AA GROUP HOLDINGS LTD.

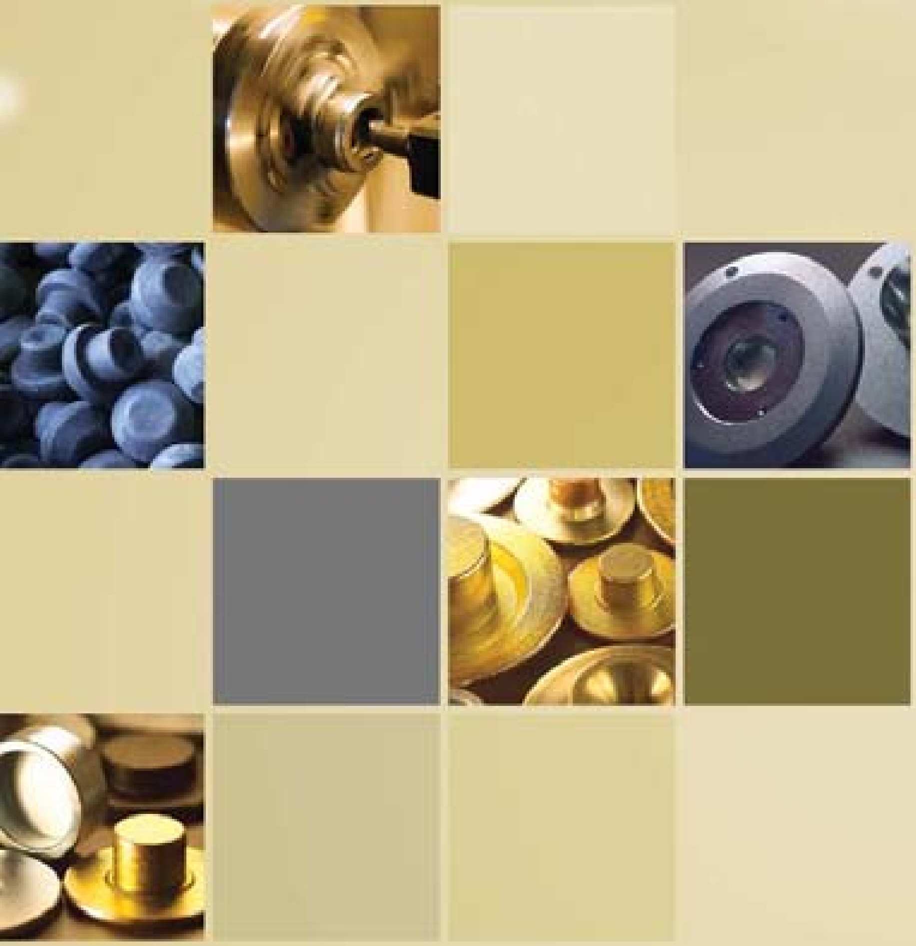
(200412064D)

Annual Report 2009

Waves of Technology

The growing demand for a wide variety of digital audiovisual consumer products requiring superior sound performance continues unabated, though at a much slower pace. Speaker systems are shrinking in size and weight, but yet are bigger in power and performance.

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



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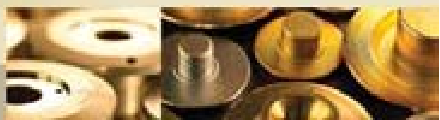
Corporate Profile

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

Yokes and washers, which are critical in determining the acoustical quality of the sound system, are key components of the magnet assembly in a loudspeaker. 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".*




