

AA GROUP HOLDINGS LTD.
(200412064D)

Sound of the century

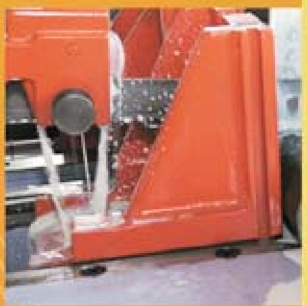
ANNUAL REPORT
2007

CONTENTS

Sound of the century

The growing demand for a wide variety of digital audiovisual 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.



CORPORATE PROFILE

Based in Sungai 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

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 lowcarbon steel.

T-yokes

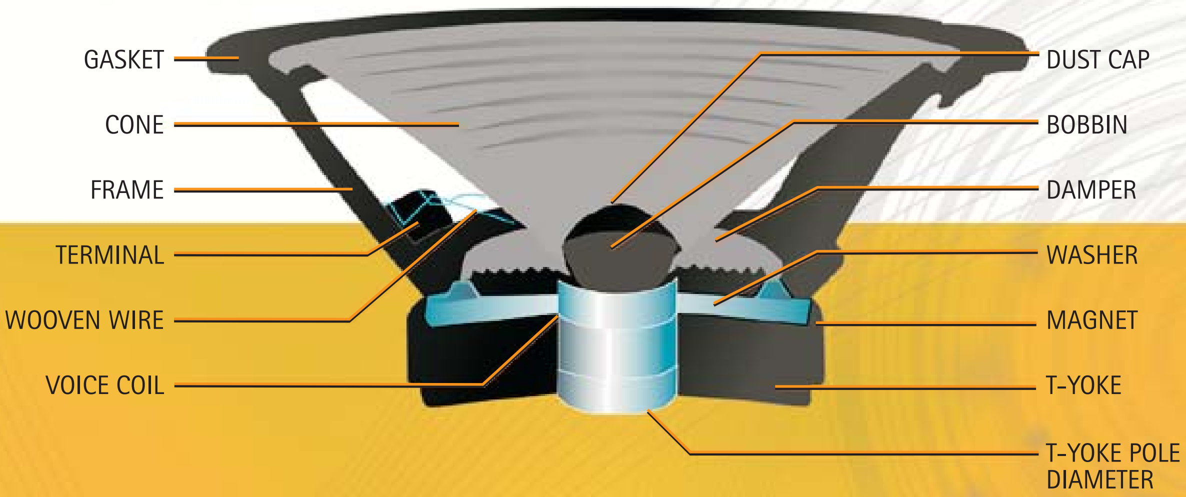
U-yokes

Cold forging is a manufacturing technique whereby metal is shaped by pressing, pounding, or subjecting it to great pressure to form highstrength 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.

Washers

Frames

CROSS SECTION OF LOUDSPEAKER



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

REGISTERED OFFICE

88 Amoy Street Level Three
Singapore 069907

COMPANY REGISTRATION NUMBER

200412064D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate &
Advisory Services 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

FY2007 was another tough year which was filled with challenges. The drastic increase in cost of raw materials such as steel and oil, and the strengthening of the Malaysian Ringgit against the US Dollar has affected all in the industry including the AA Group.

However with sound business strategies and concerted effort from all in implementing effective cost-cutting measures, improved efficiency and productivity, and initiatives to increase customer satisfaction, we managed to strive for a satisfactory performance.

Financial Review

The Group's revenue for FY2007 increased marginally by 16.1% to $22.2 million. During the year we continued to operate under challenging conditions largely associated with the competitive conditions prevailing within our industry environments.

The Groups' focus during the year was to enhance its competitive position in the high end market. Priority is placed on efforts made to extract better value out of every product.

Correspondingly, our gross profit dipped by 11.9% to $3.0 million as we were not able to pass the full increase in the cost of steel to our customers. The management will continue to negotiate with customers on price revisions to off-set the increase in the price of raw materials.

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 61.4% jump in other operating revenue. This was, however, mitigated by a 157.4% increase in losses on foreign exchange for receipts in US dollars. As a result, our Group's net profit attributable to shareholders declined by 27.8% to $0.9 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 0.96 Singapore cents, while the net tangible asset per share was 16.08 Singapore cents.

CHAIRMAN'S MESSAGE

Dividend

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

Prospects

Moving forward, 2008 would remain challenging due to the uncertainty of the global environment especially the US economy, steel prices, the depreciating US Dollar and escalating oil prices.

In spite of the challenging times as well as the competitive pressure that the Group will be encountering, our team are well prepared to face the challenges ahead with strategies in business penetration into new industries and new product range such as automotive and motorcycle components, metal casing and metal frames.

The Group has implemented a long term strategy towards improving efficiency through the creation of innovative manufacturing processes and the use of advanced facilities for increased material utilisation rates and production cycles. In this connection, we will continue to work on cost management, embark on profitable businesses and to focus on high margin products especially from the overseas market. We shall also continue to focus on strengthening our financial position and to remain relevant in our core manufacturing competency.

Most of all, in addition to the above, the Group and the management shall remain committed in pursuing excellence in its business and to strive to increase shareholders' value.

Appreciation

On behalf of the Board, I would like to acknowledge and recognise the contribution by all the directors, management and employees of the Group for their continuous support and commitment towards our achievements. I also would like to thank our shareholders, clients, business associates, partners and the relevant government authorities for their continuing support to the Group.

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 Degree of Doctor of Philosophy in Enterprise, and 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 an Independent Director on 4 July 2005. He has been an Advocate and Solicitor of the Supreme Court of Singapore since 1981. He is 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. Mr Loo is presently an independent director of China Sun Bio-chem Technology Group Company Ltd., Celestial Nutrifoods Limited, China Milk Products Group Limited, Allied Technologies Limited, FerroChina Limited and Ionics EMS, Inc.. Mr Loo was previously an independent director of OKP Holdings Limited and Spindex Industries Limited.

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 and 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 as 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 listing. 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

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 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 Factory 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.

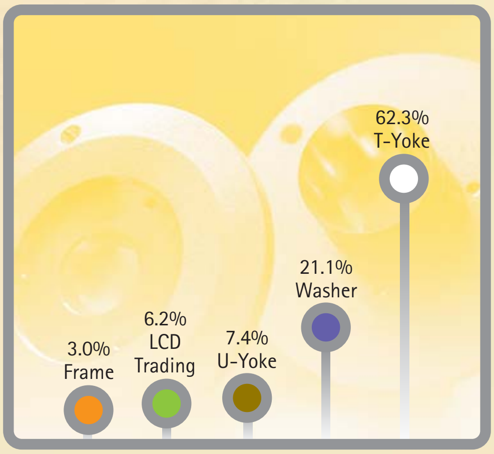
Goh Kim Loh
Finance Controller

Goh Kim Loh is our Finance Controller. She is responsible for the overall organisation and management of the Group's financial systems and is also in charge of reviewing the financial reports of all companies within the Group. From 1997 to 2003, she was with ITW Meritex Sdn Bhd / ITW Richmond Sdn Bhd. She started as Accountant in 1997 and was promoted to Accounting cum Administrative Manager in year 1999. She joined Pana Home Tech Sdn Bhd, a subsidiary of Pana Home Corporation, Japan in year 2003 as a Finance cum Administrative Manager until year 2007. Thereafter she assumed the position of Finance Controller of Allied Advantage Sdn Bhd. She graduated with honours from Universiti Utara Malaysia with a Bachelor Degree of Accountancy. She is a member of the Malaysia Institute of Accountants.

