Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: AEM Holdings Ltd

Stock code: AWX

Meeting details:
Date: 21 May 2020
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. For the financial year ended 31 December 2019, the group reported a record high revenue of $323.1 million, an increase of 23% from the previous financial year. The Equipment Systems Solutions ("ESS") segment contributed $307.9 million, or 95.3% of the group's total revenue.

The group's other core business segments, namely System Level Test & Inspection ("SLT-I"), MicroElectro-Mechanical Systems ("MEMS"), and Test and Measurement Solutions ("TMS"), all recorded growth in sales in FY2019. The segment growth rates were 91.4% for SLT-I, 6.9% for MEMS and 197.8% for TMS. The growth in these segments could be partly attributed to the successful acquisitions made in recent years.

The revenue concentration from the group's major customer is approximately 94%, or $303.2 million out of $323.1 million.

(i) **Can the board, especially the audit and risk management committee ("ARC"), help shareholders understand if it has identified the revenue concentration risk to its major customer as a key risk for the group?** On pages 58 to 59 of the annual report, the ARC has listed the following 5 key risks, namely compliance risk, operational risk, financial risk, investment risk and IT risk.

(ii) **What are the addressable market sizes and the growth opportunities for the other core business segments of SLT-I, MEMS and TMS?**

Q2. As disclosed in the Management discussion and analysis (page 20), total staff costs increased at a disproportionally higher rate of 45.8%, from $32.5 million to in FY2018 to $47.4 million in FY2019.

This increase of $14.9 million was attributed to (a) higher staff bonus, (b) share plans expense and (c) higher staff salary from additional headcounts for business development and engineering projects.

(i) **Can management provide a breakdown of the increase due to higher staff bonus, share plans expense and higher headcount? Is this rate of increase sustainable?**

For instance, the group recognised $1.94 million in expenses for share options granted and an additional $2.9 million for the first tranche of performance shares granted on 7 October 2019. In addition, a further 1.16 million performance shares were granted on 21 January 2020 for the performance year 2019 to certain key management personnel.

On 21 January 2020, independent directors, namely Basil Chan, Adrian Chan Pengee, Loh Kin Wah and Lavi Lev Alexander, along with non-executive director James Toh Ban Leng, were each granted 25,000 performance shares.

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The Remuneration Committee ("RC") comprising Basil Chan (as chairman), Adrian Chan Pengee and non-executive non-independent director James Toh Ban Leng administers the Performance Share Plans ("PSP").

(ii) **Since all the members of the RC received share grants, please help shareholders understand how effective the RC was in administering the share plans.**

Mr Lavi Alexander Lev was just appointed on 1 April 2019.

(iii) **Would the RC also elaborate further on the "performance" criteria for the directors to receive the Performance Share Plan? Given that Mr Lavi Alexander Lev was only on the board for 9 months, can the RC help shareholders understand if his contribution was assessed to be equal to that of other directors?**

(iv) **Is there a sale restriction moratorium for the PSP shares?** It is observed that James Toh Ban Leng disposed 400,000 and 206,600 shares on 16 January 2020 and 17 January 2020 respectively before being awarded 25,000 shares on 21 January 2020.

Q3. In the Corporate governance report, it was stated that the board, including the nominating committee ("NC") have reviewed the independence of Mr. Basil Chan and Mr. Adrian Chan with particular regard to the Guideline 2.1 of the Code of Corporate Governance which suggests a rigorous review of directors whose tenure exceeds 9 years (page 51).

On page 166, in the table showing the additional information on directors seeking re-election, Mr. Adrian Chan Pengee's date of appointment was disclosed as 1 October 2017. Thus, it was not clear why Mr. Chan's independence was subject to a rigorous review.

Long-standing shareholders would be familiar with Mr. Adrian Chan Pengee as Mr. Chan had served on the board as an independent director from 22 December 2006 to 29 April 2015 before returning to the board as independent director on 1 October 2017.

In the notice of cessation dated 27 April 2015, the reason given by Mr. Chan was that he decided to make way for succession planning purposes and to enable the board to be refreshed, after serving on the board for more than 8 years.

(i) **Would the NC help shareholders understand if it has leveraged on professional search firms when looking for appropriate director-candidates?** Doing so may enable the company to cast its net wider and further improve the diversity of the candidate pool.

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(ii) **Would Mr. Chan help shareholders understand the changes in the circumstances that led him to rejoin the board as he had retired in 2015 for succession planning purposes and to enable the board to be refreshed?**

In addition, the company has stated that the schedule for board and board committee meetings is firmed up before the end of each financial year for the following year to allow directors to arrange their schedules accordingly.

Table 1 – Attendance at Board and Board Committee Meetings

The attendance of the directors at the scheduled Board and Board Committees meetings during the year is as follows:

Name of Director	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Loke Wai San (Executive Chairman)	5	5	NA	NA	NA	NA	1	1
Adrian Chan Pengee	5	4	4	4	4	4	1	1
Basil Chan	5	5	4	4	4	4	1	1
James Toh Ban Leng	5	4	4	4	4	4	NA	NA
Loh Kin Wah	5	5	NA	NA	NA	NA	NA	NA
Lavi Alexander Lev *	4	4	NA	NA	NA	NA	NA	NA

(Source: company annual report)

As shown in the table above (page 68), two directors, including Mr. Adrian Chan Pengee, attended 4 out of 5 board meetings. Mr. Chan is also the lead independent director. In the director's profile on page 9, Mr. Chan's other commitments are listed, as follows:

- non-executive chairman of Hong Fok Corporation
- the lead independent director of Yoma Strategic Holdings, Bowsprit Capital Corporation (the manager of First REIT) and Ascendas Funds Management (the manager of Ascendas REIT)
- independent director of Best World International
- a director on Astrea III Pte. Ltd., Astrea IV Pte. Ltd., Astrea V Pte. Ltd. and Azalea Asset Management, wholly-owned subsidiaries of Temasek

Mr. Adrian Chan Pengee is also the Head of the Corporate Department and a Senior Partner at one of Singapore's leading law firms.

(iii) **Would Mr. Chan let shareholders know if there were any extenuating circumstances that led him to miss one of the board meetings? As a senior lawyer and with his extensive list of directorships in 5 other listed**

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companies (including one that is going through an independent review), how does Mr. Chan devote sufficient time, energy and attention to matters of the group especially since he is also the lead independent director?

Additional comment: In the Directors' statement, on page 70, the company has disclosed the following:

DIRECTORS' STATEMENT

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 2019.

In our opinion:

(a) the financial statements set out on pages 81 to 156 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 2019 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 Singapore Companies Act, Chapter 50 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
Basil Chan
Adrian Chan Pengee
James Toh Ban Leng
Loh Kin Wah
Levi Lav Alexander (Appointed on 20 March 2019)

(Source: company annual report; emphasis added)

Would the company clarify if "Levi Lav Alexander" refers to Mr. Lavi Alexander Lev and if the date of appointment of Mr. Lavi Alexander Lev was 1 April 2019 and not 20 March 2019 as indicated in the Director's statement?

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)