Sound Strategies

06

AA GROUP HOLDINGS LTD.

Annual Report 2006

Sound strategies

The growing demand for a wide variety of digital audio-visual consumer products requiring superior sound performance continues unabated. Speaker systems are shrinking in size and weight, but yet are bigger in power and performance.

As the manufacturer and supplier of high-precision cold forged components to world-renowned audio equipment makers such as Blaupunkt, Pioneer and Bose Corporation, AA Group Holdings Ltd continues to focus on the global, high-end speaker markets. The Group continues to pursue its product diversification strategy into high-precision automotive parts for the burgeoning automotives industries of Asia.

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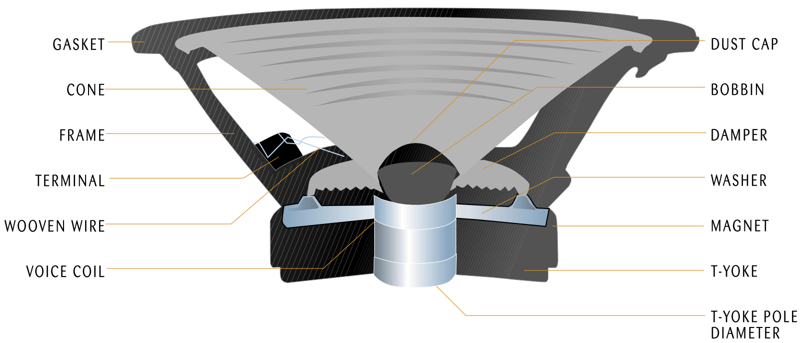
Corporate Profile

Based in Sungei Petani, Malaysia, AA Group produces and supplies high-precision cold forged loudspeaker parts, namely T-yokes, U-yokes and washers, to manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products.

Yokes and washers are key components of the magnet assembly in a loudspeaker which is critical in determining the acoustical quality of the sound system. The combination of the yoke, washer and magnet represents the existing core audio technology and is commonly referred to as "*the heart of the loudspeaker*".

The Heart of the Loudspeaker

CROSS SECTION OF LOUDSPEAKER



In a loudspeaker, sound is created when a magnetic field between the yoke and the washer reacts with the alternating field formed by the voice coil. The movement of the voice coil back and forth creates acoustical energy, or what we commonly know as sound. The combination of the washer, yoke and magnet is what is commonly referred to as "*the heart of the loudspeaker*".

Using high-precision cold forging technology, we manufacture yokes (T-yokes or U-yokes) and washers which are typically made of low-carbon steel.

Cold forging is a manufacturing technique whereby metal is shaped by pressing, pounding, or subjecting it to great pressure to form high-strength metal parts. The cold forging process creates parts which are stronger than those manufactured by other metalworking processes and is used where reliability is critical. Cold forging requires considerably higher specifications in tool and die design and greater precision work. This technology is also used to manufacture components and parts for aeroplanes, automobiles, tractors, ships, oil-drilling equipment and engines.

Corporate Information

BOARD OF DIRECTORS
Hsieh Kuo-Chuan @ Jaimes Hsieh *(Executive Chairman)*
Feng Tzu-Ju @ Julie Feng *(Managing Director)*
Pu, Jung-Tsan *(Executive Director)*
Mark Yeo Wee Tiong *(Non-Executive Director)*
Ng Teck Sim *(alternate Director to Mark Yeo Wee Tiong)*
Loo Choon Chiaw *(Independent Director)*
Tan Kuang Hui *(Independent Director)*
Phuah Lian Heng *(Independent Director)*

AUDIT COMMITTEE
Loo Choon Chiaw -Chairman *(Independent Director)*
Tan Kuang Hui *(Independent Director)*
Phuah Lian Heng *(Independent Director)*

NOMINATING COMMITTEE
Phuah Lian Heng -Chairman *(Independent Director)*
Tan Kuang Hui *(Independent Director)*
Loo Choon Chiaw *(Independent Director)*

REMUNERATION COMMITTEE
Loo Choon Chiaw-Chairman *(Independent Director)*
Phuah Lian Heng *(Independent Director)*
Tan Kuang Hui *(Independent Director)*

COMPANY SECRETARY
Chew Kok Wye *(Appointed 12 February 2006)*

REGISTERED OFFICE
88 Amoy Street Level Three
Singapore 069907

COMPANY REGISTRATION NUMBER
200412064D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Lim Associates (Pte) Ltd
3 Church Street,
#08-01 Samsung Hub
Singapore 049483
Tel:65-6536 5355
Fax:65-6536 1360

AUDITORS
Moore Stephens
Certified Public Accountants
11 Collyer Quay
#10-02 The Arcade
Singapore 049317
Partner-in-Charge: Neo Keng Jin
Appointed during financial year ended
31 December 2006

LEGAL COUNSEL
Loo & Partners
88 Amoy Street
Level Three
Singapore 069907

PRINCIPAL BANKERS
United Overseas Bank (Malaysia) Berhad
4072, Jalan Bagan Luar
12700 Butterworth
Malaysia

Malayan Banking Berhad
G27, 1 Floor
Central Square Complex
23 Jalan Kampung Baru
08000 Sungai Petani
Kedah, Malaysia

Chairman's Message

Dear Shareholders

FY2006 was a very challenging year for the AA Group as we faced head-on the impact of higher raw material prices, such as steel and nickel, whilst the impact of oil price hikes had slowed the demand for motor vehicles which consequently affected our sales of our yokes and washers to the manufacturers of speakers for motor vehicles.

Moreover, the Restriction on Hazardous Substances Directive (RoHS), which took effect from 1 July 2006, imposed a ban on new electrical and electronic equipment containing more than the specified levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants in the European Union. This resulted in our customers, especially those from Europe such as Bosch and Sipe, having to clear their existing inventories of speakers, and deferring new orders.

Financial Review

As a result, the Group's revenue for FY2006 declined marginally by 1.3% to $19.1 million. Responding to higher steel prices, the Group shifted its focus to high-end speaker manufacturers, which enabled us to derive higher margins. However, this shift in customer base resulted in lower sales volume as many of our low-end speaker manufacturers were not willing to pay higher prices for the high-end speakers. In addition, orders from our major customer in Malaysia, Formosa Prosonic Technics Sdn Bhd, had also declined. Formosa Prosonic now accounts for 2.9% of total sales in FY2006 as compared to 4.9% in FY2005.

Correspondingly, our gross profit dipped by 28.3% to $3.5 million as we were not able to pass the full increase in the cost of steel to our customers. The recent upgrade of our plant and equipment, costing $6.3 million, increased our depreciation expense. Our gross profit margin declined from 24.9% a year ago to 18.1%.

The rise in steel prices also showed a positive flip side – it helped to increase the value of scrap and waste materials which contributed towards a 58.3% jump in other operating revenue. This was, however, mitigated by a 25.0% increase in administrative costs. As a result, our Group's net profit attributable to shareholders declined by 46.4% to $1.3 million.

Based on the latest full-year results, the Group's basic earnings per share, based on the issued share capital of 96,276,201 ordinary shares, was 1.33 Singapore cents, while the net tangible asset per share grew to 16.11 Singapore cents.

Dividend

Due to the tough environment that the Group operated in, the Directors have not proposed a dividend for the year in review.

Prospects

We are still optimistic of the role that our products play in today's digital age. After all, consumers all over the world are becoming more demanding with regard to the sound quality of their audio-visual products and gadgets such as computers, musical instruments, and home theatre entertainment systems, just to name a few.

Moving forward, with oil prices at more comfortable levels this year, we think that the demand for automobiles will grow. As such, we will continue to pursue our product diversification strategy into high-precision automotive parts using the cold forging process – such as piston pins, steering system parts, braking system parts, gears, engine covers and shock absorbers.

Our continued focus on the high-end speaker market will enable us to extract higher margins. Speaker systems are shrinking in size and weight, but yet are bigger in power and performance. We believe that this trend will continue to accelerate and fuel demand for our quality products, such as the cold forged U-yokes.

With regard to the impact of the RoHS, we think that the worst is over, and that our European customers would resume new orders in FY2007. Our production process are RoHS compliant and we are confident that our orders from the EU would resume to previous levels.

In order to further enhance the Group's competitiveness and profitability to meet the needs of our customers, we have plans to expand our production facilities, promote and market our existing products as well as develop new products.

Barring unforeseen circumstances, the AA Group expects to remain profitable in the current year.

Appreciation

This has been a very gruelling year for the management team and the rest of the staff. Aside from the challenges of the macro operating environment, all of us at AA Group have been working hard to fully automate our production lines. I would like to express my deepest appreciation to all of our staff for their unwavering commitment and hard work.

I would also like to thank my fellow Directors for their valued contributions during the year, and to our customers, suppliers and business associates for their strong support.

This is also a good opportunity for me to assure our shareholders and investors that our growth strategies are intact albeit the challenging circumstances that we operated under. We assure you once again that we will work even harder to forge a better performance in the current year.

Jaimes Hsieh
Executive Chairman

Board of Directors

1 Hsieh, Kuo-Chuan @ Jaimes Hsieh
Executive Chairman and Founder

Hsieh, Kuo-Chuan @ Jaimes Hsieh is our Executive Chairman and Founder. He is primarily responsible for setting the direction and growth strategies of our Group. He is also actively involved in the development of new business and the marketing activities of our Group. Prior to establishing our Group in 1995, he was the managing director of Audio Yoke. Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh graduated from Taoyuan High School in Taiwan. He also holds a Bachelor of Business Administration from Golden State University in the United States. Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh was awarded the 2006 Model of Taiwan and Overseas Entrepreneurs Award by China Career Development Association.

2 Feng, Tzu-Ju @ Julie Feng
Managing Director and Co-Founder

Feng, Tzu-Ju @ Julie Feng is our Managing Director and co-founder. She is responsible for the overall day-to-day management including the financial matters of our Group. She was a supervisor at Eastern Electronic Co. Ltd between 1987 and 1989 where she was responsible for the logistics operations (shipping) of the company. Thereafter, she joined Audio Yoke as sales manager in 1990. In 1995, she was instrumental in the founding and establishment of Allied Advantage Sdn Bhd together with Mr Hsieh, Kuo-Chuan. @ Jaimes Hsieh. Mdm Feng, Tzu-Ju @ Julie Feng holds a Bachelor's Degree in Foreign Languages (majoring in French) from Tan Kang University in Taiwan.

3 Pu, Jung-Tsan
Executive Director

Pu, Jung-Tsan was appointed as our Executive Director on 4 July 2005 and is responsible for the Group's operations. He commenced his career with Hong Long Industry Co. Ltd in Taiwan in 1979. He remained at Hong Long Industry Co. Ltd for 15 years, subsequent to which he assumed the position of General Manager at Shanghai Man Ge Magnet Biochemical. In 1996, he was appointed as the General Manager of Allied Advantage Sdn Bhd. Mr Pu graduated from Jing Wen Private High School in Taiwan.

4 Loo Choon Chiaw
Independent Director

Loo Choon Chiaw was appointed as Independent Director on 4 July 2005. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1981 and is currently the Managing Partner of Loo & Partners, a law firm in Singapore. He qualified as a Barrister-at-Law of Lincoln's Inn, London and obtained his Master of Law degree from the University of London. He is a fellow of the Chartered Institute of Arbitrators, London, and a member of the Panel of Arbitrators of the Singapore International Arbitration Centre, Beijing Arbitration Commission and the Wuhan Arbitration Commission respectively. Mr Loo is an independent director of several public listed companies in Singapore, namely, China Sun Bio-chem Technology Group Company Ltd., Celestial Nutrifoods Limited, China Milk Products Group Limited, Allied Technologies Limited, and Ionics EMS, Inc.. Mr Loo was previously an independent director of WPG International Pte Ltd (formerly known as WPG International Limited), OKP Holdings Limited and Spindex Industries Limited respectively.

5 **Phuah Lian Heng**
Independent Director

Phuah Lian Heng joined our Company as an Independent Director on 4 July 2005. Between 1992 to 1994, Mr Phuah served as procurement engineer and contracts engineer in Hewlett-Packard Singapore and Esso Singapore respectively. From 1995 to 1999, he held positions such as business development manager, operations director and corporate development director in the Mentor Media group of companies. He is currently the Executive Director of VCOD (S'pore) Pte Ltd, an investment holding business consultancy firm. Mr Phuah graduated from the National University of Singapore in 1992 with a Bachelor's Degree (First Class Honours) in Electrical Engineering.

