semiconductor nodes. The semiconductor world is now embracing advanced packaging (chiplets) to improve chip performance beyond just shrinking nodes on monolithic structures. For example, the next generation of artificial intelligence (AI) chips would not be possible without the use of advanced packaging technologies. We believe that these ever more complex Systems-in-Packages will require new

testing methodologies that depend on more wafer-level testing along with post packaging system level testing. AEM pioneered System Level Test (SLT) for high performance chips over a decade ago and we believe that the integrated logic market is now ready to adopt more SLT with advanced packaging going mainstream in the next few years.

While 2023 remains uncertain, we will carefully manage our costs but must also continue to re-invest in our technology roadmap and delivery capabilities. The semiconductor world is changing and will need to think about how they test semiconductor chips differently. AEM's Test 2.0 paradigm is that different thinking.

## The Road Ahead: Reinvestment

At AEM, innovation and entrepreneurship have always been a key part of our culture, and we are in constant pursuit of introducing the best technologies for our customers. Therefore, reinvestment into R&D has been one of our key focus areas. With the acquisition of three new customers, we have established a strong foothold as a global provider of innovative semiconductor testing solutions to enable the next generation of mission-critical applications.

In line with our mission and the ramp up needs of our key and new customers, AEM celebrated the grand opening of its new manufacturing plant in Penang in January 2023. The plant spans over 365,000 square foot for assembly, quality assurance, warehouse, R&D lab, and more, to develop advanced testing

*We are a firm believer that technology can accelerate large-scale and meaningful sustainable change through the promotion of greater overall efficiency across multiple dimensions.*





## Appreciation

and handling equipment. The plant will allow AEM to tap into the region's growth opportunities and talents and bring its operations closer to existing and new customers.

Additionally, the R&D lab at the Penang plant allows us to enhance our in-house engineering capabilities with a strong focus on delivering technologies and solutions for the next generation semiconductor testing needs. Beyond Penang, we are also establishing more R&D centres at our US and Singapore operations.

When we talk about innovation, we do not stop at improving the efficiency and quality of our products. Sustainability also remains one of our other key focus areas. For instance, our innovation also revolves around looking into methods to reduce chemical use in the manufacturing processes. On a larger scale, our involvement in technology naturally puts us in a position of positive impact when it comes to long-term growth. We are a firm believer that technology can accelerate large-scale and meaningful sustainable change through the promotion of greater overall efficiency across multiple dimensions.

The past few years has seen the world go through one of the most difficult times with COVID lockdowns, the war in Ukraine, supply chain disruptions, and severe inflation. As stakeholders in AEM, you would have witnessed our company and employees deal with these difficulties and emerge successful with the long-term support of our customers and shareholders. To each of our stakeholders, I would like to extend AEM's gratitude. I would also like to express special thanks to the management team and all the employees of AEM for steering the company to a record-breaking FY2022. Without your commitment and grit, our extraordinary accomplishment would not have been possible. 2023 will undoubtedly be difficult, and we will undoubtedly emerge stronger!

**Loke Wai San**  
Non-Executive Chairman





## *Dear Shareholders and Readers,*

In 2022, uncertainty prevailed as the world emerged from the pandemic. Recessionary concerns, geopolitical tensions, and inflation set the backdrop for a year of challenges, but also opportunities. In this rapidly changing landscape, we continued on our path of growth and improvement, investing in our capabilities and people – striving for operational excellence in an era of innovation. Despite the challenges posed, I am pleased to share that AEM achieved another year of exceptional financial performance in FY2022, highlighting the company's and our Team's resilience.

The rapid digitalisation and rise of new technologies remained the key demand drivers for semiconductors in a wide range of industries. This motivates us to continue to raise standards and stay ahead of customers' evolving needs. We remain committed to delivering scalable and leading-edge test solutions, as well as providing excellent service to strengthen our partnerships with customers. To further cement our position as a global leader in test innovation and stay ahead of the competition, AEM will continue to invest significantly in R&D, to provide the best-in-class technologies in test and handling solutions for semiconductor and electronics companies globally. Together with my colleagues and the Board, I believe that we have clear and well-defined strategies to become a leader in our industry.

## A Record Fiscal Year 2022

AEM delivered another year of record-breaking financial results, while navigating the impacts of a challenging landscape. The results were driven by volume ramp up for our new generation System Level Testing (SLT) handlers, Burn-In Test handlers, related consumables, and peripheral tools by our key customer. This demand was driven in part by a pull-in from 2023 for capacity needs. Besides successfully expanding AEM's share of wallet of its key customer, we have made substantial progress with three new customer accounts, where AEM's solutions are on the critical path for the launch of these customers' next generation devices.

AEM generated S\$870.5 million in revenue, up 54% year-on-year, and S\$158.7 million in profit before tax, up 43% year-on-year. In FY2022, the Group generated an operating cashflow of S\$187.1 million before accounting for working capital changes, up 44% year-on-year.

We want to ensure our shareholders continue to participate in our success. We have proposed a final dividend of 3.6 Singapore cents per ordinary share for FY2022, subject to shareholders' approval at the forthcoming annual general meeting.

## Accelerating Our Growth & Technological Capabilities in 2022

In 2022, we announced new sites in Penang, Korea, and the US, while expanding our R&D centre in Singapore. We officially opened our new manufacturing plant in Penang in January 2023. The site comprises a 365,000-square-foot area for assembly, quality assurance, a warehouse, and an R&D lab. It allows us to scale testing and handling capabilities to meet the growing demand for new semiconductor devices. At the same time, we will be able to tap on the region's growth opportunities and talents and bring our operations closer to existing and potential customers.

Singapore continues to play a critical role in the company's growth, given that it is where its global headquarters and centre of excellence are strategically located. To stay ahead of the curve as the leader in Test 2.0, AEM will double down its investments in engineering, and R&D.

In addition to in-house innovation and growth, strategic M&A is an essential part of AEM's strategy to stimulate further long-term growth. In 2022, we acquired a 53.3% stake in Nestek, a South Korean company that specialises in the design and

manufacture of pins and sockets. This acquisition not only aligns well with our growth strategy but also enables Nestek to extend our offerings in their consumables business.

To deliver composable solutions that cater to unique testing needs, we have been focused on developing leading-edge technology across our test and handling solutions. Shrinking geometries, and advances in packaging have a significant impact on the performance and power efficiency of devices. The complexities of the new devices have increased the complexity of test. To address these complexities, AEM is engaged with new customers by providing innovative solutions in Burn-In, Final Test and SLT. These innovative solutions include the most advanced thermal engine to date based on our innovative **Heatlet®** technology.

Driven by the rapidly growing demand for advanced image sensors in various applications, we jointly developed a new cost-effective, next-generation test system solution for CMOS image sensors with UTAC Holdings Ltd. (UTAC). The fully integrated CMOS Image Sensor Test Cell was delivered complete with a tester, illuminator and handler. The CMOS Image Sensor Test Cell Solution was awarded the Designed in Singapore Award 2022. This award and our strong partnership with UTAC are a testimony to both companies' technological capabilities.

In 2022, we celebrated key milestones in shipment deliveries and were awarded the "2022 Award to Commitment to Software Excellence" by our customer. The award recognises the commitment to continuous software quality and process improvement and maintaining trust and transparency with our customers. Such achievements are the result of our people's efforts and dedication. I am proud of how much our Team has accomplished over the past year.

## Advancing AEM's Test 2.0 Vision

With technological advancements in 5G, artificial intelligence (AI), automotive, Internet of Things (IoT) and cloudification, the volume of devices is set to increase. Innovations in semiconductor packaging technology has also resulted in increased complexity of devices. This has led to some unique challenges for the testing of integrated circuits (ICs). Hence, as the semiconductor industry continues to evolve, there is a growing need for companies to adapt to new challenges and rethink their test strategies.



*..as the semiconductor industry continues to evolve, there is a growing need for companies to adapt to new challenges and rethink their test strategies.*

The reduced geometries, and the complexity of new devices including heterogeneous packaged ICs makes traditional testing methods (Test 1.0) less effective in delivering the necessary test coverage to ensure the reliability demanded by today's applications. The only way forward is to run them through SLT and contain cost of test by shifting test content both left to the wafer level and right to SLT, away from Big-Iron, expensive Automated Test Equipment that dominate the old Test 1.0 paradigm.

Fueled by advanced packaging and integrated logic, Test 2.0 leverages big data, intelligent automation, and application-specific instrumentation, to test devices at the device level and the system level. This holistic approach to test delivers an assurance of quality at a significantly lower cost and with a much shorter time to market.

AEM remains steadfast in driving the growth of the Test 2.0 market, delivering application-specific intelligent system test and handling solutions for semiconductor and electronics companies serving the advanced computing, 5G, and AI markets. To date, we have over 1,000 Test 2.0 tools deployed in production.

To this end, we see Test 2.0 resetting the cost of test curve, ultimately strengthening our position as a global leader in test innovation. We are confident that the migration to Test 2.0 will drive new capability capex spend from our customers. Test 2.0 will also come with a higher percentage of test consumables which AEM has been investing in with our recent acquisitions.

Along with our push for innovation and technological advancement, we strive to continue our drive to excel in manufacturing, deploying and supporting our tools worldwide. We will achieve this through a culture of an engaged and empowered workforce that practices manufacturing excellence through lean manufacturing.

## At the Forefront of Innovation

Staying ahead requires continued investment in engineering and technology to which AEM is committed. Our commitment to innovation extends also to understanding the impact of technology on the environment and looking for ways to incorporate technology with positive environmental impacts. We believe that by designing products with sustainability in mind, we can achieve a maximum positive environmental impact in areas such as natural resources conservation, waste reduction, and product life extension. This way, not only do our customers get reliable products from us, but also raise their sustainability standards. Along with our Annual Report, we published our second standalone Sustainability Report, sharing AEM's sustainability commitments and milestones from last year. I encourage you to read more about our sustainability efforts in the report.

AEM is a people-first organisation, and we view our employees as our greatest asset. By empowering our people and developing a positive culture, we foster an agile and effective organisation, which creates an optimal environment to deliver on our strategy. We recognise the importance of diversity in our workforce and in creating a culture that is inclusive. We are actively creating an environment where our talents can thrive, grow, and succeed in their careers and we are excited about the possibilities ahead to make our company a leader in diversity and inclusion.

We are thankful to all our stakeholders who have enabled an innovative, resilient, and collaborative culture that AEM has built over the years. This will enable us to navigate a challenging 2023 successfully and position us for long term growth.

On behalf of the AEM Team, I wish you and your families the best of health!

**Chandran Nair**  
Chief Executive Officer

# Staying Ahead of the Test 2.0 Curve

*By Samer Kabbani, President  
(AEM International) &  
Chief Technology Officer*

The world of artificial intelligence (AI) is rapidly evolving and has the potential to revolutionise many aspects of our lives. From self-driving cars to intelligent personal assistants, AI is making it possible to automate complex tasks and make decisions based on data. One area where AI is having a significant impact is the insatiable demand for computer processing power.

CPUs (central processing units) and GPUs (graphics processing units) are the engines that power our computers, allowing them to perform complex calculations and render graphics. These processors have traditionally been optimised for specific types of workloads, with CPUs designed for general-purpose computing and GPUs optimised for graphics and parallel processing. However, as AI algorithms become more complex and data-intensive, the demand for processor power is skyrocketing. Hence, large hyperscale companies that provide cloud computing services are making substantial investments to drive new chips that will allow them to gain a leading market share in this new gold rush.

## Capitalising on The New Test Paradigm: Test 2.0

On the other hand, shrinking semiconductor transistor nodes below 10nm, and new packaging technologies have a significant impact on the performance and power efficiency of processors and memory modules. As transistors become smaller, they also become more sensitive to variations in temperature and voltage, which can lead to reliability issues. Similarly, 3D packaging and chip-on-wafer-on-substrate (CoWoS) also come with their own set of challenges, such as thermal management.

This rapid demand for more processing power, coupled with increasing testing challenges, presents a fantastic opportunity for AEM. In the past, AEM mainly focused on the CPU market where we have a strong foothold and







record of enabling powerful solutions. The need for this capability is now becoming more ubiquitous across many markets and customers. As a result, AEM has been making aggressive investments in R&D to produce disruptive platforms that offer a wide customer base a clear value proposition as compared to traditional test solutions. Specifically, our Test 2.0 vision focuses on enhancing the chip production yield while reducing the cost of test, starting from wafer probe and all the way to System Level Test.

## Driving Efficiency Through Streamlined Processes and Innovation

In an effort to enhance AEM's efficiency, AEM underwent an organisational restructuring to establish the Test Cell Solutions (TCS) Business Unit (BU) in early 2022. The TCS BU is split into two main groups: the Package Test Solutions (PTS) and Wafer Test Solutions (WTS).

For our WTS group, the team launched our highly differentiated Cryogenic Wafer Prober, a partnership with Bluefors, that exclusively tests quantum computing chips in early 2022. This solution is expected to leverage an increasing market for quantum computing, which is poised to grow significantly in the next five years, driven by increasing investment from public and private sectors and expanded practical applications for quantum technology. Through this collaboration, AEM will be strategically positioned as a leader in this nascent and exciting market.

On the other hand, the automotive integrated circuits (ICs) market is expected to grow at a CAGR of around 8%-12% in the coming years due to increasing demand for advanced and connected vehicles. As a result, AEM's WTS group expects to continue to see a stable demand from a well-established automotive MEMS supplier, despite global shortages of materials and components.

To continue to play a critical role in AEM's Test 2.0 vision of shifting test content upstream, we have also increased our R&D investments in WTS in 2022.

Through early demonstrations, the team was able to effectively showcase to compute chip manufacturers our unique ability to test thermally demanding ICs during probe, rather than after chip packaging. To this end, the WTS group is currently working closely with several major semiconductor companies to qualify our first solution in this area. We plan to announce this exciting product introduction in the second half of 2023.

For our PTS group, the team has successfully deployed our flagship AMPS test platform at a leading memory IC supplier in 2022. The success of the AMPS platform to test ultra-high-power AI and advanced server microprocessors highlights its unique flexibility and versatility to span multiple markets. We are excited to see strong interest in the platform and anticipate being able to make a major win announcement in the second quarter of 2023.

In addition, the PTS group has also released the most advanced thermal engine to date based on our innovative **Heatlet®** technology. The new thermal technology underwent extensive evaluations at three major processor companies in 2022 and outperformed all legacy solutions. As the clear market leader with the ability to scale, we are poised to deploy this new **Heatlet®** technology on three new opportunities in 2023 covering Compute, Mobility, and Automotive applications.

## Test Innovation for A Zero Failure World

AEM has established a robust growth track record through focused engineering and high levels of intimacy with key customers. This has allowed us to create full turnkey, application-specific solutions that are optimised for a rapidly evolving market. To enhance our global capabilities, we have opened three new development and local support offices in San Diego, Seoul, and Penang in 2022. Attracting and developing the best talents will remain our top priority as we actively pursue our multi-year Test 2.0 vision.



# Advancing the Shift Towards Test 2.0

*By Pascal Pierra, Senior Vice-President and General Manager, Instrumentation*

AEM's Instrumentation Business Unit (BU) consists of two groups with high growth potential – Precision Cable Test and Automated Test Equipment Solutions (ATE). The unique expertise of these divisions allows AEM to provide customised solutions that meet each customer's unique needs in a rapidly evolving environment.

## Comprehensive Test Solutions for ICs

In 2022, our ATE group made significant progress in its target markets. At the same time, we also focused on improving its products and developing new instrumentation to expand its market reach in 2023.

In particular, our next-generation test system solution for CMOS image sensors, a partnership with UTAC, has garnered interest from several potential customers, and is increasingly gaining exposure in Asia, Europe, and the US.

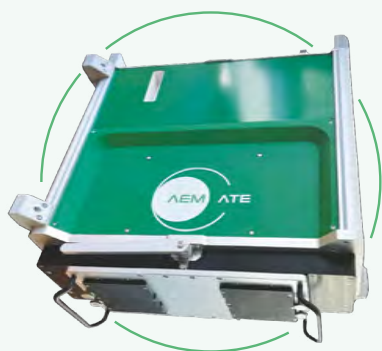
We also held a successful live demonstration of the M5S-HD tester, a cost-effective and efficient ATE solution, at SEMICON Taiwan 2022, which received positive feedback from attendees.

Further, we registered notable successes in Europe in 2022 with our new HD product line aimed at high volume manufacturing, which is currently being adopted by multiple customers. This platform, configured with 1024 I/Os, is suitable for testing digital integrated circuits (ICs), System on Chip (SoC), System in Package (SiP), and embedded memories. In 2023, we are planning to engage with new customers in Asia, Europe, and the US.

While our progress in China has been limited as a result of the local and global environment, we will continue to promote our solutions in China in 2023 by forming alliances with local partners.







## Bringing the Test into the Test Cell

A key role of the Instrumentation BU is to support the Test Cell Solutions BU, by implementing test solutions into the Configurable Test Units (CTUs) that are delivered to our System Level Test (SLT) and Burn-In customers around the world. Each application requires a tailored test implementation that is designed and engineered by our experienced teams to provide unparalleled and best-in-class test solutions for SLT and High Power Burn-In.

## Transitioning to Test 2.0 Through a Common Software

On the back of technological advancements in 5G, artificial intelligence (AI), automotives, Internet of Things (IoT) and cloudification, the volume of devices is expected to increase. Similarly, innovations in semiconductor manufacturing have resulted in increased complexity of devices and adoption of advanced packaging.

This has led to some unique challenges for the testing of ICs. Some of these challenges include increased test coverage requirements, as well as the time and costs for test. Hence, the limitation of today's test methodology has resulted in the changing paradigm of semiconductor test that has forced a re-think of test and the introduction of a new paradigm in test that AEM refers to as Test 2.0.

Today, AEM is the only company that offers the same software, instrumentation and Active Thermal Control (ATC) for Wafer Sort, Burn-In, Final Test and SLT to support customers' transition to Test 2.0. By using the same software and hardware, it gives the ability to load balance smartly, by moving more of the tests earlier to Wafer Sort or later to SLT. This allows capex spend to be reduced, allows better load balancing of the lines, thereby enabling to contain the cost of tests. This creates a fluid flow of the test process so that the steps that take more time can address the test needs of each device in a modular and scalable way, thereby increasing the flexibility of the production test.

We have already proven this capability with our existing SLT and Burn-In customers. This positions AEM as a unique partner who can facilitate a seamless transition to Test 2.0.

## Industry Leading Precision Cable Test Solutions

Despite global recessionary concerns, AEM's Precision Cable Test Solutions have expanded across various markets in 2022 and received positive feedback from customers. Particularly, our business in this segment grew significantly in the EMEA region, where we previously had a small presence in, in spite of a challenging environment in Europe.

High-performance data cables play a crucial role in ensuring the smooth functioning of various networked systems, including smart buildings and vehicles. The significance of testing cabling and components for their data and power-carrying capacities has increased considerably. Thus, AEM offers tailor-made testing solutions for every stage of a cabling system's life cycle, including laboratory characterisation, manufacturing tests, and troubleshooting.

Our Network Service Assistant provides an all-in-one testing solution for maintaining the performance of smart building networks. This solution tests for various aspects including WiFi performance, copper and fiber optic cabling performance, network connectivity and compatibility, network performance, and power delivery over data networks. In addition, AEM's RF vector network analyzer (MMVNA) is an ideal solution for testing high-speed data cables in automotive wire harnesses. As a result of AEM's service and solution excellence, we have continuously received repeat businesses from our customers, and have also added several new OEM customers that are expected to increase their use of our solutions in the coming year.

In 2022, we also introduced many improvements to our solutions and launched a new, low-cost cable harness tester, which won us several industry awards. Our engineering team will continue to innovate and develop our unique measurement technologies, with a strong roadmap for new and exciting test solutions.

## Strength in Depth, Agility and Resilience

In 2022, our teams have worked tirelessly to overcome the challenges posed by component shortages, delays in the supply chain, and COVID-19 restrictions. Despite facing these challenges, our teams have showcased exceptional agility to adapt to the evolving circumstances and demonstrated a remarkable spirit and commitment to deliver AEM's solutions to our customers on schedule.

As we move into 2023, we are well-positioned to continue to provide customised and tailored solutions for our customers' unique needs. By providing world-class support and fostering close customer relationships, we are confident that we can strengthen our position as the global leader in Test Innovation.

## BOARD OF

## DIRECTORS



### Loke Wai San (54)

*Non-Executive Chairman, Chairman of the Strategy Committee, and Member of the Nominating Committee*

Mr. Loke Wai San has been the Chairman of AEM since 2011 and served as Executive Chairman from 2017 to 2020. He is also the founder and CEO of private equity fund adviser Novo Tellus Capital Partners. With over 28 years of global technology management and investment experience, Mr. Loke helped transform AEM from a regional automation company to an emerging global technology provider of semiconductor backend test solutions. He has also provided leadership for AEM's acquisitions. Mr. Loke also serves on the board of Temasek Polytechnic and on the boards of several other public and private companies in the region.

### Chok Yean Hung (58)

*Non-Executive, Non-Independent Director, Member of the Audit & Risk Management Committee, and Member of the Strategy Committee*

After helming the company as its CEO, Mr. Chok Yean Hung joined AEM's Board of Directors. As a board member, Mr. Chok continues to provide his insights, management, and technical experience. With over 30 years of experience in the semiconductor industry, he is highly recognised for his foresight and aptitude to build and grow start-up companies to sustainable, independent, publicly-listed companies. Before his tenure with AEM, Mr. Chok successfully co-founded two OSAT companies, UTAC and Ellipsiz Test/EEMS Asia.

### Loh Kin Wah (68)

*Independent Director, Member of the Nominating Committee, Member of the Remuneration Committee, and Member of the Strategy Committee*

Mr. Loh Kin Wah has extensive leadership experience in the semiconductor industry. He is a Member of the Supervisory Board and Chairman of the Technology Committee at AMS AG, Non-Executive Chairman at Kinergy Corporation Ltd, Director at UTAC Pte Ltd, and Chairman of Huba Control AG. Over the last 30 years, his appointments include Vice Chairman of Ampleon BV, Executive Vice President, Global Sales and Marketing of NXP Semiconductors, President and CEO of Qimonda AG, and Executive Vice President, Communications Group of Infineon Technologies AG.





### James Toh Ban Leng (58)

*Lead Independent Director, Chairman of the Remuneration Committee, Member of the Audit & Risk Management Committee, and Member of the Nominating Committee*

Mr. James Toh is a founding director of Novo Tellus Capital Partners, a Singapore-based private equity firm. Mr. Toh started his career in management consulting, at Booz Allen & Hamilton, and subsequently A.T. Kearney. For the last 25 years, he has been investing in property and private equity in Asia and the US, via his family company, ACT Holdings Pte. Ltd.

### Alice Lin (55)

*Independent Director and Chairman of the Audit & Risk Management Committee*

Ms. Alice Lin brings a wealth of leadership experience that spans the corporate, investments, and philanthropic sectors. She served as CFO of Oracle Asia Pacific, managing finance and M&A for the multi-billion US-listed technology company in the region. Ms. Lin's experience covers multiple geographies and functions, including a stint as Director of Globalisation at Oracle. She is a shareholder and director of Green Mountains Investments Ltd., focusing on a broad range of late-stage and listed companies. She was a founding board member of Asian University for the Women Support Foundation in Singapore and Hong Kong.

### André Andonian (60)

*Independent Director, Chairman of the Nominating Committee, and Member of the Strategy Committee*

Mr. André Andonian has over 30 years of experience in consulting companies across the Semiconductors, Industrials & Electronics, Automotive & Assembly, and Aerospace & Defense industries on strategic, operational, and organisational topics. He has extensive experience in transforming companies into global leaders and in the assessment and development of talent. He has held multiple executive leadership roles across Europe, the US and Asia over his 34 years at McKinsey & Company, such as Managing Partner of McKinsey Japan, Global and Americas Leader of McKinsey's Advanced Industries Sector, and most recently, the Managing Partner of McKinsey Korea. He currently supports McKinsey & Company as Special Advisor/Senior Partner Emeritus in North Asia.

### Russell Tham (55)

*Non-Executive, Non-Independent Director, Member of the Nominating Committee, Member of the Remuneration Committee, and Member of the Strategy Committee*

Mr. Russell Tham brings extensive experience in the technology industry. Mr. Tham is currently the Head of Strategic Development, and Joint Head of Enterprise Development Group of Temasek International, focusing on building new businesses and investing globally in early-stage high potential Science & Technology ventures. He was the President of Applied Materials Southeast Asia from 2009 to 2018, leading the regional business and overseeing the company's expansion into manufacturing, supply chain, R&D, and product development for global markets in Singapore.

# MANAGE

**Samir Mowla**

Senior Director,  
Corporate Development,  
Corporate Marketing,  
and IT

**Eddy Neo**

Senior Director,  
Human Resources

**Leong Sook Han**

Chief Financial Officer

**Chua Tat Ming**

Senior Vice-President,  
Global Engineering

**Pascal Pierra**

Senior Vice-President  
& General Manager,  
Instrumentation

**Chandran Nair**

Chief Executive Officer



# MENT

**Seah  
Boon Seng**

*Senior Director,  
Key Account*



**Juha Arola**

*Chief Operating Officer*



*Senior Vice-President, Sales*

**MARK  
YAEGER**



**SAMER  
KABBANI**

*President (AEM International)  
& Chief Technology Officer*



We recognise that the success of our business is inextricably linked to the sustainable development of the communities and the world we live and work in, and the environment.

As such, our commitment to sustainability focuses on the following three key pillars:



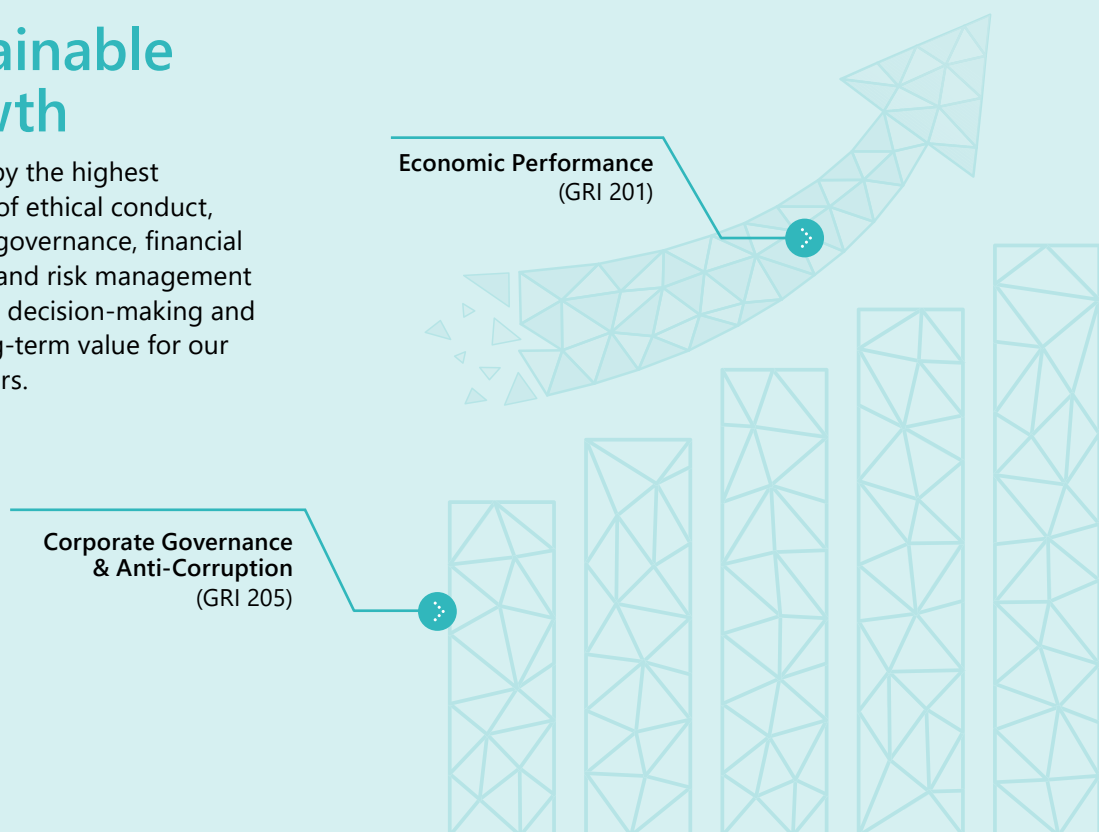
Read our Sustainability Report 2022 here.



*AEM's commitment to sustainability across three key pillars*

## Sustainable Growth

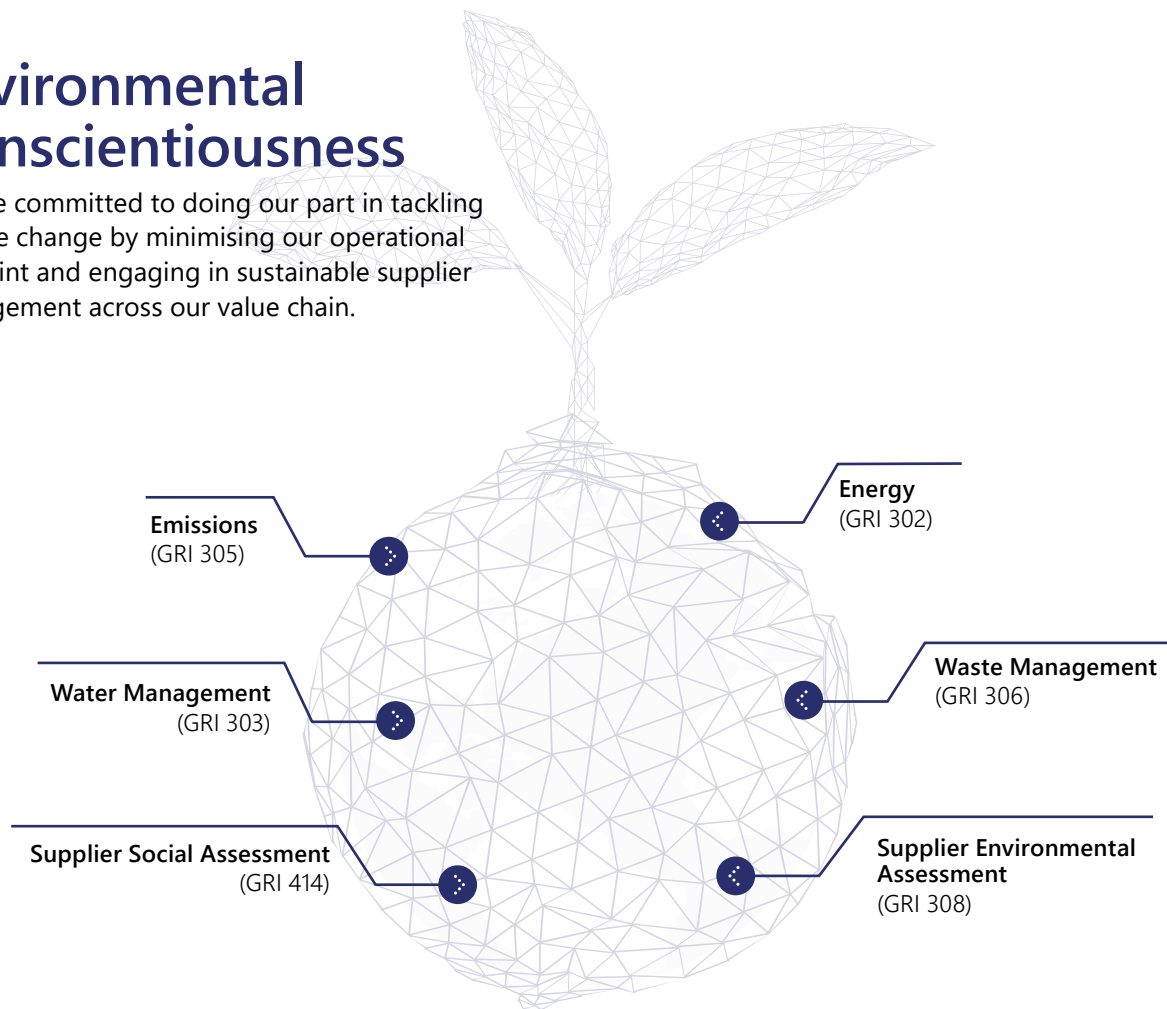
We abide by the highest standards of ethical conduct, corporate governance, financial discipline, and risk management to improve decision-making and create long-term value for our stakeholders.