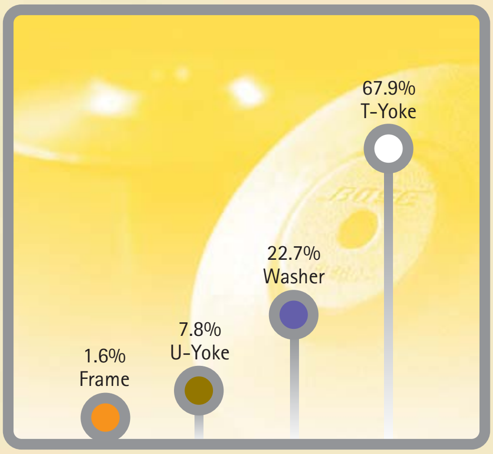
FINANCIAL HIGHLIGHTS

REVENUE BY PRODUCTS

FY2007

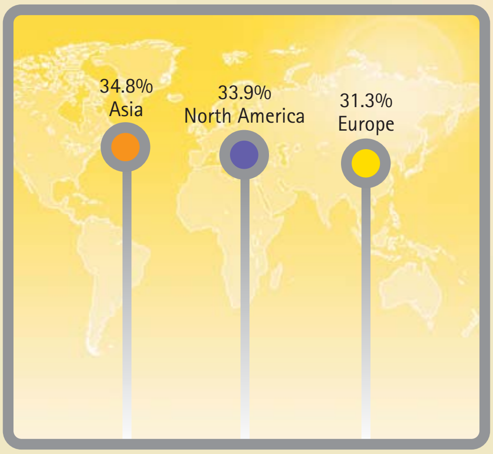


FY2006

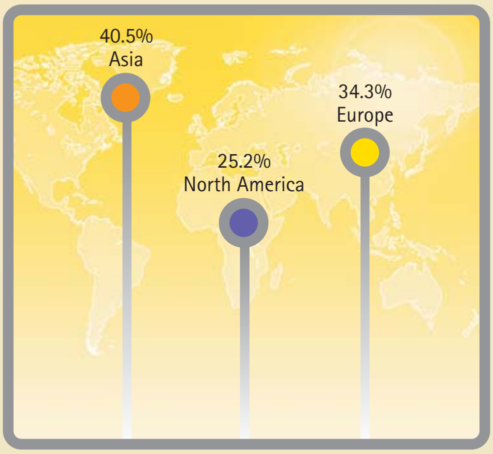


BY GEOGRAPHICAL REGION

FY2007



FY2006

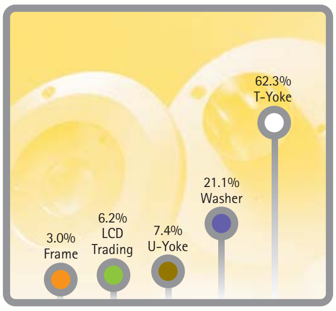


OPERATING & FINANCIAL REVIEW

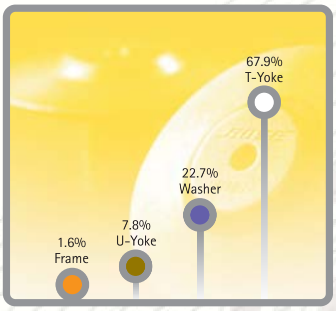
Financial Performance

Results of Operations (S$ '000)	FY2007	FY2006	Change (%)
Revenue			
T-Yokes	13,805	12,953	6.58%
U-Yokes	1,637	1,496	9.43%
Washers	4,670	4,334	7.75%
LCD Trading	1,380	-	-
Frames/Others	673	301	123.59%
Total Revenue	**22,165**	**19,084**	**16.14%**
Cost of sales	(19,123)	(15,630)	22.35%
Gross Profit	**3,042**	**3,454**	**(11.93%)**
Other operating revenue	845	524	61.26%
Administrative costs	(1,495)	(1,582)	(5.50%)
Other operating costs	(285)	(159)	79.25%
Operating profit	2,107	2,237	(5.81%)
Financial income	31	19	63.16%
Financial costs	(879)	(691)	27.21%
Profit Before Income Tax	**1,259**	**1,565**	**(19.55%)**
Income tax	(337)	(288)	17.01%
Profit Attributable To Equity Holders Of The Company	**922**	**1,277**	**(27.80%)**
Financial Position	**FY2007**	**FY2006**	
Total Assets	32,267	30,899	4.43%
Total Liabilities	16,781	15,383	9.09%
Total Equity	15,486	15,516	(0.19%)
Capital Expenditure	2,315	6,256	(63.00%)
Group Staff Strength	161	172	(6.40%)

Revenue



FY2007



FY2006

For financial year ended 31 December 2007, the Group had increased its revenue by 16.14% to $22.2 million due to:

1. Increase in sales to Bose Corporation, ASK Poland SP.ZO.O and ASK DO Brazil Ltd. by S$3.0 million, S$0.9 million and S$0.9 million respectively as compared to FY2006. This was off-set by a decreased in sales revenue from Hymnario Electronics (Hui Yang) Co. Ltd., dB Technology (Thailand) Co., Starton Industries (M) Sdn. Bhd., S.I.P.E. SPA and Blaupunkt Werke Gmbh, Ltd by S$0.8 million, S$0.7 million, S$0.6 million, S$0.4 million and S$0.4 million respectively.
2. Sales of LCDs, which is a new trading item by the Company's wholly owned subsidiary, AA Supply Chain Management Sdn. Bhd., that contributed S$1.4 million to the Group's revenue.

The sales of T-yokes remained as our largest revenue contributor that accounted for S$13.8 million or 62.3% of total sales. Revenue from U-yokes increased by 9.4% as compared to previous financial year. Revenues from washers and frames similarly grew by S$0.3 million and S$0.4 million respectively. Trading item such as LCDs also contributed S$1.4 million, or 6.2% to the total sales.

OPERATING & FINANCIAL REVIEW

Profitability

The Group's Gross Profit declined by 11.9% mainly due to higher cost in raw materials such as steel prices, of which we were unable to pass the full increase to our customers.

Other operating revenue grew by S$0.3 million or 61.4% due to higher prices of scrap materials and metal wastes. Other operating costs increased by S$0.13 million or 79.2% mainly due to loss on foreign exchange for receipts from customers as a result of unfavourable USD exchange rates against the Ringgit Malaysia. In addition, finance costs had increased by S$0.2 million or 27.2% mainly due to the increase for financing of purchases through trust receipts and the increase in financing required for working capital purposes.

As a result, the Group's net profit dipped by 27.80% to S$0.9 million.

Taxation

Taxation increased 17.0% from S$288,000 to S$337,000 due to a decrease of the Company's capital and reinvestment allowance in tax computation off-set with lower profit margin.

Cash Flow

(S$'000)	2007	2006
Net cash generated from operating activities	2,364	3,473
Net cash used in investing activities	(2,263)	(2,652)
Net cash used in financing activities	(827)	(216)
Net increase in cash and cash equivalents	(726)	605
Cash and cash equivalents as at end of the year	422	1,154

As at 31 December 2007, net cash generating from operating activities was amounted to approximately S$2.36 million in which the decrease was mainly due to an increase of S$1.53 million in trade receivables.

Our net cash used in investing activities was amounted to approximately S$2.26 million, which was mainly used to purchase plant and equipment. Net cash used in financing activities was approximately S$1.34 million, mainly due to repayment of hire purchase and term loan of S$1.11 million and S$0.32 million respectively.

Indebtedness

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

(S$'000)	2007	2006
Due within 1 year:		
Bills payable to banks		
- Secured	8,516,014	8,169,993
- Unsecured	510,185	134,822
Bank overdraft	121,073	-
Short term bank loans	534,454	307,001
Total Indebtedness	9,681,726	8,611,816
Gearing Ratio	0.47	0.44

Prospects

Moving forward, the financial year 2008 will remain challenging due to the uncertainty in the global economic environment, in particular, the US economy, the depreciation of the US Dollar and the escalating oil prices. In spite of the challenges ahead, we will be well prepared with strategies in business penetration, cost management, enlarging customer base and introducing new products such as amplifier casing, piston pins, braking system parts, engine covers and shock absorbers.

During the FY2007, we successfully introduced certain new products into our core business. These products are metal frames, motorcycle knobs and metal shield cans. With these extensive mixtures of products, we are able to cater to various market sectors such as the loudspeaker, electronic, LCD monitor and automobile industries.

This capability allows us to serve our customers' diverse needs and requirements more comprehensively and enable us to be more competitive in terms of pricing and satisfaction.

The Group will continue to improve its efficiency in manufacturing processes, and use advanced facilities to increase material utilisation rates and production cycles. We will also embark on profitable businesses and focus on higher margin products for the coming years.

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 FY2007 with full attendance save for the absence of Pu, Jung-Tsan on 21 February 2007 and Feng, Tzu-Ju @ Julie Feng on the 10 August 2007 respectively.