6 **Tan Kuang Hui**
Independent Director

Tan Kuang Hui joined our Company as an Independent Director on 4 July 2005. Between 1995 to 2002, he was with an international public accounting firm, Arthur Andersen. He started as a Staff Accountant in 1995 and was then promoted a Senior Accountant and Manager in 1997 and 2000 respectively. He left Arthur Andersen in June 2002 and founded Horwath First Trust, a public accounting firm, where he is currently the Managing Partner. Mr Tan holds a Bachelor of Accountancy from Nanyang Technological University, Singapore and is a practising member of the Institute of Certified Public Accountants of Singapore.

7 **Mark Yeo Wee Tiong**
Non-Executive Director

Mark Yeo Wee Tiong joined our Company as a non-Executive Director on 6 December 2004. Currently, he is an Executive Director at UOB Venture Management responsible for fund raising, deal sourcing, investment valuation, structuring and divestments. Prior to joining the venture capital industry in 1996, he spent 2 years (1993 to 1995) working for Smith Barney Shearson, HG Asia (Singapore) Pte Ltd and approximately 4 years (from 1990 to 1993) working for N M Rothschild & Sons (Singapore) Ltd, specialising in corporate finance transactions where he was involved in advisory services on mergers and public listings. Mr Yeo started his career in 1988 in the audit division of Ernst & Young in New Zealand. He holds a Bachelor of Commerce Degree with a double major in Accounting and Marketing from the University of Canterbury in New Zealand.

8 **Ng Teck Sim**
Non-Executive Director

Ng Teck Sim was appointed as alternate Director (to Mark Yeo Wee Tiong) on 6 December 2004. Currently, he is a Director at UOB Venture Management and is responsible for fund raising, deal sourcing, investment valuation, structuring and divestments. Prior to joining the venture capital industry in 2000, he worked for Mizuho Financial Group / Fuji Bank Limited from 1997 to 2000 and DBS Finance Ltd from 1995 to 1997 in corporate and commercial banking. He graduated with honours from Nanyang Technological University with a Bachelor of Business (Financial Analysis). He is also a CFA Charterholder.

Key Management

Lee Ko Chiang
Chief Financial Officer
Lee Ko Chiang is our Chief Financial Officer. He is responsible for the overall organisation and management of the Group's financial systems and is also in charge of reviewing financial reports of all the companies within Group. From 1993 to 1994, he joined Central Lease Finance Company as an account officer in the Credit Department. In 1995, he joined Polyvest Bill Finance Company as Desk Trade Manager of the Fixed-income Department. In 2001, Mr Lee joined China Bill Finance Company, a major listing banking institute, as Manager & Senior Trader of the Fixed-income Department and was focusing on government bonds trade and market risk management. Mr Lee holds a Bachelor of Business Administration from Chung Yuan Christian University and a Master of Finance, from the College of Management at Fu Jen Catholic University in Taiwan.

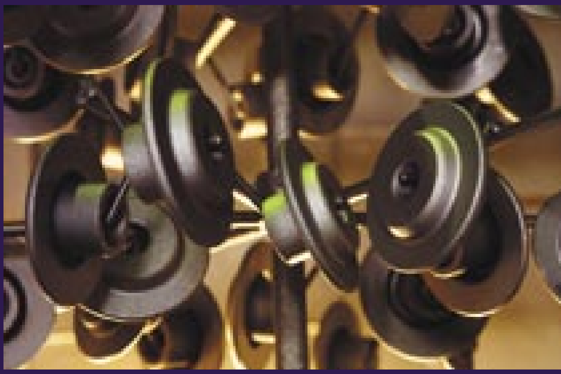
Lo Huan-Hsin
Assistant General Manager
Lo Huan-Hsin is our Assistant General Manager. He held the position of Production Supervisor with Chang Xing Technology Corporation in Taiwan between 1983 and 1990. Subsequently, he was employed by Audio Yoke as a Factory Manager from 1990 to 2002. In 2002, he joined Chin Lai Technology Co. Ltd as a Production Executive. In January 2005, he was appointed as the Assistant General Manager of Allied Advantage Sdn Bhd. Mr Lo Huan-Hsin graduated from Chin Hwa High School in Taiwan.

Beh Chye Hee
Quality Assurance Senior Manager
Beh Chye Hee is our Quality Assurance Senior Manager. He was admitted as an Associate Member of the Institute of Engineers and Technicians of London in 1994. Thereafter, he was awarded the Certificate in Quality Management from Northern Illinois University, USA in 1995. Prior to joining our Group as the Quality Assurance Manager in March 2001, he was a technician with Northern Telecom Components Sdn Bhd from 1991 to 1994, a Material Quality Assurance Section Head with Philips Sound Systems (M) Sdn Bhd from 1994 to 1999 and an Assistant Quality Assurance Manager with Todaiji Electronic (M) Sdn Bhd. from 1999 to 2001. Mr Beh holds a Diploma in Electronic Engineering from Butterworth Institute of Technology in Malaysia. He also holds a Bachelor of Business Administration and an MBA degree from Golden State University in the United States.

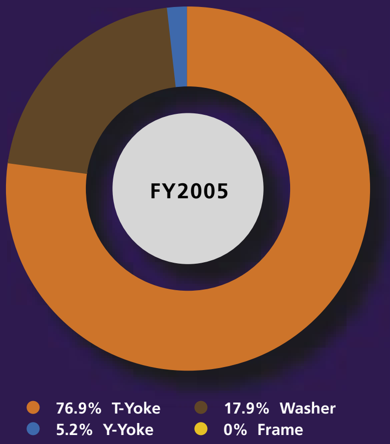
Koh Teik Huat
Manufacturing Manager
Koh Teik Huat is our Manufacturing Manager. He commenced his career in 1988 as an Assistant Leader at John Enterprise, a Singapore aluminium manufacturer. He was appointed as a Senior Technician at Unicast Engineering Pte Ltd in 1992, where he stayed until 1997. Thereafter he assumed the position of Manufacturing Manager of Allied Advantage Sdn Bhd. Mr Koh holds a certificate in AutoCad 2000 from Informatics International in Malaysia. He graduated from Sin Min Secondary School in Malaysia.

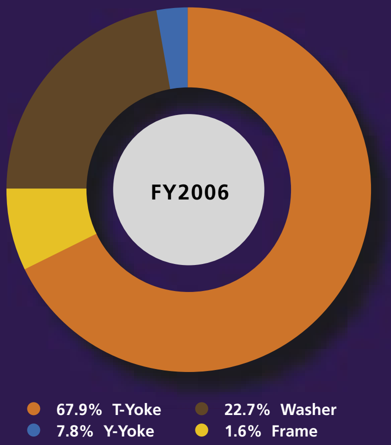
Ooi Soon Keow
Sales and Administration Manager
Ooi Soon Keow is our Sales and Administration Manager of the Group. Prior to joining Allied Advantage Sdn Bhd as a Sales and Administration Executive in 1996, she worked in the Import & Export division of National Panasonic Sdn Bhd in Malaysia. Ms Ooi holds a Diploma in Secretarial Studies from Institute Perkim-Goon in Malaysia.

Financial Highlights

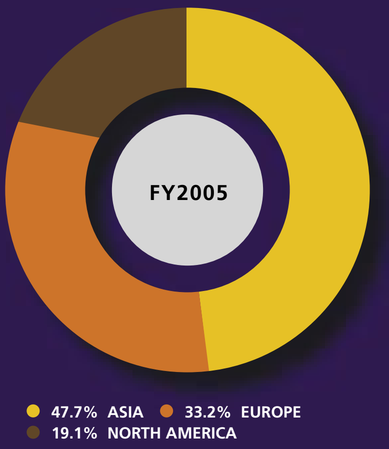


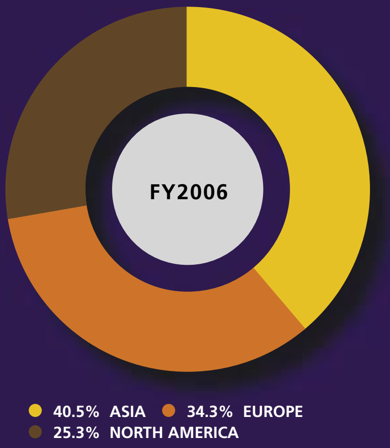
REVENUE BY PRODUCTS





BY GEOGRAPHICAL REGION

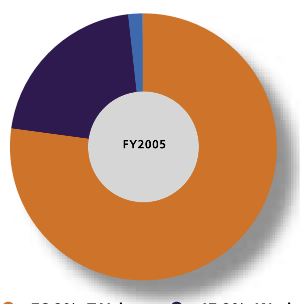




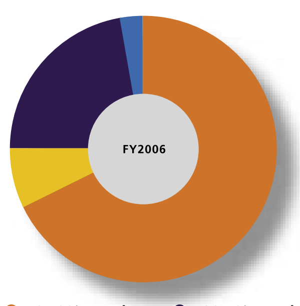
Operating & Financial Review

Results of Operations (S$ '000)	FY2006	FY2005	Change (%)
Revenue			
T-Yokes	12,953	14,867	(12.87)%
U-Yokes	1,496	1,003	49.05%
Washers	4,334	3,469	24.96%
Frames/Others	301	-	100%
Total Revenue	**19,084**	**19,339**	**(1.31)%**
Cost of sales	(15,630)	(14,519)	7.66%
Gross Profit	**3,454**	**4,820**	**(28.34)%**
Other operating revenue	524	331	58.31%
Administrative costs	(1,582)	(1,266)	24.96%
Other operating costs	(159)	(373)	(57.37)%
Operating Profit	2,237	3,512	(36.30)%
Financial Income	19	14	35.72%
Financial Costs	(691)	(706)	(2.12)%
Profit before taxation	**1,565**	**2,820**	**(44.50)%**
Income tax	(288)	(438)	(34.24)%
Net Profit Attributable to shareholders	**1,277**	**2,382**	**(46.39)%**
Financial Position	**FY2006**	**FY2005**	
Total Assets	30,899	28,368	8.92%
Total Liabilities	15,382	13,201	16.52%
Total equity	15,516	15,166	2.31%
Others	-	-	-
Capital expenditure	6,256	3,802	64.54%
Group Staff Strength	172	143	20.28%

REVENUE BY PRODUCTS



76.9% T-Yoke **17.9% Washer**
5.2% Y-Yoke **0% Frame**



67.9% T-Yoke **22.7% Washer**
7.8% Y-Yoke **1.6% Frame**

For the year ended 31 December 2006, Group revenue declined 1.3% to $19.1 due to:

1. An increase in steel prices which resulted in shift of our focus to high-end speakers. Many of our customers, such as those manufacturing low-end speakers, were not willing to pay higher prices for our high-end speakers.
2. Oil price hikes which slowed the demand for motor vehicles
3. The Restriction on Hazardous Substances Directive (RoHS), which took effect from 1 July 2006, imposed a ban on new electrical and electronic equipment containing more than the specified levels of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl (PBB) and polybrominated diphenyl ether (PBDE) flame retardants in the European Union. This resulted in our customers, especially those from Europe such as Bosch and Sipe, having to clear their existing inventories of speakers, and deferring new orders.
4. Decline in orders from our major customer in Malaysia – Formosa Prosonic Technics Sdn Bhd.

The sale of T-yokes remained our largest product in terms of revenue contribution, accounting for $13.0 million or 67.9% of total sales. Revenue from U-yokes increased from $1.0 million in FY2005 to $1.5 million in FY2006, accounting for 7.8% of total sales in the year under review. Revenue from washers similarly grew from $3.5 million to $4.3 million, accounting for 22.7% of total sales. This year, we introduced a new product – Frames – which accounted for $0.3 million, or 1.6% of total sales.

Profitability

Our Gross Profit declined by 28.3% due to:

1. Higher raw material costs as a result of rising steel prices. We were unable to pass the full increase in costs to our customers.
2. A $6.3 million increase property, plant and equipment
3. Increase in depreciation expense

Other operating revenue grew 58.3% to $524,000 due to higher prices of scrap materials and metal wastes. Administrative costs rose 25.0% because of increase in bonus, employees' provident fund, human resources development fund and salary for overtime and allowances which totaled $107,516. In addition, traveling expenses increased by $58,684 and transportation charges amounted to $8,445.