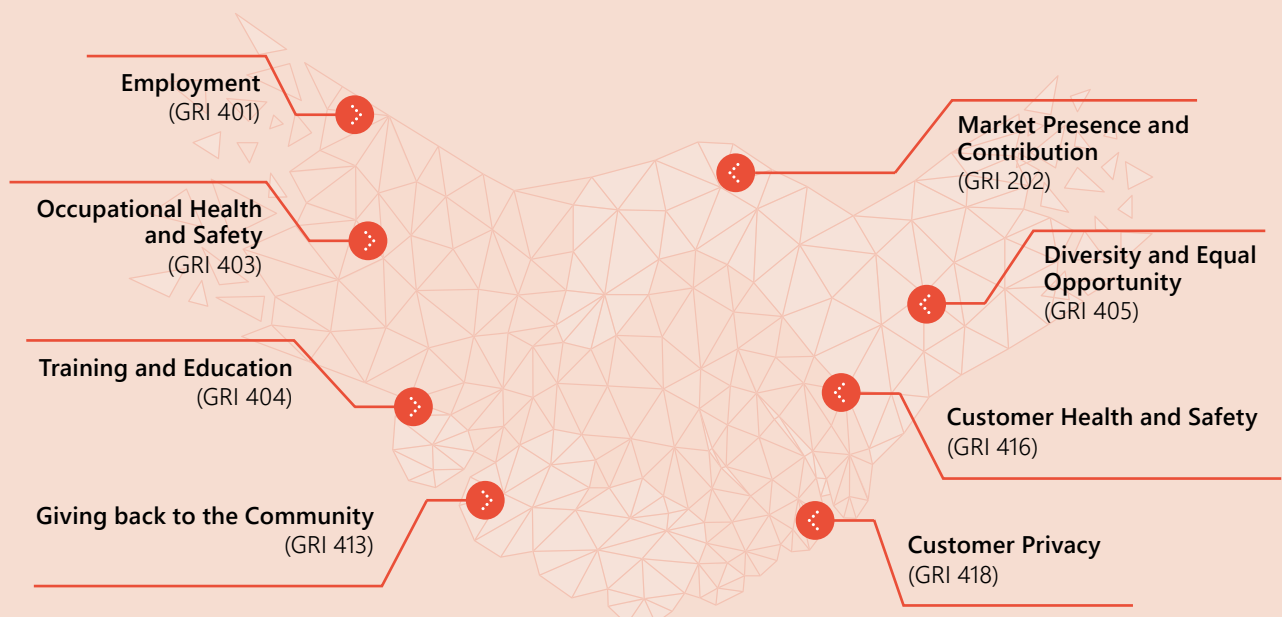
## Environmental Conscientiousness

We are committed to doing our part in tackling climate change by minimising our operational footprint and engaging in sustainable supplier management across our value chain.



## Solidifying Relationships with Our Stakeholders

A unified business organisation means investing in our people and cultivating positive, long-lasting relationships with our other stakeholders and the local community.





## Delivering Best-in-Class Solutions Through Innovation

2022 was a year of growth for AEM as we accelerated our efforts in providing leading-edge test solutions. With customer intimacy at the core of our business, we have continually developed best-in-class technologies to meet our customers' needs. This would not have been possible without our people who have embraced agility and resilience to deliver successful outcomes for our customers.







To address the need for a total test solution, AEM jointly developed a fully integrated CMOS Image Sensor Test Cell that is complete with a tester, illuminator and handler with UTAC, a Singapore-based semiconductor assembly and test services provider. The solution is expected to provide semiconductor companies with cost-effective solutions that are scalable and adaptable for future product lines. It consists of a custom illuminator with three different light sources for different image spectrums: Halogen, LED, and IR.

The illuminator is modular and self-calibrating, making it easier to adapt to image sensor requirements. It also brings together three different light sources for different image spectrums. Together with AEM's automatic test equipment (ATE) solution, the illuminator enables AEM to optimise the complete test cell for application-specific requirements.

The development of this project was an exceptional feat as AEM's technology capabilities were put to the test,

with cross-discipline teams collaborating internationally amidst a global pandemic. AEM's partnership with UTAC was particularly instrumental in delivering the solution, which at the proof-of-concept level, has shown phenomenal results. As a testament to this exemplary teamwork, the AEM CMOS Image Sensor Test Cell team clinched the "Team of the Year" award at the **SBR Management Excellence Awards 2022** and the **SBR Designed in Singapore Awards 2022**. In addition, AEM's Senior Director of Software Engineering, Mac Zhang, also won the "Innovator of the Year 2022" award for his spirited efforts in bringing innovation and engineering excellence to AEM and our customers.



Team of the Year - Electronics  
AEM Holdings Ltd



Innovator of the Year - Electronics  
AEM Holdings Ltd







"I was very eager to venture into the test automation industry and AEM presented me with a great opportunity right after I graduated. I am very fortunate to work with a team of super helpful colleagues and managers who take the time and effort to guide me through the tasks and software I was dealing with. Most importantly, I am given ownership of projects, which gives me more flexibility to grow into an independent and resourceful engineer."

**Lim Yi Shen**  
Mechanical Engineer



"Being in a company like AEM, I've been able to work with leaders that are focused on understanding and working with the team to unleash our maximum potential. With the opening of our office in Shanghai, the morale is high, and I am looking forward to what we will accomplish in building the AEM brand in China."

**Pan Ning**  
Area Sales Supervisor,  
Precision Cable Test

"As technology continues to advance, manufacturing has evolved into a truly high-tech industry that is everchanging. In my role, I help to ensure that all of our outgoing products are of the highest quality and I can support troubleshooting any problems that may arise. To succeed in my job, strong comprehension of math, excellent problem-solving skills and computer literacy are all essential. At AEM, I have been provided with many learning and training opportunities to ensure that I am upskilling myself with the latest technical developments to grow and thrive as a professional."

**Mohamad Farhan Mohd Nasir**  
Technician, Quality Assurance



"I have been with AEM for over a decade, working as a machinist in our production department, manufacturing parts that are used in CNC machines. I am proud to be part of the team here, where the working culture is driven and motivated and above all, it is a company that cares. When I was faced with health issues overseas during the pandemic, I received support and guidance from my team leads and the company, and I was able to return to work."

**Arunagiri Raja**  
Machinist, Precision Engineering



"As a Senior Engineer in Quality Assurance, I lead my team to maintain and improve the systematic and documented quality assurance system we uphold in AEM. With good documentation management, there is enhanced security in documents and data, and productivity increases with accessibility. This is a major success factor as we prioritise our quality standards for our customers. As the team, we set clear targets and directions towards our goals, as one team, and OneAEM."

**Agnes Ng**  
Senior Engineer, Quality Assurance



"Every day at AEM is a new opportunity to learn and bring my professional development to new heights. My team inspires me to be my best self to bring forward new and innovative products. The best part of working with my team is that we are efficient problem solvers who can take on any challenges."

**Nway Yu Khine**  
Senior Engineer, Precision Cable Test



"I've always been fascinated by electronics, so when I got the opportunity to work in the semiconductor testing industry, there wasn't a single moment of hesitation. I've been designing electronic board and FPGA firmware at AEM, and getting to see complex systems work together is very rewarding. It makes me really proud to see that my contributions make a meaningful impact to the overall project, and I'm always excited the opportunities I get to extend my potential in fully very challenging projects."

**Eliot Gentet**  
FPGA Engineer, ATE





"Every day is a new experience at AEM, I am presented with many different and exciting challenges and opportunities each day. Together with the support of my colleagues and the training programmes available, I've been able to advance my programming skills and play a part in progressing projects more efficiently."

**Liew Zhi Qing**  
Software Engineer



"We are in an industry that demands a breadth and depth of knowledge and to be updated with the latest technological advancements. And since day one of joining AEM, there have been different opportunities that allowed us to learn and upskill ourselves in various areas. For me, I had the chance to visit the headquarters in Singapore to see how our machines are built from the ground up. It was an opportunity for me to see how the pieces come together and also bring that knowledge back to our site in Costa Rica and sharing that with our colleagues here."

**Minor Lezcana Garcia**  
Site Supervisor, Costa Rica



"As a Test Engineer, ensuring quality for our customers is our top priority. We plan test strategies and develop hardware to understand and improve defects. This is a challenging task as there are many different challenges and problems with different products, but we get to improve every time we conquer these challenges. Over the twelve years I've been in my role, I have gained many valuable insights and skills. With my peers' and seniors' guidance and encouragement, I have upskilled myself and grown tremendously in my professional endeavours"

**David Chia**  
Senior Manager, Test Engineer



"Moving from my previous role in equipment engineering has been an exciting opportunity for me. Being a field service engineer in AEM means getting to be hands-on and work closely with our customers to solve any issues that arise on site. The work is challenging and presents many opportunities for me to learn and grow, and it is fulfilling to find myself learning new skills and problem solving daily!"

**Dennis Wu**  
Field Service Engineer, Hsinchu



"I have been with AEM since 2011, and I'm proud to be a part of the company's journey. Over the decade, many opportunities have been provided for me to learn and grow. My mentors have always encouraged me to take the initiative to learn and grow my skills to keep up with all the latest technological advancements. At AEM, we are encouraged to go beyond our comfort zones and embrace innovative thinking. Solving complex problems for our customers brings me great satisfaction."

**S Poobalan A/L Sathasivam**  
Operations Manager, AEM Penang



"We have a great atmosphere at AEM, fostering teamwork and unity. We work together, learn from each other and support one another. When somebody's having a hard day, we all pitch in and help each other out. Challenges are broken down, and we strive to overcome them together. While we are a global team, that does not stop us from connecting, we have regularly scheduled calls to collaborate, brainstorm, and find ways to empower one another. That brings a lot of synergy and support even as we work from different time zones worldwide."

**Jacqueline Walker**  
Social Media Manager/Channel Marketing Coordinator, Precision Cable Test



"As a Mechanical Engineer Intern, I run simulations for projects to ensure that their reliability and operational capabilities meet the customers' needs. The hands-on training that I received was extremely insightful, I will definitely take this newfound wisdom and skillset and apply them as I continue my studies in Engineering."

**Rishabh Ramakrishnan**  
Engineering Intern



"It's been more than a decade since I've joined AEM! Time has passed in the blink of an eye, and I've been fortunate to have been given many opportunities to grow, take on new roles, and acquire new skills that have been very effective and meaningful as we digitalise our workspace. As a member of the IT Team, I look forward to bringing in new technologies and improving the existing ones that we have to support our teams worldwide to strive for continued excellence in our innovation journey."

**Reuben Magdurulang**  
Senior Executive, IT





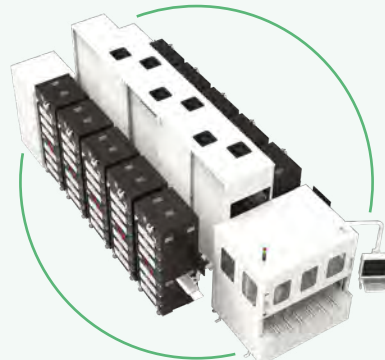
CMOS Image  
Sensor Test Cell

Network Service  
Assistant



## Revamped AMPS Platform

Full-stack System Level Test+ (SLT+) solution, with integration of Active Thermal Control (ATC), intelligent device tracking, and factory 4.0 automation.



## Developed the new SLT offering - Trident

High-power SLT offering, leveraging AEM's pedigree in ATC to solve daunting test challenges stemming from heterogeneous integration.







SSIA Summit and Semiconductor Dinner



Visit by the High Commissioner of the Republic of Singapore in Malaysia to the new AEM Penang Plant







Opening of new offices in San Diego and South Korea

Board of Directors Visit to the new AEM Penang Plant



Commemorating shipment milestones in Singapore and Malaysia



## Trade Shows

We continued to showcase and present our latest test innovations and actively engage our customers through recognised summits, conferences, and events globally.

**A PRODUCT ROADSHOW IN KUNMING**  
26 OCT 2022

**B MEMS WORLD SUMMIT EU 2022**  
23-24 JUN 2022

**C CAIRO ICT 2022**  
27-30 NOV 2022

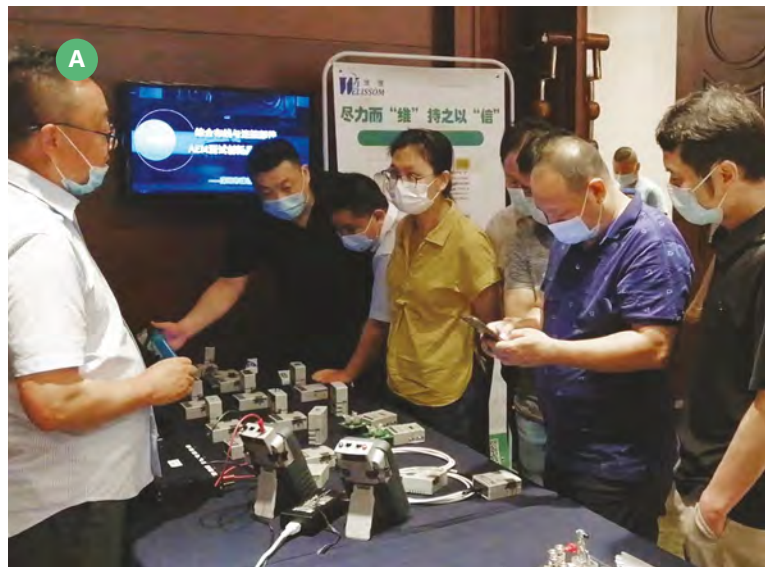
**D SEMICON SEA**  
21-23 JUN 2022

**E SEMICON TAIWAN**  
14-16 SEP 2022

**F SENSOR SOLUTIONS INTERNATIONAL**  
27-29 JUN 2022

**G SW TEST EXPO**  
5-8 JUN 2022

**H 2022 BICSI FALL CONFERENCE & EXHIBITION**  
25-29 SEP 2022









# Students Today, Engineers Tomorrow

By Natasha Yap & Christine Fu  
Corporate Marketing Team

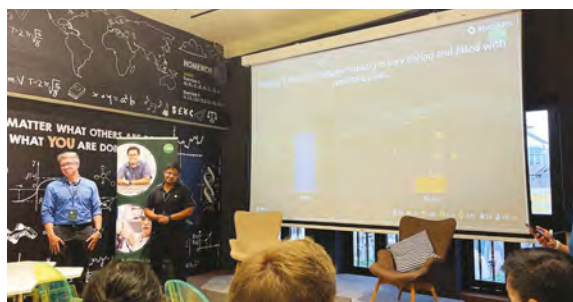


## Interview US, Singapore Edition

Over the past two years, the pursuit of talent in the tech sector has ramped up as the tech industry faces an intense labour crunch. Hence, we've hosted *Interview Us* as part of our recruitment efforts. We flipped the interview process and invited students to find out what it would be like to work at AEM by interviewing... us!

The event was made even more successful as 20 of our engineers took on the role of AEM Ambassadors to share their experiences with the students. Who better to encourage the students to join us than their seniors/alumni?

Leading the *Mentor Leadership First* section was Mark Drury, our Senior Director of Operations. Mark shared his career progression and his 14-year stint with AEM. He proudly shared the work that his global teams do – inspiring the students to seek training and travel opportunities.



Being a fresh graduate and hunting for your first job can be daunting. Lalitendu Tripathy, our Senior Mechanical Engineer and NUS alumnus spoke about his personal experience and how to succeed in the tech industry as a graduate. Lalit has been with AEM for three years, and he gave us a glimpse into his life at AEM, which includes duties such as building machines, testing, design and drawing, and project planning.

The next segment included a *Truth or Myth* interactive session with the students, where Mark and Lalit came together to debunk some myths about the semiconductor industry. Some myths of the semiconductor tech industry are that the jobs are boring and repetitive, and most jobs only go to experienced workers – leaving unattractive jobs for fresh graduates. The students had lots of fun and were very excited to participate in our interactive slides by 'reacting' with emojis.



We also had Jimson Seah from RICE Communications, our strategic communications partner, share about the semiconductor industry trends and insights. Jimson concluded that the semiconductor industry is set for explosive growth, and current technology trends are driving the demand for semiconductors. It is expected that by 2030, the semiconductor industry will be worth \$1 trillion. This set the students thinking of the security and potential of working in the semiconductor industry.





To wrap things up, the students were invited to another networking session with us over drinks. They were informed of our various job and internship opportunities and even a fast-track recruitment scheme. The event had a great turnout, and it was great to see students mingling with our AEM Ambassadors and speakers. Interview US is organised by our Corporate Marketing Team and in collaboration with HR and our SG Engineering Teams.



## Interview US, Malaysia Edition

For the first time in 2022, we took part in the Workforce Development Forum with a booth focused on recruiting aspiring engineers to join us in the journey of testing innovation.

Apart from being a Gold sponsor for SEMICON Southeast Asia, we were also the sponsor of the SEMI University Program - an initiative by SEMI that aims to spark interest to embark on careers in the semiconductor industry and attract more young talents to the industry.

Juha Arola, our COO, gave a speech during the welcome ceremony, where he urged students to explore the opportunities available within the semiconductor industry and the potential to test innovation with AEM.

Over the course of three days, we spoke to many bright young minds and also connected with our industry peers. It was indeed a rewarding experience to see the semiconductor industry bustling as we reconnect with the world!

As we set on our mission to realise our vision of A Zero Failure World, we believe that today's engineering students have what it takes to be innovators, disruptors, and game-changers at AEM.







# EMPLOYEE ENGAGEMENTS

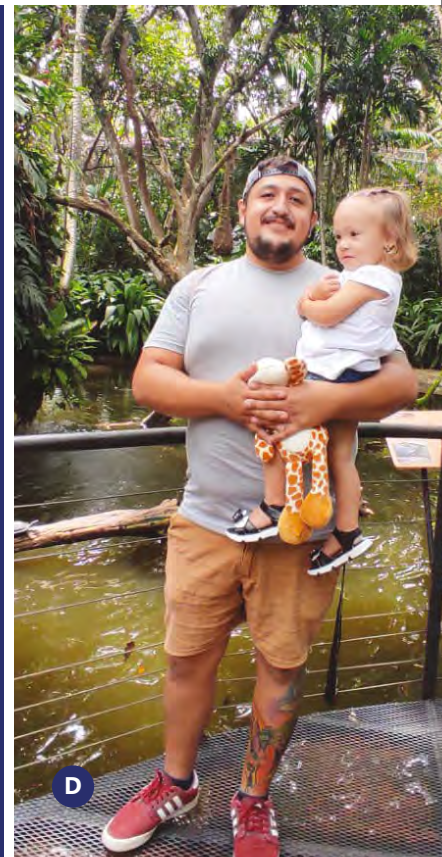
A: USA

B: FINLAND

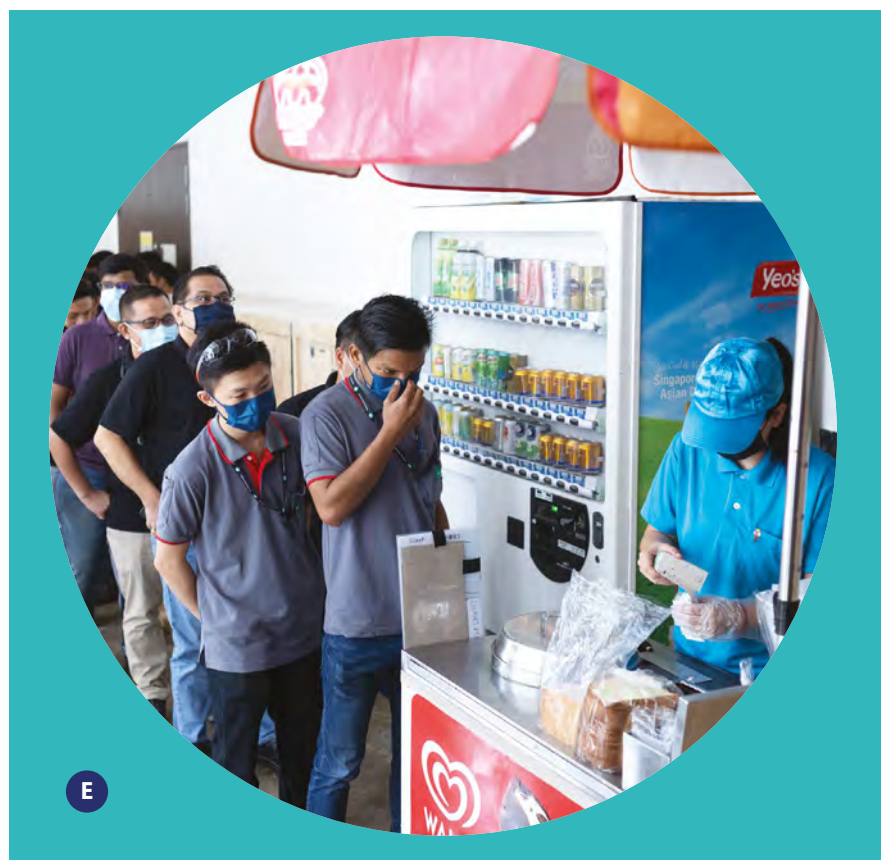
C: MALAYSIA

D: COSTA RICA

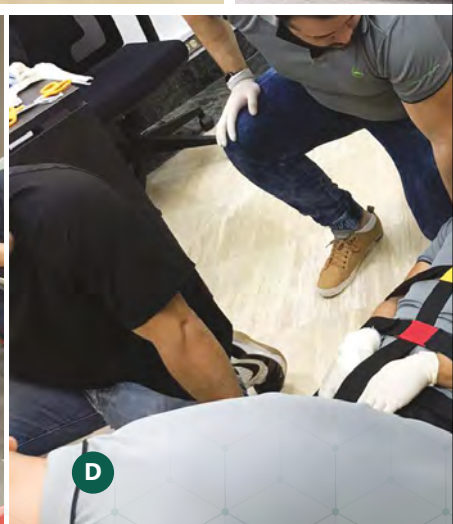
E: SINGAPORE















# TRAINING PROGRAMMES

A: MALAYSIA  
B: INDONESIA

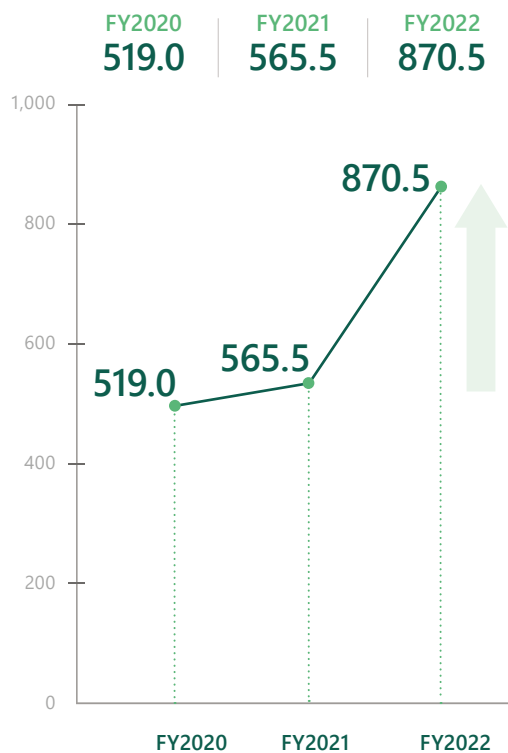
C: SINGAPORE  
D: COSTA RICA





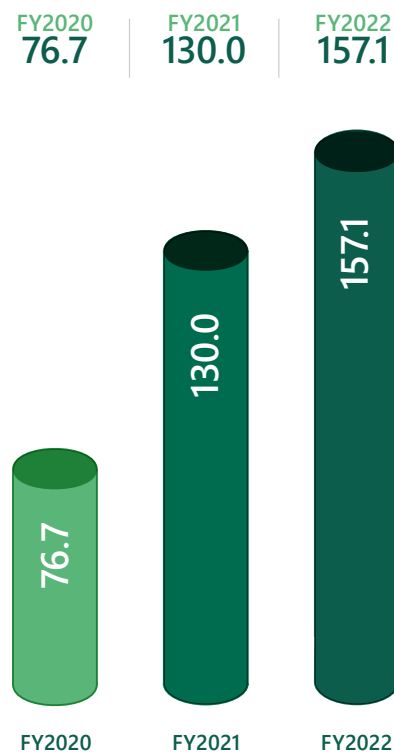
## Revenue

(in S\$ Million)



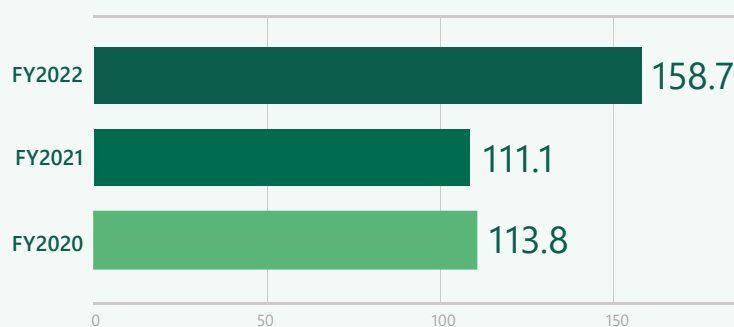
## Net Asset Value Per Share

(in Singapore cents)



## Profit Before Tax

(in S\$ Million)



## Diluted Earnings Per Share

(in Singapore cents)





## Performance Summary

<b>Profit or Loss Statement</b>	<b>FY2022 S\$'000</b>	<b>FY2021 S\$'000</b>	<b>FY2022 vs FY2021 Change</b>
<b>Revenue</b>	<b>870,491</b>	<b>565,462</b>	<b>54%</b>
Cost of sales	(596,833)	(378,813)	58%
<b>Gross profit</b>	<b>273,658</b>	<b>186,649</b>	<b>47%</b>
Research and development expenses	(23,126)	(19,935)	16%
Selling, general and administrative expenses	(93,807)	(58,674)	60%
Foreign exchange (loss)/gain, net	(2,021)	1,891	NM
Other income, net of other expenses	5,583	1,892	195%
Finance cost, net	(1,312)	(1,325)	-1%
Share of equity-accounted investees' (loss)/profit, net of tax	(282)	644	NM
<b>Profit before tax</b>	<b>158,693</b>	<b>111,142</b>	<b>43%</b>
Tax expense	(31,386)	(19,051)	65%
<b>Profit for the year</b>	<b>127,307</b>	<b>92,091</b>	<b>38%</b>

NM: Not meaningful

## Financial Position

<b>Balance Sheet Highlights</b>	<b>31 Dec 2022 S\$'000</b>	<b>31 Dec 2021 S\$'000</b>
Property, plant and equipment	40,046	26,122
Right-of-use assets	35,056	17,767
Intangible assets	115,853	96,882
Investment in associates	15,150	15,887
Inventories	367,723	204,926
Trade and other receivables	92,917	127,941
Cash and cash equivalents	127,775	216,180
Total assets	805,596	710,498
Financial liabilities	143,305	81,273
Trade and other Payables	118,934	182,611
Total liabilities	312,146	307,984
<b>Net asset value per share (Singapore cents)</b>	<b>157.1</b>	<b>130.0</b>

## Cash Flows

<b>Cash Flows Statement Highlights</b>	<b>FY2022 S\$'000</b>	<b>FY2021 S\$'000</b>
Net cash (used in)/from operating activities	(31,425)	54,953
Net cash used in investing activities	(38,437)	(85,224)
Net cash (used in)/from financing activities	(19,282)	113,513
Net (decrease)/increase in cash	(89,144)	83,242
<b>Cash &amp; cash equivalents as at 31 Dec</b>	<b>127,775</b>	<b>216,180</b>

## Introduction

AEM Holdings Ltd. ("AEM" or the "Company") is listed on the mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") (Reuters: AEM.SI, Bloomberg: AEM:SP). A global leader in test innovation, AEM and its group of companies (the "Group") offer application-specific intelligent system test and handling solutions to semiconductor and electronics companies. AEM's global footprint spreads across Americas, Asia, and Europe, and is backed by a cross-continent network of engineering support, sales offices, and distributors. The Group's manufacturing facilities are located in Singapore, Malaysia, Indonesia, Vietnam, China, and Finland.

## Operations Review

The Group's Test 2.0 solutions for advanced semiconductor devices was the primary driver behind the record revenue performance for the year ended 31 December 2022 ("FY2022"). Backed by two new platform ramps and product pull-in at the key customer, the Group registered a 54% year-on-year ("yoy") growth in revenue to S\$870.5 million in FY2022, exceeding revenue guidance of between S\$820 million and S\$850 million. In sync with the top-line growth, profit before tax increased 43% yoy to S\$158.7 million.

## Merger and Acquisitions

The Group continues to execute the strategy of developing both technology and delivery capabilities through organic and inorganic investment. Aside from the significant growth over the past year in our research and development ("R&D") team world-wide, we have continued to expand our capabilities via our merger and acquisition activity.

On 30 April 2022, the Group acquired a controlling stake of 53.3% equity shares in Nestek Korea Co., Ltd. ("Nestek") for a cash consideration of KRW14.3 billion (approximately S\$16.2 million). Under the investment agreement, AEM will acquire further shares of up to 80% of the total outstanding share capital of Nestek at a future date. In addition, the Group also has an option to purchase the remaining 20% for KRW4.8 billion (approximately S\$5.4 million).

Based in the Republic of Korea, Nestek specialises in the design and manufacture of probe pins and test sockets. The acquisition expands the addressable market of the consumables business and adds to AEM's full-stack solution capability.

## Next-Gen Manufacturing Capacity

In early-January 2023, the Group celebrated the grand opening of a new manufacturing plant in Penang, Malaysia. The 365,000-square-foot plant is equipped

with next-generation production capabilities as well as an R&D lab. Malaysia is dubbed the Silicon Valley of the East, housing top semiconductor and electrical & electronics ("E&E") companies' manufacturing operations, with approximately 7% of the total global semiconductor trade flowing through the nation.<sup>1</sup> The facility is strategically important, providing access to a large talent pool and with manufacturing and customer service operations in close proximity to both existing and potential customers' test operations.

## Treasury Shares

During the year under review, the Company repurchased a total of 1,292,000 (FY2021: 1,208,000) shares for a total consideration of S\$5,273,000 (FY2021: S\$4,638,000). In FY2022, 137,000 shares (FY2021: 637,000) were reissued under the Performance Share Plan 2017.

As of 31 December 2022, the Company held a total of 3,031,000 (31 Dec'2021: 1,876,000) treasury shares with a book value of S\$10,477,000 (31 Dec'2021: S\$5,668,000).

## Compensation and Benefits Policy

As of 31 December 2022, there were 2,883 (31 Dec'2021: 2,497) employees in the Group.

To retain and attract the industry's best talents, the Group consistently reviews and fine-tunes its compensation packages to ensure its competitiveness in the market. The package includes a base salary, and may also include allowances, cash bonuses, and performance shares. The total compensation of an employee is determined based on individual expertise, job responsibility, performance and contributions to operations, profitability, and long-term goals of the Group. AEM believes in providing a strong variable component in the employees' remuneration to incentivise better performance from employees. In addition, the Group also provides benefits-in-kind including medical, dental, as well as life insurance.

## Foreign Currency Risk Management

The Group's foreign currency risk arises from entities that transact in currencies other than their respective functional currencies, including Singapore dollar ("S\$"), United States dollar ("US\$"), Euro, Malaysian Ringgit and Korean Won. The Group seeks to minimise its foreign currency risk through natural hedges where sales and purchases are in the same currency.

<sup>1</sup>Malaysia Investment Development Authority - <https://www.mida.gov.my/media-release/malaysia-remains-an-attractive-location-for-semiconductor-and-ee-companies/>



## Performance Summary

The Group reported a historically high **revenue** of S\$870.5 million in FY2022, which was a 54% yoy increase from the S\$565.5 million achieved in FY2021. Test Cell Solutions remained our main segment, contributing 78.4% of total sales while Instrumentation and Contract Manufacturing segments contributed the remaining 21.6%.