Additional ad-hoc meetings may be held where circumstances require. The Company's Articles of Association provides for meetings of Directors to be held by telephone conference, television or similar communication equipment.

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.

1. BOARD MATTERS (CONT'D)

Newly-appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. Directors are also given opportunity to visit the Group's operational facilities and meet with management staff to get a better understanding of the Group's business. 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 updates in changes to relevant laws, regulations and accounting standards.

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 distinct 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.

CORPORATE GOVERNANCE

1. BOARD MATTERS (CONT'D)

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.

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 FY2007 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.

1. BOARD MATTERS (CONT'D)

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 the Annual General Meeting in each year, provided that all Directors shall retire from office at least once every three years. 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	48	Executive Chairman	20 October 2004	28 April 2006
Mdm Feng, Tzu-Ju @ Julie Feng	45	Managing Director	21 September 2004	–
Mr Pu, Jung-Tsan	48	Executive Director	4 July 2005	25 April 2007
Mr Mark Yeo Wee Tiong	44	Non-Executive Director	6 Dec 2004	25 April 2007
Mr Ng Teck Sim	37	Alternate Director to Mr Mark Yeo Wee Tiong	6 Dec 2004	–
Mr Loo Choon Chiaw	52	Independent Director	4 July 2005	28 April 2006
Mr Phuah Lian Heng	41	Independent Director	4 July 2005	28 April 2006
Mr Tan Kuang Hui	37	Independent Director	4 July 2005	28 April 2006

The NC has reviewed and confirmed the independence of Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui.

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that the respective directors have been carrying out their duties fittingly.

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.

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-ā-vis the Singapore Straits Times Index.

The Board has adopted a process to be 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.

CORPORATE GOVERNANCE

1. BOARD MATTERS (CONT'D)

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 FY2007, 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.

Where necessary, the Board shall have separate independent access the Company's senior management where further enquiries may be required in order for the particular director to carry out his duties properly.

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	Independent Director

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 FY2007 and attended by all members.

2. REMUNERATION MATTERS (CONT'D)

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 FY2007.

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

2. REMUNERATION MATTERS (CONT'D)

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. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors, key executives and performance.

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 FY2007 is set out as follows:

Remuneration of directors for the financial year ended 31 December 2007

Remuneration Band & Name of Director	Base/fixed salary	Bonus	Director's fees **	Other benefits	Total
S$0 to S$250,000					
Mr Jaimes Hsieh	75%	17%	–	8%	100%
Ms Julie Feng	80%	16%	–	4%	100%
Mr Pu Jung Tsan	91%	5%	–	4%	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%
Mr Ng Teck Sim	–	–	100%	–	100%

** 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 FY2007 is set out as follows:

Remuneration Band & Name of Key Executives	Base/fixed salary	Bonus	Other benefits	Total
S$0 to S$150,000				
Mr Lo Huan-Hsin	85%	–	15%	100%
Mr Beh Chye Hee	84%	5%	11%	100%
Mr Koh Teik Huat	83%	6%	11%	100%
Ms Goh Kim Loh	88%	–	12%	100%
Ms Ooi Soon Keow	83%	5%	12%	100%

2. REMUNERATION MATTERS (CONT'D)

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 2007. "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.

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.

CORPORATE GOVERNANCE

3. ACCOUNTABILITY AND AUDIT (CONT'D)

Audit Committee (Cont'd)

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.

The AC annually reviews the independence of the external auditors.

The AC met once in FY2007 with full attendance of each member. Minutes of AC meetings are circulated to fellow directors by the Company Secretary.

The Company has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regards, the AC adopted a whistle-blower policy during FY2007.

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.

3. ACCOUNTABILITY AND AUDIT (CONT'D)

Internal Audit (Cont'd)

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.

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

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

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.

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.

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.

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.

CORPORATE GOVERNANCE

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-year and full year financial 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 2007 in accordance with its existing procedures:

Name of interested person	Aggregate value of all interested person transactions for the financial year ended 31 December 2007 (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 -

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 year ended 31 December 2007

The directors present their report to the members together with the audited consolidated financial statements of AA Group Holdings Ltd. and its subsidiaries (the "Group") for the financial year ended 31 December 2007 and the balance sheet of the Company as at 31 December 2007.

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 or 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 1.1.2007	**As at 31.12.2007**	**As at 21.1.2008**
		Ordinary shares	
Name of directors			
Hsieh, Kuo-Chuan @ Jaimes 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 @ Jaimes 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 year, 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 to Take Up Unissued Shares

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 Unissued Shares Under Option

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.

9 Independent Auditors

The independent 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
17 March 2008

STATEMENT BY DIRECTORS

For the year ended 31 December 2007

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 29 to 64, 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 2007 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
17 March 2008

INDEPENDENT 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 2007 and the consolidated financial statements of the Company and its subsidiaries (the "Group") as set out on pages 29 to 64, which comprise the consolidated balance sheet as at 31 December 2007 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.

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 the Singapore Companies Act (Cap. 50) (the "Act") and 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 as to 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 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 2007, 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
17 March 2008

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2007

	Note	2007 S$	2006 S$
Revenue	3	**22,165,277**	19,084,420
Cost of sales		**(19,123,489)**	(15,630,445)
Gross profit		**3,041,788**	3,453,975
Other operating income	4	**845,333**	523,773
Administrative expenses		**(1,495,076)**	(1,581,692)
Other operating expenses		**(284,900)**	(158,993)
Finance income	5	**31,283**	18,822
Finance costs	6	**(879,081)**	(690,955)
Profit before income tax	7	**1,259,347**	1,564,930
Income tax	9	**(336,861)**	(287,467)
Profit attributable to equity holders of the Company		**922,486**	1,277,463
Earnings per share (S$ cents)	10		
- Basic		**0.96**	1.33
- Diluted		**0.96**	1.33

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

As at 31 December 2007

	Note	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
ASSETS					
Non-current assets					
Property, plant and equipment	11	**17,787,028**	16,498,235	**-**	-
Prepaid land lease payments	12	**1,089,803**	1,105,493	**-**	-
Capital work-in-progress	13	**-**	490,516	**-**	-
Investment in subsidiaries	14	**-**	-	**11,064,509**	11,064,509
		18,876,831	18,094,244	**11,064,509**	11,064,509
Current assets					
Inventories	15	**3,801,317**	4,211,259	**-**	-
Trade and other receivables	16	**8,335,703**	6,629,226	**1,773,153**	2,223,484
Other current assets	17	**176,220**	295,079	**642**	-
Cash and cash equivalents	18	**1,076,806**	1,668,913	**6,681**	58,239
		13,390,046	12,804,477	**1,780,476**	2,281,723
Total assets		**32,266,877**	30,898,721	**12,844,985**	13,346,232
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	19	**12,515,906**	12,515,906	**12,515,906**	12,515,906
Reserves	20	**2,969,665**	2,999,939	**81,148**	565,880
		15,485,571	15,515,845	**12,597,054**	13,081,786
Non-current liabilities					
Bank borrowings	21	**1,573,467**	1,248,764	**-**	-
Hire purchase creditors	22	**89,465**	686,104	**-**	-
Deferred taxation	23	**1,862,284**	1,532,461	**-**	-
		3,525,216	3,467,329	**-**	-
Current liabilities					
Trade and other payables	24	**2,976,635**	2,134,716	**247,931**	264,446
Hire purchase creditors	22	**597,729**	1,110,066	**-**	-
Bank borrowings	21	**9,681,726**	8,611,816	**-**	-
Provision for income tax		**-**	58,949	**-**	-
		13,256,090	11,915,547	**247,931**	264,446
Total liabilities		**16,781,306**	15,382,876	**247,931**	264,446
Total equity and liabilities		**32,266,877**	30,898,721	**12,844,985**	13,346,232

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

	Share capital S$	Merger reserve S$	Translation reserve S$	Retained earnings S$	Total attributable to equity holders of the Company S$
Balance as at 1 January 2006	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 as at 31 December 2006	12,515,906	(6,478,399)	(738,013)	10,216,351	15,515,845
Currency translation differences – recognised directly in equity	–	–	19,630	–	19,630
Profit for the year	–	–	–	922,486	922,486
Total recognised income for the year			19,630	922,486	942,116
Dividend	–	–	–	(972,390)	(972,390)
Balance as at 31 December 2007	12,515,906	(6,478,399)	(718,383)	10,166,447	15,485,571