U-yokes


Washers


T-Yokes

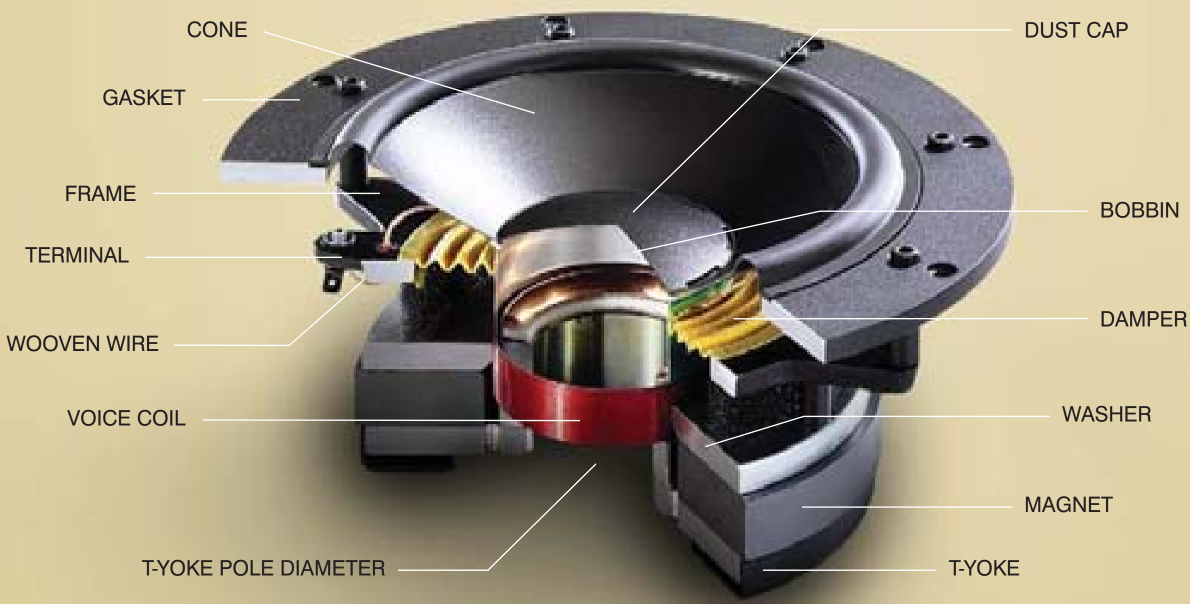

Frames

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), washers and frames which are typically made of lowcarbon steel.

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.

Cross Section of Loudspeaker



Corporate Information

BOARD OF DIRECTORS
Hsieh Kuo-Chuan @ Jaimes Hsieh *(Executive Chairman)*
Feng Tzu-Ju @ Julie Feng *(Managing Director)*
Loo Choon Chiaw *(Lead Independent Director)*
Tan Kuang Hui *(Independent Director)*
Phuah Lian Heng *(Independent Director)*

AUDIT COMMITTEE
Loo Choon Chiaw - Chairman *(Lead 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 *(Lead Independent Director)*

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

COMPANY SECRETARY
Yong Kwet Leong (resigned on 30 November 2009)
Chia Foon Yeow (appointed on 30 November 2009)

REGISTERED OFFICE
88 Amoy Street Level Three
Singapore 069907
Tel : 65-6534 3288
Fax : 65-6534 0833

COMPANY REGISTRATION NUMBER
200412064D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place,
Singapore Land Tower #32-01
Singapore 048623
Tel : 65-6536 5355
Fax : 65-6536 1360

SPONSOR
SAC Capital Private Limited
79 Anson Road #15-03
Singapore 079906

AUDITORS
Moore Stephens LLP
Certified Public Accountants
10 Anson Road
#29-15, International Plaza
Singapore 079903
Partner-in-Charge : Ng Chiou Gee Willy
Appointed since financial year ended 31 December 2008

LEGAL COUNSEL
Loo & Partners LLP
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

The financial year ended 31 December 2009 (“FY2009”) was a challenging year for the Group as it witnessed and suffered the impact of the global economic crisis, the indomitable effect of which is present today.

The results of the Group for FY2009 were achieved against a backdrop of challenging global economic conditions faced by our customers in the USA, the European Union and Asia. Fortunately, with economic boosting strategies implemented by giant nations like the USA and the European Union, the demand for consumer and automotive products managed to turn around. Our Group’s exports have experienced fast recovery since the beginning of March 2009.

Chairman's Message (cont'd)

Financial Performance

The Group's revenue for the current period increased by S$8.05 million or 46.5%, as compared to FY2008. This increase in revenue was primarily attributed to the trading of LCD monitors and computer accessories which increased by S$3.80 million, and a higher demand of yokes and washer particularly from our European and American customers.

An increase of S$0.90 million in gross profit for the FY2009 was mainly contributed by lower overhead for the operation of our factory as compared to the previous corresponding period.

Dividends

After considering the financial position and expansion plans of the Group, the Board is not recommending any dividend in the current financial year.

Outlook and Prospects

FY2009 was a challenging year for the Group despite the external uncertainties experienced in FY2008 which continued into the first few months of FY2009. The Group's performance remained strong and will continue to be so with its strategy to strengthen the business plan and portfolios.

The Group shall continue to focus on the manufacture and sales of premium quality products and on monitoring product margins and operating costs. The Group will increase its intensity in promoting its products throughout the year and will step up its efforts to improve its after sales support services and delivery to all customers.

Acknowledgements

On behalf of the board of directors, I would like to thank the management team and staff for their continued commitment, dedication and team work which has contributed to the Group's good performance for the financial year.