The stellar improvement was driven by the volume ramp-up by our key customer for our new generation System Level Testing handlers and Burn-In Test handlers, along with the related consumables and peripheral tools. The volume ramp-up was attributed, partly, to the pull-in from 2023 for capacity needs. Besides that, the increase in revenue was also contributed by operational synergy following the full integration of CEI Pte. Ltd. ("CEI") into AEM's operations. CEI is a reputable contract manufacturer of printed circuit board assembly which the Group acquired in FY2021 to complement our full-stack solution offerings.

**Gross profit margin** declined marginally from 33% in FY2021 to 31% in FY2022 due to the change in product mix and supply chain pressures.

**R&D expenses** increased 16% yoy to S\$23.1 million in FY2022, approximately 2.7% (FY2021: 3.5%) of revenue. AEM stepped up overall investment in R&D activities and capabilities to stay ahead of the competition through innovation.

**Selling, general & administrative ("SG&A") expenses** increased to S\$93.8 million in FY2022, which was in line with revenue growth. As a percentage of sales, SG&A in FY2022 was approximately 10.8% (FY2021: 10.4%). The full year consolidation of CEI for FY2022 (vis-à-vis 9 months in FY2021) also contributed to the higher SG&A.

**Net foreign exchange loss** amounted to S\$2.0 million in FY2022, compared to a net foreign exchange gain of S\$1.9 million last year. This was largely due to unfavorable fluctuations of US\$ against S\$ during the year.

**Other income, net of other expense** amounted to S\$5.6 million in FY2022, compared to S\$1.9 million in FY2021. The increase was due primarily to the recognition of a fair value gain on other investments of S\$1.9 million during the year.

**Net finance cost** remained flat at S\$1.3 million.

**Profit before tax ("PBT")** came in at S\$158.7 million in FY2022, which was a 43% yoy increase from FY2021.

**Tax expense** as a percentage of PBT rose to 20% (FY2021: 17%) in FY2022.

In tandem with the top-line growth, **profit for the year** increased 38% from S\$92.1 million in FY2021 to S\$127.3 million in FY2022.

## Financial Position

As of 31 December 2022, the Group has total assets of S\$805.6 million, 13% higher than last year's position of S\$710.5 million. Meanwhile, total liabilities stood at S\$312.1 million, marginally higher than last year.

Resulting from that, the Group's net asset value per share increased from 130.0 Singapore cents as of 31 December 2021 to 157.1 Singapore cents as of 31 December 2022.

### Property, plant and equipment

(31 Dec'22: S\$40.0 million, 31 Dec'21: S\$26.1 million)

The increase in property, plant and equipment was mainly due to the consolidation of Nestek and additions from investments in Malaysia and the United States during the year.

### Right-of-use assets

(31 Dec'22: S\$35.0 million, 31 Dec'21: S\$17.8 million)

New property leases entered into by the Group resulted in an increase in right-of-use assets.

### Intangible assets

(31 Dec'22: S\$115.9 million, 31 Dec'21: S\$96.9 million)

The increase in intangible assets arose from goodwill and other intangible assets from the acquisition of Nestek as well as the capitalisation of development costs on R&D projects.

### Inventories

(31 Dec'22: S\$367.7 million, 31 Dec'21: S\$204.9 million)

The increase was due to inventory purchases made in relation to longer-dated, non-cancellable purchase orders, entered with our key customer to support their mid-term ramp needs.

### Trade and other receivables

(31 Dec'22: S\$92.9 million, 31 Dec'21: S\$127.9 million)

Lower sales towards the end of the year resulted in a decrease in trade and other receivables.

### Financial liabilities

(31 Dec'22: S\$143.3 million, 31 Dec'21: S\$81.3 million)

The increase in financial liabilities was due to a combination of factors including net increase in borrowings, new property leases entered by the Group, and the consolidation of Nestek.

### Trade and other payables

(31 Dec'22: S\$118.9 million, 31 Dec'21: S\$182.6 million)

The slowdown in activities towards the end of the year resulted in a decrease in trade and other payables.

### Cash Flows

AEM reported **net cash used in operating activities** of S\$31.4 million in FY2022, mainly due to the inventories purchased in relation to the longer-dated, non-cancellable purchase orders entered with our key customer.

In FY2022, **net cash used in investing activities** amounted to S\$38.4 million. Major cash outflow included R&D expenditures incurred and capitalised, property, plant and equipment acquired, and the acquisition of Nestek.

The Group recorded **net cash used in financing activities** of S\$19.3 million in FY2022, mainly due to dividend payments and payment of lease liabilities, partially offset by net increase in borrowings.

Accordingly, **cash and cash equivalents** declined from S\$216.2 million as of 31 December 2021 to S\$127.8 million as of 31 December 2022.

### Proposed Final Dividend

In FY2022, the Group continued to showcase its commitment to rewarding its shareholders by way of dividend payment.

The Board of Directors has recommended a final dividend of 3.6 Singapore cents per share for the year ended 31 December 2022. The proposed final dividend, together with the interim dividend of 6.7 Singapore cents per share paid on 23 September 2022, will bring the total dividend payout for FY2022 to 10.3 Singapore cents per share. Upon shareholders' approval at the upcoming Annual General Meeting, the proposed final dividend will be paid out on 31 May 2023 to shareholders whose names appear on the Register of Members of the Company as of 17 May 2023.

### Outlook

Entering 2023, a confluence of factors with the global slowdown and rising interest rates as the overarching theme, has adversely impacted capital expenditures. Meanwhile, a general inventory pull-in for supply chain resilience is giving way to inventory digestion in the first half of 2023.

Despite these headwinds, the Group sees 2023 as a year of transformation. The rapid adoption of artificial intelligence, 5G communications, and the electrification of the automotive industry are some of the trends that are driving the technological progress in the semiconductor industry, along with the need for a paradigm shift in test solutions.

AEM's Test 2.0 vision delivers the test capabilities that leading semiconductor manufacturers require for their next-generation devices. The adoption of Test 2.0 has been underway for many years at the Group's key customer, with AEM being a part of the journey from the start. This is a journey that AEM has just embarked on with its three new customer wins, where AEM's solution set is on the critical path for the launch of these customers' next-generation devices.

While 2023 may be a challenging year for the Group, we remain excited for the future. The Group will continue to manage costs diligently and strive for greater operational discipline, while maintaining our innovation and technical lead in Test 2.0. Implementation of the Test 2.0 vision at the Group's new customers' sites continues to be the priority, with the expectation of new customer ramp-ups to begin in late 2023, early 2024. Looking beyond 2023, we are excited about the future of the semiconductor industry amid the ongoing technological shifts.



## Board of Directors

Loke Wai San  
Non-Executive Chairman

James Toh Ban Leng  
Lead Independent Director

Loh Kin Wah  
Independent Director

Chou Yen Ning @ Alice Lin  
Independent Director

André Andonian  
Independent Director

Chok Yean Hung  
Non-Executive, Non-Independent Director

Tham Min Yew  
Non-Executive, Non-Independent Director

## Chief Executive Officer

Chandran Nair

## Audit & Risk Management Committee

Chou Yen Ning @ Alice Lin (Chairman)

Chok Yean Hung

James Toh Ban Leng

## Remuneration Committee

James Toh Ban Leng (Chairman)

Loh Kin Wah

Tham Min Yew

## Nominating Committee

André Andonian (Chairman)

James Toh Ban Leng

Loke Wai San

Tham Min Yew

Loh Kin Wah

## Strategy Committee

Loke Wai San (Chairman)

Loh Kin Wah

Chok Yean Hung

Tham Min Yew

André Andonian

## Joint Company Secretaries

Leong Sook Han

Kevin Cho Form Po

## Registered Office

52 Serangoon North Avenue 4  
Singapore 555853  
Tel: (65) 6483 1811  
Fax: (65) 6483 1822  
Website: [www.aem.com.sg](http://www.aem.com.sg)

## Share Registrar

Boardroom Corporate &  
Advisory Services Pte. Ltd.  
1 Harbourfront Avenue  
#14-07 Keppel Bay Tower  
Singapore 098632

## Auditors

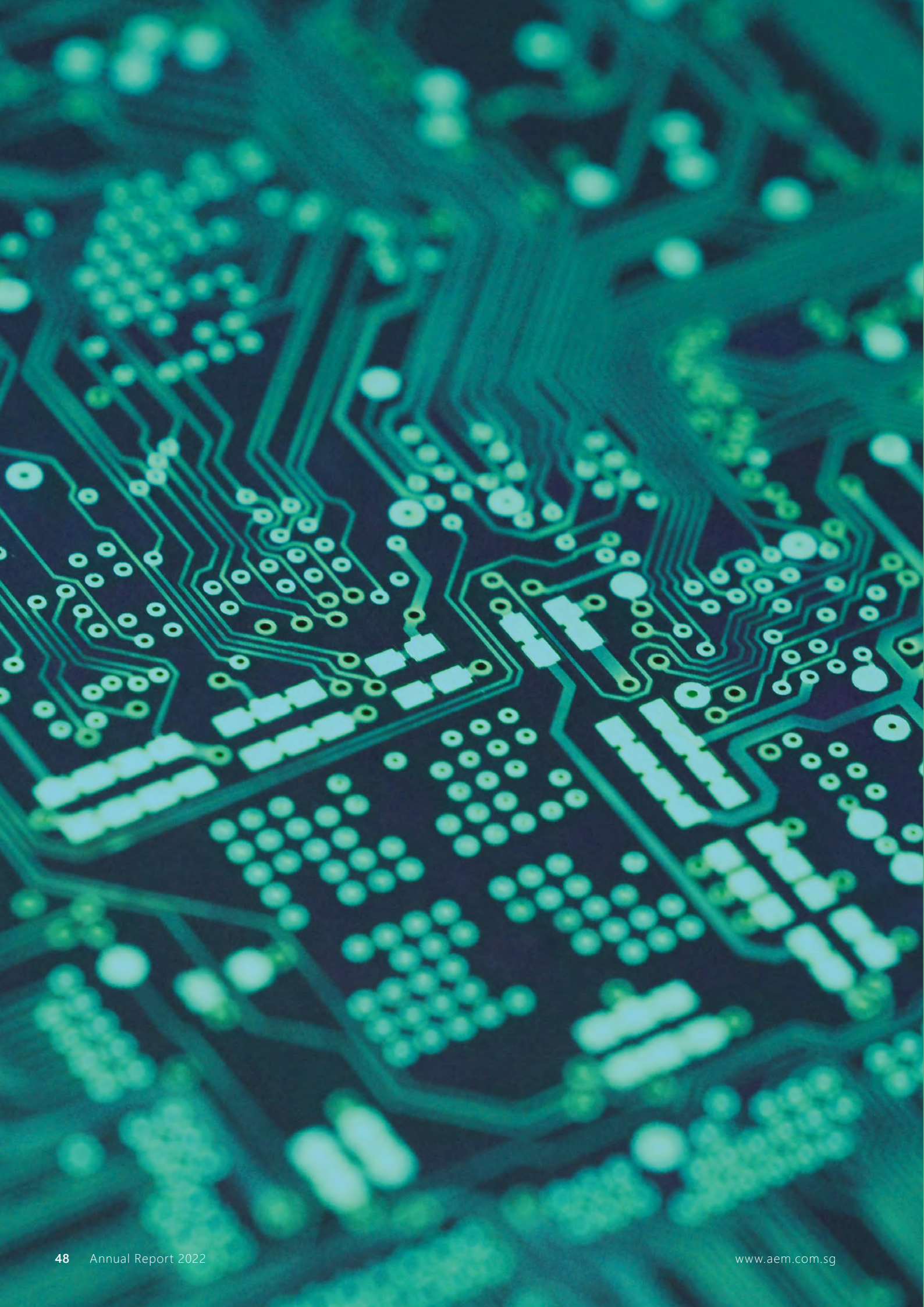
KPMG LLP  
Asia Square Tower 2  
12 Marina View, #15-01  
Singapore 018961

Audit Partner-in-charge  
Yeo Lik Khim  
Since Financial Year 2021

## Principal Bankers

Malayan Banking Berhad, Singapore  
Branch

Overseas-Chinese Banking  
Corporation Limited





# Driving Our Growth

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The Board of Directors ("**Board**") of AEM Holdings Ltd. (the "**Company**" or together with its subsidiaries, the "**Group**") are committed to maintaining a high standard of corporate governance which is essential to ensure greater transparency and protection of shareholders' interests. This report outlines the main corporate governance practices that were in place during the year with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**Code**"). To the extent where any provisions have not been fully complied with, appropriate explanations have been provided in the relevant sections.

## PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

*The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.*

### Provisions of the Code

1.1 *Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.*

### Group's Corporate Governance practices

As at the date of this report, there are 7 Directors on the Board which comprises a Non-Executive Chairman, two Non-Executive Directors and four Non-Executive Independent Directors ("**Independent Director**").

The Board is entrusted with and committed to, oversight of the business performance and business affairs of the Group, sets appropriate tone-from-the-top and desired organisational culture and Code of Conduct and Ethics, ensures proper accountability within the Group and seeks to ensure that obligations to shareholders and other stakeholders are understood and met.

The primary functions of the Board are as follows:

- (a) provide entrepreneurial leadership, set strategic objectives, which include appropriate focus on value creation, innovation and sustainability;
- (b) ensure necessary resources are in place for the Company to meet its strategic objectives;
- (c) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (d) monitoring the Company's risk of becoming subject to, or violating any Sanctions Law and ensuring timely and accurate disclosures to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and other relevant authorities;
- (e) review annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals;
- (f) monitor the financial performance of the Group and Management's performance;
- (g) set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
- (h) consider sustainability issues such as environmental and social factors as part of its strategic formulation; and
- (i) ensure transparency and accountability to key stakeholder groups.

To address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures whereby Directors are required to promptly declare any conflict of interest at a meeting of the Directors, or by written notification to the joint company secretaries ("**Joint Company Secretaries**") and they are required to take such action as and when it is necessary to effectively resolve the conflict (for instance recusing themselves by refraining from participating in meetings or discussions and by abstaining from voting, on any matter in which they are interested or conflicted). The Company has established procedures for all interested person transactions to be reviewed and approved by the Audit and Risk Management Committee ("**ARC**") on a quarterly basis and to ensure that these transactions are conducted on an arm's length basis.

The Board also deliberates and makes decisions on material acquisitions and disposals of investments and assets, corporate restructuring, funding, dividend payments and other matters such as those that may involve a conflict of interest.



## Provisions of the Code

- 1.2 Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.
- 1.3 The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring Board approval are disclosed in the company's annual report.
- 1.4 Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.
- 1.5 Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

## Group's Corporate Governance practices

The Company has in place an orientation programme to familiarise new Directors with the Company's structure and organisation, businesses and governance policies.

The Company is responsible for arranging and funding the training of Directors. The Directors are provided with updates on the relevant laws, financial reporting standards, Listing Rules of the SGX-ST, and relevant codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("SID"), Singapore Exchange Limited, business and financial institutions, and consultants. In the financial year ended 31 December 2022 ("FY2022"), all Directors have attended a mandatory training on sustainability matters as prescribed under Rule 720(7) of the Main Board Listing Manual of SGX-ST.

The Group has in place detailed guidelines that set forth all the matters reserved for the Board's decision and which provide Management with clear directions on the matters that require the prior approval of the Board, such as financial authorisation limits for operating and capital expenditure and other matters that fall outside the annually approved budgets, the drawing down or obtaining of credit lines and the acquisition and disposal of material assets and investments.

To efficiently discharge its responsibilities, the Board has established several board committees, namely the ARC, the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Strategy Committee ("SC") (collectively "**Board Committees**"). These Board Committees are given specific responsibilities and are empowered to deal with matters within the limits of the authority set out in the terms of reference ("**Terms of Reference**") of their appointments. They assist the Board operationally without the Board losing authority over major issues.

The SC was formed in April 2020. It is chaired by Mr. Loke Wai San and its members are Mr. Loh Kin Wah, Mr. Chok Yean Hung, Mr. Tham Min Yew and Mr. André Andonian. The SC has oversight responsibilities in (a) the development of the long-term strategic plan (b) the improvement and enhancement of the decision-making process relating to investment, and (c) the review of major investments and strategic initiatives.

The Board conducts regular scheduled meetings during the year and ad-hoc meetings, including teleconferencing meetings, are convened when circumstances require. The number of scheduled meetings held by the Board and Board Committees during the year were:

• Board	4
• Audit and Risk Management Committee	4
• Remuneration Committee	4
• Nominating Committee	1
• Strategy Committee	1

Please refer to **Table 1 – Attendance at Board, Board Committee Meetings and Annual General Meeting ("AGM")** at the "Other Corporate Governance Matters" section. The meeting schedule for the Board and each of the Board Committees is firmed up before the end of each financial year for the following year so that all Directors can arrange their schedules accordingly. If Directors are unable to attend any meeting, valid reasons are required to be provided. If any Director's attendance falls below 75%, his/her performance shall be critically reviewed by the NC.

Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only on his/her attendance at the general meetings and at meetings of the Board and/or the Board Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice and experience with other Directors and the Company's Management, and strategic networking relationships which would further the interests of the Company.

*Provisions of the Code*

1.6 Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

1.7 Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.

*Group's Corporate Governance practices*

Directors are regularly updated by Management on developments within the Group. The Board is provided with timely and adequate information, prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval. The Management also provides Directors with quarterly updates on the Group's financial performance, with material variances between the comparative periods explained. Where the Board's or a Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand the issues and to request for further information, as necessary.

The Board has separate and independent access to Management and the Joint Company Secretaries at all times. The Joint Company Secretaries are present at the Board and Board Committees' meetings as required by the Board. They are responsible for ensuring that Board procedures and applicable rules and regulations are complied with and advising and providing guidance and updates on best practices of corporate governance, administrative, legal and regulatory compliance matters. The appointment and removal of the Joint Company Secretaries are decisions taken by the Board as a whole.

The Board may seek and obtain independent professional advice at the Company's expense, if necessary, to fulfil and discharge their duties and responsibilities as Directors.

**PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE**

**The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.**

*Provisions of the Code*

2.1 An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

2.2 Independent Directors make up a majority of the Board where the Chairman is not independent.

2.3 Non-executive directors make up a majority of the Board.

*Group's Corporate Governance practices*

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs.

Mr. Lavi Alexander Lev, who has served on the Board since 2019, has stepped down as Independent Director at the conclusion of the 2022 AGM for board renewal purposes.

As part of the Board renewal process, the Board, based on NC's recommendation, approved the re-designation of Mr. James Toh Ban Leng as Independent Director from Non-Executive, Non-Independent Director on 1 January 2022, and the appointment of Mr. André Andonian as Independent Director, Chairman of NC, and member of SC on 1 July 2022.

As at the date of this report, the Board composition is as follows:

Loke Wai San	Non-Executive Chairman
James Toh Ban Leng	Lead Independent Director
Loh Kin Wah	Independent Director
Chou Yen Ning @ Alice Lin	Independent Director
André Andonian	Independent Director
Chok Yean Hung	Non-Executive, Non-Independent Director
Tham Min Yew	Non-Executive, Non-Independent Director

A majority (four out of seven) of the Board members are Independent Directors. Mr. James Toh Ban Leng, Mr. Loh Kin Wah, Ms. Chou Yen Ning @ Alice Lin and Mr. André Andonian are considered independent as they have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment in the best interests of the Company. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the Directors.



## Provisions of the Code

- 2.4 The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

## Group's Corporate Governance practices

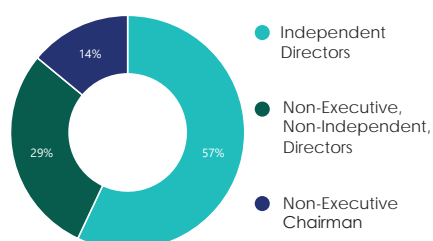
The Non-Executive Directors and Independent Directors have at least four regular meetings with Management to keep abreast of the Group's business, financial performance, and strategy plans. The Board members with majority being Non-Executive Directors including Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels and had open discussions with Management. Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. The Non-Executive Directors and Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management.

The core competencies of the Board members are as follows:

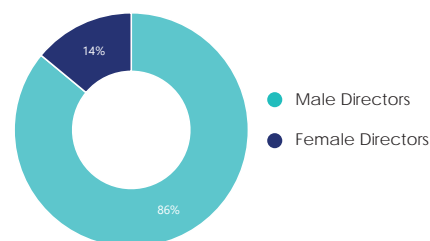
	Accounting and Finance	Business and Management	Industry Knowledge	Strategic Planning	Legal and Regulatory
Loke Wai San	√	√	√	√	
James Toh Ban Leng	√	√		√	
Loh Kin Wah		√	√	√	
Chou Yen Ning @ Alice Lin	√	√		√	√
André Andonian		√	√	√	
Chok Yean Hung		√	√	√	
Tham Min Yew		√	√	√	

The Board comprises Directors who have broad and complementary skills to serve AEM's global business objectives and governance standards. The Directors have the relevant qualifications, experience and knowledge in various fields including technology, law, accounting, finance, mergers and acquisitions, strategic planning, and management to meet the goals of the Company in the global semiconductor industry. The Independent Directors contribute their independent views and objective judgements on issues of strategy, business performance, resources and standards of conduct. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Group.

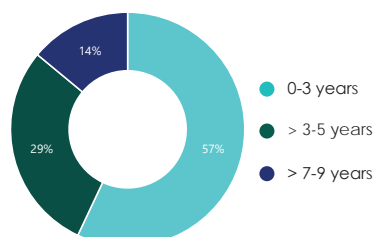
## INDEPENDENCE



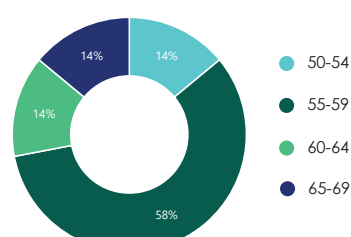
## GENDER DIVERSITY



## LENGTH OF SERVICE



## AGE OF DIRECTORS



The NC is of the view that the current Board and Board Committees possess the necessary competencies, skills and attributes required to meet the operations of the Group.

*Provisions of the Code*

- 2.5 *Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.*

*Group's Corporate Governance practices*

The Company has a Board diversity policy that takes into consideration criteria such as qualification, age, gender, experience, and expertise in various fields, in the relevant industry. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity. The Board recognises the importance and value of gender diversity in the composition of the Board. With the appointment of Ms. Chou Yen Ning @ Alice Lin as Director, there is currently one female Director on the Board. The NC will continue its identification and evaluation of suitable candidates to ensure that there is greater diversity (including gender diversity) on the Board.

Gender diversity is recognised by the Board as an essential aspect of a well-balanced Board. The Company will continue to enhance diversity on the Board's composition. When making recommendations to the Board for the appointment of a Director, the NC will ensure that:

- female candidates are included for consideration; and
- the requirement to present female candidates will be made known where external consultants are used for the search.

The NC adopts a deliberate and targeted board renewal process. It proactively assesses the AEM Board's composition needs and uses it as an objective criterion for candidate selection. The final decision is based on merit, to complement and expand the skills and experience of the Board as a whole.

The Independent Directors meet regularly without the presence of Management to ensure that Board matters can be effectively discussed independently from Management as and when necessary. The outcome or suggestion arising from such meetings will be provided to the Non-Executive Chairman.

**PRINCIPLE 3: NON-EXECUTIVE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

*Provisions of the Code*

- 3.1 *The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.*
- 3.2 *The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.*

*Group's Corporate Governance practices*

The Non-Executive Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance and separation of power, increased accountability, and greater capacity of the Board for independent decision making. The division of responsibilities between the Non-Executive Chairman and the CEO are clearly demarcated. Having clarity of their respective responsibilities and separating the respective roles avoids concentration of power, ensures a degree of check and balances, increases accountability and ensures greater capacity of the Board for independent decision making. The Non-Executive Chairman and the CEO do not have any familial relationship with each other.

The Board has put in place a Terms of Reference of the Non-Executive Chairman, CEO and Lead Independent Director. It clearly spells out their key roles and responsibilities.

The Non-Executive Chairman leads the Board and ensures its effectiveness by, among other things, steering effective, productive and comprehensive discussions amongst Board members and the Management team on strategic, business and other key issues pertinent to the business.



**Provisions of the Code**

- 3.3 The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

**Group's Corporate Governance practices**

The Non-Executive Chairman is responsible for ensuring that the Board engages the CEO and his Management team in constructive discussion and implementation of the Group's business strategies, corporate governance policies, corporate strategies, financial objectives and directions for the Group and for ensuring the Board's effectiveness to facilitate and ensure effective contribution from all the Directors and to encourage constructive relations between the Directors, the Board and Management to realise a common vision for the Group.

The CEO leads the development of the Group's business and operational strategies, oversees the implementation of the Group's long and short-term plans in accordance with its strategies, ensures the Group is properly organised and staffed, assesses, and monitors the principal risks of the Group and ensures effective internal controls and risk management systems are in place.

Mr. James Toh Ban Leng is the Lead Independent Director of the Company. The Lead Independent Director acts as a facilitative role within the Board, and where necessary, he would be available to address shareholders where they have concerns for which contact through normal channels such as the Chairman, CEO or his Management team are inappropriate or inadequate.

The Lead Independent Director also has the authority to call and lead meetings of the Independent Directors when necessary and appropriate and to provide feedback to the Chairman after such meetings.

**PRINCIPLE 4: BOARD MEMBERSHIP**

**The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

**Provisions of the Code**

- 4.1 The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:
- (a) the review of succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel,
  - (b) the process and criteria for evaluation of the performance of the Board, its Board committees and directors,
  - (c) the review of training and professional development programmes for the Board and its directors, and

**Group's Corporate Governance practices**

The Company believes that Board renewal is essential to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors and selection of new Directors.

The Board understands the importance of succession planning as part of corporate governance. Board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory. The NC also reviews succession and development plans for Key Management Personnel in line with the Company's succession planning policy, which will be subsequently approved by the Board.

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The NC evaluates the Board's effectiveness as a whole, including the contribution of the Board Committees and of each Director to the effectiveness of the Board. The Board has adopted a system of evaluating the effectiveness of the Board's, Board Committees' and individual Director's performance, through principally a self-assessment process.

The NC reviews the skill, training and professional development needs and programs for the Board and its Directors regularly to ensure that the Directors possess the required skills and knowledge to function as an effective Board.

*Provisions of the Code*

- (d) *the appointment and re-appointment of directors (including alternate directors, if any).*

- 4.2 *The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.*

- 4.3 *The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.*

- 4.4 *The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.*

*Group's Corporate Governance practices*

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new Directors. When the need for a new Director arises, the NC, in consultation with the Board, evaluates and determines the selection criteria for the appointment of new Directors collectively, by taking into account their skills, experience, contribution to the Board diversity as well as industry knowledge. The NC seeks potential candidates beyond the recommendation of Directors and Management and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary.

The NC also oversees the process of Directors' re-appointment, after giving due regard to the Director's contributions and performance (such as contribution, participation and attendance).

The Constitution of the Company currently requires one-third of the Directors to retire and subject themselves to re-election by the shareholders in every AGM. All Directors of the Company, including the Non-Executive Chairman, shall retire from office at least once every three years. The Constitution of the Company also provides that a newly appointed Director must retire and submit himself/herself for re-election at the next AGM following his/her appointment. Thereafter, he/she is subject to be re-elected at least once every three years. A Director who is due for retirement, shall abstain from voting on any resolution in respect of his/her re-nomination as a Director.

Currently, the Company does not have any alternate director.

The NC comprises five Directors, a majority of whom are non-executive and independent. The Chairman is an Independent Director and is not directly associated with any substantial shareholder of the Company. The Lead Independent Director is a member of the NC.

The NC comprises the following members:

- |                      |          |
|----------------------|----------|
| • André Andonian     | Chairman |
| • James Toh Ban Leng | Member   |
| • Loke Wai San       | Member   |
| • Tham Min Yew       | Member   |
| • Loh Kin Wah        | Member   |

Please refer to Principle 4.1(d) above.

The NC is responsible for reviewing the independence of each Director based on the provisions set out in the Code. The Board conducts the review annually and requires each Independent Director to confirm annually, that there are no material relationships which would render him/her non-independent. Each Independent Director is given an independence declaration form each year under which he/she is asked to assess his/her own independence, with specific references to the relevant provisions in the Listing Rules, the Code, and its accompanying Practice Guidance. The NC has reviewed and is satisfied with the independence of the Independent Directors.



### Provisions of the Code

- 4.5 The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

### Group's Corporate Governance practices

An orientation program to better understand the Director's duties and the Company's business is conducted for newly appointed Directors.

All Directors are required to declare their board representations. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his/her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board, with the concurrence of the NC, has set a guideline of not more than 6 listed board representations by the Directors of the Company so that sufficient time and attention can be given to the affairs of the Company.

## PRINCIPLE 5: BOARD PERFORMANCE

**The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board committees and individual Directors.**

### Provisions of the Code

- 5.1 The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.
- 5.2 The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

### Group's Corporate Governance practices

The NC periodically reviews the Board's performance and its ability to steer the Group in the right direction. It has adopted a system of evaluating the effectiveness of the Board and Board Committees as well as the Chairman and individual Director's performance, through principally a self-assessment process based on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company. The completed evaluation forms were submitted to the Joint Company Secretaries for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board, Board Committees, the Chairman and individual Directors. Following the review, the Board is of the view that the Board and Board Committees operate effectively, and the Chairman and each Director is contributing to the overall effectiveness of the Board.

The NC evaluates the Chairman's and individual Director's performance through a process that would enable the members of the NC to assess the contribution of each individual to the effectiveness of the Board, taking into account numerous factors, including the Directors' attendance, participation and contribution at the Board and various Board Committees meetings. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance. Where appropriate, the NC will consider such engagement.

**PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

**Provisions of the Code**

6.1 The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:

- (a) a framework of remuneration for the Board and key management personnel; and
- (b) the specific remuneration packages for each director as well as for the key management personnel.

**Group's Corporate Governance practices**

The Company believes in adopting a formal and transparent procedure for determining the remuneration of the Directors and Key Management Personnel to ensure that the level of remuneration is appropriate to attract, retain and motivate the Directors and Key Management Personnel to run the Group successfully.

In summary, AEM's remuneration policies for Key Management Personnel are based on the following principles:

Philosophy	Principles
<b>Shareholder &amp; Business Alignment</b>	<ul style="list-style-type: none"> <li>Build <b>sustainable value in alignment</b> with shareholder interests</li> <li>Attract and <b>retain</b> key talents to build a world class organisational capability</li> <li>A <b>cost-effective</b> compensation system in line with the Company's strategic goals</li> <li>Create an <b>ownership</b> mindset for the long-term success of the Company</li> </ul>
<b>Motivate Right Behaviours</b>	<ul style="list-style-type: none"> <li><b>Pay for performance</b> – align, differentiate and balance rewards according to country, business units and individual performance</li> <li>Strengthen <b>line-of-sight</b> linking rewards and performance goals</li> <li><b>Robust target setting</b> taking into account shareholder expectations over foreseeable performance horizon and commensurate with reward levels</li> <li>Foster Group-wide interests to <b>drive Group performance</b></li> </ul>
<b>Fair, Appropriate and Effective Implementation</b>	<ul style="list-style-type: none"> <li>Maintain <b>rigorous corporate governance</b> standards</li> <li>Exercise appropriate <b>flexibility</b> to meet strategic business needs and practical implementation considerations</li> <li>Facilitate <b>employee understanding</b> to maximise the value of the remuneration programs</li> <li>Disclose <b>relationships between remuneration, performance and value creation for shareholders and other stakeholders</b></li> </ul>

6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.

The RC comprises three Non-Executive Directors, of whom two (including the RC Chairman) are independent.