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Note	2007 S$	2006 S$
Cash Flows from Operating Activities			
Profit before income tax		**1,259,347**	1,564,930
Adjustments for:			
Depreciation of property, plant and equipment		**1,513,645**	2,019,060
Amortisation of prepaid land lease payments		**17,446**	11,466
Gain on disposal of property, plant and equipment		**(22,229)**	(13,337)
Interest income		**(31,283)**	(18,822)
Interest expense		**861,753**	667,718
Operating cash flow before movements in working capital:		**3,598,679**	4,231,015
Inventories		**409,942**	(713,065)
Trade and other receivables		**(1,528,741)**	867,649
Trade and other payables		**841,919**	(200,963)
Cash generated from operating activities		**3,321,799**	4,184,636
Interest received		**31,283**	18,822
Interest paid		**(861,753)**	(667,718)
Income tax paid		**(127,394)**	(63,217)
Net cash generated from operating activities		**2,363,935**	3,472,523
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(2,315,191)**	(2,660,783)
Capital work-in-process incurred		**-**	(12,217)
Proceeds from disposal of property, plant and equipment		**51,721**	20,617
Net cash used in investing activities		**(2,263,470)**	(2,652,383)
Cash Flows from Financing Activities			
Increase in bills payable		**721,384**	1,296,158
Increase in fixed deposits pledged		**(19,499)**	(263,973)
Repayment of hire purchase creditors		**(1,108,976)**	(944,315)
Repayment of term loans		**(323,678)**	(90,462)
Proceeds from bank loans		**875,834**	421,713
Dividends paid		**(972,390)**	(635,423)
Net cash used in financing activities		**(827,325)**	(216,302)
Effect of foreign exchange rate changes on consolidation		**(5,819)**	(44,066)
Net (decrease)/increase in cash and cash equivalents		**(732,679)**	559,772
Cash and cash equivalents at the beginning of the year		**1,154,255**	594,483
Cash and cash equivalents at the end of the year	18	**421,576**	1,154,255

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

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 listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registered address 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 principal activities of the subsidiaries of the Group are set out in Note 14.

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

These financial statements were authorised for issue in accordance with a resolution of the Company's Board of Directors on 17 March 2008.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the balance sheet of the Company 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) Changes in Accounting Policies

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

(i) Adoption of New and Amended FRS

On 1 January 2007, the Group adopted the new or amended FRS and Interpretations 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 provisions in the respective FRS and INT FRS.

The following are the new or amended FRS and INT FRS that are relevant to the Group:

Amendments to FRS 1	Presentation of Financial Statements – Capital Disclosures
FRS 107	Financial Instruments: Disclosures
INT FRS 110	Interim Financial Reporting and Impairment

The adoption the above FRS or INT FRS did not result in any substantial changes to the Group's accounting policies nor any significant impact on these financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

2 Significant Accounting Policies (Cont'd)

(b) Changes in Accounting Policies (Cont'd)

(ii) New FRS issued but Not Yet Effective

At the date of authorisation of these financial statements, certain new FRS have been issued that are relevant to the Group but are only effective for future periods.

FRS 23	Borrowing Costs
FRS 108	Operating Segments

The Group's assessment of the impact of adopting these FRS that are relevant to the Group is set out below:

FRS 23 will become effective for financial statements for the year ending 31 December 2009. FRS 23 removes the option to expense borrowing costs and requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

FRS 108 will become effective for financial statements for the year ending 31 December 2009. FRS 108 supersedes FRS 14 Segment Reporting and requires the Group to report the financial performance of its operating segments based on the information used internally by management for evaluating segment performance and deciding on allocation of resources. Such information may be different from the information included in the financial statements, and the basis of its preparation and reconciliation to the amounts recognised in the financial statements shall be disclosed. The Group will apply FRS 108 from 1 January 2009 and provide comparative information that conforms to the requirements of FRS 108. The Group expects more operating segment information to be disclosed under FRS 108.

(c) Significant Accounting Estimates and Judgments

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 higher degrees of judgement are summarised below:

Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

2 Significant Accounting Policies (Cont'd)

(c) Significant Accounting Estimates and Judgments (Cont'd)

Useful Lives of Property, Plant and Equipment (Cont'd)

During the year, the Group has revised the estimated useful life of certain plant and machinery from 10 years to 15 years, and the net impact of the revision increased current year's profit by S$664,704. There is no change in the estimated useful life of other property, plant and equipment during the year. The carrying values of property, plant and equipment of the Group as of 31 December 2007 amounted to S$17,787,028 (2006: S$16,498,235).

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.

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.

(d) Basis of Consolidation

Subsidiaries are those entities over which the Group has the 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 the 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.

2 Significant Accounting Policies (Cont'd)

(e) Foreign Currency Translation

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore dollar (S$), which is the functional currency of the Company.

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserves in the balance sheet and recognised in the income statement on disposal of the subsidiary.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiaries are translated into Singapore dollar at the exchange rates ruling at the balance sheet date and the results of foreign subsidiaries are translated into Singapore dollar at the average exchange rates which approximate the rates at transaction dates. All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserves. On disposal of a foreign operation, the cumulative amount of exchange differences recognised in equity relating to that foreign operation is recognised in the income statement as a component of the gain or loss on disposal.

(f) Property, Plant and Equipment

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

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in a manner intended by management.

Depreciation is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives on annual depreciation rates as follow:

Factory buildings	-	2%
Plant and machinery	-	6% to 10%
Furniture, fittings and equipment	-	10% to 25%
Motor vehicles	-	20%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

2 Significant Accounting Policies (Cont'd)

(f) Property, Plant and Equipment (Cont'd)

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. Other subsequent expenditure is recognised as an expense in the income statement during the financial year in which it is incurred.

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement.

(g) Prepaid Land Lease Payments

Prepaid land lease payments which have finite lives are amortised on straight-line basis over the lease terms of the land, which range from 49 to 99 years.

(h) Capital Work-In-Progress

Capital work-in-progress represents property, plant and equipment under construction.

(i) Investment in Subsidiary

Investment in subsidiary is stated at cost less accumulated losses in the Company's balance sheet. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investments are taken to the income statement.

(j) Impairment of Non-Financial Assets

Non-financial assets of the Group are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement.

2 Significant Accounting Policies (Cont'd)

(k) 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 value represents the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

(l) Trade and Other Receivables

Trade and other receivables, including amounts due from related companies/parties, are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and bank deposits less restricted bank balances and bank overdraft, which form an integral part of the Group's cash management. Bank overdrafts are presented as current borrowings on the balance sheet.

(n) Trade and Other Payables

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

(o) 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.

(p) Assets under Hire Purchase Arrangement

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 the hirer to purchase the assets upon full settlement of the installment payments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

2 Significant Accounting Policies (Cont'd)

(p) Assets under Hire Purchase Arrangement (Cont'd)

Cost of property, plant and equipment acquired under 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. Depreciation on the relevant asset is charged to the income statement on the basis outlined in paragraph (f) above.

(q) Operating Leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

(r) 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.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings, unless it is probable that the Company will 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 in the Company's balance sheet.

Intragroup transactions are eliminated on consolidation.

(s) Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Interest income is recognised on a time proportion basis using the effective interest method.

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

2 Significant Accounting Policies (Cont'd)

(t) 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.

(u) Income Tax

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 difference 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 to the extent that future taxable income will be available against which the temporary differences can be utilised. Deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

2 Significant Accounting Policies (Cont'd)

(v) Segment Reporting (Cont'd)

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 year to acquire segment assets that are expected to be used for more than one year.