I would also like to express my heartfelt gratitude to our valuable shareholders, dealers, suppliers, business associates, financial institutions and regulatory authorities for their continued trust and support to the Group.

Finally, I would like to thank my fellow board members for their continued support and valuable contributions.

Jaimes Hsieh

Executive Chairman

Board of Directors

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.

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.

Board of Directors (cont'd)

Loo Choon Chiaw was appointed as our Independent Director on 4 July 2005 and as Lead Independent Director on 2 March 2010. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1981 and is currently the Managing Partner of Loo & Partners LLP, a law firm based in Singapore. He qualified as a Barrister-at-Law of the Lincoln's Inn, London and obtained his Master of Laws 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 Beijing Arbitration Commission and the Wuhan Arbitration Commission respectively. Mr Loo is also an independent director of several other public companies listed on the SGX-ST.

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 Director of VCOD (S'pore) Pte Ltd. Mr Phuah graduated from the National University of Singapore in 1992 with a Bachelor's Degree (First Class Honours) in Electrical Engineering.

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 and CPA Australia.

Key Management

Information on the area of responsibility and working experience of each of our Executive Officers is set out below:

Pu, Jung-Tsan was appointed as our Executive Director on 4 July 2005 and is responsible for the Group's operations. He stepped down from the Board of the company with effect from 1 July 2008 and continue to serve as General Manager. 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.

Chen Chin-Hsiung, is our Assistant General Manager. He holds a Diploma in Mechanical Engineering from Kuang Wu Industry College in Taiwan. He held the position of Technical Department Manager with Qing Yong Industrial Corporation in Taiwan between 1994 and 2000 and the same position with Yi Lu Private Ltd. in Taiwan between 2000 and 2003. Subsequently, he was employed by Qian Xi Machine Corporation Ltd as a Factory Manager from 2003 to 2009. In December 2009, he was appointed the Assistant General Manager of Allied Advantage Sdn Bhd.

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.

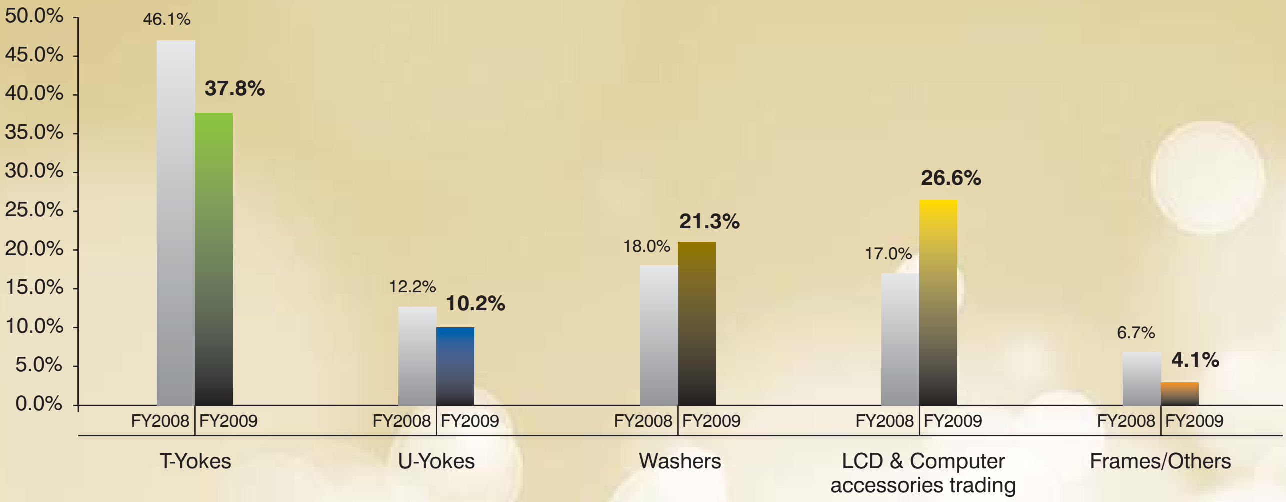
Koh Teik Huat is our Factory Manager. He commenced his career in 1988 as an Assistant Leader at John Enterprise, a Singapore aluminium manufacturer. He was appointed as a Senior Technician at Unicast Engineering Pte Ltd in 1992, where he served until 1997. Thereafter he assumed the position of Manufacturing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

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 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.