The RC comprises the following members:

James Toh Ban Leng	Chairman
Loh Kin Wah	Member
Tham Min Yew	Member



**Provisions of the Code**

- 6.3 *The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.*
- 6.4 *The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.*

**Group's Corporate Governance practices**

The RC is principally responsible for overseeing, reviewing and recommending to the Board:

- (i) the remuneration framework for Directors and Key Management Personnel, taking into consideration and benchmarking against the compensation and employment conditions within the industry and with comparable companies, with a goal to motivate, recruit and retain employees. The remuneration framework covers all aspects of remuneration including salaries, allowances, performance bonuses, grant of share awards and incentives of Executive Directors (if any) and Key Management Personnel to provide a fair system and rewards based on performance. The RC has direct access to the Company's Head of Human Resources should they have any queries on human resource matters. In discharging its responsibilities, the RC considers all aspects of remuneration and performs benchmarking against comparable market data. As and when required, the RC and the Company may engage independent consultants for diversified views and specific expertise to ensure that the remuneration and welfare packages for employees are competitive and sufficient to ensure that the interests of the employees and Company are taken care of. In this regard, the Company has engaged an independent external consultant, Willis Towers Watson Consulting Pte. Ltd. ("WTW"), to perform a review on the Company's share-based incentive schemes. WTW is not related to the Company or any of its Directors.
- (ii) to review the Employee Share Option Scheme, the Performance Share Plan and such other incentive schemes as may be approved by the Board and the shareholders from time to time. For any such schemes, it shall determine each year, whether awards will be made, and if so, the overall amount of such awards, the individual awards to eligible persons and the performance targets to be used; and
- (iii) to review the Group's obligations in the event of the termination of Executive Directors (if any) and Key Management Personnel contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses, which are not overly generous.

No Director is involved in any discussion relating to his/her own compensation and the terms and conditions of service and the review of his/her performance. There were no termination, retirement and post-employment benefits granted to the Directors, the CEO and the Key Management Personnel in FY2022.

**PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION**

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

**Provisions of the Code**

- 7.1 *A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.*

**Group's Corporate Governance practices**

The Company adopts a remuneration framework that is responsive to the market conditions and performance of the Group. It is structured to link a significant proportion of the rewards to the Group's and each individual's performance and value creation for the Company's stakeholders. The grant of performance shares and share options promotes ownership and accountability for the long-term success of the Company.

The RC carries out annual reviews of the remuneration packages of the Executive Directors (if any) and the Key Management Personnel, with regard to their contributions as well as the financial and non-financial performance of the Company.

The remuneration structure for the Executive Directors (if any) and the Key Management Personnel comprises the following components:

**Fixed Component ("Salary")**

The fixed component comprises annual base salary, contractual Annual Wage Supplement ("AWS") equivalent to 1 month of base salary, Provident Fund and, in the case of the Key Management Personnel, certain fixed cash allowances. The fixed components are benchmarked to comparable positions in the market and reflect the market worth of the positions.

*Provisions of the Code**Group's Corporate Governance practices***Performance Bonus (Annual Cash Incentive)**

The variable bonus is in the form of a Performance Target Bonus ("PTB") plan for the CEO position. A target individual annual bonus based on a multiple of the annual base salary is determined and is adjusted by the Company and individual performance scorecard achievement factors ranging from 0% to 200% are used to determine the actual individual annual bonus.

Achievement factors are subject to RC moderation taking into account the context within which performance is delivered.

For other Key Management Personnel, the Board initially decides the incentive funding for the Company based on the Company's results. The pool is then allocated to the Key Management Personnel based on their individual contribution, assessed based on Objectives and Key Results ("OKR") achievement.

The CEO and other Key Management Personnel also received a non-contractual AWS equivalent to 1 month of base salary.

**Equity Incentive****(A) Share Option Plan**

The AEM Holdings Employee Share Option Scheme 2014 ("ESOS 2014") was approved and adopted at an extraordinary general meeting held on 25 April 2014. No share options have been granted pursuant to the ESOS 2014 since early April 2020, and it is intended that no further share options be granted pursuant to the ESOS 2014. The RC approved the termination of the ESOS 2014 with effect from 25 March 2023. The termination of the ESOS 2014 shall be without prejudice to the rights accrued to any options which have been granted pursuant to the ESOS 2014 and which are subsisting and have not lapsed.

**(B) Performance Share Award ("PSA")**

For the CEO and the Chief Technology Officer ("CTO"), a PSA was awarded during the year under review. The PSA will vest rateably over three years on 1 April, with the first vesting occurring on 1 April 2023. For the Chief Financial Officer ("CFO") and the Chief Operating Officer ("COO"), a PSA was awarded during the year under review. The PSA will vest over one year.

The AEM Performance Share Plan 2017 ("PSP 2017") was approved and adopted at an extraordinary general meeting held on 27 April 2017. The RC approved, with effect from 1 May 2023, that the Rules of the PSP 2017 be amended so that the PSP 2017 does not apply to Non-Executive Directors or controlling shareholders, and to remove references to the ESOS 2014.

At the upcoming AGM, the Company will be seeking the approval of the shareholders, inter alia, to empower the Directors to issue shares in connection with the PSP 2017, up to a limit of 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, which authority will expire at the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier.

Further details on the equity incentive plans are in the Directors' Statement section.

In addition to the above total compensation structure, the Company also offers standard market benefits.



**Provisions of the Code**

- 7.2 *The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.*

**Group's Corporate Governance practices**

The RC reviews Non-Executive Directors' fees annually and makes recommendations to the Board and shareholders for endorsement and approval at AGMs, respectively. Under the current remuneration framework, Non-Executive Directors with additional duties as members or Chairman of Board Committees would be remunerated based on a fee structure. In FY2022, the Non-Executive Directors were paid a basic yearly retainer fee of S\$60,000 for their appointment as members of the Board. The Chairman of the ARC was paid an annual fee of S\$24,000 while the Chairman of the NC, RC and SC was paid an annual fee of S\$8,000 respectively. The members of the ARC were paid annual fees of S\$12,000 each while the members of NC, RC and SC were paid annual fees of S\$4,000 each. The Lead Independent Director was paid S\$8,000. The Chairman of the Board was paid an all-in Chairman's fee of S\$343,000.

Executive Directors (if any) are not entitled to Director's fees.

For the financial year ending 31 December 2023, it is proposed that aggregate fees of S\$811,000 (2022: S\$860,000) be paid to Directors, subject to shareholders' approval at the AGM. The remuneration framework for Directors' fees for the financial year ending 31 December 2023 remains unchanged from that for FY2022.

- 7.3. *Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.*

The remuneration framework for fixing Directors' fees and the Key Management Personnel remuneration adopted by the Company takes into consideration the need to pay competitively to attract, retain and motivate the Non-Executive Directors and the Management staff whilst ensuring that the Independent Directors are not over-compensated to the extent that their independence may be compromised.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors (if any) and Key Management Personnel as the Executive Directors (if any) and Key Management Personnel owe a fiduciary duty to the Company. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the Executive Directors (if any) and Key Management Personnel in case of such breach of fiduciary duties will be available.

**PRINCIPLE 8: DISCLOSURE ON REMUNERATION**

***The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

**Provisions of the Code**

- 8.1 *The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:*

(a) *each individual director and the CEO; and*

(b) *at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.*

**Group's Corporate Governance practices**

Please refer to Principles 7.1 to 7.3.

The Board has, on review, decided to disclose the remuneration of Key Management Personnel (who are not Directors or CEO of the Company) in remuneration bands of S\$250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialised industry, potential for poaching of staff and other disadvantages that this might bring.

The remuneration and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under review for the CEO) in absolute amounts for the Non-Executive Chairman, Non-Executive Directors, and CEO for FY2022 are set out in **Table 2 – Directors and CEO Remuneration Breakdown** at the "Other Corporate Governance Matters" section.

The remuneration bands and breakdown of the gross remuneration (inclusive of the fair value of performance shares and share options for the financial year under review) of the Key Management Personnel of the Company (in percentage terms) for FY2022 are disclosed in **Table 3 – Key Management Personnel Remuneration Breakdown** at the "Other Corporate Governance Matters" section.

The share option and performance share costs are based on fair value recognised over the respective vesting periods.

**Provisions of the Code**

8.2 The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

8.3 The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key Management personnel of the company. It also discloses details of employee share schemes.

**Group's Corporate Governance practices**

There is no employee who is a substantial shareholder of the Company or immediate family member of any of the Directors, CEO or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year.

During FY2022, the Company issued performance shares under the PSP 2017 to employees of the Company. There were 285,200\* performance shares that were granted on 25 February 2022 in respect of FY2021 and 212,330\*\* performance shares that were granted on 4 April 2022.

\*Granted to employees of the Group including CFO and other Key Management Personnel, and vests one year after grant date provided they are in service or on such other date as may be determined by the Directors administering the PSP 2017, following which it will be released by way of transfer of treasury shares of the Company.

\*\*Granted to CEO, CTO and COO. Performance shares granted to CEO and CTO will vest annually rateably over three years on 1 April, with the first vesting occurring on 1 April 2023, whereas performance shares granted to COO will vest over one year on 1 April 2023. All vested performance shares will be released by way of transfer of treasury shares of the Company.

**PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS**

**The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

**Provisions of the Code**

9.1 The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.

**Group's Corporate Governance practices**

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness, and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes Management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks.

A framework has been established and the Board continues through the ARC and Management, to improve and enhance it on a continuing basis. The system of operational, financial, compliance and information technology ("IT") internal controls established by the Company provides reasonable, but not absolute, assurance that the Company's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.



## Provisions of the Code

## Group's Corporate Governance practices

The following sets out an overview of the key risks faced by the Company, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

### (i) Compliance risk

The Group operates in Asia, Europe and North and Central Americas and is therefore exposed to compliance risks, including sanctions risks, changes in government regulations and any unfavourable political development which may limit the realisation of business opportunities and investments in these countries. In addition, the Group's business operations are exposed to economic uncertainties that affect the global economy and international capital markets. Although such risks are beyond the Company's control, the Board and Management consistently keep themselves abreast with the changes in sanctions, political, economic, and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

### (ii) Operational risk

The Group's operational risk is managed at each operating unit and monitored at the Group level. The operational risks of the Group include loss of skilled and key staff, product quality problems, lack of material supplies, loss of physical assets, customer concentration, safety, and health issues. As operational risk cannot be eliminated completely, the Group balances between the cost of the risks occurring and the cost of managing the risks. The Group maintains insurance coverage on its property, plant and equipment and assets to minimise the risk of losses arising from natural calamity, accident, fire and theft. The Group has established operating systems and procedures to govern its business operations, which are subject to close supervision by managers. The Group has a few business divisions operating in different locations, thereby providing diversification from over-reliance on a particular product, business or customer.

### (iii) Financial risk

The Group's financial risks include credit, foreign exchange, interest rate, liquidity and derivative financial instrument risk. The management objectives and policies on these risks are included in the Notes to the Financial Statements of the Annual Report.

### (iv) Investment risk

Investments, major acquisitions, and disposals are undertaken only after extensive due diligence and risk/benefit analysis. Such investments, acquisitions and disposals must be in line with the Group's strategies. All investment proposals must be evaluated and must meet the minimum hurdle rate determined by the Group. All investments, major acquisitions and disposals are tabled and recommended for the Board's approval.

### (v) IT risk

IT risks include breakdown, disruption, viruses, scams and malicious attacks on its infrastructure, application systems, hardware and network. The Group has in place IT controls, maintenance and monitoring methodologies to adequately address this risk. A structured way of implementing and testing new software and applications is adopted to ensure requirements and specifications are met. Measures are put in place to safeguard against data security and loss of information so as to ensure business continuity.

**Provisions of the Code**

9.2 The Board requires and discloses in the company's annual report that it has received assurance from:

- (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

**Group's Corporate Governance practices**

The Board has received assurance from the current CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances, and regarding the effectiveness of the Company's risk management and internal control systems.

In addition, the current CEO and CFO have given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and IT risks.

The risk management and internal control procedures for financial, operational, compliance and IT and their effectiveness and adequacy are reviewed by the ARC and the Board and updated regularly to reflect changes in market conditions and the activities of the Group.

Based on the work carried out by the internal auditors, the reviews undertaken by the external auditors and representations made by the Management to the Board that internal controls are in place, the Board is of the opinion (with the concurrence of the ARC) that there are adequate and effective internal controls and risk management systems in place to help mitigate the critical and significant risks in the following areas: Financial, Operational, Compliance and IT Risks. The Board has also confirmed that there has been no material change in the risk of the Company being subject to any Sanctions Law.

**PRINCIPLE 10: AUDIT COMMITTEE**

**The Board has an Audit Committee ("AC") which discharges its duties objectively.**

**Provisions of the Code**

10.1 The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

**Group's Corporate Governance practices**

The ARC performs the following main functions:

- (i) Reviews the financial information provided by the Group, in particular the relevance and consistency of the accounting standards used by the Group.
- (ii) Reviews disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO or other Key Management Personnel.
- (iii) Monitoring the Company's risk of becoming subject to, or violating any Sanctions Law and ensuring timely and accurate disclosures to the SGX-ST and other relevant authorities.
- (iv) Reviews the Company's overall risk assessment processes and reviews the assurance provided by the CEO and CFO that the financial records have been properly maintained and that the financial statements give a true and fair view of the Group's operations and finances.
- (v) Reviews and approves the audit plans, taking into consideration independence, effectiveness, scope of work, remuneration and terms of engagement of the internal and external auditors and adequacy and effectiveness of the internal and external auditors.
- (vi) Nominates the external auditors for appointment or re-appointment and reviews the level of audit fees, cost effectiveness of the audit and the independence and objectivity of the external auditors.
- (vii) Reviews the effectiveness of the internal controls, risk management systems, findings of the internal and external auditors and the responses and follow-up actions from Management.
- (viii) Reviews the half yearly and full year announcements and the financial statements of the Group and of the Company, Management representation letter as well as the auditors' report thereon before they are submitted to the Board for approval.
- (ix) Reviews the requirements for approval and disclosure of interested person transactions.
- (x) Investigates any matters reported to the ARC about improprieties in matters of financial reporting or other matters within its Terms of Reference.



## Provisions of the Code

- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

## Group's Corporate Governance practices

- (xi) Reviews and approves the corporate governance and control policies of the Group.
- (xii) Advises the Board on the Company's overall risk tolerance and strategy.
- (xiii) Oversees and advises the Board on the current risk exposures and future risk strategy of the Company.

The role of the ARC in relation to financial reporting is to monitor the integrity of the half-yearly and full year financial statements. The ARC considers whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient.

The ARC has conducted an annual review of the amount of non-audit services provided by the external auditors and satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board. Further to that, pursuant to the International Ethics Standard Board for Accountants ("IESBA"), the ARC has developed and implemented a policy on engaging external auditor to supply non-audit services. A breakdown of the fees in total for audit and non-audit services is set out in the notes to the financial statement. In addition, the ARC has reviewed the adequacy of the resources, experience of the external auditors and of the audit engagement partner assigned to the audit. The ARC is satisfied that the external auditors are able to meet their audit obligations and has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company.

The Company has put in place a Whistle-Blowing policy and guidelines, endorsed by the ARC, where employees of the Group, may in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters relating to the Group and its employees, to the Board of Directors through the Joint Company Secretaries. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance that employees will be protected from reprisal within the limits of the law. Details of the Whistle-Blowing policy and guidelines have been made available to all employees of the Group and published on the Company's website for ease of reference by various stakeholders for raising concerns.

The ARC is responsible for oversight and monitoring of whistle-blowing. The ARC is given full access to Management and receives its full cooperation. The ARC has full discretion to invite any Director or Executive Officer to attend its meetings. It has full access to records, resources and personnel to enable it to discharge its functions properly.

For FY2022, the Group has complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual issued by the SGX-ST in relation to the appointment of the auditing firms.

- 10.2 The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

The ARC comprises three members, all non-executive, and a majority of its members are independent including the Chairman. These members are suitably qualified and possess relevant accounting and/or related financial management expertise or experience for effective discharge of their responsibilities as members of the ARC.

The ARC comprises the following members:

- |                             |          |
|-----------------------------|----------|
| • Chou Yen Ning @ Alice Lin | Chairman |
| • Chok Yean Hung            | Member   |
| • James Toh Ban Leng        | Member   |

- 10.3 The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation:
- (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the ARC.

*Provisions of the Code*

10.4 The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.

10.5 The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

*Group's Corporate Governance practices*

The ARC approves the appointment, removal, evaluation, and fees of the outsourced internal audit function. The Group outsourced its internal audit function to independent professional firm, RSM Risk Advisory Pte Ltd to provide internal audit services, as recommended by the ARC. The internal auditors report directly to the ARC on internal audit matters and to the CFO on administrative matters. The internal auditors have unfettered access to the ARC, the Company's documents, records, and personnel. The ARC ensures the adequacy of the internal audit function by examining the scope of the internal auditors' work, the quality of their reports, their qualifications and training, their relationship with the external auditors and their independence of the areas reviewed. RSM Risk Advisory Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The ARC reviews the independence, adequacy, and effectiveness of the internal audit function annually. The ARC is satisfied that the internal auditor is independent and effective, and the internal auditor is adequately resourced and has the appropriate standing within the Company.

The ARC meets with the internal and external auditors without the presence of Management at least once a year in order to have free and unfiltered access to information it may require.

The ARC has reviewed and approved the financial statements, which could be found in the financial statement section of the annual report.

**PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

**The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

*Provisions of the Code*

11.1 The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

11.2 The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

11.3 All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the Company's annual report.

*Group's Corporate Governance practices*

The Group encourages active shareholder participation at the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars. These circulars and notices are published on the Company's corporate website and posted onto the SGXNET. Shareholders are encouraged to attend the general meetings and given the opportunity to participate effectively and vote for resolutions to be passed at general meetings of the Company, where relevant rules and procedures governing such meetings (for instance, how to vote) are clearly communicated.

A relevant intermediary may appoint more than two proxies to attend and vote at the AGM. The Company reserves the rights to allow any observers to attend its AGM.

Resolutions at general meetings are each on separate issues. The resolutions at the general meetings are single item resolutions. Where the resolutions are "bundled", the Company will explain the reasons and material implications in the notice of general meeting. All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNET and the Company's corporate website.

The Non-Executive Chairman, Directors and the Chairmen of the various Board Committees of the Company are present at each shareholders' meeting to respond to questions from shareholders. Please refer to **Table 1 – Attendance at Board, Board Committee Meetings and AGM** at the "Other Corporate Governance Matters" section. The external auditors are also present to address shareholders' queries in relation to the conduct of audit and the preparation and content of the external auditors' report. The responses from the Board and Management during the AGM or Extraordinary General Meeting, and such minutes are available on the Company's corporate website as soon as practicable.



## Provisions of the Code

- 11.4 *The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.*

## Group's Corporate Governance practices

For greater transparency, the Company has implemented electronic poll voting since its 2019 AGM. Where shareholders are entitled to attend general meetings in person, they will be invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hand), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all cast for, or against each resolution are then screened at the meeting and announced to SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. If any shareholder is unable to attend the meeting, the Company's constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. As the authentication of shareholder identity and other related security and integrity issues still remain a concern, the Company is in the process of reviewing to allow voting in absentia (such as via mail, or email).

### 2022 AGM

In view of the COVID-19 situation in Singapore, the 2022 AGM was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holder) Order 2020 ("Alternative Meeting Arrangements").

Alternative Meeting Arrangements relating to attendance at the 2022 AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions prior to or (in respect of questions received after the cut-off time) at the AGM and voting by appointing the Chairman of the meeting as proxy at the AGM were put in place for the AGM. Details of the steps for pre-registration, submission of questions and voting at the 2022 AGM by shareholders were set out in a separate announcement released on SGXNet.

### 2023 AGM

The Company will hold its upcoming AGM physically to engage with its shareholders. Details of which are set out in the Notice of AGM. Shareholders can attend, raise questions in advance of, or at, the AGM and vote in person or through an appointment of proxy.

- 11.5 *The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.*

One of the Joint Company Secretaries prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available on the Company's corporate website and SGXNet as soon as practicable.

- 11.6 *The company has a dividend policy and communicates it to shareholders.*

In determining the dividends, the Board balances the need for a satisfactory return to shareholders against the Company's investment requirement to ensure sustainable growth in the future. Over the years, the Board has maintained a track record of generous shareholder distributions. The Company has established and announced a policy on payment of dividends of not less than 25% of the Company's consolidated profit after tax, excluding non-recurring, one-off and exceptional items, in respect of any financial year to its shareholders, subject to the Company's retained earnings, financial position, capital expenditure requirements, future expansion, investment plans and other relevant factors.

The Board of Directors has proposed a final tax exempt (one-tier) dividend of 3.6 Singapore cents per ordinary share for FY2022, which is subject to the approval by shareholders at the forthcoming AGM of the Company. Including the interim dividend of 6.7 Singapore cents per ordinary share paid on 23 September 2022, the total dividend payout for FY2022 will amount to 10.3 Singapore cents (FY2021: 7.6 Singapore cents) per ordinary share (assuming that the proposed final tax exempt dividend is approved by the shareholders).

**PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS**

*The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

**Provisions of the Code****Group's Corporate Governance practices**

12.1 *The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.*

The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNET and where appropriate also directly to shareholders, analysts, the media, and its employees. The announcements of the Group's results and material developments are released through SGXNET and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practise selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company will make the same disclosure publicly as soon as practicable. The Board provides the shareholders a balanced and clear assessment of the Group's performance, financial position, and prospects on a quarterly basis.

The Company releases its half yearly results and full year results to shareholders no later than 45 days and 60 days respectively after the relevant financial period with accompanied press release on its website and SGXNET. Briefings for analysts, with a PowerPoint presentation, are held in conjunction with the release of all results with the presence of the Non-Executive Chairman, CEO and CFO to address the relevant questions which analysts may have. The PowerPoint presentation and briefing for analysts are also posted on its website and SGXNET.

The Company is committed to disclosing all relevant information as much as possible in a timely, fair and transparent manner as well as to hearing and addressing its stakeholders' concerns.

12.2 *The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.*

The Group encourages feedback, views and participation of its shareholders at all general meetings and such feedback and views can be posted to [investor.relations@aem.com.sg](mailto:investor.relations@aem.com.sg), or visit the investor relations page on the Company's website.

12.3 *The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.*

The Company has put in place an investor relations policy to enhance effective communications and engagements with its investors and shareholders.



## PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

### Provisions of the Code

13.1 *The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.*

13.2 *The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.*

13.3 *The company maintains a current corporate website to communicate and engage with stakeholders.*

### Group's Corporate Governance practices

Stakeholder relations are important for the sustainable growth of the Company's business and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders. The Company engages its stakeholders regularly through the following channels to understand and address their needs and expectations.

Detailed information on the Group's efforts on sustainability management in FY2022 will be disclosed in the Sustainability Report for FY2022 on a standalone basis which will be issued on 10 April 2023 and will also be published on the Company's corporate website and made available on the SGXNet.

The Company has put in place a Stakeholder Engagement policy to enhance effective communications and engagements with its material stakeholders. More details of the Stakeholders Engagement policy can be found on the Company's corporate website at <https://www.aem.com.sg/company>.

The Company strives to build and maintain strong relationships based on trust and respect to all stakeholders including the investment community, employees, suppliers and trade customers, regulators and the broader community. The Company has arrangements in place to engage with its material stakeholder group to manage its relationships with such groups. The Company also maintains a corporate website at <https://www.aem.com.sg> to communicate and engage with stakeholders.

## OTHER CORPORATE GOVERNANCE MATTERS

### Dealings in Securities

The Company has adopted its own internal compliance code of best practice on securities transaction to guide its officers with regard to dealings in securities of the Company while in possession of price-sensitive information and which prohibits its officers from dealing in securities of the Company during the relevant blackout periods of one month prior to the announcement of the Group's half yearly and annual financial results and two weeks prior to the announcement of its 1st quarter and 3rd quarter business updates, and ending on the date of the announcement of the relevant results or business updates. Directors, Key Management Personnel and any other persons, as determined by Management, who may possess unpublished material price-sensitive information of the Group (hereinafter referred to as "relevant personnel") are also reminded to observe insider trading laws at all times, and not to deal in the Company's securities when in possession of any price-sensitive and confidential information regarding the Group, or on short-term considerations. A reminder will be circulated to Directors, Executive Officers, and relevant personnel of the Company and its subsidiaries before the commencement of each Closed Period, during which, dealing of the Company's securities are prohibited and to those with access to price-sensitive and confidential information. The Company is in compliance with SGX Listing Rule 1207(19) with regards to Dealing in Company's securities.

### Material Contracts

Except as disclosed on SGXNET or herein for the financial year, there were no material contracts entered into by the Company and its subsidiaries involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

**Interested Person Transactions ("IPT")**

The Company has established procedures for all interested person transactions to be reviewed and approved by the ARC on a quarterly basis and to ensure that these transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The details of the IPT during FY2022 are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPT during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) <sup>1</sup>
Novo Tellus Capital Partners Pte. Ltd. ("Novo Tellus")	Common Directors	S\$29,000*	Not applicable
NT Thor Holdings Pte. Ltd. ("NT Thor")	Associate of Directors of the Company	S\$1,595,000	Not applicable
Chok Yean Hung	Non-Executive Director	S\$60,000*	Not applicable

**Notes:**

Novo Tellus is a company controlled by Mr. Loke Wai San, the Non-Executive Chairman of the Company and Mr. James Toh Ban Leng, a Director of the Company. The IPT of S\$29,000 for FY2022 comprised the Group's share of the consultancy service fee paid by the Company's associated company, Novoflex Pte. Ltd. to Novo Tellus.

NT Thor (with investment in Tessolve Semiconductor Private Limited) is a company indirectly controlled by Mr. Loke Wai San. The IPT of S\$1,595,000 for FY2022 comprised subscription of 1,147,500 shares in NT Thor by a subsidiary of the Company.

Mr. Chok Yean Hung is a Director of the Company. The IPT of S\$60,000 comprised consultancy services paid by the Company to Mr. Chok Yean Hung.

\* Amount is less than S\$100,000.

<sup>1</sup> The Company has not sought a general mandate from shareholders pursuant to Listing Rule 920.



**Table 1 – Attendance at Board, Board Committee Meetings and AGM**

The attendance of the Directors at meetings during the year and the frequency of these meetings, are disclosed as follows:

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee		Strategy Committee		AGM	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San	4	4	NA	NA	NA	NA	1	1	1	1	1	1
James Toh Ban Leng <sup>1</sup>	4	4	4	4	4	4	1	1	NA	NA	1	1
Loh Kin Wah <sup>2</sup>	4	4	NA	NA	4	4	1	1	1	1	1	1
Chok Yean Hung <sup>3</sup>	4	4	4	4	NA	NA	NA	NA	1	1	1	1
Tham Min Yew <sup>4</sup>	4	4	NA	NA	4	4	1	1	1	1	1	1
Chou Yen Ning @ Alice Lin <sup>5</sup>	4	4	4	4	NA	NA	NA	NA	NA	NA	1	1
André Andonian <sup>6</sup>	2	2	NA	NA	NA	NA	NA	NA	1	1	NA	NA
Lavi Alexander Lev <sup>7</sup>	1	1	NA	NA	NA	NA	1	1	NA	NA	1	0

<sup>1</sup> Mr. James Toh Ban Leng was re-designated from Non-Executive, Non-Independent Director to Independent Director, and appointed as the Lead Independent Director, Chairman of RC and member of the NC on 1 January 2022.

<sup>2</sup> Mr. Loh Kin Wah was appointed as a member of the RC on 1 January 2022.

<sup>3</sup> Mr. Chok Yean Hung was appointed as Member of the ARC on 1 January 2022.

<sup>4</sup> Mr. Tham Min Yew was appointed as member of RC on 1 January 2022.

<sup>5</sup> Ms. Chou Yen Ning @ Alice Lin was appointed as Chairman of ARC on 1 January 2022.

<sup>6</sup> Mr. André Andonian was appointed as an Independent Director, Chairman of NC and member of the SC on 1 July 2022.

<sup>7</sup> Mr. Lavi Alexander Lev stepped down as Independent Director on 28 April 2022.

**Table 2 – Directors and CEO Remuneration Breakdown**

The breakdown of the gross remuneration of the Directors and CEO of the Company in absolute amount for FY2022 are set out below:

	Directors' Fees	Fixed Salary	Variable Bonus <sup>(5)</sup>	Performance Shares	Share Options	Other Fees / Allowances	Total
Directors (non-executive)	S\$	S\$	S\$	S\$	S\$	S\$	S\$
Loke Wai San	343,000	–	–	–	–	–	343,000
James Toh Ban Leng	92,000	–	–	–	–	–	92,000
André Andonian <sup>(1)</sup>	36,000	–	–	–	–	–	36,000
Loh Kin Wah	72,000	–	–	–	–	–	72,000
Chok Yean Hung	76,000	–	–	–	–	–	76,000
Tham Min Yew	72,000	–	–	–	–	–	72,000
Chou Yen Ning @ Alice Lin	84,000	–	–	–	–	–	84,000
Lavi Alexander Lev <sup>(2)</sup>	24,000	–	–	–	–	–	24,000
<b>CEO</b>							
Chandran Nair	–	516,540	535,808	493,357 <sup>(3)</sup>	67,931 <sup>(4)</sup>	–	1,613,636

<sup>(1)</sup> Mr. André Andonian was appointed as an Independent Director on 1 July 2022.

<sup>(2)</sup> Mr. Lavi Alexander Lev stepped down as Independent Director on 28 April 2022.

<sup>(3)</sup> Based on 130,800 performance shares with a fair value of S\$3.67 per share, amortised over vesting period of 3 years with effect from 18 June 2021 and 100,420 performance shares with a fair value of S\$4.78 per share, amortised over vesting period of 3 years with effect from 4 April 2022.

<sup>(4)</sup> Based on 620,690 options with a fair value of S\$0.677 per option and amortised over vesting period of 3 years with effect from 1 April 2020.

<sup>(5)</sup> AWS is not contractual and is categorised under "Variable Bonus" for purposes of remuneration disclosure.

**Table 3 - Key Management Personnel Remuneration Breakdown**

Due to the confidentiality and sensitivity on remuneration matters, the Board is of the view that the Group's Key Management remuneration shall be disclosed as bands, as indicated in the following table. The Board has considered the recommendations set out in Provision 8.1 of the Corporate Governance Code carefully, and believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its Key Management, the Company's remuneration policies, level and mix of remuneration, performance and value creation.

For the financial year ended 31 December 2022, the Company's Key Management Personnel (who are not Directors or CEO of the Company) are Mr. Samer Kabbani, Ms. Leong Sook Han, Mr. Juha Arola, Mr. Pascal Pierra, Mr. Mark Yaeger and Mr. Chua Tat Ming.

Remuneration Band (\$)	No. of employees	Fixed Salary <sup>(1)</sup> (%)	Variable Bonus <sup>(1)</sup> (%)	Other Allowance (%)	Share Awards <sup>(2)</sup> (%)	Total
\$250,001 to \$500,000	2	55	35	5	5	100
\$500,001 to \$750,000	3	70	25	5	0	100
\$750,001 to \$1,000,000	0	0	0	0	0	0
\$1,000,001 to \$1,250,000	0	0	0	0	0	0
\$1,250,001 to \$1,500,000	0	0	0	0	0	0
\$1,500,001 to \$1,750,000	1	30	34	3	33	100
<b>Total Aggregate Compensation</b>	<b>6</b>					<b>S\$4,237,497</b>

<sup>(1)</sup> AWS is contractual and is categorised under "Fixed Salary" for purposes of remuneration disclosure except for Mr. Samer Kabbani and Mr. Mark Yaeger, for which the AWS is not contractual and categorised under "Variable Bonus".

<sup>(2)</sup> Excludes performance shares granted on 25 February 2022 for the performance for the financial year ended 31 December 2021.



We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2022.