As a result, the Group's net profit dipped 46.4% to $1.3 million

Taxation

Taxation declined 34.24% to $288,000 due to the company profit margin had declined, increase of the company's capital & reinvestment allowance in tac computation.

Cash Flow

(S$'000)	2006	2005
Cash generated from operating activities	3,473	2,323
Cash (used in) investing activities	(2,652)	(2,878)
Cash generated from financing activities	(213)	767
Net increase in cash and cash equivalents	608	212
Cash and cash equivalents as at end of year	1,154	334

As at 31 December 2006, net cash from operating activities was approximately $3.5 million. Operating cash flow before movements in working capital was approximately $4.3 million. Changes in working capital was a negative $0.05 million due mainly to an increase in trade receivables of approximately $0.87 million, a decrease in inventories of approximately $0.71 million and a decrease in trade and other payables of approximately $0.2 million.

Operating & Financial Review

Our net cash used in investing activities was approximately $2.65 million, which was mainly used for the purchase of plant and equipment and investment in our subsidiary company. Net cash used in financing activities was approximately $2.13 million, mainly due to repayment of hire purchase of S$0.94 million and dividends paid of S$0.64 million.

Indebtedness
The amount of Group's borrowings for both financial years is as set out below:

(S$'000)	2006	2005
Due within 1 year:		
Bills payable to banks		
-Secured	8,169,993	6,883,050
-Unsecured	134,822	-
Short term bank loans	307,001	216,069
Total Indebtedness	8,611,816	7,099,119
Gearing Ratio	0.22	0.20

Prospects
With oil prices at more comfortable levels this year, we expect demand for automobiles will grow, and we will continue to focus on our product diversification strategy into high-precision automotive parts using the cold forging process – such as piston pins, steering system parts, braking system parts, gears, engine covers and shock absorbers.

Our continued focus on the high-end speaker market will enable us to extract higher margins, even as demand for our quality products, such as the cold forged U-yokes, continue to accelerate.

In order to further enhance the Group's competitiveness, we are looking to increase the level of automation at our manufacturing facilities at Sungei Petani. By upgrading our machinery, as well as by prioritising preventive maintenance, we will be able to achieve higher levels of productivity and product quality.

Meanwhile, we intend to enhance the skills of our staff through intensive training. At our Group, continuous improvements are encouraged through active staff participation such as our cost saving programme which focuses on minimizing wastage, increasing productivity and enhancing quality.

Corporate Governance

AA Group Holdings Limited ("the Company") recognises the importance and is committed to maintaining high standards of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investors' confidence. This report outlines specific reference made to each of the principles of the Code of Corporate Governance ("the Code"), and deviations from the Code are explained. The Company has complied with the principles of the Code where appropriate.

1. BOARD MATTERS

The Board of Director's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company.

The Board of Directors of the Company ("the Board") consists of three executive directors, one non-executive director (with one alternate director) and three independent directors. Together, the Board brings a wide range of business, legal and financial experience relevant to the Group.

Hsieh, Kuo-Chuan @ Jaimes Hsieh	Executive Chairman
Feng, Tzu-Ju @ Julie Feng	Managing Director
Pu, Jung-Tsan	Executive Director
Mark Yeo Wee Tiong	Non-Executive Director
Ng Teck Sim	Alternate Director to Mark Yeo Wee Tiong
Loo Choon Chiaw	Independent Director
Phuah Lian Heng	Independent Director
Tan Kuang Hui	Independent Director

The Board met twice in FY2006 with full attendance save for the absence of Feng, Tzu-ju @ Julie feng on 7 August 2006.

Matters which specifically require the Board's decision or approval are those involving:

- corporate strategy and business plan;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Directors comprising the Board and appointment of key personnel;
- half year and full year results for announcement, the annual report and accounts;
- material acquisitions and disposal of assets; and
- all matters of strategic importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee which operate within clearly defined terms of reference and functional procedures.

Board members are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company works closely with professionals to provide its Directors with changes to relevant laws, regulations and accounting standards.

Corporate Governance

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

The Company endeavours to maintain a strong and independent element on the Board. The independent directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The Nominating Committee ("NC") has reviewed and determined that the said Directors are independent. The independence of each Director is reviewed annually by the NC.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibilities of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Company believes that a distinctive separation of responsibilities between the Executive Chairman and the Managing Director ("MD") will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The posts of the Executive Chairman and the MD are held by Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh and Mdm Feng, Tzu-Ju @ Julie Feng respectively. Mdm Feng is the wife of the Executive Chairman. Both are executive directors.

The presence of a strong independent element and the participation of the independent directors ensures that the Executive Chairman and the MD do not have unfettered powers of decision.

As Executive Chairman, Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh is primarily responsible for overseeing the overall management and strategic development of the Group. His duties and responsibilities include:

- scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda (in consultation with the MD);
- assisting in ensuring the Group's compliance with the Code;
- ensuring that Board Meetings are held when necessary; and
- reviewing most board papers before they are presented to the Board.

In addition to the above duties, the Executive Chairman will assume duties and responsibilities as may be required from time to time.

As MD, Mdm Feng, Tzu-Ju @ Julie Feng is responsible for the day-to-day management affairs and executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of the Group's business.

Both the Executive Chairman and the MD exercise control over the quality, quantity and timeliness of information flow between the Board and Management.

Corporate Governance

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The NC comprises 3 members, all of whom are independent directors.

Mr Phuah Lian Heng (Chairman)	Independent Director
Mr Tan Kuang Hui	Independent Director
Mr Loo Choon Chiaw	Independent Director

The NC is establised for the purposes of ensuring that there is a formal and transparent process for all board appointments. One meeting was held in FY2006 and attended by all members.

The principal functions of reference of the NC are as follows:

- to review nominations for the appointment and re-appointment to the Board and the various committees;
- to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- to decide, where a Director has multiple board representation, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; and
- to determine on an annual basis whether or not a Director is independent.

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors (except the MD) shall retire from office at least once every three years at the Company's Annual General Meeting. In addition, Article 109 provides that the retiring Directors are eligible to offer themselves for re-election. Article 112 provides that each term of appointment of the MD shall not exceed five years. The year of initial appointment and last re-election of the Directors are set out below:

Name	Age	Position	Date of Initial Appointment	Date of Last re-election
Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh	47	Executive Chairman	20 Oct 2004	28 Apr 2006
Mdm Feng, Tzu-Ju @ Julie Feng	44	Managing Director	21 Sep 2004	-
Mr Pu, Jung-Tsan	47	Executive Director	4 July 2005	28 Apr 2006
Mr Mark Yeo Wee Tiong	43	Non-Executive Director	6 Dec 2004	11 Mar 2005
Mr Ng Teck Sim	36	Alternate Director to Mr Mark Yeo Wee Tiong	6 Dec 2004	-
Mr Loo Choon Chiaw	51	Independent Director	4 July 2005	28 Apr 2006
Mr Phuah Lian Heng	40	Independent Director	4 July 2005	28 Apr 2006
Mr Tan Kuang Hui	36	Independent Director	4 July 2005	28 Apr 2006

Information required in respect of their academic and professional qualifications, directorships or chairmanships, both present and those held over the preceding three years in other listed companies, is set out in the "Board of Directors" section of this Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the "Directors' Report" section of this Annual Report.

Corporate Governance

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which addresses how the Directors have enhanced long-term shareholders' value. The performance evaluation takes into consideration the Company's share price performance vis-ã-vis the Singapore Straits Times Index. The Board has adopted a process which is carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution from each individual Director to the effectiveness of the Board. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Access to Information

Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Board should be provided with timely and complete information prior to Board meetings as and when the need arises.

In FY2006, Management provided members of the Board with half-year management accounts, as well as relevant background information relating to the matters that were discussed at the Board meetings.

Detailed board papers are sent out to the directors before the scheduled meetings, as well as relevant background information relating to the matters that were discussed at the Board meetings.

Directors have separate and independent access to the Company Secretary. The Company Secretary attends board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies' Act and the Listing Manual of the SGX-ST.

Each member of the Board has direct access to the Group's independent professional advisors. Any cost of obtaining professional advice will be borne by the Company.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises 3 members, comprising entirely of non-executive independent directors.

Mr Loo Choon Chiaw (Chairman)	Independent Director
Mr Phuah Lian Heng	Independent Director
Mr Tan Kuang Hui (Appointed on 05 March 2007)	Independent Director

Mr Hsieh, Kuo-Chuan @ James Hsieh stepped down as member of the Remuneration Committee on 05 March 2007

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, functions and administration. One meeting was held in FY2006 and attended by all members.

Corporate Governance

The duties of the RC are as follows:

- to recommend to the Board a framework of remuneration for Board members and Senior Management
- to determine specific remuneration packages for each executive director;
- to determine the appropriateness of the remuneration of non-executive directors taking into account factors such as effort and time spent, and their responsibilities;
- to review and recommend to the Board the terms of renewal of the service agreements of executive directors; and
- to consider the disclosure requirements for directors' and key executives' remuneration as required by the SGX-ST.

The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships in the boards of other listed companies.

The RC also administers the AA Group Employee Share Option Scheme ("the Scheme"). The Scheme was approved by shareholders of the Company on 4 July 2005. The Scheme complies with the relevant rules as set out in Chapter 8 of the Listing Manual. The Scheme will provide an opportunity for the Executive Directors and employees of the Group who are not controlling shareholders of the Company, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and/or Group. [No options have been granted under the Scheme during FY2006.]

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

In setting remuneration packages, the RC ensures that the directors are adequately but not excessively remunerated as compared to the industry and in comparable companies.

The Company has a remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary, an annual bonus and the performance bonus that is linked to the performance of the Company and individual.

None of the independent and non-executive directors have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the independent and non-executive Directors. The fees are subject to approval by the shareholders at each Annual General Meeting ("AGM"). Except as disclosed, the independent and non-executive directors do not receive any remuneration from the Company.

Each of the Executive Directors has a formal service agreement which is valid for an initial period of 3 years commencing from 1 July 2005 ("the Initial Term"). The service agreement shall automatically expire at the end of the Initial Term unless renewed by the Company for such period as the Company may decide.

Corporate Governance

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

The RC recommends to the Board a framework of remuneration for the Board and Senior Management to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully in order to maximize shareholders' value. The members of the RC do not participate in any decisions concerning their own remuneration.

A breakdown showing the level and mix of each individual director's remuneration in FY2006 is set out as follows:

Remuneration of directors for the financial year ended 31 December 2006

Remuneration Band & Name of Director	Base/fixed salary	Bonus	Director's fees**	Other benefits	Total
$0 to S$250,000					
Mr Jaimes Hsieh	70%	23%	-	7%	100%
Ms Julie Feng	68%	28%	-	4%	100%
Mr Pu, Jung-Tsan	94%	1%	-	5%	100%
Mr Loo Choon Chiaw	-	-	100%	-	100%
Mr Phuah Lian Heng	-	-	100%	-	100%
Mr Tan Kuang Hui	-	-	100%	-	100%
Mr Mark Yeo Wee Tiong	-	-	100%	-	100%

** these fees are subject to the approval of the shareholders at the forthcoming AGM

A breakdown showing the level and mix of key executives (who are not directors of the Company) in FY2006 is set out as follows:

Remuneration Band & Name of Key Executive	Base/fixed salary	Bonus	Other benefits	Total
$0 to S$150,000				
Mr Lo Huan-Hsin	83%	5%	12%	100%
Mr Lee Ko Chiang	96%	-	4%	100%
Mr Beh Chye Hee	77%	5%	18%	100%
Mr Koh Teik Huat	81%	6%	13%	100%
Ms Ooi Soon Keow	78%	6%	16%	100%

No employee who is an immediate family member of a Director was paid more than S$150,000 during the financial year ended 31 December 2006. "Immediate family member" (as defined in the Listing Manual of the SGX-ST) means the spouse, child, adopted child, step-child, brother, sister, and parent.

Corporate Governance

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis. This responsibility extends to reports to regulators.

The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly sets out its authority and duties.

The AC of the Company comprises 3 members, all of whom are non-executive independent directors.