3 Revenue

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

4 Other Operating Income

	Group	
	2007	**2006**
	S$	**S$**
Gain on disposal of property, plant and equipment	**22,229**	13,337
Rental income	**45,157**	22,544
Scrap sales	**774,102**	487,892
Insurance claim received	**3,845**	-
	845,333	523,773

5 Finance Income

	Group	
	2007	**2006**
	S$	**S$**
Interest income		
- fixed deposits	**31,283**	18,822

6 Finance Costs

	Group	
	2007	2006
	S$	S$
Interest expense		
- bankers' acceptance charges	**288,311**	233,414
- hire purchase	**85,332**	105,075
- term loans	**109,697**	103,431
- bank overdrafts	**45,167**	21,115
- trust receipts	**333,246**	204,683
	861,753	667,718
Bank charges	**10,327**	15,782
Bank guarantee charges	**2,297**	2,380
Bank commitment fees	**4,704**	5,075
	879,081	690,955

7 Profit Before Tax

	2007	2006
	S$	S$
Profit before tax is arrived at after charging:		
Cost of inventories (included in cost of sales)	**19,123,489**	15,630,445
Depreciation of property, plant and equipment		
- recognised in cost of sales	**1,339,035**	1,874,684
- recognised in administrative expense	**174,610**	144,376
Amortisation of prepaid land lease payments	**17,446**	11,466
Loss on foreign exchange	**274,480**	106,633
Operating lease expense	**12,626**	10,768

8 Staff Costs

	Group	
	2007	2006
	S$	S$
Staff costs	**1,809,416**	1,791,741
Employees Provident Fund & Social Security	**61,441**	56,451
Other staff related costs	**16,290**	20,137
	1,887,147	1,868,329

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

9 Income Tax

	Group	
	2007	**2006**
	S$	**S$**
Income tax expense		
- current income tax	**9,510**	68,703
- deferred tax	**327,386**	242,593
	336,896	311,296
Over provision in prior years		
- deferred tax	**(35)**	(23,829)
	336,861	287,467

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax is explained below:

	2007	**2006**
	S$	**S$**
Profit before tax	**1,259,347**	1,564,930
Income tax at Singapore statutory rate of 18% (2006: 20%)	**226,682**	312,986
Effect of different tax rate in Malaysia	**51,072**	41,403
Non-tax deductible expenses	**80,852**	117,133
Utilisation of reinvestment allowance	**(21,710)**	(160,226)
Over provision of deferred tax in prior years	**(35)**	(23,829)
	336,861	287,467

The utilisation of the reinvestment allowances of a subsidiary company has resulted in a tax saving of approximately S$21,710 (2006: S$160,226).

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

(i) estimated unutilised reinvestment allowances of S$5,797,004 (2006: S$4,209,825), available for set-off against future taxable profits;

(ii) a tax credit of S$97,695 (2006: S$299,123) under Section 108 of Income Tax Act, 1967 to frank future payment of dividend of approximately S$264,428 (2006: S$769,482) without incurring additional tax liability; and

(iii) estimated tax exempt income account from pioneer profits of S$633,932 (2006: S$632,926), reinvestment allowances utilised against taxable profits of S$8,265,865 (2006: S$6,594,136) available for distribution by way of tax exempt dividend.

10 Earnings Per Share

Basis earnings per share is calculated by dividing the profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	**2006**
	S$	**S$**
Profit after tax attributable to equity holders of the Company	**922,486**	1,277,463

	Number of ordinary shares	
	2007	**2006**
Weighted average number of ordinary share in issue	**96,276,201**	96,276,201
Earnings per share		
- Basic	**0.96 cents**	1.33 cents
- Diluted	**0.96 cents**	1.33 cents

There are no potential diluted shares.

11 Property, Plant and Equipment

	Factory Building S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
Group					
2007					
Cost					
Balance at 1 January 2007	2,962,354	22,645,012	399,182	415,967	26,422,515
Additions	48,004	2,229,111	38,076	-	2,315,191
Transfer from capital work in progress	490,516	-	-	-	490,516
Disposals	-	(489,374)	(8,488)	-	(497,862)
Written off	-	(390,107)	-	(434)	(390,541)
Currency realignment	4,708	35,991	635	662	41,996
Balance at 31 December 2007	3,505,582	24,030,633	429,405	416,195	28,381,815
Accumulated depreciation					
Balance at 1 January 2007	320,024	9,120,373	205,984	277,899	9,924,280
Charge for the year	69,422	1,339,036	49,298	55,889	1,513,645
Disposals	-	(463,139)	(5,231)	-	(468,370)
Written off	-	(390,107)	-	(434)	(390,541)
Currency realignment	509	14,494	327	443	15,773
Balance at 31 December 2007	389,955	9,620,657	250,378	333,797	10,594,787
Net book value					
Balance at 31 December 2007	3,115,627	14,409,976	179,027	82,398	17,787,028

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

11 Property, Plant and Equipment (Cont'd)

	Factory Building S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
2006					
Cost					
Balance at 1 January 2006	2,197,534	18,406,048	313,148	422,184	21,338,914
Additions	816,735	4,673,825	94,511	46,701	5,631,772
Disposals	-	(39)	(1,079)	(42,945)	(44,063)
Currency realignment	(51,915)	(434,822)	(7,398)	(9,973)	(504,108)
Balance at 31 December 2006	2,962,354	22,645,012	399,182	415,967	26,422,515
Accumulated depreciation					
Balance at 1 January 2006	280,809	7,421,019	167,837	264,499	8,134,164
Charge for the year	45,849	1,874,683	43,072	55,456	2,019,060
Disposals	-	(16)	(960)	(35,807)	(36,783)
Currency realignment	(6,634)	(175,313)	(3,965)	(6,249)	(192,161)
Balance at 31 December 2006	320,024	9,120,373	205,984	277,899	9,924,280
Net book value					
Balance at 31 December 2006	2,642,330	13,524,639	193,198	138,068	16,498,235

(a) As at 31 December 2007, the net book value of property, plant and equipment acquired under hire purchase in respect of which installment payments are outstanding are as follows:-

	Group 2007 S$	Group 2006 S$
Plant and machinery	**2,389,760**	3,257,698
Motor vehicles	**80,281**	134,796
	2,470,041	3,392,494

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

(i) Factory buildings pledged to a financial institution for banking facilities granted to the Group as disclosed in Note 21.

(ii) Plant and equipment with a total net book value of S$1,156,378 (2006: S$1,272,958) pledged as security for bank borrowings granted to the Group as disclosed in Note 21.

(c) During the financial year, the Group acquired certain plant and equipment by means of hire purchase of Nil (2006: S$1,533,658). Other plant and equipment are acquired by cash payment of S$2,315,191 (2006: S$4,098,114).

12 Prepaid Land Lease Payments

	Leasehold Land S$
Group	
2007	
Cost	
Balance at 1 January 2007	1,155,187
Currency realignment	1,835
Balance at 31 December 2007	1,157,022
Accumulated amortisation	
Balance at 1 January 2007	49,694
Charge for the year	17,446
Currency realignment	79
Balance at 31 December 2007	67,219
Net book value	
Balance at 31 December 2007	1,089,803
2006	
Cost	
Balance at 1 January 2006	543,777
Additions	624,256
Currency realignment	(12,846)
Balance at 31 December 2006	1,155,187
Accumulated amortisation	
Balance at 1 January 2006	39,153
Charge for the year	11,466
Currency realignment	(925)
Balance at 31 December 2006	49,694
Net book value	
Balance at 31 December 2006	1,105,493

13 Capital Work-In-Progress

	Group	
	2007 S$	2006 S$
At cost	–	490,516

In the previous year capital work-in-progress comprised costs incurred for the extension of a factory building. The amount was transferred to property, plant and equipment during the current financial year.

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14 Investment in Subsidiaries

	Company 2007 S$	Company 2006 S$
Unquoted equity investment, at cost	**11,064,509**	11,064,509

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

Name of subsidiary	Country of incorporation and place of business	Principal activities	Equity interest held by the Group 2007 %	Equity interest held by the Group 2006 %
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	100

* The financial statements of all subsidiaries were audited by a member firm of Moore Stephens International Limited of which Moore Stephens, Singapore is a member.

15 Inventories

	Group 2007 S$	Group 2006 S$
Raw materials	**1,651,940**	2,447,278
Finished goods	**1,325,525**	497,707
Semi-finished goods	**823,852**	1,266,274
	3,801,317	4,211,259

16 Trade and Other Receivables

	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
Trade receivables				
- third parties	**7,711,874**	5,873,250	**-**	-
- related party	**564,285**	754,822	**-**	-
	8,276,159	6,628,072	**-**	-
Other receivables				
- due from subsidiary	**-**	-	**991,593**	1,249,233
- dividend receivable	**-**	-	**781,560**	974,251
- tax recoverable	**58,877**	-	**-**	-
- sundry receivables	**667**	1,154	**-**	-
	8,335,703	6,629,226	**1,773,153**	2,223,484

16 Trade and Other Receivables (Cont'd)

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

(b) The amount due from a subsidiary is unsecured, interest-free and repayable on demand, based on cash terms.