In our opinion:

- (a) the financial statements set out on pages 81 - 140 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors in office at the date of this statement are as follows:

Loke Wai San  
 James Toh Ban Leng  
 Loh Kin Wah  
 Chok Yean Hung  
 Tham Min Yew  
 Chou Yen Ning @ Alice Lin  
 André Andonian (Appointed on 1 July 2022)

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Act, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants or share options in the Company (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
<b><u>AEM Holdings Ltd.</u></b>		
<b>Loke Wai San</b>		
- ordinary shares, fully paid (direct interest)	7,652,977	7,652,977
- share options to subscribe for ordinary shares at: - \$1.142 per share between 8 October 2020 to 6 October 2029	824,000	824,000
<b>James Toh Ban Leng</b>		
- ordinary shares, fully paid (direct interest)	11,000,000	11,011,200
- ordinary shares, fully paid (deemed interest)	1,196,772	1,196,772
<b>Loh Kin Wah</b>		
- ordinary shares, fully paid (direct interest)	525,000	525,000
<b>Chok Yean Hung</b>		
- ordinary shares, fully paid (direct interest)	1,091,133	1,091,133
- share options to subscribe for ordinary shares at: - \$1.142 per share between 8 October 2020 to 6 October 2029	676,000	676,000
<b>Chou Yen Ning @ Alice Lin</b>		
- ordinary shares, fully paid (direct interest)	5,000	5,000

By virtue of Section 7 of the Act,

- James Toh Ban Leng is deemed to have interests in the Company through his shareholding in A.C.T. Holdings Pte Ltd at the beginning and at the end of the financial year; and
- All directors except Tham Min Yew and André Andonian are deemed to have interests in other subsidiaries of the Company at the beginning of the financial year, or date of appointment if later, and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Except as disclosed under the "Equity Compensation" section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2023.

## Equity compensation

### Share options

The AEM Holdings Employee Share Option Scheme (the "**Scheme**") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the "**Committee**") comprising the following directors:

- James Toh Ban Leng (Chairman)
- Loh Kin Wah
- Tham Min Yew

The Scheme was terminated by the approval of the Committee with effect from 25 March 2023. The termination of the Scheme is without prejudice to the rights accrued to any options which have been granted pursuant to the Scheme and which are subsisting and have not lapsed.

Other information regarding the Scheme is set out below:

- Whilst the Scheme entitles the Company to issue options at a price which is set at a discount of up to 20% to the market price (as determined by the Committee in its absolute discretion), in practice, since the commencement of the Scheme, the Company has never issued options at a discount, but at the market price (which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option).
- An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.
- The Scheme provides that where options are issued at a discount to the market price ("**Discount Price Options**"), such options are exercisable at any time after the second anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant. However, where options are issued at the market price ("**Market Price Options**"), they are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant.
- The new shares issued by the Company upon the exercise of the options shall rank in full for all dividends or other distributions declared or recommended in respect of the then existing shares and shall in all other respects rank *pari passu* with other existing shares of the Company.
- All options are settled by delivery of shares.

At the end of the financial year, details of the options granted under the Scheme to subscribe for ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share (\$)	Outstanding at 1 January 2022	Granted	Exercised	Forfeited/ expired	Outstanding at 31 December 2022	Exercise period
15/1/2019	0.890	208,000	–	(114,000)	–	94,000	16/1/2020- 14/1/2029
7/10/2019	1.142	830,667	–	(145,000)	–	685,667	8/10/2020-6/10/2029
7/10/2019	1.142	225,333	–	–	–	225,333	8/10/2021-6/10/2029
7/10/2019	1.142	824,000	–	–	–	824,000	8/10/2022-6/10/2029
1/4/2020	1.652	206,897	–	–	–	206,897	2/4/2021-31/3/2030
1/4/2020	1.652	206,897	–	–	–	206,897	2/4/2022-31/3/2030
1/4/2020	1.652	206,896	–	–	–	206,896	2/4/2023-31/3/2030
		<b>2,708,690</b>	<b>–</b>	<b>(259,000)</b>	<b>–</b>	<b>2,449,690</b>	

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors and employees of the Company or its subsidiaries under the Scheme are as follows:

Number of options to subscribe for ordinary shares				
Options granted for financial year ended 31 December 2022	Aggregate options granted since commencement of Scheme to 31 December 2022 <sup>+</sup>	Aggregate options exercised since commencement of Scheme to 31 December 2022 <sup>+</sup>	Aggregate options forfeited since the commencement to 31 December 2022	Aggregate options outstanding at 31 December 2022
<b>Directors</b>				
Loke Wai San	–	3,757,000	(2,933,000)	824,000
Chok Yean Hung*	–	2,571,000	(1,219,000)	676,000
<b>Others</b>				
Company	–	4,135,002	(3,514,312)	620,690
Subsidiaries	–	4,533,000	(3,988,000)	329,000
<b>Total</b>	<b>–</b>	<b>14,996,002</b>	<b>(11,654,312)</b>	<b>2,449,690</b>

+ Where options were granted before date of bonus shares issues on 18 April 2017 and 4 June 2018, the number of options granted was adjusted for the corresponding effect of the bonus shares issues.

\* Options were granted during his tenure as key executive and CEO of the Company.

Since the commencement of the Scheme, no options have been granted to the controlling shareholders of the Company or their associates, no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

No options have been granted at a discount since the commencement of the Scheme.

There were no options granted during the financial year. The Company granted 620,690 options on 1 April 2020 to an employee under the Scheme.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any right to participate in any share issue of any other company.



### Performance share plan

The AEM Performance Share Plan 2017 ("PSP 2017") was approved and adopted by the Company's members at the Extraordinary General Meeting held on 27 April 2017. The Rules of the PSP 2017 were amended with the approval of the Committee with effect from 1 May 2023, such that the PSP 2017 does not apply to non-executive directors or controlling shareholders, and to remove references to the Scheme.

The PSP 2017 is administered by the Committee. Under the PSP 2017, the Company has the flexibility to grant time-based or performance-based awards to participants. Both time-based and performance-based awards may be granted to the same participant simultaneously. Participants will be allotted fully paid shares after the satisfactory completion of time-based service conditions or the achievement of performance targets. No minimum vesting periods are prescribed under the PSP 2017 and awards may also be granted for past performance where the participant has performed well and/or made a significant contribution to the Company.

Details of performance shares awarded under the PSP 2017 are as follows:

Participants	Share awards granted during FY2022	Aggregate share awards granted since commencement of plan to 31 December 2022 <sup>+</sup>	Aggregate share awards vested since commencement of plan to 31 December 2022 <sup>+</sup>	Aggregate share awards forfeited since commencement of plan to 31 December 2022	Aggregate share awards outstanding at end of 2022
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#### Under PSP 2017

Directors and key executives	497,530	6,934,253	(6,034,210)*	(270,600)	629,443
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\* Performance shares are settled by delivery of treasury shares acquired by the Company via the open market.

Details of performance shares granted to directors under PSP 2017 are as follows:

	Share awards granted during FY2022	Aggregate share awards granted since commencement of PSP 2017 to 31 December 2022 <sup>+</sup>	Aggregate share awards vested since commencement of PSP 2017 to 31 December 2022 <sup>+</sup>	Aggregate share awards forfeited since commencement of PSP 2017 to 31 December 2022	Aggregate share awards outstanding at end of 2022
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Loke Wai San	–	1,874,333	(1,874,333)	–	–
James Toh Ban Leng	–	25,000	(25,000)	–	–
Loh Kin Wah	–	25,000	(25,000)	–	–
Chok Yean Hung*	–	1,063,333	(833,333)	(230,000)	–

+ Where shares were awarded before bonus shares issues on 4 June 2018, the number of shares awarded was adjusted for the corresponding effect of the bonus shares issues.

\* Share awards granted during his tenure as key executive and CEO of the Company.

There are no share awards granted to any of the Company's controlling shareholders or their associates and no employee of the Company or employee of related corporations has received 5% or more of the total grant of share awards available under the PSP 2017.

## Audit and Risk Management Committee

The members of the Audit and Risk Management Committee during the year and at the date of this statement are:

- Chou Yen Ning @ Alice Lin (Chairman), independent director
- Chok Yean Hung, non-executive, non-independent director
- James Toh Ban Leng, independent director

The Audit and Risk Management Committee performs the functions specified in Section 201B of the Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual and the Code of Corporate Governance.

The Audit and Risk Management Committee held four meetings since the last directors' statement. In performing its functions, the Audit and Risk Management Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit and Risk Management Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit and Risk Management Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit and Risk Management Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit and Risk Management Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

## Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Loke Wai San**  
Director

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**Chou Yen Ning @ Alice Lin**  
Director

31 March 2023

Members of the Company  
AEM Holdings Ltd.

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of AEM Holdings Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 81 - 140.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill (Refer to note 6 to the financial statements)	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2022, the Group recorded goodwill of \$61,335,000, which represented 29% of its total non-current assets.</p> <p>As disclosed in note 6, the Group allocated the goodwill to four cash-generating units ("<b>CGUs</b>"). The Group made significant acquisition of a subsidiary during the year, resulting in significant addition to the goodwill as at year-end. Goodwill is tested for impairment annually by estimating the recoverable amount of the CGUs. Management applies the value-in-use (discounted cash flow) method to determine the recoverable amount of the CGUs.</p> <p>In determining the value-in use of the respective CGUs to which the goodwill is allocated to, management has estimated cash flow projections using key inputs and made assumptions as necessary. The key inputs and assumptions, as discussed in note 6, include pre-tax discount rate, terminal value growth rate and earnings before interest, taxes, depreciation and amortisation ("<b>EBITDA</b>") margin.</p> <p>This is a key audit focus area due to the sensitivity of the key inputs and assumptions to various scenarios, including the outlook of macro-economic environment and future market conditions, where significant judgements and estimates have been applied by management in determining the value-in-use.</p>	<p>We evaluated the appropriateness of the CGUs identified by management based on our knowledge of the business giving rise to the goodwill and our understanding of the current business of the Group.</p> <p>We assessed the reasonableness of the key inputs and assumptions applied by the management in their cash flow projections, taking into consideration the historical and expected performance and trends of the CGUs, the management's plans and the market industry outlook. We also tested the mathematical accuracy of the discounted cash flow and performed sensitivity analysis, focusing on plausible changes in key assumptions or discount rate and analysed the impact to the carrying amount.</p> <p>We assessed the new goodwill generated arising from the acquisition of a subsidiary. Its fair value was determined at acquisition date during the financial year, which the total consideration was representative of the fair value less costs to sell, adjusted for any changes in value arising from factors since acquisition. We reviewed on its business environment, order book and current year's results, and noted there are no significant changes since acquisition. We concurred with management that the fair value less cost to sell approximates the fair value determined at acquisition.</p>
<p><b>Findings</b></p> <p>We found the identification of CGUs to be appropriate. The assumptions and resulting estimates applied by the Group in determining the goodwill were aligned with the Group's historical performance, future business plans and consideration of market data.</p>	



### *Other information*

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Yeo Lik Khim.

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

31 March 2023

## STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Assets</b>					
Property, plant and equipment	4	40,046	26,122	13	23
Investment properties		1,817	–	–	–
Right-of-use assets	5	35,056	17,767	–	–
Intangible assets	6	115,853	96,882	114	44
Interests in subsidiaries	7	–	–	82,468	42,986
Investment in associates	9	15,150	15,887	4,667	4,667
Other investment	10	6,059	2,607	–	–
Deferred tax assets	18	1,050	1,121	19	19
<b>Non-current assets</b>		<b>215,031</b>	<b>160,386</b>	<b>87,281</b>	<b>47,739</b>
Inventories	11	367,723	204,926	–	–
Contract costs	22	222	373	–	–
Trade and other receivables	12	92,917	127,941	49,408	31,400
Contract assets	22	1,928	692	–	–
Cash and cash equivalents	13	127,775	216,180	64,274	115,794
<b>Current assets</b>		<b>590,565</b>	<b>550,112</b>	<b>113,682</b>	<b>147,194</b>
<b>Total assets</b>		<b>805,596</b>	<b>710,498</b>	<b>200,963</b>	<b>194,933</b>
<b>Equity</b>					
Share capital	14	187,464	187,197	187,464	187,197
Reserves	15	(27,418)	(19,113)	(8,260)	(5,146)
Accumulated profits		325,002	234,430	10,087	2,375
<b>Equity attributable to owners of the Company</b>		<b>485,048</b>	<b>402,514</b>	<b>189,291</b>	<b>184,426</b>
Non-controlling interest		8,402	–	–	–
<b>Total Equity</b>		<b>493,450</b>	<b>402,514</b>	<b>189,291</b>	<b>184,426</b>
<b>Liabilities</b>					
Financial liabilities	16	129,650	60,771	–	–
Trade and other payables	17	5	1,563	–	1,563
Deferred tax liabilities	18	11,394	8,044	–	–
Provisions	19	1,697	1,419	–	–
Defined benefit obligations	21	1,204	959	–	–
<b>Non-current liabilities</b>		<b>143,950</b>	<b>72,756</b>	<b>–</b>	<b>1,563</b>
Financial liabilities	16	13,655	20,502	–	–
Trade and other payables	17	118,929	181,048	9,091	6,920
Contract liabilities	22	6,644	11,861	–	–
Current tax payable		26,678	18,815	2,581	2,024
Provisions	19	2,290	3,002	–	–
<b>Current liabilities</b>		<b>168,196</b>	<b>235,228</b>	<b>11,672</b>	<b>8,944</b>
<b>Total liabilities</b>		<b>312,146</b>	<b>307,984</b>	<b>11,672</b>	<b>10,507</b>
<b>Total equity and liabilities</b>		<b>805,596</b>	<b>710,498</b>	<b>200,963</b>	<b>194,933</b>

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
Revenue	22	870,491	565,462
Cost of sales		(596,833)	(378,813)
<b>Gross profit</b>		<b>273,658</b>	<b>186,649</b>
Other income		5,637	2,430
Research and development expenses		(23,126)	(19,935)
Selling, general and administrative expenses		(93,807)	(58,674)
Foreign exchange (loss)/gain, net		(2,021)	1,891
Other expenses		(54)	(538)
<b>Results from operating activities</b>		<b>160,287</b>	<b>111,823</b>
Finance income		1,382	404
Finance costs		(2,694)	(1,729)
<b>Net finance costs</b>	23	<b>(1,312)</b>	<b>(1,325)</b>
Share of equity-accounted investee's (loss)/profit, net of tax	9	(282)	644
<b>Profit before tax</b>		<b>158,693</b>	<b>111,142</b>
Tax expense	24	(31,386)	(19,051)
<b>Profit for the year</b>		<b>127,307</b>	<b>92,091</b>
<b>Profit attributable to:</b>			
Owners of the Company		126,808	91,951
Non-controlling interest		499	140
<b>Profit for the year</b>	25	<b>127,307</b>	<b>92,091</b>
<b>Earnings per share</b>			
Basic earnings per share	26	41.02 cents	31.77 cents
Diluted earnings per share	26	40.72 cents	31.59 cents
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation difference		(5,157)	1,053
Share of foreign currency translation difference of equity-accounted investee		(377)	(153)
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<b>(5,534)</b>	<b>900</b>
<b>Total comprehensive income for the year</b>		<b>121,773</b>	<b>92,991</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		121,559	92,856
Non-controlling interest		214	135
<b>Total comprehensive income for the year</b>		<b>121,773</b>	<b>92,991</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital \$'000	Reserve for own shares \$'000	Other reserves \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Group</b>									
At 1 January 2021	50,727	(2,012)	5,442	3,288	(6,944)	160,929	211,430	-	211,430
<b>Total comprehensive income for the year</b>									
Profit for the year	-	-	-	-	-	91,951	91,951	140	92,091
<b>Other comprehensive income</b>									
Foreign currency translation difference	-	-	-	-	1,058	-	1,058	(5)	1,053
Share of foreign currency translation difference of equity-accounted investee	-	-	-	-	(153)	-	(153)	-	(153)
<b>Total comprehensive income for the year</b>	-	-	-	-	905	91,951	92,856	135	92,991
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners of the Company</b>									
Own shares acquired	-	(4,638)	-	-	-	-	(4,638)	-	(4,638)
Issue of shares related to settlement of deferred and contingent consideration	3,284	-	-	-	-	-	3,284	-	3,284
Issue of shares related to business combination	14,390	-	-	-	-	-	14,390	-	14,390
Treasury shares reissued pursuant to share plans	-	982	840	(1,822)	-	-	-	-	-
Share option exercised	2,576	-	-	-	-	-	2,576	-	2,576
Issue of shares related to private placement	110,952	-	(7,834)	-	-	-	103,118	-	103,118
Share-based payment transactions (Note 20)	-	-	-	756	-	-	756	-	756
Final dividend of 4.0 cents per share in respect of 2020	-	-	-	-	-	(11,248)	(11,248)	-	(11,248)
Interim dividend of 2.6 cents per share in respect of 2021	-	-	-	-	-	(7,342)	(7,342)	-	(7,342)
<b>Total contributions by and distributions to owners of the Company</b>	131,202	(3,656)	(6,994)	(1,066)	-	(18,590)	100,896	-	100,896
<b>Changes in ownership interests in a subsidiary</b>									
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	-	15,591	15,591
Issue of shares for acquisition of non-controlling interest	5,268	-	-	-	-	-	5,268	-	5,268
Acquisition of non-controlling interest without a change in control	-	-	(8,071)	-	(5)	140	(7,936)	(15,726)	(23,662)
<b>Total changes in ownership interests in a subsidiary</b>	5,268	-	(8,071)	-	(5)	140	(2,668)	(135)	(2,803)
<b>Total transactions with owners</b>	136,470	(3,656)	(15,065)	(1,066)	(5)	(18,450)	98,228	(135)	98,093
<b>At 31 December 2021</b>	187,197	(5,668)	(9,623)	2,222	(6,044)	234,430	402,514	-	402,514

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Share capital \$'000	Reserve for own shares \$'000	Other reserves \$'000	Share compensation reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Group</b>									
At 1 January 2022	187,197	(5,668)	(9,623)	2,222	(6,044)	234,430	402,514	–	402,514
<b>Total comprehensive income for the year</b>									
Profit for the year	–	–	–	–	–	126,808	126,808	499	127,307
<b>Other comprehensive income</b>									
Foreign currency translation difference	–	–	–	–	(4,872)	–	(4,872)	(285)	(5,157)
Share of foreign currency translation difference of equity-accounted investee	–	–	–	–	(377)	–	(377)	–	(377)
<b>Total comprehensive income for the year</b>	–	–	–	–	(5,249)	126,808	121,559	214	121,773
<b>Transactions with owners, recognised directly in equity</b>									
<b>Contributions by and distributions to owners of the Company</b>									
Own shares acquired	–	(5,273)	–	–	–	–	(5,273)	–	(5,273)
Treasury shares reissued pursuant to share plans	–	464	144	(608)	–	–	–	–	–
Share option exercised	267	–	–	–	–	–	267	–	267
Share-based payment transactions (Note 20)	–	–	–	2,159	–	–	2,159	–	2,159
Final dividend of 5.0 cents per share in respect of 2021	–	–	–	–	–	(15,455)	(15,455)	–	(15,455)
Interim dividend of 6.7 cents per share in respect of 2022	–	–	–	–	–	(20,723)	(20,723)	–	(20,723)
Appropriation to other reserves	–	–	58	–	–	(58)	–	–	–
<b>Total contributions by and distributions to owners of the Company</b>	267	(4,809)	202	1,551	–	(36,236)	(39,025)	–	(39,025)
<b>Changes in ownership interests in a subsidiary</b>									
Acquisition of a subsidiary with non-controlling interest	–	–	–	–	–	–	–	8,188	8,188
<b>Total changes in ownership interests in a subsidiary</b>	–	–	–	–	–	–	–	8,188	8,188
<b>Total transactions with owners</b>	267	(4,809)	202	1,551	–	(36,236)	(39,025)	8,188	(30,837)
<b>At 31 December 2022</b>	<b>187,464</b>	<b>(10,477)</b>	<b>(9,421)</b>	<b>3,773</b>	<b>(11,293)</b>	<b>325,002</b>	<b>485,048</b>	<b>8,402</b>	<b>493,450</b>

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Profit for the year		127,307	92,091
Adjustments for:			
Depreciation of property, plant and equipment	4	7,754	3,488
Depreciation of investment properties		21	–
Depreciation of right-of-use assets	5	10,035	5,820
Amortisation of intangible assets	6	5,727	5,178
Allowance for stock obsolescence		633	39
Impairment losses made on trade receivables		14	–
(Gain)/Loss on disposal of property, plant and equipment		(308)	535
Net finance costs		1,312	1,325
Foreign exchange differences arising from translation		2,484	2,956
Gain on dilution of interests in an associate		–	(522)
Gain on disposal of an associate		–	(96)
Provision for defined benefit obligations		245	(158)
Share of loss/(profit) of equity-accounted investee, net of tax		282	(644)
Equity-settled share-based payment expenses		2,159	756
Remeasurement of deferred and contingent consideration		–	542
Fair value gain on other investment	29	(1,933)	–
Tax expense		31,386	19,051
		<b>187,118</b>	<b>130,361</b>
Changes in:			
Inventories		(167,553)	(90,108)
Contract costs		151	876
Trade and other receivables		37,312	(52,888)
Contract assets		(1,236)	2,367
Trade and other payables		(60,027)	75,911
Contract liabilities		(5,148)	6,719
Provisions		(451)	1,938
Cash (used in)/generated from operating activities		(9,834)	75,176
Tax paid		(21,591)	(20,223)
<b>Net cash (used in)/from operating activities</b>		<b>(31,425)</b>	<b>54,953</b>
<b>Cash flows from investing activities</b>			
Acquisition of intangible assets	6	(14,681)	(12,490)
Interest received		1,382	404
Proceeds from disposal of property, plant and equipment		629	325
Proceeds from disposal of an associate		–	1,525
Proceeds from disposal of asset held for sale	8	1,723	–
Payment of deferred and contingent consideration		(4,332)	(1,622)
Acquisition of property, plant and equipment	4	(12,808)	(4,278)
Acquisition of other investment	29	(1,595)	(2,551)
Acquisition of an associate	9	–	(10,058)
Acquisition of subsidiaries, net of cash acquired	8	(8,755)	(56,479)
<b>Net cash used in investing activities</b>		<b>(38,437)</b>	<b>(85,224)</b>

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	2022 \$'000	2021 \$'000
<b>Cash flows from financing activities</b>			
Interest paid		(2,596)	(1,611)
Repayment of borrowings	16	(15,354)	(464)
Payment of lease liabilities	16	(10,148)	(5,604)
Proceeds from borrowings	16	50,000	57,120
Repurchase of treasury shares		(5,273)	(4,638)
Proceeds from exercise of share options		267	2,576
Proceeds from issue of shares for private placement		–	103,118
Acquisition of subsidiary's interests from the non-controlling interest		–	(18,394)
Dividends paid		(36,178)	(18,590)
<b>Net cash (used in)/from financing activities</b>		<b>(19,282)</b>	<b>113,513</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		216,180	134,785
Effect of exchange rate fluctuations on cash held		739	(1,847)
<b>Cash and cash equivalents at 31 December</b>	13	<b>127,775</b>	<b>216,180</b>

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2023.

## 1 Domicile and activities

AEM Holdings Ltd. (the "**Company**") is incorporated in Singapore and has its registered office at 52 Serangoon North Avenue 4, Singapore 555853.

The financial statements of the Group as at and for the year ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as 'Group entities') and the Group's interest in equity-accounted investees.

The principal activities of the Company are those relating to an investment holding company. The principal activities of the subsidiaries are set out in note 7 to the financial statements.

## 2 Basis of preparation

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). The changes to significant accounting policies are described in note 2.5.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### 2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars ("S\$"), which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 8 - identification of assets acquired and liabilities assumed in a business combination;
- Note 9 - equity-accounted investees: whether the Group has significant influence over an investee.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 6 - Impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts;
- Note 8 - measurement of fair value of the identifiable assets and liabilities for the subsidiary acquired;
- Note 11 - valuation of inventories.



## 2 Basis of preparation (Continued)

### 2.4 Use of estimates and judgements (Continued)

#### *Measurement of fair value*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 - impairment of intangible assets and goodwill
- Note 8 - acquisition of subsidiaries
- Note 20 - share-based payment
- Note 29 - financial risk management

### 2.5 Changes in accounting policies

#### *New standards and amendments*

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2022:

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to SFRS(I) 16)*
- *Reference to the Conceptual Framework (Amendments to SFRS(I) 3)*
- *Property, plant and equipment – Proceeds before Intended Used (Amendments to SFRS(I) 1-16)*
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to SFRS(I) 1-37)*
- *Annual Improvements to SFRS(I)s 2018-2020 (Amendments to SFRS(I) 1-1, SFRS(I) 9, SFRS(I) 16 and SFRS(I) 1-41)*

The application of these amendments to standards and interpretations did not have a material effect on the financial statements.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

### 3.1 Basis of consolidation

#### *Business combinations*

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

### 3 Significant accounting policies (Continued)

#### 3.1 Basis of consolidation (Continued)

##### *Business combinations (Continued)*

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred over; plus
- the recognised amount of any non-controlling interest ("NCI") in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in "other expenses" within profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in "other expenses" within profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

##### *Loss of control*

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### 3 Significant accounting policies (Continued)

#### 3.1 Basis of consolidation (Continued)

##### *Investments in associates (equity-accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

##### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### *Subsidiaries and associates in the separate financial statements*

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

#### 3.2 Foreign currencies

##### *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities using monthly exchange rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

##### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

#### 3.3 Property, plant and equipment

##### *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.



### 3 Significant accounting policies (Continued)

#### 3.3 Property, plant and equipment (Continued)

##### *Recognition and measurement (Continued)*

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

##### *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### *Depreciation*

Depreciation is based on the cost of an asset. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Motor vehicles	5 – 10 years
Furniture and fittings	3 – 10 years
Renovation and installation	3 – 10 years
Computers	3 years
Plant and equipment	3 – 10 years
Land and building	18 – 31 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

#### 3.4 Investment properties

Investment properties is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Depreciation is based on the cost of an asset. Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Land and building	23 – 27 years
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Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

#### 3.5 Intangible assets and goodwill

##### *Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

### 3 Significant accounting policies (Continued)

#### 3.5 Intangible assets and goodwill (Continued)

##### *Goodwill (Continued)*

##### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associate.

##### *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

##### *Other intangible assets*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

##### *Customer relationships*

Customer relationships which are acquired in business combinations are carried at fair values at the date of acquisition, and amortised on a straight-line basis over the period of the expected benefits.

##### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### *Amortisation*

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date the asset is available for use.

The estimated useful lives for the current and comparative years are as follows:

Technology	15 – 20 years
Customer relationships	10 – 16 years
Computer software	3 – 5 years
Development costs	3 – 5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

#### 3.6 Financial instruments

##### *(i) Recognition and initial measurement*

##### *Non-derivative financial assets and financial liabilities*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### 3 Significant accounting policies (Continued)

#### 3.6 Financial instruments (Continued)

##### (ii) Classification and subsequent measurement

###### Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

###### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### *Financial assets at FVTPL*

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

###### *Business model assessment*

The Group makes an assessment of the objective of the business model in which a financial asset is held because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the respective financial assets and the operation of those policies in practice;
- how the performance of the respective financial assets is evaluated and reported to the Group's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

###### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument that could change the timing and amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).



### 3 Significant accounting policies (Continued)

#### 3.6 Financial instruments (Continued)

##### (ii) Classification and subsequent measurement (Continued)

###### **Assessment of whether contractual cash flows are solely payments of principal and interest (Continued)**

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

###### **Subsequent measurement and gains and losses**

###### *Financial assets at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### *Financial assets at FVTPL*

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

###### **Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprise lease liabilities, loans and borrowings and trade and other payables (excluding employee benefits, deferred and contingent consideration arising from acquisition of a subsidiary measured at FVTPL).

##### (iii) Derecognition

###### *Financial assets*

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

###### *Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 3 Significant accounting policies (Continued)

#### 3.6 Financial instruments (Continued)

##### (iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

##### (v) *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

##### (vi) *Share capital*

###### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

###### *Repurchase, disposal and reissue of share capital (treasury shares)*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable equity reserve.

##### (vii) *Financial guarantee contracts*

Financial guarantee contracts are regarded as insurance contracts under which the Group accepts significant insurance risk from a third party by agreeing to compensate that party on the occurrence of a specified uncertain future event. Provisions are recognised when it is probable that the guarantee will be called upon and an outflow of resources embodying economic benefits will be required to settle the obligations.

#### 3.7 Impairment

##### (i) *Non-derivative financial assets and contract assets*

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets (as defined in SFRS(I) 15).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

###### *Simplified approach*

The Group applies the simplified approach to measure loss allowances at an amount equal to lifetime ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

###### *General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantee contracts ("FGC"). Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

### 3 Significant accounting policies (Continued)

#### 3.7 Impairment (Continued)

##### (i) Non-derivative financial assets and contract assets (Continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- the restructuring of a loan or advanced by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### *Presentation of loss allowance for ECLs in the statement of financial position*

Loss allowance for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

##### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.



### 3 Significant accounting policies (Continued)

#### 3.7 Impairment (Continued)

##### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

#### 3.8 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

### 3 Significant accounting policies (Continued)

#### 3.8 Leases (Continued)

##### *As a lessee (Continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group did not expect a material effect on the financial statements.

##### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, except for leasehold property. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### 3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories of items segregated for specific projects and equipment are assigned using specific identification of their individual costs. All other inventories are determined using the weighted average cost formula.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

#### 3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### *Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### 3 Significant accounting policies (Continued)

#### 3.10 Provisions (Continued)

##### *Site restoration*

In accordance with the applicable terms and conditions in the lease agreement, a provision for site restoration in respect of the leased premises, and the related expenses, were recognised at the date of inception of the lease.

#### 3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax asset are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.



### 3 Significant accounting policies (Continued)

#### 3.12 Revenue recognition

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied performance obligation.

The transaction price is allocated to each performance obligation in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

#### 3.13 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in statement of comprehensive income as "other income" on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as "other income" on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

#### 3.14 Employee benefits

##### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

##### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### **Defined benefit plan**

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period. The Group has no plan assets.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability
- Remeasurements of net defined benefit liability

### 3 Significant accounting policies (Continued)

#### 3.14 Employee benefits (Continued)

##### *Defined benefit plan (Continued)*

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

##### *Share-based payment transactions*

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

#### 3.15 Finance income and finance costs

Finance income comprises interest income on funds invested and amount loan to that is recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expenses on lease liabilities, unwinding of the discount on provision for site restoration and interest expense on borrowings and leases which are recognised in profit or loss using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

#### 3.16 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

The weighted average number of ordinary shares outstanding during the year and for all years presented are adjusted for events, other than the conversion of potential ordinary shares, that have changed the number of ordinary shares outstanding without a corresponding change in resources.