Mr Loo Choon Chiaw (Chairman)	Independent Director
Mr Phuah Lian Heng	Independent Director
Mr Tan Kuang Hui	Independent Director

The AC carries out its functions in accordance with the Singapore Companies Act, Cap. 50, the SGX-ST Listing Manual and the Code. The main terms of reference of the AC are as follows:

- to review the Company's external auditors' annual audit plan;
- to review the external auditors' reports;
- to review the co-operation given by the Company's officers to the external auditors;
- to review and ensure the integrity of the financial statements of the Group before submission to the Board for approval of release of the results announcement to the SGX-ST;
- to nominate external auditors for appointment and re-appointment; and
- to review all interested person transactions to ensure that each has been conducted on an arm's length basis.

Mr Loo Choon Chiaw is the Managing Partner of a law firm in Singapore and Mr Phuah Lian Heng is the Executive Director of a consultancy company which provides consultancy services in areas such as preparing corporate development proposals and review of financials and project management work in relation to initial public offering. Mr Tan Kuang Hui is a certified public accountant and is a practicing member of the Institute of Certified Public Accountants of Singapore. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.

The AC is authorized to investigate any matter within its terms of reference, and has full access to and co-operation of the Management. The AC has full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the external auditors.

The AC has reviewed the volume of non-audit services provided to the Company by the external auditors, and being satisfied that the nature and scope of such services will not prejudice the independence and objectivity of the external auditors, has confirmed their re-nomination.

The AC has met with the external auditors without the presence of Management. The AC also met with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.

Corporate Governance

The AC annually reviews the independence of the external auditors.

The AC met twice in FY2006 with full attendance of each member. Minutes of AC meetings are circulated to fellow directors by the Company Secretary.

The Company is in the process of implementing a whistle-blowing policy and procedure to provide staff with well-defined and accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the Company's assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risks.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Board recognizes that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the group's business and assets.

The internal audit function of the Group has been outsourced to a public accounting firm, Tan Cheah & Co. The internal auditor reports directly to the AC on audit matters.

The AC reviews the internal audit report on a regular basis to ensure the adequacy of the internal audit function. The AC also reviews and approves the annual Internal Audit plans.

4. COMMUNICATION WITH SHAREHOLDERS

Principles 14: Companies should engage in regular, effective and fair communication with shareholders.

Principles 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes in regular and timely communication with shareholders as part of its organizational development to build systems and procedures.

The Board is mindful of the obligation to provide shareholders information on all major developments that affect the Group in accordance with the SGX-ST's Listing Rules and the Singapore Companies Act, Cap. 50.

Corporate Governance

The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and to promote better investor communications.

Information is communicated to shareholders on a timely basis through:

- annual reports that are prepared and issued to all shareholders within the mandatory period;
- the Company's website at http://www.allied-advantage.com at which shareholders can access information on the Group; and
- email address being provided in the web site for the investor to send their enquiry.

At Annual General Meetings ("AGMs"), shareholders are given the opportunity to air their views and ask directors or the Management questions regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with shareholders.

The Articles of Association of the Company allow members of the Company to appoint proxies to attend and vote on their behalf.

The members of the AC, NC and RC will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the directors in addressing any relevant queries by shareholders.

5. SECURITIES TRANSACTIONS

The Company has adopted policies in line with Rule 1207(18) of the Listing Manual of the SGX-ST on dealings in the Company's Securities.

Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-yearly results and ending on the date of the announcement of the results.

6. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transactions with interested persons and has procedures established for the review and approval of the Company's interested person transactions.

All interested person transactions will be documented and submitted to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The AC reviewed the following interested person transactions for the financial year ended 31 December 2006 in accordance with its existing procedures:-

Corporate Governance

Name of interested person	Aggregate value of all interested person transactions for the financial year ended 31 December 2006 (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) S$'000
Audio Yoke Industrial Co. Limited ("Audio Yoke")		
- Purchase of steel wire rods and metal sheets	Nil	Nil
- Purchase of tooling, semi-finished products, machinery and chemicals	Nil	Nil
- Sales through Audio Yoke	639	

The Board confirms that each of these interested person transactions were entered into on an arm's length basis, on normal commercial terms and are not prejudicial to the shareholders.

7. RISK MANAGEMENT AND PROCESSES

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Company's business and operational activities to identify areas of significant business risks and takes appropriate measures to mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements.

FINANCIAL STATEMENTS

Report of the Directors

for the financial year ended 31 December 2006

The directors present their report to the members together with the audited consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2006.

1 DIRECTORS

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

Hsieh Kuo-Chuan @ Jaimes Hsieh
Feng Tzu-Ju @ Julie Feng
Pu, Jung-Tsan
Mark Yeo Wee Tiong
Loo Choon Chiaw
Phuah Lian Heng
Tan Kuang Hui
Ng Teck Sim (Alternate director to Mark Yeo Wee Tiong)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the shares of the Company as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Direct Interest		
	As at 1.1.2006	**As at 31.12.2006**	**As at 21.01.2007**
	Ordinary shares		
Name of directors			
Hsieh Kuo-Chuan @ James Hsieh	27,505,745	27,505,745	27,505,745
Feng Tzu-Ju @ Julie Feng	27,505,745	27,505,745	27,505,745

By virtue of Section 7 of the Singapore Companies Act, Hsieh Kuo-Chuan @ James Hsieh and Feng Tzu-Ju @ Julie Feng are deemed to have interests in the whole of the issued shares of the wholly owned subsidiaries of the Company.

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with the firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the financial statements. Certain directors received remuneration from the Company's subsidiary in their capacity as directors of the subsidiary.

5 OPTIONS GRANTED

During the financial year, no options to take up unissued shares of the Company or its subsidiary companies were granted.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the Company or its subsidiary companies issued by virtue of the exercise of options to take up unissued shares.

7 OPTIONS OUTSTANDING

At the end of the financial year, there were no unissued shares of the Company or its subsidiary companies under options.

8 AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, the details of which are disclosed in the Report on Corporate Governance.

10 AUDITORS

The auditors, Moore Stephens, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

Hsieh Kuo-Chuan @ Jaimes Hsieh
Director

Feng Tzu-Ju @ Julie Feng
Director

Singapore

Statement by Directors

for the financial year ended 31 December 2006

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 28 to 57, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2006 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date; 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.

On behalf of the Board of Directors,

Hsieh Kuo-Chuan @ Jaimes Hsieh
Director

Feng Tzu-Ju @ Julie Feng
Director

Singapore

Independant Auditors' Report

TO THE MEMBERS OF AA GROUP HOLDINGS LTD.

We have audited the accompanying balance sheet of AA Group Holdings Ltd (the "Company") as at 31 December 2006 and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 57.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion,

(a) the balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006, and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Certified Public Accountants

Singapore

Consolidated Income Statement

for the financial year ended 31 December 2006

	Note	2006 S$	2005 S$
Revenue	5	19,084,420	19,338,912
Cost of sales		(15,630,445)	(14,518,650)
Gross profit		3,453,975	4,820,262
Other operating income	6	523,773	330,876
Administrative expenses		(1,581,692)	(1,266,191)
Other operating expenses		(158,993)	(373,334)
Finance income	7	18,822	13,772
Finance costs	8	(690,955)	(705,510)
Profit before tax	9	1,564,930	2,819,875
Income tax	11	(287,467)	(438,342)
Profit attributable to equity holders of the Company		1,277,463	2,381,533
Earnings per share (cents)	12	1.33	5.36

The accompanying notes form an integral part of the financial statements

Balance Sheets

as at 31 December 2006

	Note	Group 2006 S$	Group 2005 S$	Company 2006 S$	Company 2005 S$
ASSETS					
Non-current assets					
Property, plant and equipment	13	17,603,728	13,709,374	–	–
Capital work-in-progress	14	490,516	478,298	–	–
Investment in subsidiaries	15	–	–	11,064,509	9,454,399
		18,094,244	14,187,672	11,064,509	9,454,399
Current assets					
Inventories	16	4,211,259	3,498,194	–	–
Trade receivables	17	6,628,072	7,617,450	–	–
Other receivables	18	296,233	2,219,261	–	12,390
Due from a subsidiary	19	–	–	1,249,233	2,923,979
Dividend receivable	20	–	–	974,251	920,146
Cash and cash equivalents	21	1,668,913	845,168	58,239	99,943
		12,804,477	14,180,073	2,281,723	3,956,458
Total assets		30,898,721	28,367,745	13,346,232	13,410,857
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	22	12,515,906	12,515,906	12,515,906	12,515,906
Reserves	23	2,999,939	2,650,563	565,880	648,060
		15,515,845	15,166,469	13,081,786	13,163,966
Non-current liabilities					
Term loans	24	1,248,764	1,134,051	–	–
Hire purchase creditors	25	686,104	565,112	–	–
Deferred taxation	26	1,532,461	1,345,142	–	–
		3,467,329	3,044,305	–	–
Current liabilities					
Trade payables	27	1,641,852	1,279,246	–	–
Other payables	28	491,202	438,301	264,446	246,891
Due to a related party	29	1,662	618,133	–	–
Hire purchase creditors	25	1,110,066	669,824	–	–
Bank borrowings	30	8,611,816	7,099,119	–	–
Provision for taxation		58,949	52,348	–	–
		11,915,547	10,156,971	264,446	246,891
Total liabilities		15,382,876	13,201,276	264,446	246,891
Total equity and liabilities		30,898,721	28,367,745	13,346,232	13,410,857

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2006

	Share Capital S$	Merger Reserve S$	Share Premium S$	Translation Reserve S$	Retained Earnings S$	Total Attributable to Equity Holders of the Company S$
Balance At 1 January 2005	1	2,976,000	–	(765,877)	7,192,778	9,402,902
Currency translation differences – recognised directly in equity	–	–	–	320,528	–	320,528
Profit for the year	–	–	–	–	2,381,533	2,381,533
Total recognised income for the year	–	–	–	320,528	2,381,533	2,702,061
Effect of Group restructuring	9,408,463	(9,454,399)	–	–	–	(45,936)
Shares issued on bond conversion	1,105,442	–	144,558	–	–	1,250,000
Shares issued on listing	2,002,000	–	1,232,000	–	–	3,234,000
Listing expenses	–	–	(1,376,558)	–	–	(1,376,558)
Balance At 31 December 2005	12,515,906	(6,478,399)	–	(445,349)	9,574,311	15,166,469
Currency translation differences – recognised directly in equity	–	–	–	(292,664)	–	(292,664)
Profit for the year	–	–	–	–	1,277,463	1,277,463
Total recognised income and expense for the year	–	–	–	(292,664)	1,277,463	984,799
Dividend	–	–	–	–	(635,423)	(635,423)
Balance At 31 December 2006	12,515,906	(6,478,399)	–	(738,013)	10,216,351	15,515,845

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

for the financial year ended 31 December 2006

	Note	2006 S$	2005 S$
Cash Flows from Operating Activities			
Profit before taxation		1,564,930	2,819,875
Adjustments for:			
Depreciation of property, plant and equipment		2,030,526	1,818,375
(Gain)/Loss on disposal of property, plant and equipment		(13,337)	14,845
Loss on disposal of available-for-sale financial assets		–	39,743
Loss on foreign exchange – unrealised		–	62,925
Interest income		(18,822)	(13,772)
Interest expense		667,718	688,943
Operating cash flow before movements in working capital:		4,231,015	5,430,934
Inventories		(713,065)	(970,535)
Trade and other receivables		867,649	(2,373,325)
Trade and other payables		(200,963)	956,497
Cash generated from operating activities		4,184,636	3,043,571
Interest received		18,822	13,772
Interest paid		(667,718)	(688,943)
Income tax paid		(63,217)	(44,876)
Net cash from operating activities		3,472,523	2,323,524
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(2,660,783)	(2,652,905)
Development cost incurred		–	(478,299)
Capital work-in-process incurred		(12,217)	–
Proceeds from disposal of property, plant and equipment		20,617	4,675
Proceeds from disposal of available-for-sale financial assets		–	248,475
Net cash used in investing activities		(2,652,383)	(2,878,054)
Cash Flows from Financing Activities			
Proceeds from issue of shares		–	3,234,000
Share issue expenses		–	(1,422,494)
Increase in bills payable		1,296,158	1,353,322
(Increase)/Decrease in fixed deposits pledged		(263,973)	1,732
Repayment of hire purchase creditors		(944,315)	(1,874,690)
Repayment of term loans		(90,462)	(522,661)
Proceeds from bank loans		421,713	–
Dividends paid		(635,423)	–
Net cash (used in)/generated from financing activities		(216,302)	769,209
Effect of foreign exchange rate changes on consolidation		(44,066)	34,560
Net increase in cash and cash equivalents		603,838	214,679
Cash and cash equivalents at the beginning of the year		594,483	344,244
Cash and cash equivalents at the end of the year	21	1,154,255	594,483

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements

for the financial year ended 31 December 2006

These notes form an integral part of and should be read in conjunction with the accompanying financial statements:

1 GENERAL

The Company is incorporated and domiciled in Singapore and is publicly traded on the Singapore Exchange Securities Trading Limited ("SGX-ST). The address of its registered office and principal place of business is 88 Amoy Street, Level Three, Singapore 069907.