(c) Dividend receivable represents a tax exempt interim dividend of Nil (2006: 16.06%) and interim dividend of 24.66% (2006: 8.92%) receivable from a subsidiary declared during the financial year. The dividend receivable is denominated in Ringgit Malaysia.

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

17 Other Current Assets

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Deposits	**12,266**	67,779	**-**	-
Prepayments	**163,954**	227,300	**642**	-
	176,220	295,079	**642**	-

Included in the deposits are amounts totaling Nil (2006: S$56,530) paid for the purchase of plant and equipment.

18 Cash and Cash Equivalents

	Note	Group		Company	
		2007	2006	2007	2006
		S$	S$	S$	S$
Cash at banks and in hand		**542,649**	1,154,255	**6,681**	58,239
Fixed deposits		**534,157**	514,658	**-**	-
		1,076,806	1,668,913	**6,681**	58,239
Less:					
Bank overdraft	21	**(121,073)**	-	**-**	-
Fixed deposits pledged		**(534,157)**	(514,658)	**-**	-
Cash and cash equivalents per consolidated cash flow statement		**421,576**	1,154,255	**6,681**	58,239

Included in the fixed deposits are amounts totaling S$534,157 (2006: S$514,658) pledged to licensed banks as collateral for banking facilities granted to the Group, as disclosed in Note 21, and are utilised only for repayment of the said facilities.

The fixed deposits' effective interest rates range from 3% to 3.7% (2006: 3% to 3.7%) per annum.

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For the financial year ended 31 December 2007

19 Share Capital

	Group and Company			
	2007 No. of shares	2006 No. of shares	2007 S$	2006 S$
Issued and fully paid				
As at beginning and end of year	**96,276,201**	96,276,201	**12,515,906**	12,515,906

Shares of the Company have no par value.

20 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.

21 Bank Borrowings

Group	Note	Current within 1 year S$	Non-Current 2 – 5 years S$	Non-Current After 5 years S$	Non-Current Total S$	Total borrowings S$
2007						
Secured						
Borrowing I		243,947	296,706	–	296,706	540,653
Borrowing II		42,768	210,862	26,516	237,378	280,146
Borrowing III		56,491	245,119	109,678	354,797	411,288
Borrowing IV		191,248	684,586	–	684,586	875,834
		534,454	1,437,273	136,194	1,573,467	2,107,921
Bank overdraft	18	121,073	–	–	–	121,073
Bills payable		8,516,014	–	–	–	8,516,014
		9,171,541	1,437,273	136,194	1,573,467	10,745,008
Unsecured						
Bills payables		510,185	–	–	–	510,185
		9,681,726	1,437,273	136,194	1,573,467	11,255,193
2006						
Secured						
Borrowing I		210,706	550,497	–	550,497	761,203
Borrowing II		36,211	253,476	28,013	281,489	317,700
Borrowing III		60,084	304,696	112,082	416,778	476,862
Borrowing IV		–	–	–	–	–
		307,001	1,108,669	140,095	1,248,764	1,555,765
Bills payable		8,169,993	–	–	–	8,169,993
		8,476,994	1,108,669	140,095	1,248,764	9,725,758
Unsecured						
Bills payables		134,822	–	–	–	134,822
		8,611,816	1,108,669	140,095	1,248,764	9,860,580

21 Bank Borrowings (Cont'd)

(a) The bank borrowings of the Group are secured and bear effective interest rates from 3.85% to 9% (2006: 3.85% to 9.00%) per annum. The bank borrowings are secured and supported by:

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

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

(iii) pledge of fixed deposits as disclosed in Note 18;

(iv) corporate guarantee of the Company on facilities utilised for an amount of S$9,774,870 (2006: S$8,299,534);

(v) joint and several guarantee by certain directors of the Company on facilities utilised for an amount of S$1,480,323 (2006: S$1,561,046).

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

(i) borrowing I is repayable in 84 monthly installments over a period of 7 years commencing from February 2003;

(ii) borrowing II is repayable in 120 monthly installments over a period of 10 years commencing from June 2003;

(iii) borrowing III is repayable in 96 monthly installments over a period of 8 years commencing from January 2007; and

(iv) borrowing IV is repayable in 48 monthly installments over a period of 4 years commencing from January 2008.

(c) The unsecured bank borrowings of the Group bear an effective interest rate at 5.4% (2006: 5.2%) per annum.

(d) At 31 December 2007, the Group had available S$4.16 million (2006: S$4.23 million) of undrawn committed trade and overdraft facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

22 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:

	2007		2006	
	Minimum lease payments S$	Present value of minimum lease payments S$	Minimum lease payments S$	Present value of minimum lease payments S$
Amount payable under finance leases:				
Within one year	619,261	597,729	1,195,262	1,110,066
Between two to five years	91,935	89,465	710,068	686,104
Total minimum lease payments	711,196	687,194	1,905,330	1,796,170
Less: Future finance charges	(24,002)	-	(109,160)	-
Present value of minimum lease payments	687,194	687,194	1,796,170	1,796,170
Less:				
Repayable within one year included under current liabilities		(597,729)		(1,110,066)
Repayable within two to five years included under non-current liabilities		89,465		686,104

The hire purchase creditors' effective interest rates range from 6.2% to 6.9% (2006: 6.7% to 6.9%) per annum.

23 Deferred Taxation

	Group 2007 S$	Group 2006 S$
Deferred tax liabilities		
- to be settled after 12 months	**1,862,284**	1,532,461

The movement in the deferred tax account is as follows:

	2007 S$	2006 S$
Deferred tax liabilities		
- Accelerated tax depreciation:		
Balance at 1 January	**1,559,685**	1,362,902
Currency translation difference	**2,515**	(8,369)
Charged to income statement	**337,859**	205,152
Balance at 31 December	**1,900,059**	1,559,685

23 Deferred Taxation (Cont'd)

	Group 2007 S$	Group 2006 S$
Deferred tax assets		
- Unrealised foreign exchange loss		
Balance at 1 January	**27,224**	17,760
Currency realignment	**43**	(420)
Credited to income statement	**10,508**	9,884
Balance at 31 December	**37,775**	27,224

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:

	Group 2007 S$	Group 2006 S$
Deferred tax liabilities	**1,900,059**	1,559,685
Deferred tax assets	**(37,775)**	(27,224)
	1,862,284	1,532,461

24 Trade and Other Payables

	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
Trade payables				
- third parties	**2,311,168**	1,641,852	**-**	-
- related party	**129,700**	1,662	**-**	-
	2,440,868	1,643,514	**-**	-
Other payables				
- accrued operating expenses	**472,654**	406,238	**-**	-
- sundry payables	**63,113**	84,964	**247,931**	264,446
	2,976,635	2,134,716	**247,931**	264,446

(a) The normal trade credit terms granted to the Group range from 30 to 120 days.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

25 Related Party Transactions

(a) Transactions with Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the party in making financial and operating decision.

During the year, the Group had significant transactions with related parties on term agreed between parties as follows:

	Group	
	2007	**2006**
	S$	**S$**
With a company in which directors of the company have a substantial interest		
Sales of goods	**-**	764,888
Purchase of raw materials	**5,977,658**	6,812,946
Purchase of tools, moulds and machinery	**240,452**	309,224

(b) Compensation of directors and Key Management Personnel

	Group	
	2007	**2006**
	S$	**S$**
Short-term employee benefits	**717,828**	743,677
Post-employment benefits – Employees Provident Fund	**14,767**	20,696
	732,595	764,373
The above includes remuneration of the following:		
Directors of the Company	**446,301**	480,590

26 Segment Information

(a) Business segments

The Group is primarily engaged in 5 business segments namely, manufacture of T-yokes, U-yokes, Washers and Frame, and trading in LCD.