#### 3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

### 3 Significant accounting policies (Continued)

#### 3.18 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Disclosure of Accounting Policies (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)*
- *Definition of Accounting Estimates (Amendments to SFRS(I) 1-8)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to SFRS(I) 1-12)*
- *Classification of Liabilities as Current or Non-Current (Amendments to SFRS(I) 1-1)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SFRS(I) 1-28 and SFRS(I) 10)*
- *Insurance Contracts (SFRS(I) 17)*

### 4 Property, plant and equipment

Group	Motor vehicles \$'000	Furniture and fittings \$'000	Renovation and installation \$'000	Computers \$'000	Plant and equipment \$'000	Land and building \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2021	140	862	9,450	3,221	11,825	–	25,498
Additions	93	367	571	1,277	1,970	–	4,278
Acquisition through business combination (note 8)	44	99	42	420	621	17,152	18,378
Disposals	–	–	(1,076)	(49)	(160)	–	(1,285)
Reclassification	–	–	–	–	(619)	–	(619)
Translation adjustment	2	2	191	67	196	24	482
At 31 December 2021	279	1,330	9,178	4,936	13,833	17,176	46,732
Additions	83	1,652	4,151	1,364	5,558	–	12,808
Acquisition through business combination (note 8)	173	434	–	–	3,104	6,571	10,282
Disposals	(6)	(202)	(2,384)	(27)	(1,658)	–	(4,277)
Translation adjustment	(25)	(101)	(142)	(90)	(730)	(405)	(1,493)
<b>At 31 December 2022</b>	<b>504</b>	<b>3,113</b>	<b>10,803</b>	<b>6,183</b>	<b>20,107</b>	<b>23,342</b>	<b>64,052</b>
<b>Accumulated depreciation and impairment losses</b>							
At 1 January 2021	83	394	6,507	2,528	7,859	–	17,371
Depreciation charge for the year	43	160	758	798	1,066	663	3,488
Disposals	–	–	(364)	(22)	(39)	–	(425)
Reclassification	–	–	–	–	(188)	–	(188)
Translation adjustment	2	5	146	50	143	18	364
At 31 December 2021	128	559	7,047	3,354	8,841	681	20,610
Depreciation charge for the year	65	354	3,132	825	2,396	982	7,754
Disposals	(1)	(108)	(2,195)	(27)	(1,625)	–	(3,956)
Translation adjustment	(8)	(17)	(98)	(58)	(219)	(2)	(402)
<b>At 31 December 2022</b>	<b>184</b>	<b>788</b>	<b>7,886</b>	<b>4,094</b>	<b>9,393</b>	<b>1,661</b>	<b>24,006</b>
<b>Carrying amounts</b>							
At 1 January 2021	57	468	2,943	693	3,966	–	8,127
At 31 December 2021	151	771	2,131	1,582	4,992	16,495	26,122
<b>At 31 December 2022</b>	<b>320</b>	<b>2,325</b>	<b>2,917</b>	<b>2,089</b>	<b>10,714</b>	<b>21,681</b>	<b>40,046</b>



#### 4 Property, plant and equipment (Continued)

Company	Renovation and installation \$'000	Computers \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2021	34	350	21	405
Additions	–	5	–	5
<b>At 31 December 2021 and 31 December 2022</b>	<b>34</b>	<b>355</b>	<b>21</b>	<b>410</b>
<b>Accumulated depreciation</b>				
At 1 January 2021	34	334	8	376
Depreciation charge for the year	–	9	2	11
At 31 December 2021	34	343	10	387
Depreciation charge for the year	–	8	2	10
<b>At 31 December 2022</b>	<b>34</b>	<b>351</b>	<b>12</b>	<b>397</b>
<b>Carrying amounts</b>				
At 1 January 2021	–	16	13	29
At 31 December 2021	–	12	11	23
<b>At 31 December 2022</b>	<b>–</b>	<b>4</b>	<b>9</b>	<b>13</b>

#### 5 Right-of-use assets

Information about leases for which the Group is a lessee is presented below.

	Leasehold properties	
	2022	2021
	\$'000	\$'000
Balance at 1 January	17,767	9,509
Depreciation charge for the year	(10,035)	(5,820)
Additions to right-of-use assets	27,003	10,866
Acquisition through business combination	321	3,212
<b>Balance at 31 December</b>	<b>35,056</b>	<b>17,767</b>

## 6 Intangible assets

Group	Goodwill \$'000	Technology \$'000	Customer relationships \$'000	Computer software \$'000	Development costs \$'000	Other \$'000	Total \$'000
<b>Cost</b>							
At 1 January 2021	29,250	10,626	3,452	5,265	4,549	396	53,538
Additions	–	–	–	460	11,792	238	12,490
Reclassification	–	–	–	–	619	–	619
Acquisition through business combination	26,795	–	16,327	–	–	–	43,122
Translation adjustment	19	(235)	(130)	52	(434)	(20)	(748)
At 31 December 2021	56,064	10,391	19,649	5,777	16,526	614	109,021
Additions	–	–	–	1,331	13,346	4	14,681
Acquisition through business combination	6,811	–	2,944	–	–	3,769	13,524
Translation adjustment	(1,540)	(409)	(390)	(77)	(1,142)	(334)	(3,892)
<b>At 31 December 2022</b>	<b>61,335</b>	<b>9,982</b>	<b>22,203</b>	<b>7,031</b>	<b>28,730</b>	<b>4,053</b>	<b>133,334</b>
<b>Accumulated amortisation</b>							
At 1 January 2021	–	1,269	714	4,138	743	28	6,892
Amortisation charge for the year	–	203	2,442	794	1,602	137	5,178
Reclassification	–	–	–	–	188	–	188
Translation adjustment	–	(13)	(38)	24	(83)	(9)	(119)
At 31 December 2021	–	1,459	3,118	4,956	2,450	156	12,139
Amortisation charge for the year	–	489	1,291	737	2,874	336	5,727
Translation adjustment	–	(88)	17	(57)	(239)	(18)	(385)
<b>At 31 December 2022</b>	<b>–</b>	<b>1,860</b>	<b>4,426</b>	<b>5,636</b>	<b>5,085</b>	<b>474</b>	<b>17,481</b>
<b>Carrying amounts</b>							
At 1 January 2021	29,250	9,357	2,738	1,127	3,806	368	46,646
At 31 December 2021	56,064	8,932	16,531	821	14,076	458	96,882
<b>At 31 December 2022</b>	<b>61,335</b>	<b>8,122</b>	<b>17,777</b>	<b>1,395</b>	<b>23,645</b>	<b>3,579</b>	<b>115,853</b>

Company	Computer software \$'000
<b>Cost</b>	
At 1 January 2021	1,190
Additions	45
At 31 December 2021	1,235
Additions	105
<b>At 31 December 2022</b>	<b>1,340</b>
<b>Accumulated amortisation</b>	
At 1 January 2021	1,190
Amortisation charge for the year	1
At 31 December 2021	1,191
Amortisation charge for the year	35
<b>At 31 December 2022</b>	<b>1,226</b>
<b>Carrying amounts</b>	
At 1 January 2021	–
At 31 December 2021	44
<b>At 31 December 2022</b>	<b>114</b>

## 6 Intangible assets (Continued)

### *Impairment testing for CGUs containing Goodwill*

For the purposes of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

	Group	
	2022	2021
	\$'000	\$'000
- Test Cell Solutions ("TCS")	25,266	19,371
- Test and Measurement Solutions ("TMS")*	1,230	1,230
- Automatic Test Equipment ("ATE")*	8,044	8,668
- Contract Manufacturing ("CM")	26,795	26,795
	<b>61,335</b>	<b>56,064</b>

\* These CGUs were grouped under Instrumentation segment

#### *TCS*

The recoverable amount of this CGU was based on its value in use, determined by discounting the post-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

	2022	2021
Group	%	%
Pre-tax discount rate	15.4	17.5
Terminal value growth rate	3.0	3.0
EBITDA margin	8.0	20.0 to 24.0

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss is recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

#### *TMS*

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. At the end of the reporting date, the Company reviewed and determined that there is no impairment loss required as the value-in-use of the CGU is higher than its goodwill carrying value.

#### *ATE*

The recoverable amount of this CGU was based on its value in use, determined by discounting the post-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.



**6 Intangible assets (Continued)*****Impairment testing for CGUs containing Goodwill (Continued)******ATE (Continued)***

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

<b>Group</b>	<b>2022</b> %	<b>2021</b> %
Pre-tax discount rate	13.8	16.2
Terminal value growth rate	3.0	3.0
EBITDA margin	<b>-26.0 to 18.0</b>	<b>-9.0 to 20.0</b>

The discount rate was a post-tax measure estimated based on management's estimate of the segment's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss is recorded.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

***CM***

The recoverable amount of this CGU was based on its value in use, determined by discounting the post-tax future cash flows to be generated from the continuing use of the CGU. The estimated recoverable amount of the CGU is higher than the carrying value of the CGU.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from internal sources.

<b>Group</b>	<b>2022</b> %	<b>2021</b> %
Pre-tax discount rate	12.1	*
Terminal value growth rate	3.0	*
EBITDA margin	<b>9.0 to 10.0</b>	<b>*</b>

The discount rate was a pre-tax measure estimated based on management's estimate of the segment's weighted average cost of capital.

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual revenue growth rate, consistent with the assumptions that a market participant would make.

EBITDA margin was projected taking into account the estimated sales volume, price growth and cost of sales for the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount and no impairment loss is recorded.

The recoverable amount as at 31 December 2021 was determined based on the fair value at acquisition date as the CGU was newly acquired in 2021 and the fair value of the acquisition was deemed to approximate the fair value as at 31 December 2021. In this context, the recoverable amount approximates the carrying amount of the CGU and accordingly, no impairment loss was recorded.

## 6 Intangible assets (Continued)

### Impairment testing for CGUs containing Goodwill (Continued)

CM (Continued)

\* In 2021, the key assumption used in the estimation of the recoverable amount is not applicable. The goodwill was recognised from the acquisition of a subsidiary as the difference between the fair value of the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. The valuation techniques to determine the fair values are described in note 8. Management performed an impairment assessment on the goodwill arising from the acquisition of the subsidiary. In ascertaining the recoverable amount of the respective CGUs, management was of the view that the total consideration was representative of the fair value less costs to sell, adjusted for any changes in value arising from factors since acquisition, given that there were no significant change in the fair value. In this context, the recoverable amount approximates the carrying amount as at 31 December 2021 and accordingly, no impairment loss was recorded on the goodwill.

No sensitivity analysis was disclosed as the Group believes that any reasonable plausible change in the key assumption is not likely to materially cause the recoverable amount to be lower than its carrying value.

## 7 Interests in subsidiaries

	Company	
	2022	2021
	\$'000	\$'000
Investment in subsidiaries – Unquoted equity shares, at cost	42,541	42,541
Interest in subsidiary – Loan	731	731
Increase in a subsidiary share capital	42,000	–
Struck off	(2,804)	–
Allowance for impairment	–	(286)
	<b>82,468</b>	<b>42,986</b>

Interest in subsidiary pertains to a loan given to a subsidiary upon acquisition in exchange for control of the subsidiary.

Increase in a subsidiary share capital pertains to capitalisation of amount due from subsidiary.

The Group carried out a review of the recoverable amounts of its investments in subsidiaries based on the performance of the subsidiaries (see note 6).

The recoverable amount estimated based on value in use, exceeded the carrying value of these investments. Based on the assessment, no impairment loss is recognised for the investments in subsidiaries in 2022 (2021: nil). Allowance for impairment has been utilised during the year following the struck off of a subsidiary.

Details of subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2022	2021
			%	%
AEM Singapore Pte. Ltd. <sup>1*</sup>	Manufacturing and repair of semiconductor assembly and testing equipment; and installation of industrial machinery and equipment including provision of engineering works	Singapore	100	100
AEM Microtronics (M) Sdn. Bhd. <sup>2#</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	Malaysia	100	100
AEM International (US) Ltd. <sup>3#</sup>	Engineering services	United States of America	100	100

**7 Interests in subsidiaries (Continued)**

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2022 %	2021 %
Tianjin Ever Technologies Co., Ltd. <sup>3#</sup>	Inactive	People's Republic of China	100	100
AEM China (S) Pte. Ltd. <sup>4</sup>	Struck off	Singapore	–	100
InspiRain Technologies Pte. Ltd. <sup>3*</sup>	Inactive	Singapore	100	100
AEM Microtronics (Suzhou) Co. Ltd. <sup>5</sup>	Design and manufacturing of semiconductor manufacturing equipment and related tooling parts and precision machining of components	People's Republic of China	100	100
Afore Oy <sup>2</sup>	Micro-Electro-Mechanical Systems test solutions provider	Finland	100	100
IRIS Solution Pte. Ltd. <sup>1</sup>	Research, development, and integration of advance machine vision solutions to manufacturers	Singapore	100	100
Mu-TEST <sup>6</sup>	Provides full test solutions for medium and high-end integrated circuits	France	100	100
DB Design Group, Inc. <sup>3</sup>	Design services and manufacturing of handler change kits, tester interfaces, test handlers and related tooling parts and thermal solutions	United States of America	100	100
AEM Costa Rica Limited <sup>3#</sup>	Engineering services	Republic of Costa Rica	100	100
Wavem US Inc. <sup>3#</sup>	Investment holding	United States of America	100	100
Lattice Innovation, Inc. <sup>3@</sup>	Provider of 3D modules for optimised thermal control applications	United States of America	100	100
CEI Pte. Ltd. <sup>1#</sup>	Contract manufacturing and design and manufacture of proprietary equipment	Singapore	100	100
CEI International Investments Pte Ltd <sup>1,8</sup>	Investment holding	Singapore	100	100
PT Surya Teknologi Batam <sup>7,8</sup>	Printed circuit board assembly and contract manufacturing	Indonesia	100	100
CEI International Investments (VN) Ltd <sup>2,9</sup>	Printed circuit board assembly and contract manufacturing	Vietnam	100	100



## 7 Interests in subsidiaries (Continued)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity held by the Group	
			2022 %	2021 %
AEM International (Korea) Ltd. <sup>3</sup>	Design and engineering services, and procurement and sale of semiconductor test tools, equipment, and related parts	Republic of Korea	100 <sup>*</sup>	–
AEM Americas, Inc. <sup>3</sup>	Manufacturing and sale of products for the semiconductor industry	United States of America	100 <sup>+</sup>	–
Nestek Korea Co., Ltd. <sup>2#</sup>	Manufacturing of testing products for the semiconductor goods and electronic goods industry	Republic of Korea	53.3 <sup>^</sup>	–
NTP Korea Co., Ltd. <sup>3†</sup>	Processing and plating of parts of semiconductor components and electronic goods	Republic of Korea	53.3 <sup>^</sup>	–
Vina Nestek Co., Ltd. <sup>3†</sup>	Producing, processing and assembling of equipment or components for connection and semiconductor components for phones and electronics	Vietnam	53.3 <sup>^</sup>	–
AEM TesTech (Shanghai) Co., Ltd. <sup>3</sup>	Marketing and sale of test solutions and peripheral tools/equipment for the semiconductor industry	People's Republic of China	100 <sup>&amp;</sup>	–

KPMG Singapore is the auditor of the significant subsidiary and all Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Listing Manual of the Singapore Exchange if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

<sup>1</sup> Audited by KPMG Singapore.

<sup>2</sup> Audited by other member firms of KPMG International.

<sup>3</sup> Audit is not required.

<sup>4</sup> Struck off on 7 November 2022.

<sup>5</sup> Audited by Suzhou Deheng Certified Public Accountants.

<sup>6</sup> Audited by Arthaud & Associates, France.

<sup>7</sup> Audited by JAS & Rekan, Drs Sukimto Sjamsuli.

<sup>8</sup> Held by CEI Pte. Ltd.

<sup>9</sup> Held by CEI International Investments Pte Ltd

<sup>#</sup> Held by AEM Singapore Pte. Ltd.

<sup>@</sup> Held by Wavem US Inc.

<sup>†</sup> Held by Nestek Korea Co., Ltd.

<sup>\*</sup> Significant subsidiary as defined under the SGX-ST Listing Manual.

<sup>~</sup> The Group acquired CEI Pte. Ltd. and its subsidiaries in March 2021

<sup>+</sup> The Group incorporated AEM International (Korea) Ltd. and AEM Americas, Inc. in January 2022

<sup>^</sup> The Group acquired Nestek Korea Co., Ltd. in April 2022.

<sup>&</sup> The Group incorporated AEM TesTech (Shanghai) Co., Ltd in August 2022

<sup>∞</sup> Subsequently struck off on 9 January 2023

**8 Acquisition of subsidiaries****Acquisition in 2022**

On 30 April 2022, the Group acquired a controlling stake of 53.3% equity shares and voting interests on Nestek Korea Co., Ltd. ("Nestek"), a company incorporated in the Republic of Korea. The acquisition will allow the Group to extend its offering in the consumables business and enable the Group to further capture the socket market.

**Consideration transferred**

The following table summarises the acquisition date fair value of each major class of consideration:

	Total \$'000
Total cash consideration	16,172

**Net cash outflow**

	Total \$'000
Cash consideration paid	16,172
Cash in acquired company	(7,417)
Total net cash outflow	8,755

**Acquisition-related costs**

The Group incurred acquisition related cost of \$365,000 on legal fees, due diligence costs, transaction advisory fees and other professional fees for the above acquisition. These costs have been included in "selling, general & administrative expenses" within the consolidated statement of comprehensive income.

**Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	Fair value \$'000
Cash and cash equivalents		7,417
Property, plant and equipment	4	10,282
Right-of-use assets	5	321
Investment properties		1,969
Intangible assets	6	6,713
Other investments		7
Inventories		1,347
Trade and other receivables		4,450
Contract assets		78
Asset held for sale*		1,723
Trade and other payables		(4,198)
Financial liabilities	16	(10,538)
Current tax payable		(53)
Deferred tax liabilities	18	(1,969)
Total identifiable net assets		17,549

\* Asset held for sale was subsequently sold to a related party with the cash consideration of \$1,723,000 during the financial year.

## 8 Acquisition of subsidiaries (Continued)

### Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
<b>Property, plant and equipment</b>	<i>Market comparison method and cost method:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
<b>Intangible assets -</b> Customer relationships	<i>Multi-period excess earnings method:</i> The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Patented technologies	<i>Relief from royalty method:</i> The Relief from royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents or trademarks being owned.

### Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	Total \$'000
Consideration transferred	16,172
Non-controlling interest	8,188
Fair value of identifiable net assets	(17,549)
Goodwill	<u>6,811</u>

### Acquisition in 2021

On 31 March 2021, the Group acquired a controlling stake of 77% equity shares and voting interests on CEI Pte. Ltd. (formerly known as CEI Limited which was listed in Singapore Exchange Securities Trading Limited), a reputable contract manufacturer of Printed Circuit Board Assembly ("PCBA"), Wire-Harness & Interconnect systems, Box Build and Equipment Manufacturing. The acquisition is expected to add end-to-end customisation and delivery capability, and drive synergy and efficiency of the Group.

### Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration:

	Note	Total \$'000
Equity shares issued (3,475,902 ordinary shares)	14	14,390
Cash		<u>64,347</u>
Total consideration		<u>78,737</u>

### Net cash outflow

	Total \$'000
Cash consideration paid	64,347
Cash in acquired company	<u>(7,868)</u>
Total net cash outflow	<u>56,479</u>

### Equity shares issued

The weighted average fair value of ordinary shares issued of \$4.14 per share was based on the listed share price of the Company at 31 March 2021, as part of the consideration paid.



**8 Acquisition of subsidiaries (Continued)****Acquisition-related costs**

The Group incurred acquisition related cost of \$1,209,000 on legal fees, due diligence costs, transaction advisory fees and other professional fees for the above acquisition, of which \$1,200,000 was recognised in year 2020 as the expenses were incurred. These costs have been included in "selling, general & administrative expenses" within the consolidated statement of comprehensive income.

**Identifiable assets acquired and liabilities assumed**

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Note	Fair value \$'000
Property, plant and equipment	4	18,378
Right-of-use assets	5	3,212
Intangible assets	6	16,327
Interest in associates		1,429
Inventories		33,055
Trade and other receivables		25,715
Cash and cash equivalent		7,868
Trade and other payables		(21,876)
Contract liabilities		(2,258)
Financial liabilities	16	(7,325)
Defined benefit obligations	21	(1,117)
Deferred tax liabilities	18	(4,731)
Current tax payable		(1,144)
Total identifiable net assets		<u>67,533</u>

**Measurement of fair values**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Asset required	Valuation technique
<b>Property, plant and equipment</b>	<i>Market comparison method and cost method:</i> The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
<b>Intangible assets -</b> Customer relationships	<i>Multi-period excess earnings method:</i> The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

**Goodwill**

Goodwill arising from the acquisition has been recognised as follows:

	Total \$'000
Consideration transferred	78,737
Non-controlling interest	15,591
Fair value of identifiable net assets	(67,533)
Goodwill	<u>26,795</u>

The goodwill is attributable to CEI Pte. Ltd.'s strong market position, profitability and synergies.

## 8 Acquisition of subsidiaries (Continued)

### Acquisition of non-controlling interest ("NCI")

Subsequent to obtaining controlling stake on 31 March 2021, the Group continued to acquire the remaining non-controlling interest of 23%. As of 30 June 2021, the Group acquired 100% of the issued share capital in CEI Pte. Ltd.. On 6 July 2021, CEI Pte. Ltd. was delisted from Singapore Exchange Securities Trading Limited.

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

	Total \$'000
Carrying amount of NCI acquired	15,726
Consideration paid to NCI	(18,394)
Equity shares issued to NCI	(5,268)
Decrease in equity attributable to owners of the Company	<u>(7,936)</u>

The decrease in equity attributable to owners of the Company comprised:

- a decrease in Other reserves of \$8,071,000;
- a decrease in Currency translation reserves of \$5,000; and
- an increase in Accumulated profits of \$140,000.

## 9 Investment in associates

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Unquoted shares	<u>15,150</u>	<u>15,887</u>	<u>4,667</u>	<u>4,667</u>

Details of associate are as follows:

Name of associates	Principal activities	Principal place of business and country of incorporation	Effective equity held by the Group	
			2022	2021
			%	%
Novoflex Pte Ltd <sup>1</sup> ("Novoflex")	Investment holding company with full control of Smartflex Technology Pte Ltd, a leading outsourced assembly & test company for smart card modules used in banking and Smartflex Innovation Pte Ltd, a company that has developed proprietary manufacturing equipment, processes and intellectual property for producing very low cost SIM card modules for telecommunications and smart card modules for banking	Singapore	18.1	18.1
ATECO Inc. <sup>2</sup> ("ATECO")	Specialises in the design and development of memory test handler solutions	Republic of Korea	43.2	43.2

1 Audited by Ernst & Young Singapore

2 Audit is not required

On 5 March 2021, the Group agreed to waive its pre-emption rights under the Constitution of Novoflex and entered into a deed of accession and amendment with NT SPV 13, to bind the latter to the Shareholders Agreement dated 6 May 2016. Subsequently, NT SPV 13 subscribed for 3,796,507 shares in the share capital of Novoflex at a total price of US\$5,000,000 thereby reducing the Group's shareholding in Novoflex Pte Ltd from 21.2% to 18.1%. As a result, the Group recognised a gain on dilution of investment in Novoflex of \$522,000.

## 9 Investment in associates (Continued)

On 18 March 2021, the Group acquired 26.6% of the outstanding share capital of ATECO, a South Korean company that specialises in the design and development of memory test handler solutions targeted at the memory market, for a consideration of US\$3,897,000 or \$5,231,000.

By 13 September 2021, the Group acquired additional 16.6% of the outstanding share capital of ATECO, for a consideration of US\$3,582,000 or \$4,827,000, bringing the Group's effective equity held in ATECO to 43.2%.

As part of the investment, the Group has been granted the rights to acquire further shares of ATECO, which together with the acquired 43.2%, will constitute up to 65% of the total outstanding share capital of ATECO on a fully diluted basis.

As at 31 December 2021, the initial accounting for the acquisition in ATECO was based on preliminary fair value adjustments upon available information and certain assumptions that the Group believes are reasonable under the circumstances and may be revised as additional information becomes available. A final determination of the fair value adjustments assumed may differ materially from the preliminary estimates. The final valuation will be based on the actual assessment of the fair values of tangible and intangible assets and liabilities assumed of ATECO. The final valuation may change the purchase price allocation, which could affect the fair value assigned to the assets acquired and liabilities assumed and could result in a change to the consolidated financial statements. Accordingly, while provisional amounts have been recorded, they will be adjusted on a retrospective basis when the purchase price allocation exercise is finalised during the measurement period (i.e. 12 months within date of acquisition). In 2022, the purchase price allocation exercise was finalised and the fair value adjustment was adjusted during the financial year.

The following summarises the financial information of the Group's associates based on ATECO's and Novoflex's financial statements prepared in accordance with SFRS(I), modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	ATECO		Novoflex	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Revenue	24,473	20,905	36,714	36,443
(Loss)/Profit after tax	(359)	1,239	(704)	(1,328)
<b>Total comprehensive profit</b>	<b>(359)</b>	<b>1,239</b>	<b>(704)</b>	<b>(1,328)</b>
Attributable to investee's shareholders	(359)	1,239	(704)	(1,328)
Non-current assets	1,434	10,606	17,676	17,055
Current assets	16,001	19,794	29,023	29,353
Non-current liabilities	(4,157)	(4,521)	(3,691)	(5,719)
Current liabilities	(11,111)	(14,851)	(15,393)	(12,628)
<b>Net assets</b>	<b>2,167</b>	<b>11,028</b>	<b>27,615</b>	<b>28,061</b>
Attributable to investee's shareholders	2,167	11,028	27,615	28,061
<b>Group's interest in net assets of investee at beginning of the year</b>	<b>6,337</b>	<b>–</b>	<b>5,074</b>	<b>4,680</b>
Group's share of:				
- (loss)/profit after tax	(155)	890	(127)	(246)
Total comprehensive (loss)/income	(155)	890	(127)	(246)
Change of Group's interest in an associate *	(982)	5,582	–	522
Translation adjustment	(418)	(135)	(37)	118
Group's share of net assets	4,782	6,337	4,910	5,074
Goodwill *	5,458	4,476	–	–
<b>Carrying amount of interest in investee at end of the year</b>	<b>10,240</b>	<b>10,813</b>	<b>4,910</b>	<b>5,074</b>

\* In 2022, the purchase price allocation exercise was finalised and the fair value adjustment was reflected in these line items.



## 10 Other investment

	Group	
	2022	2021
	\$'000	\$'000
Unquoted equity investment – at FVTPL	<b>6,059</b>	2,607

The basis of measurement of the fair value of other investment are disclosed in note 29.

## 11 Inventories

	Group	
	2022	2021
	\$'000	\$'000
Raw materials	136,943	98,828
Work-in-progress	194,242	91,564
Finished goods	35,371	12,939
Goods in-transit	1,167	1,595
	<b>367,723</b>	204,926

Inventories of \$520,252,000 (2021: \$327,524,000) were recognised as an expense during the period and included in “cost of sales” within the statement of comprehensive income.

The Group recognised an allowance for stock obsolescence of \$633,000 (2021: \$39,000) based on slow-moving inventories. The allowance are included in “cost of sales” within the statement of comprehensive income.

## 12 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade receivables (net of impairment)	69,548	106,724	–	–
Other receivables	13,192	17,117	–	–
Amounts due from subsidiaries (net of impairment):				
- trade	–	–	7,331	5,133
- non-trade	–	–	41,912	26,077
Amounts due from a related party (non-trade)	1,608	–	–	–
Deposits	4,078	1,718	–	–
	<b>88,426</b>	125,559	<b>49,243</b>	31,210
Prepayments	4,491	2,382	165	190
	<b>92,917</b>	127,941	<b>49,408</b>	31,400

### Amounts due from subsidiaries and a related party

Non-trade amounts due from subsidiaries and a related party are unsecured, interest-free and repayable on demand. The ECL for these amounts is disclosed in note 29.

### Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in note 29.

**13 Cash and cash equivalents**

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash at bank and in hand	62,771	216,180	23,766	115,794
Fixed deposits with banks	65,004	–	40,508	–
Cash and cash equivalents	127,775	216,180	64,274	115,794

Fixed deposit with banks relate to deposits with maturities of one months or less with effective interest rates ranging from 4.15% to 4.30% (2021: nil) per annum.

As at 31 December 2022, the weighted average effective interest rates per annum relating to cash and cash equivalents for the Group was 0.07% (2021: 0.02%). Interest rates are repriced monthly.

**14 Share capital**

	Number of shares			
	Share capital		Treasury shares	
	2022	2021	2022	2021
	'000	'000	'000	'000
<b>Company</b>				
<i>Issued and fully paid ordinary shares, with no par value:</i>				
At 1 January	311,525	276,863	(1,876)	(1,305)
Issue of shares for cash related to private placement	–	26,800	–	–
Issue of shares related to business combination	–	3,476	–	–
Issue of shares for acquisition of non-controlling interest	–	1,303	–	–
Purchase of treasury shares	–	–	(1,292)	(1,208)
Issue of treasury shares to management under Performance Share Plan	–	–	137	637
Share options exercised	259	2,283	–	–
Issue of shares related to settlement of deferred and contingent consideration	–	800	–	–
At 31 December	311,784	311,525	(3,031)	(1,876)

**Ordinary shares**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

During the year, 259,000 (2021: 2,283,000) ordinary shares were issued out of the ordinary shares for share options exercised, nil (2021: 3,476,000) ordinary shares were issued out of ordinary shares as a result of business combination and nil (2021: 800,000) ordinary shares were issued out of ordinary shares for settlement of deferred and contingent consideration relating to acquisition of InspiRain Technologies Pte. Ltd. in 2017.

During the year, the Company purchased 1,292,000 (2021: 1,208,000) of its own ordinary shares from the open market and as at the end of 31 December 2022, the treasury shares balance was 3,031,000 (2021: 1,876,000). The total number of issued ordinary shares excluding treasury shares at the end of the year was 308,753,000 (2021: 309,649,000).

**Treasury shares**

During the year, 137,000 (2021: 637,000) shares were issued out of the treasury shares under the Performance Share Plan.

## 14 Share capital (Continued)

### *Capital management*

The Board's policy is to build and maintain a strong capital base so as to maintain investor and financing banks' confidence and at the same time be able to leverage on the capital to provide the Group with the funds for expansion and growth.

The Group also monitors the level of dividends to be paid to ordinary shareholders. The Group's objective is to pay out regular dividends to the shareholders based on the level of the Group's profitability and cash flows and the Company's share price performance.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 15 Reserves

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Reserve for own shares	(10,477)	(5,668)	(10,477)	(5,668)
Other reserves	(9,421)	(9,623)	(1,556)	(1,700)
Share compensation reserve	3,773	2,222	3,773	2,222
Currency translation reserve	(11,293)	(6,044)	–	–
	<b>(27,418)</b>	<b>(19,113)</b>	<b>(8,260)</b>	<b>(5,146)</b>

### *Reserve for own shares*

Reserve for own shares comprises the cost of the Company's shares held by the Group.

### *Other reserves*

Other reserves comprises accumulated profits transferred by a foreign subsidiary as required by local legislations which can only be distributed upon approval by the relevant authorities and surplus of own shares reissued.

### *Share compensation reserve*

Share compensation reserve comprises the value of employee services received from equity-settled share-based performance bonus.

### *Currency translation reserve*

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company.



**16 Financial liabilities**

	Group	
	2022	2021
	\$'000	\$'000
<b>Non-current liabilities</b>		
Lease liabilities	27,519	10,096
Borrowings:		
– Unsecured bank loans	102,131	50,675
	<b>129,650</b>	<b>60,771</b>
<b>Current liabilities</b>		
Lease liabilities	7,654	7,904
Borrowings:		
– Secured bank loans	3,785	–
– Unsecured bank loans	2,216	12,598
	<b>13,655</b>	<b>20,502</b>
Total financial liabilities	<b>143,305</b>	<b>81,273</b>
<b>Maturity of liabilities:</b>		
Within 1 year	13,655	20,502
After 1 year but within 5 years	129,650	60,771
	<b>143,305</b>	<b>81,273</b>

**Lease liabilities**

As at 31 December 2022, the lease liabilities include office and warehouse leases.

The total cash outflow for leases recognised in the statement of cash flows is \$10,924,000 (2021: \$5,977,000).

**Terms and debt repayment schedule**

Terms and conditions of outstanding loans and leases are as follows:

			2022		2021	
	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
	%		\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
Unsecured bank loans	0.73% - 4.06%	2023 – 2026	4,408	4,347	14,015	13,273
Unsecured bank loan	1.45% + SORA	2024	102,800	100,000	50,725	50,000
Secured bank loans	1.91% - 3.73%	2023	3,833	3,785	–	–
Lease liabilities	1.76% - 7.09%	2023 – 2029	40,384	35,173	19,734	18,000
			<b>151,425</b>	<b>143,305</b>	<b>84,474</b>	<b>81,273</b>

The Company does not have any borrowings and lease liabilities as at 31 December 2022 (2021: nil).

**Market and liquidity risks**

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risks is included in note 29.