The principal activity of the Company is that of an investment holding company. The details of the subsidiary companies are set out in Note 15.

The ultimate controlling parties of the Company are Hsieh Kuo-Chuan @ Jaimes Hsieh and Feng Tzu-Ju @ Julie Feng.

The directors have authorised the financial statements for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The consolidated financial statements of the Group and the balance sheet of the Company, which are expressed in Singapore Dollars, have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

(b) Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4.

(c) Changes in Accounting Policies

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

On 1 January 2006, the Group and the Company adopted the new or revised FRS and Interpretation to FRS (INT FRS) that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provision in the respective FRS and INT FRS. The following are the FRS and INT FRS that are relevant to the Group and the Company:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effect of Changes in Foreign Exchange Rates
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (Amendment)	Financial Instruments: Recognition and Measurement
INT FRS 104	Determining whether an Arrangement contains a lease

The adoption of the above FRS or INT FRS did not have a significant effect on the Group's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Changes in Accounting Policies (cont'd)

FRS Not Yet Effective

The Group has not applied the following relevant new FRS and INT FRS that have been issued but are only effective for the Group's annual financial periods beginning on or after 1 January 2007.

FRS 107	Financial Instruments: Disclosures
FRS 108	Operating Segments
INT FRS 110	Interim Financial Reporting and Impairment

The Group anticipates that the adoption of FRS 107, FRS 108 and INT FRS 110 will not have any significant impact on the financial statements in the period of initial application, however additional disclosures will be required.

On adoption of FRS 107 further disclosure will be required on risk and financial position and performance, including additional quantitative data about risk exposure and a sensitivity analysis showing the impact of changes which were reasonably possible at the reporting date.

On adoption of FRS 108, there will be disclosures of information about the Group's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

(d) Basis of Consolidation

Subsidiaries are those entities over which the Group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued or liabilities incurred or assumed undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value on the date of acquisition, irrespective of the extent of any minority interest.

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the parent. It is measured at the minorities' share of the fair values of the subsidiaries' identifiable assets and liabilities at the date of acquisition by the Group and the minorities' share of changes in equity since the date of acquisition, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interest attributed to the equity holders of the Company, unless the minority interests have a binding obligation to, and are able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interests are distributed to the equity holders of the Company until the minority interests' share of losses previously absorbed by the equity holders of the Company have been fully recovered.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Basis of Consolidation (cont'd)

Assets, liabilities and results of foreign subsidiaries are translated into Singapore Dollar on the basis outlined in Note 2(e)(iii).

During the previous financial year ended 31 December 2005, the consolidated financial statements have been prepared in a manner similar to the pooling-of-interests method of consolidation as a result of the Group restructuring. On this basis, the Company has been treated as the holding company of its subsidiary company for the financial years presented rather than from the date of its acquisition. Accordingly, the consolidated results of the Group for the financial year ended 31 December 2005 include the results of the Company and its subsidiary with effect from 1 January 2005.

(e) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which each of the entities within the Group operates ("the functional currency"). The consolidated financial statements and balance sheet of the Company are presented in Singapore Dollar, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except for currency translation differences on net investment in foreign operations, borrowings in foreign currencies and other currency instruments qualifying as net investment hedges for foreign operations in the consolidated financial statements.

(iii) Translation of Group entities' financial statements

The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are taken to the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and borrowings in foreign currencies and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the date of the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of assets over their estimated useful lives or on the following bases:

Leasehold land	–	Over 49 to 99 years
Factory buildings	–	2%
Plant and machinery	–	6% to 10%
Furniture, fittings and equipment	–	10% to 25%
Motor vehicles	–	20%

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

The useful lives and depreciation method are reviewed at each financial year end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

(g) Capital Work-In-Progress

Capital work-in-progress consists of expenditure incurred on the construction of property, plant and equipment which take a substantial period of the time to be ready for their intended use. This expenditure is stated at cost and no depreciation is provided. Upon completion of the construction, the cost will be transferred to property, plant and equipment.

(h) Investment in Subsidiary

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less any impairment losses.

(i) Impairment of Assets

The carrying value of the Group's non-financial assets is reviewed at each financial year end to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. All impairment losses are recognised in the income statement unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease.

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. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets are carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation decrease.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store and for manufactured inventories, it also includes labour and appropriate production overheads. Net realisable represents the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to make the sale.

(k) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. An allowance for estimated irrecoverable amounts is recognised in the income statement when there is objective evidence that the amounts are impaired.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist of cash in hand, cash at banks and fixed deposits, which are short-term, highly liquid assets that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Trade and Other Payables

Trade and other payables, including amount due to a related party, are initially measured at fair value and subsequently measured at amortised costs using the effective interest rate method.

(n) Interest-bearing Loans and Borrowings

Interest-bearing loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(o) Leases

(i) Hire Purchase

Hire purchase installment plans are agreements whereby the lender conveys to the hirer, in return for a series of installment payments, the rights to use the assets involved with an option for hirer to purchase the assets upon full settlement of the installment payments.

Cost of property, plant and equipment acquired under the hire purchase installment plans are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment. The related finance charges are allocated to the income statement over the period of installment plans based on the sum-of-digits method so as to produce a constant periodic rate of interest charges on the remaining balance of the liability. The total outstanding installment payments after deducting the future finance charges, representing the present values of hire purchase liabilities, are included in creditors.

(ii) Operating Leases

Rentals payable under operating leases are charged to the income statement.

(p) Financial Guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Financial Guarantees (cont'd)

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount.

In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank.

(q) Revenue Recognition

Revenue from the sale of goods is recognised when a Group entity has delivered the products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Interest income is recognised on accrual basis.

Dividend income is recognised when the right to receive payment is established.

(r) Employee Benefits

(i) Short-term Benefits

Wages, salaries, social security contributions and bonuses are recognised as expenses in the period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company's subsidiary makes contributions to the state pension scheme, the Employees Provident Fund, in Malaysia. Such contributions are recognised as an expense in the income statement as incurred.

(s) Taxation

Income tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

Deferred tax is recognised, using the liability method, on all temporary differences between carrying amount of assets and liabilities in the financial statements and their tax base except where the temporary differences arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled.

Deferred tax is recognised in equity when it relates to items recognised directly in equity. When deferred tax arises from business combination that is an acquisition, the deferred tax is included in the resulting goodwill.

Deferred tax liabilities are not recognised for taxable temporary differences arising from investments in subsidiaries as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse for the foreseeable future.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same tax authority to offset or when it is probable that future taxable income will be available against which the assets can be utilised.

Notes to the Financial Statements

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by shareholders.

(u) Segment Reporting

A segment is a distinguishable component of the Group that is engaged in manufacturing or in distributing equipment within a particular economic environment which is subject to risks and rewards that are different from those of other business segments.

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, corporate assets and expenses that cannot be directly allocated to a particular business segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

3 EFFECTS ON FINANCIAL STATEMENTS ON ADOPTION OF NEW OR REVISED FRS

Financial Guarantee Contracts

Previously, the financial guarantees issued by the Company to banks in relation to borrowings by subsidiaries were accounted for as contingent liabilities of the Company and not recognised in the financial statements until the Company incurred an obligation to make payment under the guarantee.

FRS 39 (Amendment) Financial Guarantee Contracts, effective from 1 January 2006, requires financial guarantees to be accounted for in a manner as set out in Note 2(p).

The revised FRS 39 does not have significant impact to the balance sheet of the Company for the financial year ended 31 December 2006.

4 CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The directors have not identified any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4 CRITICAL JUDGEMENTS, ASSUMPTIONS AND ESTIMATION (CONT'D)

Critical estimates in applying the entity's accounting policies:-

(a) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment and based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

There is no change in the estimated useful lives of property, plant and equipment during the year. The carrying values of property, plant and equipment of the Group as of 31 December 2006 amounted to $17,603,728 (2005: S$13,709,374).

(b) Critical judgment made in applying accounting policies

(i) Allowance for slow-moving inventory

A review is made periodically on inventory for excess inventory and decline in net realisable value below cost and an allowance will be made against the inventory balance for any such decline. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventory.

No allowance was made for such decline as at the financial year ended.

(ii) Allowance for impairment loss in receivables

An allowance for impairment loss will be made for estimated losses resulting from the subsequent inability of customers to make the required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses accounts receivables and analyses historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in our customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment loss.

No allowance for impairment loss in receivables was made during the financial year.

5 REVENUE

Revenue represents the invoiced value of goods sold less discounts and returns.

Notes to the Financial Statements

6 OTHER OPERATING INCOME

	Group	
	2006	2005
	S$	S$
Gain on disposal of property, plant and equipment	13,337	–
Rental income	22,544	–
Scrap sales	487,892	330,876
	523,773	330,876

7 FINANCE INCOME

	Group	
	2006	2005
	S$	S$
Interest income		
– fixed deposits	18,822	13,772

8 FINANCE COSTS

	Group	
	2006	2005
	S$	S$
Interest expense		
– bankers' acceptance charges	233,414	193,930
– hire purchase	105,075	134,177
– term loans	103,431	131,197
– bank overdrafts	21,115	55,024
– trust receipts	204,683	174,615
	667,718	688,943
Bank charges	15,782	11,458
Bank guarantee charges	2,380	1,284
Bank commitment fees	5,075	3,825
	690,955	705,510

9 PROFIT BEFORE TAX

	2006	2005
	S$	S$
Profit before tax is arrived at after charging:		
Cost of inventories sold	15,630,445	14,518,650
Depreciation of property, plant and equipment	2,030,526	1,818,375
Loss on disposal of property, plant and equipment	–	14,845
Loss on disposal of available-for-sale financial assets	–	39,743
Loss on foreign exchange	106,633	358,224
Operating lease expense	10,768	11,019

10 STAFF COSTS

	Group	
	2006	2005
	S$	S$
Staff costs	1,791,741	1,640,955
Employees Provident Fund	56,451	58,482
Other staff related costs	20,137	35,709
	1,868,329	1,735,146

11 INCOME TAX

	Group	
	2006	2005
	S$	S$
Income tax expense		
– current income tax	68,703	201,896
– deferred tax	242,593	223,758
	311,296	425,654
(Over)/Under provision in prior years		
– deferred tax	(23,829)	12,688
	287,467	438,342

The taxation for the financial years can be reconciled to the profit per the Group as follows:

	2006	2005
	S$	S$
Profit before tax	1,564,930	2,819,875
Income tax at Singapore statutory rate of 20% (2005: 20%)	312,986	563,975
Effect of different tax rate in Malaysia	41,403	248,075
Non-tax deductible expenses	117,133	84,694
Utilisation of reinvestment allowance	(160,226)	(471,090)
(Over)/Under provision of deferred tax in prior years	(23,829)	12,688
	287,467	438,342

The utilisation of the reinvestment allowances of a subsidiary company has resulted in a tax saving of approximately S$160,226 (2005: S$471,091).

Subject to agreement by the Inland Revenue Board of Malaysia, a subsidiary company has the following:-

(i) estimated unutilised reinvestment allowances of S$4,209,825 (2005: S$2,335,041), available for set-off against future taxable profits;

(ii) a tax credit of S$299,123 (2005: S$248,035) under Section 108 of Income Tax Act, 1967 to frank future payment of dividend of approximately S$769,482 (2005: S$637,428) without incurring additional tax liability; and

(iii) estimated tax exempt income account from pioneer profits of S$632,926 (2005: S$1,086,086), reinvestment allowances utilised against taxable profits of S$4,127,458 (2005: S$2,290,702) and chargeable income of which income tax has been waived under the Income Tax (Amendment) Act, 1999 of Nil (2005: S$219,061), available for distribution by way of tax exempt dividend.