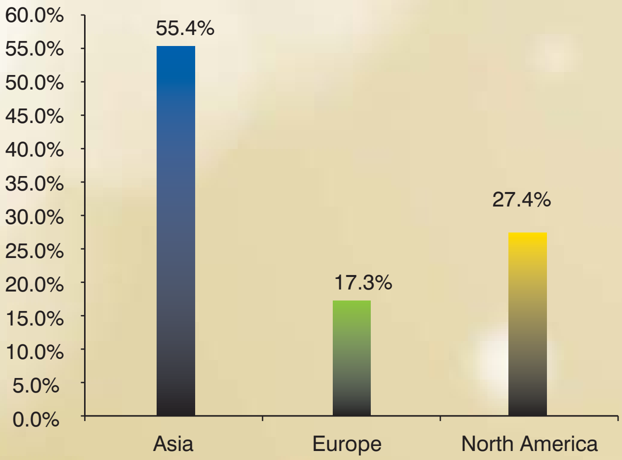
Financial Highlights

Revenue By Products

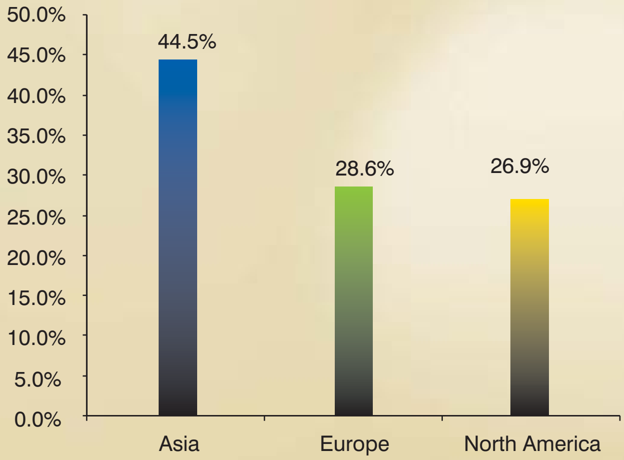


Revenue By Geographical Region

FY2009



FY2008

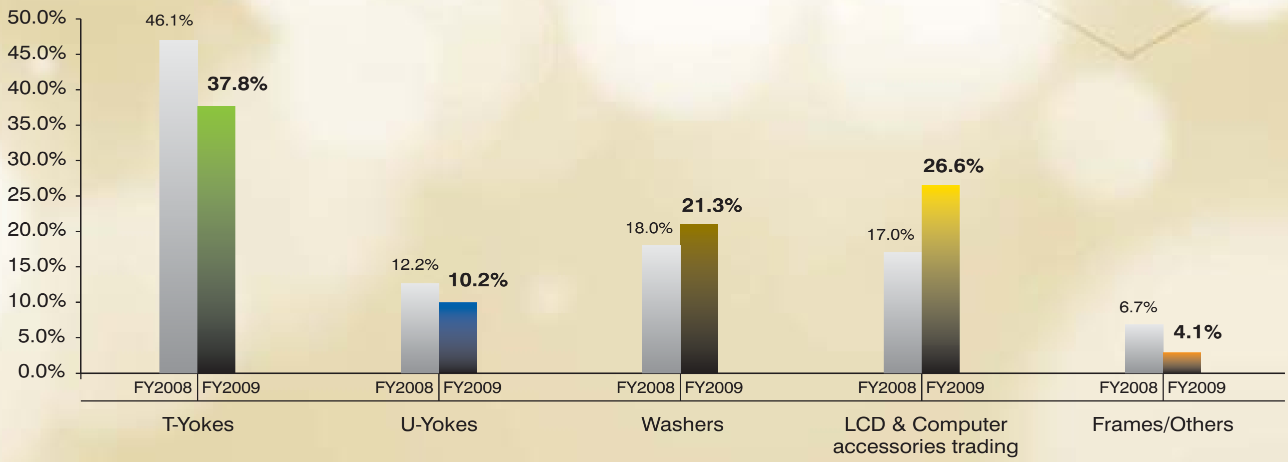


Operating & Financial Review

Financial Performance

Results of Operations (S$ '000)	FY2009	FY2008	Change (%)
Revenue			
T-Yokes	9,596	7,973	20.36%
U-Yokes	2,590	2,113	22.57%
Washers	5,402	3,124	72.92%
LCD & Computer accessories Trading	6,745	2,946	128.95%
Frames/Others	1,030	1,153	(10.67%)
Total Revenue	**25,363**	**17,309**	**46.53%**
Cost of sales	(23,504)	(16,351)	43.75%
Gross Profit	1,859	958	(94.05%)
Other operating revenue	455	870	(47.70%)
Administrative costs	(1,174)	(1,421)	(17.38%)
Other operating costs	(208)	(259)	(19.69%)
Operating profit	932	148	(529.73%)
Financial incomes	16	22	(27.27%)
Financial costs	(658)	(683)	(3.66%)
Profit / (Loss) Before Income Tax	**290**	**(513)**	**n.m.**
Income tax	(118)	26	n.m.
Net Profit / (loss) Attributable To Equity Holders Of The Company	**172**	**(487)**	**n.m.**
Financial Position	**FY2009**	**FY2008**	**Change (%)**
Total Assets	31,180	30,050	3.76%
Total Liabilities	16,830	15,598	7.90%
Total Equity	14,349	14,452	(0.71%)
Capital Expenditure	1,351	1,955	(30.90%)
Group Staff Strength	111	120	(7.50%)

n.m. - not meaningful

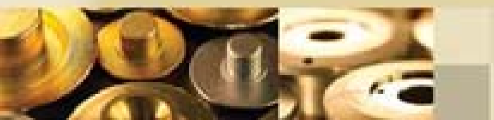


For financial year ended 31 December 2009, the revenue of the Group increased by 46.5% to $25.4 million as compared to the previous corresponding period. The sales of T-yokes remained as our largest revenue contributor, accounting for 37.8% of the total revenue of the Company. Revenue from all products increased as compared to previous financial year, except for frame/others.

The increase of S$0.90 million in gross profit for the financial year ended 31 December 2009 was mainly due to lower overhead for the operation of factory as compared to the previous corresponding period. Other operating revenue was lower mainly due to a reduction in the price of scrap material.

The decrease in administrative costs and other operating costs were mainly due to lower travelling expenses, and lower exchange loss in receipts from customers.

The total number of staff decreased mainly due to shortage in supply of foreign labour.



AA Group Holdings Limited ("the Company") 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 any deviations from the Code are explained. The Company has complied with the principles of the Code where appropriate.

1. BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of Company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

The Board of Directors of the Company ("the Board") presently consists of two executive directors and three independent directors named as follows (the "Directors"). Together, the Board brings a wide range of business, legal and financial experiences relevant to the Group.

Hsieh, Kuo-Chuan @ Jaimes Hsieh	Executive Chairman
Feng, Tzu-Ju @ Julie Feng	Managing Director
Loo Choon Chiaw	Lead Independent Director
Phuah Lian Heng	Independent Director
Tan Kuang Hui	Independent Director

The Board met twice in FY2009 with full attendance.

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.

A newly-appointed Director will be given an orientation program with materials provided to help him familiarise himself 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 Guidance