Consolidated income statement

	LCD Trading S$	Frame & Others S$	T-yokes S$	U-yokes S$	Washers S$	Total S$
2007						
Revenue	1,379,839	672,887	13,804,925	1,636,886	4,670,740	22,165,277
Segment results						
Profit from operations						2,107,145
Finance income						31,283
Finance costs						(879,081)
Profit before tax						1,259,347
Income tax						(336,861)
Profit for the year						922,486
Assets and liabilities						
Segment asset-unallocated						32,266,877
Segment liabilities – unallocated						16,781,306
Other segment information						
Depreciation of property, plant and equipment - unallocated						1,513,645
Amortisation of prepaid land lease payments - unallocated						17,446
Capital expenditure - unallocated						2,315,191

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2007

26 Segment Information (Cont'd)

(a) Business segments (Cont'd)

	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
Segment results					
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
Assets and liabilities					
Segment asset - unallocated					30,898,721
Segment liabilities – unallocated					15,382,876
Other segment information					
Depreciation of property, plant and equipment - unallocated					2,019,060
Amortisation of prepaid land lease payments - unallocated					11,466
Capital expenditure -unallocated					6,256,028

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, amortisation of prepaid land lease payments and capital expenditure are disclosed unallocated in this segment information.

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.

26 Segment Information (Cont'd)

(b) 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$
2007				
Revenue	7,715,496	6,934,747	7,515,034	22,165,277
2006				
Revenue	7,723,048	6,542,193	4,819,179	19,084,420
2007				
Segment assets	32,266,877	–	–	32,266,877
Capital expenditure	2,315,191	–	–	2,315,191
2006				
Segment assets	30,898,721	–	–	30,898,721
Capital expenditure	6,256,028	–	–	6,256,028

27 Financial Risk Management

Financial Risk Factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market Risk

(i) Currency Risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily US dollar ("USD"), Ringgit Malaysia ("RM") and Euro ("Euro").

To manage the currency risk, the Group maintains a natural hedge, whenever possible, by depositing foreign currency proceeds from sales into foreign currency bank accounts which will primarily be used for payment of purchases in the same denomination.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

27 Financial Risk Management (Cont'd)

(a) Market Risk (Cont'd)

(i) Currency Risk (Cont'd)

In addition, the Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposures to the net assets of the Group's foreign operations in Malaysia are managed primarily through borrowings denominated in the relevant foreign currency.

The Group's currency exposure based on the information provided to key management is as follows:

	USD	RM	Euro	Other	Total
Group					
At 31 December 2007					
Financial assets					
Cash and cash equivalents	222,674	842,777	2,778	8,577	1,076,806
Trade and other receivables	6,757,313	737,943	709,520	130,927	8,335,703
Other financial assets	-	175,578	-	642	176,220
	6,979,987	1,756,298	712,298	140,146	9,588,729
Financial liabilities					
Trade and other payables	(835,661)	(1,893,043)	-	(247,931)	(2,976,635)
Borrowings	(423,960)	(10,831,233)	-	-	(11,255,193)
Hire purchase creditors	-	(687,194)	-	-	(687,194)
	(1,259,621)	(13,411,470)	-	(247,931)	(14,919,022)
Net financial assets/(liabilities)	5,720,366	(11,655,172)	712,298	(107,785)	(5,330,293)
Less: Net financial assets denominated in the respective entities functional currencies	-	11,655,172	-	240,608	11,895,780
Add: Net non-financial assets of foreign subsidiaries	-	22,678,148	-	-	22,678,148
Currency exposure	5,720,366	22,678,148	712,298	132,823	29,243,635

27 Financial Risk Management (Cont'd)

(a) Market Risk (Cont'd)

(i) Currency Risk (Cont'd)

	USD	RM	Euro	Other	Total
Group					
At 31 December 2006					
Financial assets					
Cash and cash equivalents	273,185	1,334,920	945	59,863	1,668,913
Trade and other receivables	3,705,610	784,042	1,138,360	1,001,214	6,629,226
Other financial assets	–	295,079	–	–	295,079
	3,978,795	2,414,041	1,139,305	1,061,077	8,593,218
Financial liabilities					
Trade and other payables	(41,911)	(1,828,359)	–	(264,446)	(2,134,716)
Borrowings	–	(9,860,580)	–	–	(9,860,580)
Hire purchase creditors	–	(1,796,170)	–	–	(1,796,170)
	(41,911)	(13,485,109)	–	(264,446)	(13,791,466)
Net financial assets/(liabilities)	3,936,884	(11,071,068)	1,139,305	796,631	(5,198,248)
Less: Net financial assets denominated in the respective entities functional currencies	–	11,071,068	–	206,208	11,277,276
Add: Net non-financial assets of foreign subsidiaries	–	21,814,987	–	–	21,814,987
Currency exposure	3,936,884	21,814,987	1,139,305	1,002,839	27,894,015

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2007

27 Financial Risk Management (Cont'd)

(a) Market Risk (Cont'd)

(i) Currency Risk (Cont'd)

	Company 2007 S$	Company 2006 S$
Company		
Financial assets		
Cash and cash equivalents	**6,681**	58,239
Trade and other receivables	**1,773,153**	2,223,484
Other financial assets	**642**	-
	1,780,476	2,281,723
Financial liabilities		
Trade and other payables	**(247,931)**	(264,446)
Net financial assets	**1,532,545**	2,017,277
Less: Net financial assets denominated in the Company's functional currency	**(1,532,545)**	(2,017,277)
Currency exposure	**-**	-

If the USD, RM and Euro change against S$ by 5% (2006: 5%) respectively with all other variables including the tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	2007 Increase/(Decrease) Profit after tax S$	2007 Equity S$	2006 Increase/(Decrease) Profit after tax S$	2006 Equity S$
Group				
USD against S$				
- strengthened	286,018	-	196,844	-
- weakened	(286,018)	-	(196,844)	-
RM against S$				
- strengthened	-	1,133,907	-	1,097,749
- weakened	-	(1,133,907)	-	(1,097,749)
Euro against S$				
- strengthened	35,615	-	56,965	-
- weakened	(35,615)	-	(56,965)	-

27 Financial Risk Management (Cont'd)

(a) Market Risk (Cont'd)

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

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. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings.

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 Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in RM. If the RM interest rates increase/decrease by 0.5% (2006: 0.5%) with all other variables including the tax rate being held constant, the profit after tax will be lower/higher by S$51,888 (2006: S$46,993) as a result of higher/lower interest expense on these borrowings.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopted the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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 credit quality of customers is assessed after taking into accounts its financial position and past experience with the customers.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

27 Financial Risk Management (Cont'd)

(b) Credit Risk

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
By geographical areas				
Asia	**2,357,726**	2,923,316		
North America	**3,255,512**	939,110	**-**	-
Malaysia	**678,399**	1,040,171	**-**	-
Europe	**1,984,522**	1,725,475	**-**	-
	8,276,159	6,628,072	**-**	-
By types of customers				
External parties	**7,711,874**	5,873,250	**-**	-
Related party	**564,285**	754,822	**-**	-
	8,276,159	6,628,072	**-**	-

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired other than trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2007	2006
	S$	S$
Past due 0-3 months	**4,817,321**	2,813,109
Past due 3 to 6 months	**247,677**	598,884
Past due over 6 months	**999,595**	858,818
	6,064,593	4,270,811

There is no allowance for impairment on trade receivables during the year.

27 Financial Risk Management (Cont'd)

(c) Liquidity Risk

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount	Contractual cash flow	Within one year	Between two to five years	Over five years
	S$	S$	S$	S$	S$
Group					
At 31 December 2007					
Trade and other payables	2,976,635	2,976,635	2,976,635	–	–
Borrowings	11,255,193	11,613,568	9,823,540	1,611,681	178,347
Hire purchase creditors	687,194	711,196	619,261	91,935	–
	14,919,022	15,301,399	13,419,436	1,703,616	178,347
At 31 December 2006					
Trade and other payables	2,134,716	2,134,716	2,134,716	–	–
Borrowings	9,860,580	10,172,349	8,726,000	1,126,316	320,032
Hire purchase creditors	1,796,170	1,905,282	1,195,232	710,050	–
	13,791,466	14,212,347	12,055,948	1,836,366	320,032

	Within one year	Between two to five years	Over five years	Total
	S$	S$	S$	S$
Company				
At 31 December 2007				
Trade and other payables	247,931	–	–	247,931
At 31 December 2006				
Trade and other payables	264,446	–	–	264,446

The Group monitors its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the Group maintains the following lines of credit:

(i) Approximately S$3.26 million (equivalent to RM7.5 million) (2006: S$2.4 million, equivalent to RM5.5 million) term loan facilities that is secured. Interest would be payable at the rates ranged from 3.85% to 8.75% per annum.