Notes to the Financial Statements

12 EARNINGS PER SHARE

Basis earnings per share is calculated by dividing the profit after tax attributable to members of AA Group Holdings Ltd by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2006	2005
	S$	S$
Profit after tax attributable to members of AA Group Holdings Ltd	1,277,463	2,381,533

	Number of ordinary shares	
	2006	2005
Weighted average number of ordinary share in issue	96,276,201	44,471,127
Earnings per share		
– Basic	1.33 cents	5.36 cents
– Diluted	1.33 cents	5.36 cents

There are no potential diluted shares.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Land S$	Factory Building S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
Cost						
Balance at 1 January 2006	543,777	2,197,534	18,406,048	313,148	422,184	21,882,691
Additions	624,256	816,735	4,673,825	94,511	46,701	6,256,028
Disposals	–	–	(39)	(1,079)	(42,945)	(44,063)
Currency realignment	(12,846)	(51,915)	(434,822)	(7,398)	(9,973)	(516,954)
Balance at 31 December 2006	1,155,187	2,962,354	22,645,012	399,182	415,967	27,577,702
Accumulated depreciation						
Balance at 1 January 2006	39,153	280,809	7,421,019	167,837	264,499	8,173,317
Charge for the year	11,466	45,849	1,874,683	43,072	55,456	2,030,526
Disposals	–	–	(16)	(960)	(35,807)	(36,783)
Currency realignment	(925)	(6,634)	(175,313)	(3,965)	(6,249)	(193,086)
Balance at 31 December 2006	49,694	320,024	9,120,373	205,984	277,899	9,973,974
Net book value						
Balance at 31 December 2006	1,105,493	2,642,330	13,524,639	193,198	138,068	17,603,728
Balance at 31 December 2005	504,624	1,916,725	10,985,029	145,311	157,685	13,709,374

13 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) As at 31 December 2006, the net book value of property, plant and equipment acquired under hire purchase are as follows:-

	Group	
	2006	2005
	S$	S$
Plant and machinery	3,257,698	1,858,119
Motor vehicles	134,796	146,536
	3,392,494	2,004,655

(b) Included in the property, plant and equipment of the Group are:

(i) Leasehold land and factory buildings pledged to a financial institution for banking facilities granted to the Group as disclosed in Notes 24 and 30.

(ii) Plant and equipment with a total net book value of S$1,272,958 (2005: S$1,524,111) pledged as security for term loan facilities granted to the Group as disclosed in Note 24.

(c) During the financial year, the Group acquired certain plant and equipment with a aggregate cost of S$6,256,028 (2005: S$3,801,913) of which S$1,533,658 (2005: S$1,149,008) were acquired by means of hire purchase. Cash payments of S$4,722,370 (2005: S$2,652,905) were made to purchase plant and equipment. Included in the cash payments was the amount totaling S$2,061,587 paid in the prior year as a deposit for purchase of plant and equipment.

(d) Details of the Group's leasehold land and factory buildings as at 31 December are as follows:

Location	Use	Land area (sq ft)	Tenure	Net book value 2006 S$	Net book value 2005 S$
Lot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia	Manufacturing	65,343	Leasehold, 99 years, expiring 5 May 2094	487,340	504,624
Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia	Manufacturing and warehousing	65,343	Leasehold 9 9 years, expiring 5 May 2094	1,849,768	1,916,725
Lot 146 Jalan PKNK 3/1 Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah.Malaysia	Vacant land	152,470	Leasehold 99 years expiring 5 May 2094	407,156	–
Lot 147 Jalan PKNK 3/1 Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah. Malaysia	Manufacturing	65,343	Leasehold 99 years expiring 5 May 2094	1,003,559	–
				3,747,823	2,421,349

Notes to the Financial Statements

14 CAPITAL WORK-IN-PROGRESS

	Group	
	2006	2005
	S$	S$
At cost	490,516	478,298

The capital work-in-progress comprises of cost incurred for the extension of a factory building.

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2006	2005
	S$	S$
Unquoted equity investment, at cost	11,064,509	9,454,399

Details of the Company's subsidiaries as at 31 December are as follows:

Name of subsidiary	Country of incorporation and business	Principal activities	Equity interest held by the Company	
			2006	2005
			%	%
Allied Advantage Sdn. Bhd.*	Malaysia	Manufacturer of spare parts	100	100
Subsidiary held by subsidiary				
AA Supply Chain Management Sdn. Bhd.*#	Malaysia	Supply chain management	100	–

* Audited by a member firm of Moore Stephens International of which Moore Stephens, Singapore is a member.

\# Incorporated by Allied Advantage Sdn. Bhd. during the current financial year ended 31 December 2006.

16 INVENTORIES

	Group	
	2006	2005
	S$	S$
Raw materials	2,447,278	2,041,895
Finished goods	497,707	680,950
Semi-finished goods	1,266,274	775,349
	4,211,259	3,498,194

17 TRADE RECEIVABLES

(a) The Group's normal trade credit terms range from 30 to 180 days.

(b) The foreign currency exposure profile of trade receivables are as follows:

	Group	
	2006	2005
	S$	S$
United States Dollar	3,705,610	1,882,787
Euro	1,138,360	3,894,072
Ringgit Malaysia	782,888	1,033,005
Hong Kong Dollar	999,598	807,586
Chinese Renminbi	1,616	–
	6,628,072	7,617,450

18 OTHER RECEIVABLES

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Other receivables	1,154	71	–	–
Deposits	67,779	2,055,804	–	–
Prepayments	227,300	163,386	–	12,390
	296,233	2,219,261	–	12,390

(a) Included in the deposits are amounts totaling S$56,530 (2005: S$2,044,757) paid for the purchases of plant and equipment.

(b) The foreign currency exposure profile of other receivables are as follows:

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Ringgit Malaysia	296,233	2,206,871	–	–
Singapore Dollar	–	12,390	–	12,390
	296,233	2,219,261	–	12,390

19 DUE FROM A SUBSIDIARY

	Company	
	2006	2005
	S$	S$
Due from a subsidiary		
– non-trade	1,249,233	2,923,979

The amount due from a subsidiary is unsecured, interest-free and repayable on demand, and will be settled in cash.

Notes to the Financial Statements

20 DIVIDEND RECEIVABLE

	Company	
	2006	2005
	S$	S$
Dividend receivable	974,251	920,146

This represents a tax exempt interim dividend of 16.06% (2005: 33%) and interim dividend of 8.92% (2005: Nil) receivable from a subsidiary declared during the financial year. The dividend receivable is denominated in Ringgit Malaysia.

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Cash at banks and in hand	1,154,255	333,525	58,239	99,943
Fixed deposits	514,658	511,643	–	–
	1,668,913	845,168	58,239	99,943
Less: Fixed deposits pledged	(514,658)	(250,685)	–	–
	1,154,255	594,483	58,239	99,943

(a) Included in the fixed deposits are amounts totaling S$514,658 (2005: S$250,685) pledged to licensed banks as collateral for banking facilities granted to the Group, as disclosed in Note 30, and are utilised only for repayment of the said facilities.

The fixed deposits' effective interest rates range from 3% to 3.7% (2005: 2.7% to 3.7%) per annum.

(b) The foreign currency exposure profile of cash and cash equivalents are as follows:

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
United States Dollar	270,701	122,227	–	–
Euro	208	49	–	–
Ringgit Malaysia	1,339,725	622,445	–	–
Singapore Dollar	58,279	100,447	58,239	99,943
	1,668,913	845,168	58,239	99,943

22 SHARE CAPITAL

	Group and Company			
	2006	2005	2006	2005
	No. of shares	No. of shares	S$	S$
Issued and fully paid				
At 1 January	96,276,201	1	12,515,906	1
Shares issued in consideration for the acquisition of the entire issued share capital of Allied Advantage Sdn. Bhd. (i)	–	9,408,463	–	9,408,463
	96,276,201	9,408,464	12,515,906	9,408,464
Sub-division of shares (ii)	–	940,846,400	–	9,408,464
Consolidation of shares (iii)	–	72,372,800	–	9,408,464
Shares issued on Bond conversion (iv)	–	8,503,401	–	1,105,442
Shares issued on listing (v)	–	15,400,000	–	2,002,000
At 31 December	96,276,201	96,276,201	12,515,906	12,515,906

The following changes in the Company's issued share capital took place in 2005:

(i) As part of the Group restructuring and as consideration for the acquisition of the entire issued share capital of Allied Advantage Sdn. Bhd., the Company allotted and issued 9,408,463 ordinary shares of S$1 each credited as fully paid.

(ii) Each ordinary share of S$1 each in the authorised and issued share capital of the Company was sub-divided into 100 ordinary shares of S$0.01 each.

(iii) Every 13 ordinary shares of S$0.01 each in the authorised and issued share capital of the Company were consolidated into 1 ordinary share of S$0.13 each.

(iv) As consideration for the Bond conversion, the Company allotted and issued 8,503,401 ordinary shares of S$0.13 at a price of S$0.147 per share credited as fully paid.

(v) A total of 15,400,000 ordinary shares of S$0.13 were issued at a price of S$0.21 per share to the public by way of new issue and placement of shares upon listing of the Company's shares on the SGX-SESDAQ.

With the changes to the Companies Act, Cap.50, effective from 30 January 2006, the concept of par value and authorised capital were abolished.

23 RESERVES

(a) The movements in the Group's reserves and the movements therein for the current and previous financial years are presented in the consolidated statement of changes in equity.

(b) The Group's merger reserve represents the difference between the nominal value of the shares of the subsidiary acquired pursuant to the Group restructuring over the nominal value of the Company's shares issued in exchange thereof.

Notes to the Financial Statements

24 TERM LOANS – SECURED

	Group	
	2006	2005
	S$	S$
Repayable within 1 year (Note 30)		
– Term loan I	210,706	185,632
– Term loan II	36,211	30,437
– Term loan III	60,084	–
	307,001	216,069
Repayable after 1 year		
– Term loan I	550,497	802,963
– Term loan II	281,489	331,088
– Term loan III	416,778	–
	1,248,764	1,134,051

(a) The secured term loans of the Group bear effective interest rates from 3.85% to 9% (2005: 8.3% to 8.7%) per annum. The term loans are secured by way of a first legal charge on the Company's subsidiary's leasehold land and factory buildings, certain plant and equipment and corporate guarantee issued by the Company.

(b) The repayment terms of the secured term loans are as follows:

(i) term loan I is repayable in 84 monthly instalments over a period of 7 years commencing from February 2003.
(ii) term loan II is repayable in 120 monthly instalments over a period of 10 years commencing from June 2003.
(iii) term loan III is repayable in 96 monthly instalment over a period of 8 years commencing from January, 2007.

(c) The above term loans are denominated in Ringgit Malaysia.

25 HIRE PURCHASE CREDITORS

The Group has certain motor vehicles and plant and equipment under hire purchase arrangements. These are classified as finance leases and payable within 5 years. Future minimum lease payments under these finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	Present value of minimum lease payments 2006	Minimum lease payments	Present value of minimum lease payments 2005
	S$	S$	S$	S$
Amount payable under finance leases:				
Within one year	1,195,262	1,110,066	731,069	669,824
Between two to five years	710,068	686,104	589,908	565,112
Total minimum lease payments	1,905,330	1,796,170	1,320,977	1,234,936
Less: Future finance charges	(109,160)	–	(86,041)	–
Present value of minimum lease payments	1,796,170	1,796,170	1,234,936	1,234,936
Less:				
Repayable within one year included under current liabilities		(1,110,066)		(669,824)
Repayable within two to five years included under non-current liabilities		686,104		565,112

(a) The hire purchase creditors' effective interest rates range from 6.7% to 6.9% (2005: 3.17% to 4.50%) per annum.

(b) The above hire purchase creditors are denominated in Ringgit Malaysia.