## 16 Financial liabilities (Continued)

## Reconciliation of movements of liabilities to cash flows arising from financing activities

	Borrowings \$'000	Lease liabilities \$'000	Total \$'000
Balance at 1 January 2021	1,868	9,419	11,287
<b>Changes from financing cash flows</b>			
Interest paid	(1,234)	(373)	(1,607)
Proceeds from borrowings	57,120	–	57,120
Repayment of borrowings	(464)	–	(464)
Payment of lease liabilities	–	(5,604)	(5,604)
<b>Total changes from financing cash flows</b>	55,422	(5,977)	49,445
Changes arising from acquisition of a subsidiary (Note 8)	4,004	3,321	7,325
The effect of changes in foreign exchange rates	745	82	827
<b>Liability-related</b>			
Additions	–	10,782	10,782
Interest expense	1,234	373	1,607
<b>Total liability-related other changes</b>	1,234	11,155	12,389
<b>Balance at 31 December 2021</b>	<b>63,273</b>	<b>18,000</b>	<b>81,273</b>
Balance at 1 January 2022	63,273	18,000	81,273
<b>Changes from financing cash flows</b>			
Interest paid	(1,810)	(776)	(2,586)
Proceeds from borrowings	50,000	–	50,000
Repayment of borrowings	(15,354)	–	(15,354)
Payment of lease liabilities	–	(10,148)	(10,148)
<b>Total changes from financing cash flows</b>	32,836	(10,924)	21,912
Changes arising from acquisition of a subsidiary (Note 8)	10,223	315	10,538
The effect of changes in foreign exchange rates	(10)	(740)	(750)
<b>Liability-related</b>			
Additions	–	27,746	27,746
Interest expense	1,810	776	2,586
<b>Total liability-related other changes</b>	1,810	28,522	30,332
<b>Balance at 31 December 2022</b>	<b>108,132</b>	<b>35,173</b>	<b>143,305</b>

**17 Trade and other payables**

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade payables	78,828	143,839	–	–
Amount due to subsidiaries (non-trade)	–	–	2,670	1,764
Accrued operating expenses	9,687	5,581	872	990
Other payables	7,474	8,176	1,831	3,373
	95,989	157,596	5,373	6,127
Employee benefits	22,945	25,015	3,718	2,356
	118,934	182,611	9,091	8,483
Current	118,929	181,048	9,091	6,920
Non-current	5	1,563	–	1,563
	118,934	182,611	9,091	8,483

Other payables include deferred cash consideration and contingent consideration relating to the acquisition of subsidiaries in 2020 amounting to nil (2021: \$759,000) and \$1,477,000 (2021: \$2,387,000) respectively (see note 8) at the Group and the Company level.

***Amounts due to subsidiaries***

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

***Measurement of fair values***

The basis of measurement of the fair value of deferred and contingent consideration are disclosed in note 29.

***Market and liquidity risks***

The Group and the Company's exposures to currency risk and to liquidity risk related to trade and other payables are disclosed in note 29.

## 18 Deferred tax

Movements in deferred tax (assets)/liabilities (prior to offsetting of balances) during the year are as follows:

Group	At 1 January 2021 \$'000	Recognised in profit or loss (Note 24) \$'000	Acquired through business combination (Note 8) \$'000	Translation adjustment \$'000	31 December 2021 \$'000	At 31 December 2021 \$'000	Recognised in profit or loss (Note 24) \$'000	Acquired through business combination (Note 8) \$'000	Translation adjustment \$'000	31 December 2022 \$'000
<b>Deferred tax liabilities</b>										
Property, plant and equipment	631	(85)	2,801	13	3,360	2	504	(4)		3,862
Intangible assets	2,628	(459)	2,784	(66)	4,887	2,459	1,409	(320)		8,435
Right-of-use assets	1,546	-	-	10	1,556	(113)	-	(43)		1,400
Others	204	(205)	208	-	207	(261)	56	(2)		-
	5,009	(749)	5,793	(43)	10,010	2,087	1,969	(369)		13,697
<b>Deferred tax assets</b>										
Property, plant and equipment	-	55	(414)	-	(359)	-	-	1		(358)
Provisions	(419)	(135)	(648)	(9)	(1,211)	(210)	-	2		(1,419)
Trade and other payables	(135)	-	-	-	(135)	-	-	-		(135)
Lease liabilities	(1,550)	178	-	(10)	(1,382)	37	-	43		(1,302)
Others	-	-	-	-	-	(139)	-	-		(139)
	(2,104)	98	(1,062)	(19)	(3,087)	(312)	-	46		(3,353)
<b>Company</b>										
<b>Deferred tax assets</b>										
Property, plant and equipment	4	-	-	-	4	-	-	-		4
<b>Deferred tax liabilities</b>										
Provisions	(23)	-	-	-	(23)	-	-	-		(23)



**18 Deferred tax (Continued)**

The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Deferred tax liabilities	11,394	8,044	–	–
Deferred tax assets	(1,050)	(1,121)	(19)	(19)

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the tax losses in the table below, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate.

	Group		Gross amount 2021 \$'000	Tax effect 2021 \$'000
	Gross amount 2022 \$'000	Tax effect 2022 \$'000		
Tax losses	9,500	2,409	4,791	1,224

The Company does not have any unrecognised deferred tax assets.

**19 Provisions**

Group	Warranties \$'000	Site restoration \$'000	Total \$'000
At 1 January 2021	1,691	670	2,361
Provisions made	1,684	260	1,944
Translation adjustment	65	20	85
Provisions utilised	(5)	–	(5)
Unwind of discount	–	36	36
At 31 December 2021	3,435	986	4,421
Provisions reversal	(451)	–	(451)
Translation adjustment	(18)	(9)	(27)
Unwind of discount	–	44	44
At 31 December 2022	2,966	1,021	3,987

	Group	
	2022 \$'000	2021 \$'000
Current	2,290	3,002
Non-current	1,697	1,419
	3,987	4,421

The provision for warranties, on equipment sold, is based on estimates made from historical warranty data associated with similar products and services.

Provision for restoration costs is made in respect of the Group's obligation to carry out the reinstatement work to restore the leased premises to its original condition prior to vacating the premises at the end of the lease term.

## 20 Share-based payment

### Description of the share-based payment arrangements

At 31 December 2022, the Group has the following share-based payment arrangements:

#### *Employee share options (equity-settled)*

The AEM Holdings Employee Share Option Scheme (the “**Scheme**”) of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 25 April 2014 and was subsequently amended and approved by its members at the Extraordinary General Meeting held on 27 April 2017. The Scheme is administered by the Company's Remuneration Committee (the “**Committee**”) comprising the following directors:

- James Toh Ban Leng (Chairman)
- Loh Kin Wah
- Tham Min Yew

Other information regarding the Scheme is set out below:

- (i) Whilst the Scheme entitles the Company to issue options at a price which is set at a discount of up to 20% to the market price (as determined by the Committee in its absolute discretion), in practice, since the commencement of the Scheme, the Company has never issued options at a discount, but at the market price (which is the price equal to the average of the last dealt price for the shares on the Singapore Exchange over the five (5) consecutive market days immediately preceding the date of grant of the option).
- (ii) An option may be granted at any time at the absolute discretion of the Committee, provided that where price sensitive information is being announced, options may only be granted after the second market day from the date on which the announcement is released. The grant of an option shall be accepted within thirty days from the date of grant and not later than 5.00 p.m. on the thirtieth day from the date of grant.
- (iii) The Scheme provides that where options are issued at a discount to the market price (“**Discount Price Options**”), such options are exercisable at any time after the second anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant. However, where options are issued at the market price (“**Market Price Options**”), they are exercisable at any time after the first anniversary of the date of grant and before the expiry of the tenth anniversary of the relevant date of grant except that in the case of Non-Executive Directors, such options will expire on the fifth anniversary of the date of grant.
- (iv) The new shares issued by the Company upon the exercise of the options shall rank in full for all dividends or other distributions declared or recommended in respect of the then existing shares and shall in all other respects rank *pari passu* with other existing shares of the Company.
- (v) All options are settled by delivery of shares.

#### *Performance Share Plan (equity-settled)*

The AEM Performance Share Plan 2017 (the “**Plan**”) of the Company was approved and adopted by its members at the Extraordinary General Meeting held on 27 April 2017 to attract, recruit, retain and encourage higher performance goals and recognise achievements.

The Plan is administered by the Company's Remuneration Committee. Under the Plan, the Company has the flexibility to grant time-based or performance-based awards to participants. Both time-based and performance-based awards may be granted to the same participant simultaneously. Participants will be allotted fully paid shares after the satisfactory completion of time-based service conditions or the achievement of performance targets. No minimum vesting periods are prescribed under the Plan and awards may also be granted for past performance where the participant has performed well and/or made a significant contribution to the Company.

**20 Share-based payment (Continued)****Measurement of fair values****Employee share options (equity-settled)**

The fair value of the employee share options has been measured using the Option Valuation Model. Service and non-market performance conditions attached to the arrangements were applied in the valuation of the options. The inputs used in the measurement of the fair values at grant date of the share options were as follows:

Grant Date	1 Apr 20	7 Oct 19	15 Jan 19	23 Aug 17	27 Feb 17
Fair value at grant date	\$0.620 - \$0.730	\$0.407 - \$0.483	\$0.260 - \$0.320	\$0.148 - \$0.180	\$0.038 - \$0.045
Share price at grant date	\$1.640	\$1.140	\$0.900	\$0.635*	\$0.198*
Exercise price	\$1.652	\$1.142	\$0.890	\$0.627*	\$0.196*
Expected volatility (weighted average)	63.00%	60.00%	50.00%	40.00%	40.00%
Expected life (years)	3-5	3-5	3-5	3-5	3-5
Expected dividend yield	2.65%	2.65%	2.00%	2.45%	2.45%
Risk-free interest rate (based on government bonds)	1.561 - 1.574	1.561 - 1.574	1.930 - 2.000	1.490 - 1.680	1.386 - 1.693

\* Prices were adjusted for the bonus share issue on 4 June 2018.

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour.

During the year, the Group recognised \$68,000 (2021: \$586,000) expenses for share options granted.

**Performance Share Plan (equity-settled)**

The weighted average fair value of the performance shares granted during the year was \$4.45 (2021: \$3.67) per share, based on the closing share price of the Company at the grant date (2021: closing share price of the Company at the grant date).

The Group recognised the following:

- \$465,000 for the performance shares granted on 4 April 2022 to employees;
- \$858,000 for the performance shares granted on 25 February 2022 to employees;
- \$699,000 (2021: \$79,000) for the performance shares granted on 18 June 2021 to employees; and
- \$69,000 (2021: \$91,000) for the performance shares granted on 29 September 2020 to an employee.

**Reconciliation of outstanding share options**

Movements in the number of share options and their related weighted average exercise prices are as follows:

	Weighted average exercise price 2022 \$	No. of options 2022 '000	Weighted average exercise price 2021 \$	No. of options 2021 '000
Outstanding at 1 January	1.240	2,709	0.183	5,668
Exercised during the year	1.031	(259)	1.128	(2,283)
Forfeited during the year		—	1.142	(676)
Outstanding at 31 December	1.262	2,450	1.240	2,709
Exercisable at 31 December	1.226	2,243	1.178	1,471

## 20 Share-based payment (Continued)

### Reconciliation of outstanding share options (Continued)

The options outstanding at 31 December 2022 have an exercise price in the range of \$0.890 to \$1.652 (2021: \$0.890 to \$1.652) and a weighted average contractual life of 6.9 years (2021: 7.8 years).

	Group and Company	
	2022	2021
	\$'000	\$'000
<b>Share compensation reserve</b>		
At 1 January	2,222	3,288
Shares options granted	68	586
Settlement of share-based payment transactions	(608)	(1,822)
Share-based payment transactions	2,091	170
At 31 December	<b>3,773</b>	<b>2,222</b>

### Expense recognised in statement of comprehensive income

For details on the related employee benefits expenses, see note 25.

## 21 Defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Group	
	2022	2021
	\$'000	\$'000
At 1 January	959	–
Acquisition through business combination	–	1,117
Interest cost	62	68
Current service cost	44	51
Past service cost	–	(414)
Actual benefit payment	–	(58)
Actuarial gains and losses arising from experience adjustments	146	198
Actuarial gains and losses arising from changes in financial assumptions	(7)	(61)
Exchange differences	–	58
At 31 December	<b>1,204</b>	<b>959</b>

The cost of defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2022	2021
	%	%
Discount rate	7.21	7.12
Salary increment rate	5.00	5.00
Mortality rate	*TMI – 2019	*TMI – 2019
Disability rate	0.5% of *TMI – 2019	0.5% of *TMI – 2019
Resignation rate	6.5%	6.5%
Actuarial costing method	Projected unit credit	Projected unit credit
Normal retirement age	57 years old	57 years old

\* Tabel Mortalita Indonesia 2019 ("TMI – 2019") issued by Indonesia Life Insurance Association (AAJI) serves as a reference for mortality rates in Indonesia.



**21 Defined benefit obligations (Continued)**

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations as of the end of the reporting period, assuming if all other assumptions were held constant:

	2022		2021	
	Increase/ decrease	Present value of the defined benefit obligations \$'000	Increase/ decrease	Present value of the defined benefit obligations \$'000
Discount rate	+ 1%	802	+ 1%	869
	- 1%	962	- 1%	1,063
Salary increment rate	+ 1%	962	+ 1%	1,064
	- 1%	800	- 1%	867

The average duration of the defined benefit obligations at the end of the reporting period is 17 years.

**22 Revenue**

	Group	
	2022	2021
	\$'000	\$'000
Revenue from contracts with customers		
- Sale of goods	801,355	535,014
- Services	69,136	30,448
	<b>870,491</b>	<b>565,462</b>

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

**Sale of goods**

<b>Nature of goods</b>	Machines, equipment and components
<b>When revenue is recognised</b>	<p><b>Machines, equipment and components, excluding prototype machines</b></p> <p>Revenue from the sale of machines, equipment and components are recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.</p> <p><b>Prototype machines</b></p> <p>The Group has assessed that revenue from the sale of prototype machines qualifies for revenue recognition over time as the prototype machines are highly customised and have no alternative use for the Group, and the Group generally has enforceable rights to payment for performance completed till date. The stage of completion is assessed by reference to the contract costs incurred till date in proportion to the total estimated contract costs of each contract.</p>
<b>Significant payment terms</b>	<p><b>Machines, equipment and components, excluding prototype machines</b></p> <p>Payment is due between 30 days to 60 days upon delivery of the goods to the customers.</p> <p><b>Prototype machines</b></p> <p>Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified milestones. If the value for the achievement exceeds payments received from the customer, a contract asset is recognised.</p> <p>Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.</p>

## 22 Revenue (Continued)

### Sale of goods (Continued)

<b>Nature of goods</b>	Machines, equipment and components
<b>Obligations for warranties</b>	All products come with warranty terms of one to two years, under which customers are able to return and replace any defective products. The Group reviews its estimate of warranties and records a provision for its obligations for warranties (see note 19).

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs incurred to fulfil a contract are capitalised only if the costs relate directly to the contract, generate or enhance resources used in satisfying future performance obligations, and are expected to be recovered. These costs would be amortised consistently with the pattern of revenue for the related contract. Other costs are expensed as incurred. The Group has applied the practical expedient and recognised the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less. As at 31 December 2022, \$222,000 (2021: \$373,000) of costs incurred to fulfil a contract were capitalised.

### Services

<b>Nature of services</b>	Field service support and non-recurring engineering services
<b>When revenue is recognised</b>	Revenue is recognised over time as services are being rendered. Where applicable the Group applies the practical expedient to recognise revenue in the amount to which the Group has a right to invoice as the Group has a right to consideration from the customers in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.
<b>Significant payment terms</b>	Invoices are issued once services are provided on a monthly or quarterly basis and due within 30 days of invoice date.

The Group accounts for modifications to the scope or price of a contract as separate contracts if the modification adds distinct goods or services at their stand-alone selling prices. For contract modifications that add distinct goods or services but not at their stand-alone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations to be satisfied. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and recognises as a cumulative adjustment to revenue at the date of modification.

### Disaggregation of revenue from contracts with customers

The disaggregation of revenue from contracts with customers is disclosed in note 28 with the Group's reportable segments. The following table disaggregates revenue by the timing of revenue recognition:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Timing of revenue recognition</b>		
Products transferred at a point in time	808,045	540,261
Products and services transferred over time	62,446	25,201
	<b>870,491</b>	<b>565,462</b>

### Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract assets	1,928	692
Contract liabilities	(6,644)	(11,861)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on prototype machines. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relate to advanced consideration received from customers for sale of machines.

**22 Revenue (Continued)**

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	-	-	11,861	2,806
Increases due to cash received, excluding amounts recognised as revenue during the year	-	-	(6,644)	(11,861)
Contract asset reclassified to trade receivables	(692)	(3,123)	-	-
Recognition of revenue, net of receivables recognised	1,928	692	-	-

Significant judgements are used to estimate these total contract costs to complete. In making these estimates, management has relied on past experience of completed projects. The estimated total contract costs is reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

**Transaction price allocated to the remaining performance obligations**

There is no revenue (2021: nil) expected to be recognised in the future related to performance obligations that are unsatisfied (or partially satisfied) at the reporting date which is expected to be recognised beyond 2023 (2021: 2022).

The Group applies the practical expedient in paragraph 121 of SFRS(I) 15 and does not disclose information about its remaining performance obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less; or
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

**23 Net finance costs**

	Group	
	2022	2021
	\$'000	\$'000
Interest income on fixed deposits	690	15
Other interest income	692	389
Finance income	1,382	404
Interest expense on lease liabilities	(776)	(373)
Interest expense on unsecured bank loans	(1,810)	(1,234)
Interest expense on bank overdraft	(10)	(4)
Accretion of interest	(54)	(82)
Unwind of discount on site restoration provision	(44)	(36)
Finance costs	(2,694)	(1,729)
Net finance costs	(1,312)	(1,325)

## 24 Tax expense

	Group	
	2022	2021
	\$'000	\$'000
<b>Current tax expense</b>		
Current year	28,981	19,310
Underprovision in prior years	630	392
	<b>29,611</b>	<b>19,702</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	1,163	(651)
Underprovision in prior year	612	-
	<b>1,775</b>	<b>(651)</b>
<b>Total tax expense</b>	<b>31,386</b>	<b>19,051</b>
<b><i>Reconciliation of effective tax rate</i></b>		
Profit before tax	<b>158,693</b>	<b>111,142</b>
Income tax using Singapore tax rate of 17% (2021: 17%)	26,978	18,894
Effect of different tax rates in other countries	(101)	385
Effect of results from equity-accounted investee presented net of tax	48	(109)
Tax exempt income	(352)	(531)
Tax incentives	(2,738)	(2,914)
Expenses not deductible for tax purposes	4,151	1,766
Underprovision in prior years	1,242	392
Current year losses for which no deferred tax asset was recognised	2,409	1,224
Others	(251)	(56)
	<b>31,386</b>	<b>19,051</b>



**25 Profit for the year**

The following items have been included in arriving at profit for the year:

	Group	
	2022	2021
	\$'000	\$'000
Audit fees paid/payable to:		
- auditors of the Company	572	495
- other auditors	22	49
Non-audit fees paid/payable to auditors of the Company	135	48
Allowance for stock obsolescence	633	39
Depreciation and amortisation expenses	23,537	14,486
Staff costs	118,479	88,833
Contributions to defined contribution plans included in staff costs	7,942	6,071
Contributions to defined benefit plans included in staff costs	245	(139)
Directors' fees	799	624
Equity-settled share-based payment expenses	2,159	756
Remeasurement of deferred and contingent consideration	-	542
Net foreign exchange loss/(gain)	2,021	(1,891)
(Gain)/Loss on disposal of property, plant and equipment	(308)	535
Gain on dilution of interests in an associate	-	(522)
Gain on disposal of an associate	-	(96)
Fair value gain on other investment	(1,933)	-
Government grant income	(2,922)	(1,421)
Provision made for:		
- site restoration	-	260
- warranties	(451)	1,684
Legal and professional fees	27,031	11,113
Staff costs, materials, overheads and depreciation expense included in research and development costs	23,126	19,935

**Legal and professional fees**

Included in the "Legal and professional fees" are the expenses relating to a confidential arbitration (the "**Arbitration**"). On 24 February 2022, the Group announced that the Company and two of its subsidiaries ("**AEM Entities**") are respondents in the Arbitration. Under the rules of the arbitral body (JAMS) and the applicable protective order, the details of the Arbitration are confidential.

The AEM Entities have sought legal advice from their legal advisers in the United States of America, and have been advised that based on a preliminary analysis, the claims of the complainants appear to lack factual and/or legal support.

The arbitration hearing is currently expected to conclude in 2023. The Group is working with its legal advisers to monitor the progress of the Arbitration and will update its shareholders on material developments on this matter as necessary and where appropriate. In the meantime, the Group's operations are unaffected by the Arbitration.

**26 Earnings per share**

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	Group	
	2022	2021
	\$'000	\$'000
Basic and diluted earnings per share has been based on:		
Profit attributable to ordinary shareholders	126,808	91,951

## 26 Earnings per share (Continued)

### Weighted average number of ordinary shares

	Group	
	2022	2021
	'000	'000
Issued ordinary shares at 1 January (excluding treasury shares)	309,649	275,558
Issue of new ordinary shares	121	13,876
Effect of performance shares issued	77	478
Effect of own shares held	(709)	(526)
Weighted average number of ordinary shares (basic) during the year	309,138	289,386
	Group	
	2022	2021
	'000	'000
Weighted average number of ordinary shares (basic)	309,138	289,386
Effect of share options on issue	1,736	1,668
Effect of performance shares granted but not issued	572	–
Weighted average number of ordinary shares (diluted) during the year	311,446	291,054

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

## 27 Significant related party transactions

Other than as disclosed elsewhere in the financial statements, there were the following transactions with related parties:

	Group	
	2022	2021
	\$'000	\$'000
Advisory fee paid to a private equity firm of which two directors are shareholders and partners	–	60
Advisory fees paid to directors	60	80
Asset held for sales sold to a related party	1,723	–

### Key management personnel compensation

Key management personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors and the senior management team of the Company are considered as key management personnel of the Company.

Key management personnel compensation comprised:

	Group	
	2022	2021
	\$'000	\$'000
Short-term employee benefits	4,594	4,451
Share-based payment	1,160	1,078
Post-employment benefits	97	131
	5,851	5,660
Directors' fees	799	624

## 28 Segment information

Segment information is presented based on the information reviewed by chief operating decision makers ("CODM") for performance assessment and resource allocation.

In conjunction with the completion of several acquisitions in recent years and on-going integration of businesses, the Group changed the way management monitors the performance of the business and determined that the following business segments are more reflective of the Group's operations for the purposes of performance assessment and resource allocation:

- **Test Cell Solutions ("TCS")**

Providing customised system solutions involving precise high speed motion and innovative mechanical design to both mass volume manufacturers and new technology development laboratories and test solutions for Micro-Electro-Mechanical Systems ("MEMS") and special wafer probing needs ranging from the research and development phase to high volume production and system-level testing which enables manufacturers to achieve the lowest cost-of-test, reduced time to market, effective process cycle, accurate stimulus, and high production yields.

- **Instrumentation ("INS")**

Engages in the research, development, and production of advanced communications and industrial test solutions and providing solutions that bridge the growing gap between user applications and standard ATE coverage with complex IC designs and advanced packaging techniques. It enables testing complex devices in their real end-user environment including extreme temperature range.

- **Contract Manufacturing ("CM")**

Contract manufacturer of PCBA, Wire-Harness & Interconnect systems, Box Build and Equipment Manufacturing.

- **Others**

Non allocated, dormant companies and other activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on mutually agreed terms.

Information about reportable segments:

	<b>TCS</b>	<b>INS</b>	<b>CM</b>	<b>Others</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2022</b>					
Revenue from external parties	682,688	7,219	180,584	–	870,491
Inter-segment revenue	–	–	24,016	(24,016)	–
Total segment revenue	682,688	7,219	204,600	(24,016)	870,491
Depreciation and amortisation	(14,171)	(3,142)	(2,028)	(4,196)	(23,537)
Finance income	1,077	13	292	–	1,382
Finance costs	(2,370)	(53)	(155)	(116)	(2,694)
Tax (expense)/credit	(29,347)	43	(4,097)	2,015	(31,386)
Share of gain of equity-accounted investee	–	–	–	(282)	(282)
Profit/(loss) for the year	134,182	(5,654)	16,349	(17,570)	127,307
Reportable segment assets	515,611	34,477	191,155	64,353	805,596
Reportable segment liabilities	242,227	4,938	52,375	12,606	312,146
<b>Other segment information</b>					
Expenditure for non-current assets	48,246	3,921	3,029	42	55,238

## 28 Segment information (Continued)

Information about reportable segments:

	TCS \$'000	INS \$'000	CM \$'000	Others \$'000	Total \$'000
<b>2021</b>					
Revenue from external parties	434,222	7,755	123,485	–	565,462
Inter-segment revenue	–	–	3,545	(3,545)	–
Total segment revenue	434,222	7,755	127,030	(3,545)	565,462
Depreciation and amortisation	(6,835)	(1,922)	(1,412)	(4,317)	(14,486)
Finance income	391	–	12	1	404
Finance costs	(1,507)	(13)	(34)	(175)	(1,729)
Tax (expense)/credit	(19,782)	1,464	(1,441)	708	(19,051)
Share of gain of equity-accounted investee	–	–	–	644	644
Profit/(loss) for the year	94,250	(3,344)	8,954	(7,769)	92,091
Reportable segment assets	378,832	29,656	172,150	129,860	710,498
Reportable segment liabilities	214,250	6,577	66,732	20,425	307,984
<b>Other segment information</b>					
Equity-accounted investee	–	–	–	15,887	15,887
Expenditure for non-current assets	18,509	7,100	1,602	313	27,524
Other material non-cash items:					
- Remeasurement of deferred and contingent consideration in relation to the acquisition of InspiRain	–	–	–	(542)	(542)

### Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2022		2021	
	Revenue \$'000	Non-current assets \$'000	Revenue \$'000	Non-current assets \$'000
Singapore	72,217	141,007	53,707	127,303
Malaysia	250,912	25,356	132,161	3,271
China	71,904	380	51,449	515
USA	120,303	9,740	99,154	8,587
Vietnam	50,028	875	74,411	1,028
Germany	22,538	–	14,136	–
Costa Rica	215,145	208	107,762	276
Finland	14,801	7,119	8,160	8,503
France	1,602	9,890	1,851	9,624
United Kingdom	13,104	–	7,756	–
Other countries	37,937	20,456	14,915	1,279
	<b>870,491</b>	<b>215,031</b>	<b>565,462</b>	<b>160,386</b>

### Major customers

Revenue from one customer of the Group's Test Cell Solutions segment represents approximately \$653,093,000 (2021: \$406,203,000) of the Group's total revenues.



## 29 Financial risk management

Risk management is integral to the whole business of the Group. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Management Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Management Committee.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash and fixed deposits are placed with regulated banks.

### *Trade and other receivables (excluding deposits and prepayments) and contract assets*

The Group's most significant customer has been transacting with the Group for many years, and none of the customer's balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including industry, trade history with the Group, aging profile, maturity and existence of previous financial difficulties.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables and contract assets for which no loss allowance is recognised because of collateral.

At the reporting date, the Group's top 5 customers accounted for 64% (2021: 72%) of total trade receivables of the Group. There is no other concentration of credit risk at the Group level. There is no concentration of customers' credit risk at the Company level.

The following table provides information about the exposure to credit risk for trade and other receivables (excluding deposits and prepayments) and contract assets:

	Net carrying amount	
	2022	2021
	\$'000	\$'000
<b>Group</b>		
Trade receivables	69,548	106,724
Other receivables	13,192	17,117
Amount due from a related party	1,608	–
Contract assets	1,928	692
	<b>86,276</b>	<b>124,533</b>

## 29 Financial risk management (Continued)

	Credit impaired	Gross \$'000	Loss allowance \$'000	Net carrying amount \$'000
<b>Group</b>				
<b>31 December 2022</b>				
Trade receivables	No	69,548	–	69,548
Trade receivables	Yes	160	(160)	–
Other receivables	No	13,192	–	13,192
Amounts due from a related party	No	1,608	–	1,608
		<b>84,508</b>	<b>(160)</b>	<b>84,348</b>
<b>31 December 2021</b>				
Trade receivables	No	106,724	–	106,724
Trade receivables	Yes	55	(55)	–
Other receivables	No	17,117	–	17,117
		<b>123,896</b>	<b>(55)</b>	<b>123,841</b>
<b>Company</b>				
<b>31 December 2022</b>				
Amounts due from subsidiaries:				
- Trade	No	7,331	–	7,331
- Trade	Yes	226	(226)	–
- Non-trade	No	41,912	–	41,912
- Non-trade	Yes	1,195	(1,195)	–
		<b>50,664</b>	<b>(1,421)</b>	<b>49,243</b>
<b>31 December 2021</b>				
Amounts due from subsidiaries:				
- Trade	No	5,133	–	5,133
- Trade	Yes	226	(226)	–
- Non-trade	No	26,077	–	26,077
- Non-trade	Yes	1,294	(1,294)	–
		<b>32,730</b>	<b>(1,520)</b>	<b>31,210</b>

**Movements in allowance for impairment in respect of trade receivables**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2022 \$'000	2021 \$'000
<b>Group</b>		
Balance at 1 January	55	–
Impairment loss recognised	14	–
Acquired through business combination	91	55
Balance at 31 December	<b>160</b>	<b>55</b>

**Movements in allowance for impairment in respect of trade amounts due from subsidiaries**

The movement in the allowance for impairment in respect of trade amounts due from subsidiaries during the year was as follows:

	2022 \$'000	2021 \$'000
<b>Company</b>		
Balance at 1 January	1,520	1,520
Amount derecognised due to discontinued operations	(99)	–
Balance at 31 December	<b>1,421</b>	<b>1,520</b>

**29 Financial risk management (Continued)*****Non-trade amounts due from subsidiaries and a related party***

The Group held non-trade receivable from a related party of \$1,608,000 (2021: nil). These balances are advances for investment in a subsidiary and there is no credit risk associated to these balances.

The Company held non-trade receivables from its subsidiaries of \$41,912,000 (2021: \$26,077,000). These balances are to satisfy short term funding requirements. Other than credit-impaired balances, the amount of the allowance on the remaining balances is insignificant.

***Cash and cash equivalents***

The Group and the Company held cash and cash equivalents of \$127,775,000 and \$64,274,000, respectively at 31 December 2022 (2021: \$216,180,000 and \$115,794,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to A2, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured using the general expected loss approach where loss allowance equal to 12-month expected credit losses. An ECL rate is calculated for based on probabilities of default and loss given default. Probabilities of default are based on historical data supplied by Moody's for each credit rating. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

***Exposure to liquidity risk***

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments.

		Cash flows			
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>Group</b>					
<b>31 December 2022</b>					
Lease liabilities	35,173	(40,384)	(8,553)	(17,607)	(14,224)
Secured bank loans	3,785	(3,833)	(3,833)	-	-
Unsecured bank loans	104,347	(107,208)	(3,378)	(103,830)	-
Trade and other payables	95,989	(95,989)	(95,984)	(5)	-
	<b>239,294</b>	<b>(247,414)</b>	<b>(111,748)</b>	<b>(121,442)</b>	<b>(14,224)</b>
<b>31 December 2021</b>					
Lease liabilities	18,000	(19,734)	(7,960)	(8,432)	(3,342)
Unsecured bank loans	63,273	(64,740)	(13,329)	(51,411)	-
Trade and other payables	157,596	(157,596)	(156,033)	(1,563)	-
	<b>238,869</b>	<b>(242,070)</b>	<b>(177,322)</b>	<b>(61,406)</b>	<b>(3,342)</b>
<b>Company</b>					
<b>31 December 2022</b>					
Trade and other payables	5,373	(5,373)	(5,373)	-	-
<b>31 December 2021</b>					
Trade and other payables	6,127	(6,127)	(4,564)	(1,563)	-

The maturity analyses show the contractual undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

## 29 Financial risk management (Continued)

### Foreign currency risk

#### (a) Foreign currency risk of reporting subsidiaries

The functional currency of the Group's key operating subsidiary is in US dollar ("USD") as the sales revenues are mostly denominated in the US dollar. This subsidiary accounts for a substantial proportion of the Group's revenue and has transactional currency exposures arising from materials purchases and local operating overheads that are denominated in currencies other than US dollar. The primary currency giving rise to this exposure is mainly the Singapore dollar.

Exposure to foreign currency transaction risk is monitored on an on-going basis and the Group endeavours to manage its exposure through adjustments of its products selling prices and natural hedges by sourcing supplies in the same functional currency. Currencies other than the US dollar are bought as and when required.

Foreign currency translation exposure arises when the monetary assets and liabilities of the key operating subsidiary denominated in currencies other than the US dollar at the reporting date are translated to the US dollar functional currency at the exchange rate at the reporting date. The currency with the primary translation risk is the Singapore dollar for the US dollar functional currency subsidiary.