(ii) Approximately S$1.09 million (equivalent to RM2.5 million) (2006: S$1.09 million, equivalent to RM2.5 million) overdraft facilities that are secured. Interest would be payable at the rates ranged from 7.35% to 8.25%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2007

27 Financial Risk Management (Cont'd)

(c) Liquidity Risk (Cont'd)

(iii) Approximately S$11.07 million (equivalent to RM25.5 million) (2006: S$10.62 million, equivalents to RM24.5 million) other banking facilities (including letter of credit, trust receipt, banker's acceptance, export credit, bill of exchange, bank guarantee etc) that are secured. Interest would be payable at the rates ranged from 8% to 8.25% per annum.

(d) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optional capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The Gearing ratio of the Group and Company is calculated as net debts divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2007	**2006**	**2007**	**2006**
	S$	**S$**	**S$**	**S$**
Net debt	**13,842,216**	12,122,553	**241,250**	206,207
Total equity	**15,485,571**	15,515,845	**12,597,054**	13,081,786
Total capital	**29,327,787**	27,638,398	**12,838,304**	13,287,993
Gearing ratio	**47%**	44%	**2%**	2%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007.

Fair Value of Financial Instruments

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and Company.

(i) Financial assets and liabilities

The fair value of long-term interest bearing borrowings are calculated based on discounted expected future principal and interest cash flows. The discounted rates used are based on market rates for similar instruments at the balance sheet date. As at 31 December, the carrying amounts of the long-term interest bearing borrowings approximately their fair values.

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables and short-term borrowings) are assumed to approximate their fair values because of the short term period of maturity.

27 Financial Risk Management (Cont'd)

Fair Value of Financial Instruments (Cont'd)

(ii) Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the bank with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available.

28 Contingencies

As indicated in Note 21, the Company has provided a corporate guarantee for credit facilities granted by financial institutions to a Subsidiary. As at 31 December 2007, the facilities utilised amounted to S$9,774,870 (2006: S$8,299,534).

The fair value of the corporate guarantees have not been recognised in the financial statements of the Company, as the amount involve are not material to the Company and have no impact to the consolidated financial statements of the Group.

29 Comparatives Figures

Certain reclassifications have been made for the prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the balance sheet and the related notes to the financial statements.

	Group		
	2006 Before reclassification	2006 After reclassification	Effect
	S$	S$	S$
Property, plant and equipment	17,603,728	16,498,235	(1,105,493)
Prepaid land lease payment	-	1,105,493	1,105,493

APPENDIX

9 April 2008

This Appendix is circulated to Shareholders of AA Group Holdings Ltd. ("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 24 April 2008 at 2.00 p.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.

AA Group Holdings Ltd.

(Company Registration Number : 200412064D)
(Incorporated in the Republic of Singapore)

APPENDIX

IN RELATION

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

APPENDIX

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

APPENDIX

"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any Interested Person
"Latest Practicable Date"	:	20 March 2008, 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 25 April 2007, 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 25 April 2007, 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 24 April 2008.

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 25 April 2007, 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.

APPENDIX

2. Shareholders' Mandate For Interested Person Transactions (Cont'd)

2.2 Nature of Transactions (Cont'd)

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;

2. **Shareholders' Mandate For Interested Person Transactions (Cont'd)**

2.4 Review Procedures for Mandate Transactions (Cont'd)

(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.

(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).

APPENDIX

2. Shareholders' Mandate For Interested Person Transactions (Cont'd)

2.4 Review Procedures for Mandate Transactions (Cont'd)

(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 25 April 2007.

(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	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
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	-	-	12,118,000	12.59

(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 of 12,118,000 shares are held by nominee companies.

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 2007 of the Company, will be held on 24 April 2008 at 2.00p.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 24 April 2008.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2006 and 31 December 2007 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.

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.

APPENDIX

General Requirements (Cont'd)

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 10 March 2008

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	206	69.59	735,000	0.76
10,001 - 1,000,000	85	28.72	5,927,000	6.16
1,000,001 and above	5	1.69	89,614,201	93.08
Total	**296**	**100.00**	**96,276,201**	**100.00**

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 10 March 2008, approximately 21.44% 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

As at 10 March 2008

TOP TWENTY SHAREHOLDERS

	Name	No. of Shares	%
1.	HL Bank Nominees (S) Pte Ltd	67,597,800	70.21
2.	UOB Kay Hian Pte Ltd	8,620,401	8.95
3.	Maybank Nominees (S) Pte Ltd	8,618,000	8.95
4.	CIMB-GK Securities Pte. Ltd.	3,650,000	3.79
5.	Tan Kim Cheng	1,128,000	1.17
6.	Lee Ean Lean	722,000	0.75
7.	Koh Chin Hwa	688,000	0.71
8.	Yeap Lam Wah	450,000	0.47
9.	Beh Chye Hee	393,000	0.41
10.	OCBC Securities Private Ltd	303,000	0.31
11.	Wong Shuxian Shue	300,000	0.31
12.	DBS Vickers Securities (S) Pte Ltd	256,000	0.27
13.	Wong Cheong Yim	220,000	0.23
14.	Yong Kwet Pow	200,000	0.21
15.	Chng Eng Keong	134,000	0.14
16.	Tan Lay Hong	107,000	0.11
17.	Goh Kim Hong	87,000	0.09
18.	Lee Ghee Thiam	79,000	0.08
19.	Ng Sun Oh	76,000	0.08
20.	Kng Pong Sai	70,000	0.07
Total		93,699,201	97.31

Substantial Shareholders
(as shown in the Company's register of substantial shareholders)
as at 10 March 2008

	Direct interest		Deemed Interest	
Substantial Shareholders	No. of Shares	%	No. of Shares	%
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]	-	-	12,118,000	12.59

[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 of 12,118,000 shares are held by nominee companies.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AA Group Holdings Ltd. will be held at Duke Room, Level 2, Copthorne King's Hotel, 403 Havelock Road, Singapore 169632 on Thursday, 24 April 2008 at 2:00 p.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 2007 and the Auditors' Report thereon. **(Resolution 1)**

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

   (i) Mr Loo Choon Chiaw **[See Explanatory Note 1]**; and **(Resolution 2)**
   (ii) Mr Tan Kuang Hui **[See Explanatory Note 2]**. **(Resolution 3)**

3. To approve the amount of S$140,000.00 proposed as Directors' Fees for the financial year ended 31 December 2007. **(Resolution 4)**

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

5. 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:

6. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital** **(Resolution 6)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited the ("SGX-ST"), 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 in force 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 3]**

NOTICE OF ANNUAL GENERAL MEETING

7. **Authority to allot and issue shares under the AA Group Employee Share Option Scheme** **(Resolution 7)**

"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 4]**

8. **Renewal of Shareholders' Mandate for Interested Person Transactions** **(Resolution 8)**

(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 9 April 2008 (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 5]**

By Order Of The Board

CHEW KOK WYE
Company Secretary

Singapore, 9 April 2008

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

1. Mr Loo Choon Chiaw will, upon re-election as a Director of the Company, remain as Chairman and a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

2. Mr Tan Kuang Hui will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.

3. The Ordinary Resolution 6 proposed in item 6 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.

4. The Ordinary Resolution 7 proposed in item 7 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.

5. The Ordinary Resolution 8 proposed in item 8 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.

PROXY FORM
ANNUAL GENERAL MEETING

AA GROUP HOLDINGS LTD.
(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 Thursday, 24 April 2008 at 2.00 p.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	Re-election of Mr Loo Choon Chiaw as a Director		
3	Re-election of Mr Tan Kuang Hui as a Director		
4	Approval of proposed Directors' Fees of S$140,000.00 for the financial year ended 31 December 2007		
5	Re-appointment of Messrs Moore Stephens as Auditors		
6	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
7	Authority to allot and issue shares under the AA Group Share Option Scheme		
8	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 __________________, 2008.

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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