26 DEFERRED TAXATION

	Group 2006	Group 2005
	S$	S$
Deferred tax liabilities		
– to be settled after 12 months	1,532,461	1,345,142

The movement in the deferred tax account is as follows:

	S$	S$
Deferred tax liabilities		
– Accelerated tax depreciation:		
Balance at 1 January	1,362,902	1,060,560
Currency translation difference	(32,198)	32,584
Charged to income statement	228,981	269,758
Balance at 31 December	1,559,685	1,362,902
– Unrealised foreign exchange gain:		
Balance at 1 January	–	15,552
Credited to income statement	–	(15,552)
Balance at 31 December	–	–
Total deferred tax liabilities	1,559,685	1,362,902

Notes to the Financial Statements

26 DEFERRED TAXATION (CONT'D)

	Group 2006 S$	Group 2005 S$
Deferred tax assets		
– TUnrealised foreign exchange loss		
Balance at 1 January	17,760	–
Currency realignment	(420)	–
Credited to income statement	9,884	17,760
Balance at 31 December	27,224	17,760
Total deferred tax assets	27,224	17,760

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	S$	S$
Deferred tax liabilities	1,559,685	1,362,902
Deferred tax assets	(27,224)	(17,760)
	1,532,461	1,345,142

27 TRADE PAYABLES

(a) The normal trade credit terms granted to the Group range from 30 to 90 days.

(b) The foreign currency exposure profile of trade payables are as follows:

	Group 2006 S$	Group 2005 S$
United States Dollar	41,911	96,998
Ringgit Malaysia	1,599,941	1,182,248
	1,641,852	1,279,246

28 OTHER PAYABLES

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
Other payables	84,964	78,587	–	–
Accrued operating expenses	406,238	359,714	264,446	246,891
	491,202	438,301	264,446	246,891

28 OTHER PAYABLES (CONT'D)

(a) The foreign currency exposure profile of other payables are as follows:.

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Ringgit Malaysia	226,756	191,410	–	–
Singpore Dollar	264,446	246,891	264,446	246,891
	491,202	438,301	264,446	246,891

29 DUE TO A RELATED PARTY

(a) The related party is a company in which certain directors of the Company have substantial financial interests.

The amount due to the related party is trade in nature, unsecured and has a credit term of 30 to 90 days, and will be settled in cash.

(b) The foreign currency exposure profile of the amount due to the related party is as follows:

	Group	
	2006	2005
	S$	S$
United States Dollar	1,662	618,133

30 BANK BORROWINGS

	Group	
	2006	2005
	S$	S$
Secured		
– bills payables	8,169,993	6,883,050
– term loans (Note 24)	307,001	216,069
	8,476,994	7,099,119
Unsecured		
– bills payables	134,822	–
	8,611,816	7,099,119

(a) The bank borrowings of the Group bear effective interest rates from 3.52% to 8.4% (2005: 3.52% to 8.4%) per annum and are secured and supported by:

(i) legal charges over the Company's subsidiary leasehold land and factory building;

(ii) debenture incorporating a fixed and floating charge over all assets of a subsidiary company;

(iii) pledge of fixed deposits as disclosed in Note 21;

(iv) jointly and severally guaranteed by certain directors of the Company's subsidiary; and

(v) corporate guarantee of the Company.

(b) The unsecured bank borrowings of the Group bear an effective interest rate at 5.2% (2005: S$Nil) per annum.

Notes to the Financial Statements

30 BANK BORROWINGS (CONT'D)

(c) The above bank borrowings are denominated in Ringgit Malaysia.

(d) At 31 December 2006, the Group had available S$3.83 million (2005: S$2.69 million) of undrawn committed trade and overdraft facilities.

31 RELATED PARTY TRANSACTIONS

(a) Transactions with Related Party

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place during the financial year on terms agreed between the parties:

	Group	
	2006	2005
With a company in which directors of the Company have substantial interest	S$	S$
Sales	764,888	4,802,155
Purchase of raw materials	6,812,946	5,337,056
Purchase of tools, moulds and machinery	309,224	–

The above represents transactions entered into in the ordinary course of business and are based on terms mutually agreed between the parties concerned.

(b) Compensation of Key Management Personnel

	Group	
	2006	2005
	S$	S$
Short-term employee benefits	603,677	744,152
Post-employment benefits – Employees Provident Fund	20,696	13,110
	624,373	752,262

The above includes remuneration of the following:

	S$	S$
Directors of the Company	480,590	602,440

32 CAPITAL COMMITMENTS

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Capital expenditure in respect of purchases of plant and equipment	–	1,656,310	–	–

33 DIVIDENDS

The directors propose a first and final one-tier tax exempt dividend of S$0.0101 (2005: S$0.0066) cents per share amounting to S$972,390 (2005: S$635,423) in respect of the financial year ended 31 December 2006 subject to the approval of shareholders at the Annual General Meeting of the Company.

34 SEGMENT INFORMATION

(i) Business segments

The Group is primarily engaged in 4 business segments namely, manufacture of T-yokes, U-yokes and Washers.

Consolidated income statement

	Frame & Others S$	T-yokes S$	U-yokes S$	Washers S$	Total S$
2006					
Revenue	300,594	12,953,360	1,495,940	4,334,526	19,084,420
Profit from operations					2,237,063
Finance income					18,822
Finance costs					(690,955)
Profit before tax					1,564,930
Income tax					(287,467)
Profit for the year					1,277,463
Other information					
Depreciation of property, plant and equipment – unallocated					2,030,526
Capital expenditure – unallocated					6,256,028
2005					
Revenue	–	14,866,932	1,002,996	3,468,984	19,338,912
Profit from operations					3,511,613
Finance income					13,772
Finance costs					(705,510)
Profit before tax					2,819,875
Income tax					(438,342)
Profit for the year					2,381,533
Other information					
Depreciation of property, plant and equipment – unallocated					1,818,375
Capital expenditure – unallocated					3,801,913

Property, plant and equipment purchased by the Group are used interchangeably in the manufacture of the different product categories. Accordingly, depreciation of property, plant and equipment and capital expenditure are disclosed unallocated in this segment information.

Notes to the Financial Statements

34 SEGMENT INFORMATION (CONT'D)

(i) Business segments (cont'd)

Consolidated balance sheet

	2006 S$	2005 S$
Assets		
Total assets – unallocated	30,898,721	28,367,745
Liabilities		
Total liabilities – unallocated	15,382,876	13,201,276

Assets of the Group are utilised interchangeably between the different segments and there is no reasonable basis to allocate liabilities of the Group between the different segments. Accordingly, assets and liabilities of the Group are disclosed unallocated in this segment information.

(ii) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the location of the customers. Segment assets are based on the geographical location of the assets.

	Asia S$	Europe S$	North America S$	Total S$
2006				
Revenue	7,723,048	6,542,193	4,819,179	19,084,420
2005				
Revenue	9,215,958	6,424,971	3,697,983	19,338,912
2006				
Segment assets	30,898,721	–	–	30,898,721
Capital expenditure	6,256,028	–	–	6,256,028
2005				
Segment assets	28,367,745	–	–	28,367,745
Capital expenditure	4,280,211	–	–	3,801,913

35 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Factors

The Group is exposed to a variety of risks in the normal course of business. The Group's risk management seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks as follows:

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from the respective functional currencies of the Company and its subsidiaries.

The Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sale into foreign currency bank account which will primarily be used for payment of purchases in the same denomination.

35 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

(i) Foreign Currency Risk (cont'd)

The net unhedged financial assets and liabilities of the Group that are not denominated in their respective functional currencies of the Company and its subsidiaries are as follows:

	Trade receivables S$	Cash and cash equivalents S$	Trade Payables S$
2006			
United States Dollar	3,705,610	270,701	41,911
Euro	1,138,360	208	–
Hong Kong Dollar	999,598	–	–
Chinese Renminbi	1,616	–	–
	5,845,184	270,909	41,911

	Trade Receivables S$	Cash and cash equivalents S$	Trade Payables S$
2005			
United States Dollar	1,882,787	122,227	96,998
Euro	3,894,072	49	–
Hong Kong Dollar	807,586	–	–
	6,584,445	122,276	96,998

(ii) Interest Rate Risk

The Group's exposure to interest rate risk relates to interest bearing financial assets and financial liabilities.

Interest bearing financial assets

Fixed deposits are short term in nature and are not held for speculative purposes but are placed to satisfy conditions for banking facilities granted to the Group and have better yield returns than cash at banks.

Interest bearing financial liabilities

Interest bearing financial liabilities includes hire purchase creditors, term loans and bills payables. Majority of the Group's borrowings are short term to finance the working capital needs of the Group and therefore, the exposure to interest rate risk is minimal.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and the nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The following tables set out the carrying amounts, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

Notes to the Financial Statements

35 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

(ii) Interest Rate Risk (cont'd)

Group	Within one year S$	Two to five years S$	More than five years S$	Total S$
2006				
Fixed rate				
Financial assets				
Fixed deposits	514,658	–	–	514,658
Financial liabilities				
Hire purchase creditors	1,110,066	686,104	–	1,796,170
Bill payables	8,304,815	–	–	8,304,815
2005				
Fixed rate				
Financial assets				
Fixed deposits	250,685	–	–	250,685
Financial liabilities				
Hire purchase creditors	669,824	565,112	–	1,234,936
Bill payables	6,883,050	–	–	6,883,050
2006				
Floating rate				
Financial liabilities				
Term loans	307,001	1,149,751	99,013	1,555,765
2005				
Floating rate				
Financial liabilities				
Term loans	216,069	956,798	177,253	1,350,120

35 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Financial Risk Factors (cont'd)

(iii) Credit Risk

The Group's exposure to credit risk arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the balance sheet.

The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

The Group does not have any significant exposure to any individual customer.

(iv) Liquidity and Cash Flow Risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met.

As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirement. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position.

(b) Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:

(i) Cash at Banks and in Hand, Trade and Other Receivables and Payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial assets and liabilities.

(ii) Borrowings

The carrying amounts of bills payables approximate fair values due to the relatively short term maturity of their financial liabilities.

The fair value of hire purchase creditors and bank term loans approximate their carrying amounts, as estimated by using discounted cash flow analysis based on current lending rates for similar types of lending and borrowing arrangements.

Appendix

10 APRIL 2007

This Appendix is circulated to Shareholders of AA Group Holdings Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Interested Person Transactions Mandate to be tabled at the Annual General Meeting to be held on 25 April 2007 at 10.00 a.m. at Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

IN RELATION

TO DETAILS OF THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

DEFINITIONS

In this appendix ("Appendix"), the following definitions apply throughout unless otherwise stated:-

"AGM"	:	The annual general meeting of the Company
"EGM"	:	The extraordinary general meeting of the Company
"Company"	:	AA Group Holdings Ltd.
"Group"	:	The Company and its subsidiaries
"AASB"	:	Allied Advantage Sdn Bhd
"Audio Yoke"	:	Audio Yoke Industrial Co. Limited
"Act"		The Companies Act (Chapter 50) of Singapore
"Associate"	:	(a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
	:	(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Board" or "Directors"	:	The Directors of our Company as at the date of this Appendix
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercises control over our Company
"Executive Director"	:	The executive Directors of our Company as at the date of this Appendix, unless otherwise stated, and "Non-Executive Director" refers to our non-executive Director
"Executive Officers"	:	The executive officers of our Group as at the date of this Appendix, unless otherwise stated
"Independent Directors"		The independent Director of our Company as at the date of this Appendix, unless otherwise stated

"Interested Person"	:	A Director, chief executive officer or controlling shareholder of the Company or an associate of such Director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any Interested Person
"Latest Practicable Date"	:	13 March 2007, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX-SESDAQ"	:	Stock Exchange of Singapore Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Substantial shareholder"	:	A person who owns directly or indirectly 5% or more of the total share capital in our Company or in a company, as the case may be
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent"	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Act.

The expressions "our", "ourselves", "us", "we" or other grammatical variations thereof shall, unless otherwise stated, mean our Company and subsidiaries.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

Appendix

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the Group's existing general mandate, renewed by the Shareholders during the last AGM held on 28 April 2006, that will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual ("Shareholders' Mandate").

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested person, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

Pursuant to Chapter 9 of the Listing Manual, the Shareholders' Mandate, which was approved by the Shareholders in the last AGM held on 28 April 2006, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM to be held on 25 April 2007.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Appendix.

2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Person

The renewed Shareholders' Mandate will apply to our transactions (as identified below) with Audio Yoke, a company incorporated in Taiwan, which is beneficially owned by our Executive Directors and Controlling Shareholders, Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh and Mdm Feng, Tzu-Ju @ Julie Feng. Both Mr Hsieh and Mdm Feng are also the Directors of Audio Yoke.

The current Shareholders' Mandate, approved by Shareholders in the last AGM held on 28 April 2006, applies to transactions with Audio Yoke.