The Group seeks to minimise the foreign currency translation impact through natural hedges in its statement of financial position and by structuring the debts and purchases in US dollar to neutralise and minimise the amount of the foreign currency balances.

#### (b) Foreign currency risk of the Group and Company

The Group's and Company's primary exposure to foreign currency risks are as follows:

	2022		2021	
	SGD	USD	SGD	USD
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Trade and other receivables	10,402	38,207	15,934	38,319
Cash and cash equivalents	21,512	7,717	29,190	8,790
Trade and other payables	(26,021)	(12,531)	(51,311)	(27,587)
Unsecured bank loan	(100,000)	–	(49,986)	–
	<b>(94,107)</b>	<b>33,393</b>	<b>(56,173)</b>	<b>19,522</b>
<b>Company</b>				
Cash and cash equivalents	–	308	–	197

#### Sensitivity analysis

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase/(decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	Group		Company	
	Profit before tax		Profit before tax	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
SGD	9,411	5,617	–	–
USD	(3,339)	(1,952)	(31)	(20)

A 10% weakening of the Group's major functional currencies against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.



**29 Financial risk management (Continued)****Foreign currency risk (Continued)****(c) Translation risk arising from reporting of Group consolidated results in SGD**

The Group reports its consolidated results in SGD. The assets and liabilities of the operations, denominated in foreign currencies, are translated to Singapore dollars at exchange rates prevailing at the reporting date. Exchange differences arising on such translation are recognised directly in equity. The currencies giving rise to this risk are primarily the USD and secondarily the Malaysian Ringgit ("MYR"), Chinese Renminbi ("RMB"), Euro ("EUR") and Korean Won ("KRW"). The Group does not hedge its foreign currency consolidation translation exposure.

The Group's exposure to foreign currency translation risk was as follows:

	Group	
	2022	2021
	\$'000	\$'000
<b>Net assets</b>		
USD	326,278	237,528
MYR	29,528	15,950
RMB	2,271	2,580
EUR	22,825	18,301
KRW	12,562	–

**Sensitivity analysis**

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would decrease net assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021.

	Group	
	2022	2021
	\$'000	\$'000
USD	(32,628)	(23,753)
MYR	(2,953)	(1,595)
RMB	(227)	(258)
EUR	(2,283)	(1,830)
KRW	(1,256)	–

**Interest rate risk****Managing interest rate benchmark reform and associated risks****Overview**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as "IBOR reform"). The financial instruments with Singapore Interbank Offered Rate ("SIBOR") and Swap Offer Rate ("SOR") will be replaced or reformed as part of these market-wide initiatives. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA ("SC-STs") together with the Association of Banks in Singapore ("ABS") and Singapore Foreign Exchange Market Committee ("SFEMC"), has identified the Singapore Overnight Rate Average ("SORA") as the alternative interest rate benchmark to replace SIBOR and SOR in Singapore. The timeline for SORA to replace SOR and SIBOR is by end of June 2023 and December 2024 respectively. The Group's revolving credit facilities offered by the bank was compounded with SORA. The application of these amendments to standards and interpretations does not have impact on the financial statements. Interest rate risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 29 Financial risk management (Continued)

### Interest rate risk (Continued)

#### Cash flow sensitivity analysis

A 50 basis point increase in interest rate at the reporting date would decrease profit before tax by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2021.

	Group	
	Profit before tax	
	2022	2021
	\$'000	\$'000
Unsecured bank loan (1.45% + SORA)	(500)	(250)

A 50 basis point decrease in interest rate would have had the equal but opposite effect on the above the amounts shown above, on the basis that all other variables remain constant.

### Accounting classification and fair values

Other than other investments, deferred and contingent consideration that is classified as mandatorily at FVTPL and measured at fair value, all of the Group's and Company's financial assets and financial liabilities are classified as financial assets measured at amortised cost and other financial liabilities at amortised cost respectively.

Other than the measurement of the fair value of other investments, deferred and contingent consideration as described below, the carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

#### Measurement of fair value

##### Other investments

Other investments is derived based on its net asset value. The net asset value reasonably approximates fair value as the underlying investments are measured at fair value using the market comparison technique.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group	
	2022	2021
	\$'000	\$'000
At 1 January	2,607	–
Acquisition	1,595	2,551
Fair value through profit or loss	1,933	–
Translation adjustment	(76)	56
At 31 December	6,059	2,607

##### Deferred consideration

Deferred consideration of nil (2021: \$759,000) is measured based on the present value of the cash consideration.

**29 Financial risk management (Continued)****Measurement of fair value (Continued)***Contingent consideration*

Contingent consideration of \$1,477,000 (2021: \$2,387,000) is measured at fair value (Level 3). The following table shows the valuation technique used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Group and Company</b> Contingent consideration	<i>Discounted cash flow:</i> The fair value is estimated considering (i) quoted prices for the Group's listed securities and (ii) the probability of achieving targets for the remaining years based on the present value of expected future cash flows from the test and measurement solutions segment, discounted using a risk-adjusted discount rate.	<ul style="list-style-type: none"> <li>Expected cash flows</li> <li>Probability of achieving targets</li> </ul>	The estimated fair value would decrease if the expected cash flows were lower, resulting in the targets not achieved.

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group		Company	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
At 1 January	2,387	5,717	2,387	5,717
Payment of shares consideration	-	(3,284)	-	(3,284)
Payment of cash consideration	(768)	(831)	(768)	(831)
Remeasurement of contingent consideration	-	542	-	542
Translation adjustment	(142)	243	(142)	243
At 31 December	1,477	2,387	1,477	2,387

**30 Subsequent events**

The Board of Directors of the Company has recommended a final tax exempt one-tier dividend of 3.6 cents per share for the year. The total amount of dividends expected to be paid is \$11,115,000. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable on 31 May 2023.

**31 Offsetting financial instruments**

There are no financial assets and liabilities that are offset in the Company's statement of financial position; or are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

## STATISTICS OF SHAREHOLDINGS AS AT 16 MARCH 2023

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	123	1.26	5,179	0.00
100 - 1,000	2,196	22.52	1,555,573	0.51
1,001 - 10,000	5,759	59.07	24,607,072	7.97
10,001 - 1,000,000	1,648	16.90	62,601,923	20.28
1,000,001 AND ABOVE	24	0.25	219,923,203	71.24
<b>TOTAL</b>	<b>9,750</b>	<b>100.00</b>	<b>308,692,950</b>	<b>100.00</b>

Number of issued shares	:	311,843,486
Number of issued shares (excluding treasury shares)	:	308,692,950
Number/Percentage of Treasury Shares	:	3,150,536 (1.01%)
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

Based on information available and to the best knowledge of the Company as at 16 March 2023, approximately 62.99% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE.) LIMITED	44,213,056	14.32
2	DBS NOMINEES (PRIVATE) LIMITED	40,485,688	13.12
3	VENEZIO INVESTMENTS PTE LTD	38,626,300	12.51
4	CITIBANK NOMINEES SINGAPORE PTE LTD	24,501,510	7.94
5	TOH BAN LENG JAMES	11,011,200	3.57
6	BPSS NOMINEES SINGAPORE (PTE.) LTD.	10,062,939	3.26
7	DBSN SERVICES PTE. LTD.	8,707,201	2.82
8	HSBC (SINGAPORE) NOMINEES PTE LTD	8,667,258	2.81
9	PHILLIP SECURITIES PTE LTD	4,483,167	1.45
10	IFAST FINANCIAL PTE. LTD.	3,660,778	1.19
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,026,084	0.98
12	MAYBANK SECURITIES PTE. LTD.	2,710,636	0.88
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,522,254	0.82
14	OCBC SECURITIES PRIVATE LIMITED	2,370,643	0.77
15	DB NOMINEES (SINGAPORE) PTE LTD	2,213,400	0.72
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,964,590	0.64
17	ONG ENG BOON	1,860,000	0.60
18	UOB KAY HIAN PRIVATE LIMITED	1,852,782	0.60
19	TIGER BROKERS (SINGAPORE) PTE. LTD.	1,283,600	0.42
20	RONIE TAN CHOO SENG	1,200,000	0.39
	<b>TOTAL</b>	<b>215,423,086</b>	<b>69.81</b>



## SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDER	DIRECT INTEREST	%	DEEMED INTEREST	%
Venezio Investments Pte. Ltd. (" <b>Venezio</b> ")	38,626,300	12.51	–	–
Napier Investments Pte. Ltd. (" <b>Napier</b> ") <sup>(1)</sup>	–	–	38,626,300	12.51
Tembusu Capital Pte. Ltd. (" <b>Tembusu</b> ") <sup>(1)</sup>	–	–	38,626,300	12.51
Temasek Holdings (Private) Limited (" <b>Temasek</b> ") <sup>(1)</sup>	–	–	38,626,300	12.51
Employees Provident Fund Board (" <b>EPF</b> ")	–	–	28,862,700	9.35
abrdn plc (" <b>abrdn</b> ") <sup>(2)</sup>	–	–	25,239,300	8.18
abrdn Holdings Limited (" <b>AHL</b> ") <sup>(3)</sup>	–	–	25,239,300	8.18
abrdn Asia Limited <sup>(4)</sup>	–	–	25,239,300	8.18

- (1) Temasek, Tembusu and Napier are deemed to be interested in the 38,626,300 Shares held by Venezio. Venezio is a wholly-owned subsidiary of Napier, which is a wholly-owned subsidiary of Tembusu, which is a wholly-owned subsidiary of Temasek.
- (2) abrdn is the parent company of its subsidiaries (the "**abrdn Group**") on behalf of the accounts managed by the abrdn Group. abrdn is deemed interested in the 25,239,300 Shares held under the accounts managed by the abrdn Group.
- (3) AHL is the parent company of its subsidiaries who act as the investment managers for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the securities and has the power to dispose of, or control the disposal of, the securities. The registered holder(s) of the securities is the client's or fund's custodian. AHL is a wholly-owned subsidiary of abrdn and the parent company of abrdn Asia Limited.
- (4) abrdn Asia Limited acts as an investment manager for various clients/funds and has the power to exercise, or control the exercise of, a right to vote attached to the 25,239,300 Shares held and has the power to dispose of, or control the disposal of, such Shares. The registered holder(s) of such Shares is the client's or fund's custodian. abrdn Asia Limited is a wholly-owned subsidiary of AHL.

**NOTICE IS HEREBY GIVEN** that the 2023 Annual General Meeting (the “AGM”) of the Company will be held at Room 324 & 325, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 27 April 2023 at 3.00 p.m. to transact the following businesses:

#### AS ORDINARY BUSINESS

- |    |   |                     |
|----|---|---------------------|
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 with the Auditors' Report thereon. | <b>Resolution 1</b> |
| 2. | To declare a final tax exempt (one-tier) dividend of 3.6 Singapore cents per ordinary share for the financial year ended 31 December 2022.                      | <b>Resolution 2</b> |
| 3. | To re-elect the following Director retiring pursuant to the Company's Constitution:<br><br>Mr. Loke Wai San (Regulation 109)                                    | <b>Resolution 3</b> |
| 4. | To re-elect the following Director retiring pursuant to the Company's Constitution:<br><br>Mr. James Toh Ban Leng (Regulation 109)                              | <b>Resolution 4</b> |
| 5. | To re-elect the following Director retiring pursuant to the Company's Constitution:<br><br>Mr. André Andonian (Regulation 119)                                  | <b>Resolution 5</b> |
| 6. | To approve the Directors' fees of S\$811,000 (2022: S\$860,000) for the financial year ending 31 December 2023, payable quarterly in arrears.                   | <b>Resolution 6</b> |
| 7. | To re-appoint KPMG LLP as the Auditors for the ensuing year and to authorise the Directors to fix their remuneration.   | <b>Resolution 7</b> |

#### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions, with or without modifications:

- |    |   |                     |
|----|---|---------------------|
| 8. | <b>Proposed General Share Issue Mandate</b> | <b>Resolution 8</b> |
|----|---|---------------------|
- “That pursuant to Section 161 of the Companies Act 1967 of Singapore (“**Companies Act**”) and the listing rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:
- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and
- (b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Ordinary Resolution is in force,
- provided that:
- (A) the aggregate number of shares to be issued pursuant to this Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to shareholders of the Company shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (B) below);
- (B) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (A) above, the percentage of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities;

(ii) new shares arising from exercising share options or vesting of share awards, provided the share options or share awards were granted in compliance with the Listing Manual of the SGX-ST; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares,

provided further that adjustments in accordance with sub-paragraphs B(i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution;

(C) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(D) unless revoked or varied by the Company in a general meeting, such authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is earlier."

(See Explanatory Note (i))

## 9. Share Purchase Mandate Renewal

## Resolution 9

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act as may be amended from time to time, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the capital of the Company (the "Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may from the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) if effected otherwise than on the SGX-ST or, as the case may be, other Exchange in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may, in their absolute discretion, deem fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held; or

(ii) the date by which the next AGM of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate have been carried out to the full extent mandated; and

(c) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and to do all such acts and things (including executing such documents as may be required) as they may consider necessary, desirable or expedient in the interests of the Company in connection with or for the purposes of giving full effect to the Share Purchase Mandate.

In this Ordinary Resolution:

"Maximum Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) of the Company as at the date of the passing of this Ordinary Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, one hundred and five per centum (105%) of the Average Closing Price of the Shares; and

- (ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, one hundred and ten per centum (110%) of the Average Closing Price of the Shares.

where:

"Average Closing Price" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs during the relevant five-day period and the day of the market purchase or, as the case may be, the date of the making of the offer pursuant to the off-market purchase; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase."

(See Explanatory Note (ii))

10. **Proposed Specific Share Issue Mandate - AEM Performance Share Plan 2017**

**Resolution 10**

"That, the Directors be and are hereby authorised, pursuant to Section 161 of the Companies Act, to allot and issue from time to time shares in the Company not exceeding in aggregate half per centum (0.5%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company, as may be required to be issued pursuant to the grant of awards under the AEM Performance Share Plan 2017 (the "**AEM PSP 2017**"), and unless revoked or varied by ordinary shareholders of the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM is required by law to be held, whichever is earlier, and provided always that the aggregate number of shares issued or to be issued pursuant to the AEM PSP 2017, when added to (a) the aggregate number of shares issued or issuable in respect of any other share based schemes of the Company then in force (if any) and (b) the number of treasury shares delivered in respect of the AEM PSP 2017 and any other share-based incentive schemes of the Company then in force (if any), shall not exceed fifteen per centum (15%) of the issued shares (excluding treasury shares and subsidiary holdings) of the Company, and in this Resolution, "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST."

(See Explanatory Note (iii))

11. To transact any other business which may be properly transacted at an AGM.

**Explanatory Notes:**

- (i) The proposed Ordinary Resolution 8 above, if passed, will (unless varied or revoked by the Company in a general meeting) empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to ten per centum (10%) may be issued other than on a pro rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The proposed Ordinary Resolution 9 above, if passed, will, unless varied or revoked by the Company in a general meeting, empower the Directors of the Company from the date of the AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier, to make on-market and off-market purchases or acquisitions of ordinary shares of the Company up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company as at the date of this Ordinary Resolution at a Maximum Price (as defined in Ordinary Resolution 9 above). Detailed information on the Share Purchase Mandate (as defined in Resolution 9 above) is set out in the Letter to Shareholders dated 10 April 2023.

Please refer to the Letter to Shareholders dated 10 April 2023 for further details, including the source of funds to be used for the Share Purchase Mandate (including the amount of financing) and the impact of the Share Purchase Mandate on the Company's financial position.



- (iii) The proposed Ordinary Resolution 10 above, if passed, will empower the Directors to issue shares in connection with the AEM PSP 2017, up to a limit of 0.5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier. This authority is in addition to the general authority to issue shares sought under Resolution 8.

The AEM PSP 2017 was approved and adopted at an extraordinary general meeting held on 27 April 2017. The Remuneration Committee of the Company has approved, with effect from 1 May 2023, that the Rules of the AEM PSP 2017 be amended so that the AEM PSP 2017 does not apply to non-executive directors or controlling shareholders, and to remove references to the AEM Holdings Employee Share Option Scheme 2014 (the "AEM ESOS 2014").

The AEM ESOS 2014 was approved and adopted at an extraordinary general meeting held on 25 April 2014. The Remuneration Committee of the Company has approved the termination of the AEM ESOS 2014 with effect from 25 March 2023. The termination of the AEM ESOS 2014 shall be without prejudice to the rights accrued to any options which have been granted pursuant to the AEM ESOS 2014 and which are subsisting and have not lapsed.

## **NOTICE OF RECORD DATE AND DISTRIBUTION PAYMENT DATE**

As stated in the Notice of Record Date and Distribution Payment Date set out in the Company's announcement dated 24 February 2023, the Company wishes to notify shareholders that the Register of Members and Share Transfer Books of the Company will be closed on 17 May 2023 for the purpose of determining members' entitlements to a final tax exempt (one-tier) dividend of 3.6 Singapore cents per ordinary share in respect of the financial year ended 31 December 2022 ("Proposed Final Dividend"). The Proposed Final Dividend, if approved by shareholders at the 2023 AGM, will be paid on 31 May 2023.

Duly completed transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632 up to the close of business at 5.00 p.m. on 17 May 2023 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("CDP") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 17 May 2023 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final Dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

By Order of the Board

Leong Sook Han  
Joint Company Secretary

Date: 10 April 2023

## **Notes:**

1. This AGM will be held, in a wholly physical format, at Room 324 & 325, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 on Thursday, 27 April 2023 at 3.00 p.m. **There will be no option for the members to participate virtually.**

The Company may implement such COVID-19 safe management measures at the AGM as may be required or recommended under any regulations, directives, measures or guidelines that may be issued from time to time by any government or regulatory agency in light of the COVID-19 situation in Singapore. Shareholders should check the Company's website at the URL <https://www.aem.com.sg/announcements> or the SGX website at the URL <https://www.sgx.com/securities/company-announcements> ("SGXNet") for the latest updates.

2. Members (including Central Provident Fund Investment Scheme investors ("CPFIS Investors") and/or Supplementary Retirement Scheme investors ("SRS Investors")) may participate in the AGM by:

- (a) attending the AGM in person;
- (b) submitting questions by the members, to the Chairman of the AGM in advance of, or at, the AGM; and
- (c) voting at the AGM (i) by the members, including the CPF/SRS investors, themselves; or (ii) through their duly appointed proxy/proxies,

CPFIS Investors and SRS Investors who wish to appoint the Chairman of the AGM (and not third-party proxy(ies)) as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 17 April 2023, being seven (7) working days prior to the date of the AGM. Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries to specify their voting instructions at least 7 working days (i.e., by 5.00 p.m. on 17 April 2023) before the AGM, if they wish to vote.

Please bring along your NRIC/passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell. Members are strongly encouraged to exercise social responsibility to rest at home and consider appoint a proxy(ies) to attend the Meeting. We encourage members to mask up when attending the AGM.

3. A member who is not a Relevant Intermediary (as defined below), is entitled to appoint one or two proxies to attend, speak and vote at the AGM. Where such member appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding concerned to be represented by each proxy in the Proxy Form.

A member who is a Relevant Intermediary (as defined below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.

4. A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.
5. A proxy need not be a member of the Company.
6. Members submit questions related to the resolutions to be tabled for approval at the AGM in advance of the AGM in the following manner by 5.00 p.m. on 19 April 2023:

(a) by email to [aem2023agm@boardroomlimited.com](mailto:aem2023agm@boardroomlimited.com); or

(b) by post to the registered office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632.

The Company will endeavour to address all substantial and relevant questions submitted prior to the AGM by publishing the responses to such questions on the Company's website at the URL <https://www.aem.com.sg/announcements> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements> by no later than 3.00 p.m. on 22 April 2023.

For questions addressed during the AGM, the responses to such questions will be included in the minutes of the AGM which will be published on the Company's website and on SGXNet within one (1) month from the date of the AGM.

7. The instrument appointing a proxy ("**Proxy Form**") may be accessed at the Company's website at the URL <https://www.aem.com.sg/announcements> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. The Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:

(a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

(b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at [aem2023agm@boardroomlimited.com](mailto:aem2023agm@boardroomlimited.com).

in either case, by no later than 3.00 p.m. on 24 April 2023, and in default the instrument of proxy shall not be treated as valid.

The Proxy Form may be accessed at the Company's website at the URL <https://www.aem.com.sg/announcements> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. The Proxy Form must be signed by the appointor or his/her/its attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be either under its common seal or signed on its behalf by a duly authorised officer or attorney. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company), if the Proxy Form is submitted by post or sent personally, be lodged with the Proxy Form or, if the Proxy Form is submitted electronically by email, be emailed with the Proxy Form, failing which the Proxy Form may be treated as invalid.
9. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (including any related attachment).
10. In the case of a member whose Shares are entered against his/her/its name in the Depository Register, the Company may reject any Proxy Form lodged if such member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
11. Completion and return of the Proxy Form does not preclude a member from attending, speaking and voting at the AGM. The appointment of a proxy/proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
12. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.
13. A Relevant Intermediary is:
  - (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

#### Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) and Appendix 7.4.1 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the following additional information on Mr. Loke Wai San, Mr. James Toh Ban Leng and Mr. André Andonian, all of whom are seeking re-election as Directors at 2023 Annual General Meeting is set out below:

	Mr. Loke Wai San	Mr. James Toh Ban Leng	Mr. André Andonian
Date of Appointment	30 September 2011	5 April 2018	1 July 2022
Date of Last Re-Appointment (if applicable)	30 April 2021	30 April 2021	Not applicable
Age	54	58	60
Country of Principal Residence	Singapore	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. Loke Wai San as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. James Toh Ban Leng as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (he abstained from deliberating his own re-election) proposes to the Company's shareholders to approve the re-election of Mr. André Andonian as Director of the Company.
Whether the appointment is executive, and if so the area of responsibility	Non-Executive	Non-Executive	Non-Executive
Job Title	Non-Executive Chairman <ul style="list-style-type: none"> <li>Chairman of Strategy Committee</li> <li>Member of Nominating Committee</li> </ul>	Lead Independent Director <ul style="list-style-type: none"> <li>Chairman of Remuneration Committee</li> <li>Member of Audit and Risk Management Committee</li> <li>Member of Nominating Committee</li> </ul>	Independent Director <ul style="list-style-type: none"> <li>Chairman of Nominating Committee</li> <li>Member of Strategy Committee</li> </ul>
Professional Qualifications	<ul style="list-style-type: none"> <li>Master of Business Administration, University of Chicago</li> <li>Bachelor of Science in Electrical and Electronics Engineering, Lehigh University</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor of Science degree in physics with electrical engineering - M.I.T.</li> <li>Master of Business Administration - MBA, Wharton School of the University of Pennsylvania</li> <li>Master's degree in Sustainable Building Design and BCA from the University of Nottingham</li> </ul>	<ul style="list-style-type: none"> <li>Master of Business Administration - MBA (Distinction), Fullbright Scholar, The Wharton School of the University of Pennsylvania</li> <li>Master's and Bachelor's Degrees Summa Cum Laude - Social, Economics, and Management Sciences, University of Economics Vienna</li> <li>Bachelor's in TeleCom Engineering &amp; Electronics with Distinction, Federal Engineering College Moedling.</li> </ul>

	Mr. Loke Wai San	Mr. James Toh Ban Leng	Mr. André Andonian
Working Experience and occupation(s) in the past 10 years	<ul style="list-style-type: none"> <li>CEO and Managing Director of Novo Tellus Capital Partners (current)</li> <li>Executive Chairman of AEM Holdings (past)</li> <li>CEO of Novo Tellus Alpha Acquisition (current)</li> </ul>	<ul style="list-style-type: none"> <li>Managing Director of ACT Holdings Pte Ltd (up to Feb 2022)</li> <li>Managing Director of Axon Alpha Advisors Pte Ltd (Feb 2022 to date), a 100% owned subsidiary of ACT Holdings Pte Ltd</li> <li>Co-founder and Non-Executive Director of Novo Tellus Capital Partners Pte Ltd</li> </ul>	<p>McKinsey &amp; Company:</p> <ul style="list-style-type: none"> <li>January 2021 to Present: Managing Partner, South Korea &amp; Chairman, Japan</li> <li>January 2016 to December 2020: Managing Partner, Japan</li> <li>September 2010 to April 2016: Founder &amp; Global Leader, Advanced Industries Sector</li> <li>July 2005 to June 2020: Member of the Shareholders Council (Global Board of Directors) (multiple terms)</li> </ul>
Shareholding interest in the listed issuer and its subsidiaries	direct interest: 7,652,977 deemed interest: Nil	direct interest: 11,011,200 deemed interest: 1,196,772	direct interest: Nil deemed interest: Nil
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
<b>Other principal commitments including directorships</b>			
Past (for the last 5 years)	<ul style="list-style-type: none"> <li>Director of Luma Holdings</li> <li>Director of Procurri Corporation</li> <li>Director of Enterprise Singapore</li> <li>Director of Novoflex Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Charlton Residences Pte Ltd</li> <li>Empire Lofts Pte Ltd</li> <li>Greenview Residences Pte Ltd</li> <li>Surindipity Pte Ltd</li> <li>Urban Lofts Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Board of Governors American Chamber of Commerce, South Korea</li> <li>Board of Trustees Foundation of Armenian Science and Technology ("FAST")</li> <li>Board of Advisors Technical University of Munich ("TUM")</li> </ul>
Present	<ul style="list-style-type: none"> <li>CEO of Novo Tellus Capital Partners</li> <li>Director of NTCP SPV V</li> <li>Director of New Earth Group Ltd</li> <li>Director of Integrated Circuits Pte Ltd</li> <li>Director of New Earth Group 2 Ltd</li> <li>Director of Sunrise Technology Investment Holding Pte Ltd</li> <li>Director of Sunrise Technology Investment Holding (Cayman) Pte Ltd</li> <li>Director of Tessolve Semiconductor Pte Ltd</li> <li>Director of Grand Venture Technology Limited</li> <li>Executive Director of Novo Tellus Alpha Acquisition</li> <li>Director of New Earth Group 3 Ltd</li> <li>Member of Temasek Polytechnic Board</li> </ul>	<ul style="list-style-type: none"> <li>Novo Tellus Capital Partners Pte Ltd</li> <li>ACT Holdings Pte Ltd and its subsidiaries/ associates, viz:</li> <li>Axon Alpha Advisors Pte Ltd</li> <li>ACT Seaview Homes Pte Ltd</li> <li>Aspen Development Pte Ltd</li> <li>Aspen Management Pte Ltd</li> <li>Casa Camborne Pte Ltd</li> <li>Murray Prince Pte Ltd</li> <li>Wan Chun Capital Pte Ltd</li> <li>Brink Creative Co Pte Ltd (Dormant)</li> </ul>	<ul style="list-style-type: none"> <li>Independent Director at Analog Devices (ADI)</li> <li>Non-Executive Chairman of Cognize</li> <li>Special Advisor - Senior Partner Emeritus of McKinsey &amp; Company</li> <li>Non-Executive Chairman of FAST</li> <li>Board of Advisors of TUM</li> </ul>



		Mr. Loke Wai San	Mr. James Toh Ban Leng	Mr. André Andonian
<b>Information required pursuant to Listing Rule 704(7)</b>				
a	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
b	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c	Whether there is any unsatisfied judgment against him?	No	No	No
d	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
e	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

		Mr. Loke Wai San	Mr. James Toh Ban Leng	Mr. André Andonian
f	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
h	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

		Mr. Loke Wai San	Mr. James Toh Ban Leng	Mr. André Andonian
j	<p>Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or</p> <p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No	No
k	<p>Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	No	No

**AEM HOLDINGS LTD.**

Company Registration No: 200006417D  
(Incorporated in the Republic of Singapore)

**PROXY FORM****IMPORTANT**

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. This Proxy Form is not valid for use by investors holding shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore) ("Investors") (including investors holding through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("CPF/SRS investors")) and shall be ineffective for all intents and purposes if used or purported to be used by them. An Investor who wishes to vote should instead approach his/her relevant intermediary by 5.00 p.m. on 17 April 2023, being at least 7 working days before the date of the AGM, to specify his/her voting instructions. CPF/SRS investors who wish to appoint the Chairman as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 17 April 2023, being at least 7 working days before the date of the AGM.
3. Please read the notes to the Proxy Form.

I/We\*, \_\_\_\_\_

NRIC/Passport No./ Registration No. \_\_\_\_\_

of \_\_\_\_\_

being a member/members\* of AEM HOLDINGS LTD. (the "Company"), hereby appoint:

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

\*and/or (delete as appropriate)

Name	NRIC/ Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons referred to above, the Chairman of the Annual General Meeting ("AGM") as \*my/our \*proxy/proxies to attend, speak or vote on \*my/our behalf at the AGM of the Company to be held at at Room 324 & 325, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 27 April 2023 at 3.00 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the AGM (the "Chairman") as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "✓" in the space provided under "For" or "Against". If you wish the Chairman as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a "✓" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman as your proxy is directed to vote "For" or "Against" or "Abstain". In the absence of specific directions, the appointment of the Chairman as your proxy will be treated as invalid.)

No.	Resolutions	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022			
2	Approval of Final Dividend			
3	Re-election of Mr. Loke Wai San as Director			
4	Re-election of Mr. James Toh Ban Leng as Director			
5	Re-election of Mr. André Andonian as Director			
6	Approval of Directors' fees for the financial year ending 31 December 2023			
7	Re-appointment of KPMG LLP as Auditors			
8	General Share Issue Mandate			
9	Share Purchase Mandate Renewal			
10	Specific Share Issue Mandate – AEM Performance Share Plan 2017			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature of Shareholder(s) or, Common Seal  
of Corporate Shareholder

\* To delete as appropriate

**IMPORTANT: PLEASE READ NOTES OVERLEAF**





#### NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001 of Singapore), you should insert that number of shares. If you only have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and the Depository Register).
2. A member who is not a Relevant Intermediary (as defined below), is entitled to appoint one or two proxies to attend, speak and vote at the AGM. Where such member appoints two proxies, the appointments shall be invalid unless he/she/it specifies the proportion of his/her/its shareholding concerned to be represented by each proxy in the Proxy Form.
3. A member who is a Relevant Intermediary (as defined below) is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed in the Proxy Form.
4. For any member who acts as a Relevant Intermediary pursuant to Section 181 of the Companies Act 1967 of Singapore, who is either:
  - (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
  - (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act 2001 of Singapore, and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. A member may appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.
6. A proxy need not be a member of the Company.
7. This Proxy Form may be accessed at the Company's website at the URL <https://www.aem.com.sg/announcements> and the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. This Proxy Form, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
  - (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
  - (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at [aem2023agm@boardroomlimited.com](mailto:aem2023agm@boardroomlimited.com),in either case, by no later than 3.00 p.m. on 24 April 2023, and in default the Proxy Form shall not be treated as valid.

A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
8. Where the Proxy Form is sent personally or by post, it must be under the hand of the appointor or of his/her/its attorney duly authorised in writing and where such Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

Where the Proxy Form is submitted by email, it must be authorised in the following manner:

  - (a) by way of the affixation of an electronic signature by the appointor or his/her/its duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (b) by way of the appointor or his/her/its duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument and submitting a scanned copy of the signed instrument by email.

Where the Proxy Form is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the instrument may be treated as invalid.
9. The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (including any related attachment) (such as in the case where the appointor submits more than one Proxy Form). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such members are not shown to have shares entered against their names in the Depository Register as at 3.00 p.m. on 24 April 2023, being 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
10. Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") investors should be informed that if they wish to vote, they should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM (i.e. by 5.00 p.m. on 17 April 2023). Investors who have deposited their shares into a nominee account should also approach their depository agent and relevant intermediaries to specify their voting instructions at least 7 working days (i.e., by 5.00 p.m. on 17 April 2023) before the AGM, if they wish to vote. Proxy Forms appointing such person other than the Chairman shall be deemed to appoint the Chairman as proxy.
11. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act 1967 of Singapore.

#### Personal Data Privacy:

By submitting this Proxy Form, the member(s) accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 10 April 2023.

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# Testing Innovation

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