Transactions with Audio Yoke that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.2 Nature of Transactions

The Interested Person Transactions with Audio Yoke which will be covered by the Shareholders' Mandate ("Mandate Transactions") include the following:

(a) purchase of steel wire rods and metal sheets; and

(b) purchase of tooling, semi-finished products, machinery and chemicals.
The Shareholders' Mandate will not cover any Mandate Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by our Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. Our Directors are of the view that it will be beneficial to our Group to transact with Audio Yoke. It is intended that the Mandate Transactions shall continue in the future as long as Audio Yoke (as the case may be) are Interested Persons of our Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to our Company and our minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene separate general meetings from time to time to seek Shareholders' approval as and when the Mandate Transactions arise, thereby reducing substantially the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis, on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

2.4 Review Procedures for Mandate Transactions

To ensure that the Mandate Transactions are undertaken without prejudice to our Shareholders, on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to Audio Yoke than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:–

(i) Our Group shall require that:-

(a) the price charged by Audio Yoke shall be based on its purchase costs for the steel wire rods and metal sheets plus a service fee to cover the costs of shipping the goods to the Group (including freight, insurance and customs fees) and Audio Yoke's administrative costs (excluding any remuneration or fees which Audio Yoke may pay to Hsieh, Kuo-Chuan @ James Hsieh and Feng, Tzu-Ju @ Julie Feng);

(b) such price charged by Audio Yoke as determined in accordance with (a) above shall not be higher than the price which our Group is able to obtain directly from the relevant steel suppliers;

(c) our Group shall obtain two other comparable quotations from unrelated third party suppliers or in the event that the Group is unable to do so, two other comparable prices from unrelated third party suppliers from publicly available sources for comparison and the price charged by Audio Yoke shall not be less favorable to us than the most competitive price of the third party quotations, taking into account factors such as quality, delivery time, credit terms granted and track record of the supplier. The third party quotations and prices shall be reviewed by our Audit Committee as part of their review process of the Mandate Transactions;

(d) any rebates received by Audio Yoke from the steel suppliers shall be declared and passed on to the Group;

(e) Audio Yoke shall make available its records, books and accounts for inspection by our Group and all supporting documents in respect of the amounts charged to our Group for the purchases made shall be provided to us upon request; and

(f) Audio Yoke shall provide a copy of its annual audited accounts to the Group.

Audio Yoke has provided an undertaking to render all assistance and cooperation in providing the necessary information and documents set out in 2.4 (i)(d), (e) and (f) above.

Appendix

(ii) In addition, the following review and approval procedures for the Mandate Transactions will also be implemented by our Group:-

(a) Any Mandate Transaction which equals or exceeds $100,000 but less than 3% of our Group's latest audited NTA in value will be reviewed and approved by an Executive Director or an Executive Officer of our Group (whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and

(b) Any Mandate Transaction which equals or exceeds 3% of our Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.

In the event that the Executive Officer, Executive Director or a member of our Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

(iii) Our Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):–

(a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes); and

(b) The Company will maintain a register of transactions carried out with Interested Persons including those of a value of less than S$100,000 (recording the basis, including the quotations obtained to support such basis, on which they are entered into).

(iv) The Audit Committee will review the register of Interested Person Transactions as set out in 2.4 (iii)(b) above while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions on at least a quarterly basis. Our Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(v) Our Audit Committee shall also review on a quarterly basis the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis, on normal commercial terms and are not prejudicial to the interests of our Company and minority Shareholders. Further, if during these periodic reviews by our Audit Committee, our Audit Committee is of view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of our Company and minority Shareholders, our Company will (pursuant to Rule 920(1)(b)(iv) and (vii) of the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures

2.5 Audit Committee's Statement

(a) The Audit Committee (currently comprising Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 28 April 2006.

(b) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

(c) The Audit Committee will also ensure that all disclosure and approval requirements for Interested Person Transactions, including those required by the prevailing legislation, the Listing Manual and the applicable accounting standards, as the case may be, are complied with.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the Substantial Shareholders in shares as at Latest Practicable Date are set out below: -

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Hsieh, Kuo-Chuan @ Jaimes Hsieh [(1)]	27,505,745	28.57	27,505,745	28.57
Feng, Tzu-Ju @ Julie Feng [(1)]	27,505,745	28.57	27,505,745	28.57
Substantial Shareholders				
Asean China Investment Fund L.P.	8,503,401	8.83	–	–
Poh Po Lian	–	–	11,268,000	11.70

(1) Hsieh, Kuo-Chuan @ Jaimes Hsieh and Feng, Tzu-Ju @ Julie Feng are spouses. Thus, they are deemed to be interested in each other's respective shareholdings in our Company.

(2) Poh Po Lian's deemed interest are held by HL Bank Nominees (S) Pte Ltd (2,500,000 ordinary shares), Maybank Nominees Pte Ltd (5,618,000 ordinary shares), Hong Leong Finance Nominees Pte Ltd (2,000,000 ordinary shares) and UOB Kay Hian Pte Ltd (1,150,000 ordinary shares) respectively.

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

4. DIRECTORS' RECOMMENDATIONS

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Loo Choon Chiaw, Phuah Lian Heng and Tan Kuang Hui (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 9, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

5. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report 2006 of the Company, will be held on 25 April 2007 at 10.00 a.m. at Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

Appendix

6. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his or her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at 88 Amoy Street Level Three, Singapore 069907 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes. As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Appendix together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 9 at the AGM to be held on 25 April 2007.

7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2005 and 31 December 2006 are available for inspection at the registered office of the Company at 88 Amoy Street Level Three, Singapore 069907 during normal business hours from the date of the Appendix up to the date of AGM.

8. DIRECTOR'S RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

ANNEXURE

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTNG MANUAL

Scope

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into with a counter-party who is an interested person of the listed company.

Definitions

An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An "associate" includes an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent) of such director, chief executive officer, substantial shareholder or controlling shareholder, or any company in which the director/his immediate family, the chief executive officer/his immediate family, substantial shareholder/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more.

An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A "controlling shareholder" means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

Appendix

General Requirements

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholder's approval is required where:

(a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be individual in any subsequent aggregation.

Immediate announcement of a transaction is required where:

(a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below $100,000.

General Mandate

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested person of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

Statistics of Shareholdings

as at 13 March 2007

SHARE CAPITAL

Issued and fully paid	:	SGD12,515,906.13
Number of shares	:	96,276,201
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote of each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	219	76.04	738,000	0.77
10,001 – 1,000,000	64	22.22	2,512,000	2.61
1,000,001 and above	5	1.74	93,026,201	96.62
Total	288	100.00	96,276,201	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 13 March 2007, approximately 22.33% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

Statistics of Shareholdings

TOP TWENTY SHAREHOLDERS

	Name	No. of Shares	%
1.	HL Bank Nominees (S) Pte Ltd	71,666,800	74.44
2.	UOB Kay Hian Pte Ltd	9,653,401	10.03
3.	Maybank Nominees (S) Pte Ltd	8,618,000	8.95
4.	Hong Leong Finance Nominees Pte Ltd	2,000,000	2.08
5.	Tan Kim Cheng	1,088,000	1.13
6.	Lee Ean Lean	722,000	0.75
7.	Beh Chye Hee	412,000	0.43
8.	Kng Pong Sai	70,000	0.07
9.	Chik Chooi Wah	50,000	0.05
10.	Chua Hui Kian	50,000	0.05
11.	F H Lee Holdings Pte Ltd	50,000	0.05
12.	Goh Siok Hong	50,000	0.05
13.	Ong Keh Beng	50,000	0.05
14.	Teng Seok Goh	50,000	0.05
15.	Teo Yeow Chong	42,000	0.04
16.	Teng Sock Leng	35,000	0.04
17.	Yeo Hua Mok	35,000	0.04
18.	Chua Choon Hong	34,000	0.04
19.	Ho Lee Lin	30,000	0.03
20.	Tan Peck Luan	28,000	0.03
Total		94,734,201	98.40

SUBSTANTIAL SHAREHOLDERS
(AS SHOWN IN THE COMPANY'S REGISTER OF SUBSTANTIAL SHAREHOLDERS)

as at 13 March 2007

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders				
Asean China Investment Fund L.P.	8,503,401	8.83	–	–
Hsieh, Kuo-Chuan @ Jaimes Hsieh [1]	27,505,745	28.57	27,505,745	28.57
Feng, Tzu-Ju @ Julie Feng [1]	27,505,745	28.57	27,505,745	28.57
Poh Po Lian [2]	–	–	11,268,000	11.70

(1) Hsieh, Kuo-Chuan @ Jaimes Hsieh and Feng, Tzu-Ju @ Julie Feng are spouses. Thus, they are deemed to be interested in each other's respective shareholdings in our Company.

(2) Poh Po Lian's deemed interest are held by HL Bank Nominees (S) Pte Ltd (2,500,000 ordinary shares), Maybank Nominees Pte Ltd (5,618,000 ordinary shares), Hong Leong Finance Nominees Pte Ltd (2,000,000 ordinary shares) and UOB Kay Hian Pte Ltd (1,150,000 ordinary shares) respectively.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AA Group Holdings Limited will be held at Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on Wednesday, 25 April 2007 at 10:00 a.m. for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2006 and the Auditors' Report thereon. (Resolution 1)

2. To declare a first and final one-tier tax exempt dividend of 0.101 cent per ordinary share for the year ended 31 December 2006. (Resolution 2)

3. To re-elect the following directors retiring under Article 107 of the Company's Articles of Association:-

   (i) Mr Mark Yeo Wee Tiong; and (Resolution 3)

   (ii) Mr Pu, Jung-Tsan. (Resolution 4)

4. To approve the amount of S$140,000.00 proposed as Directors' Fees for the financial year ended 31 December 2006. (Resolution 5)

5. To re-appoint Messrs Moore Stephens as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital** (Resolution 7)

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company for the time being, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company for the time being (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue inforce until the conclusion of the next Annual General Meeting of the Company or on the date by which the next Annual General Meeting is required by law to be held, whichever is earlier." [See Explanatory Note 1]

Notice of Annual General Meeting

8. **Authority to allot and issue shares under the AA Group Employee Share Option Scheme** (Resolution 8)

   That the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the AA Group Employee Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note 2]

9. **Renewal of Shareholders' Mandate for Interested Person Transactions** (Resolution 9)

   (a) That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiary, to enter into any of the transactions falling within the categories of interested person transactions set out in the Appendix to this Annual Report of the Company dated 10 April 2007 (the "Appendix") with any party who is of the class of interested persons described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "Shareholders' Mandate");

   (b) That the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and

   (c) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." [See Explanatory Note 3]

By Order of the Board

CHEW KOK WYE
Company Secretary

Singapore, 10 April 2007

EXPLANATORY NOTES:

1. The Ordinary Resolution 7 proposed in item 7 above, if passed, will authorise the Directors of the Company to issue shares up to 50 per centum (50%) of the Company's issued share capital, with an aggregate sub-limit of 20 per centum (20%) of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.
2. The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoke by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.
3. The Ordinary Resolution 9 proposed in item 9 above, if passed, will authorise the interested person transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 88 Amoy Street, Level Three, Singapore 069907 not less than 48 hours before the time appointed for holding the above Meeting.

Notice of Books Cosure

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of AA Group Holdings Ltd. (the "Company") will be closed on 3 May 2007 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd at 3 Church Street #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 2 May 2007 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 2 May 2007 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 25 April 2007, will be made on 14 May 2007.

By Order of the Board

CHEW KOK WYE
Company Secretary

10 April 2007

Proxy Form

ANNUAL GENERAL MEETING

AA GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

Important:

1 For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of AA GROUP HOLDINGS LTD. (the "Company") hereby appoint the Chairman of the Meeting or:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Wednesday, 25 April 2007 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts		
2	Payment of proposed first and final one-tier tax exempt dividend		
3	Re-election of Mr Mark Yeo Wee Tiong as a Director		
4	Re-election of Mr Pu, Jung-Tsan as a Director		
5	Approval of proposed Directors' Fees of S$140,000.00 for the financial year ended 31 December 2006		
6	Re-appointment of Messrs Moore Stephens as Auditors		
7	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8	Authority to allot and issue shares under the AA Group Share Option Scheme		
9	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this ____________________ day of ____________________ , 2007.

TOTAL NUMBER OF SHARES IN:	
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

(Please see notes overleaf before completing this form)

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. 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 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 88 Amoy Street, Level Three, Singapore 069907 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed 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 this proxy form, failing which this proxy form shall be treated as invalid.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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