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.

1. BOARD MATTERS (cont'd)

Board Composition and Guidance (cont'd)

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 all of the Directors are independent. The independence of each Director is reviewed annually by the NC.

The Board has examined its size (taking into account the scope and nature of the operations of the Company), and is of the view that it is an appropriate size for effective decision-making. 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 and better accountability 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 appointment of the lead independent director and the participation of the independent directors ensure that the Executive Chairman and the MD do not have unfettered powers of decision.

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

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

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

As MD, Mdm Feng, Tzu-Ju @ Julie Feng is responsible for the day-to-day management and affairs of the Company and the implementation of the strategic plans approved by the Board. She also ensures that the Directors are kept updated and informed of the Group's businesses and developments.

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

1. BOARD MATTERS (cont'd)

Board Membership

Principle 4 : There should be a formal and transparent process for the appointment of new directors to the Board.

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	Lead Independent Director

The NC is established for the purposes of ensuring that there is a formal and transparent process for all board appointments. One meeting was held in FY2009 and was attended by all members.

The principal terms of reference for the NC are:

- 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 representations, whether the Director is able to and has been adequately carrying out his duties as Director of the Company;
- to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; and
- to determine on an annual basis whether or not a Director is independent.

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors (except the MD) shall retire from office at 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	50	Executive Chairman	20 October 2004	23 April 2009
Mdm Feng, Tzu-Ju @ Julie Feng	47	Managing Director	21 September 2004	-
Mr Loo Choon Chiaw	54	Lead Independent Director	4 July 2005	24 April 2008
Mr Phuah Lian Heng	43	Independent Director	4 July 2005	23 April 2009
Mr Tan Kuang Hui	39	Independent Director	4 July 2005	24 April 2008

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 appropriately.

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.

1. BOARD MATTERS (cont'd)

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 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.

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 FY2009, 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 to the Company's senior management (where further enquiries may be required in order for the particular director to carry out his duties properly).

Further, the 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 Section B: Rules of Catalist of the SGX-ST ("Catalist Rules").

Each member of the Board has direct access to the Group's independent professional advisors. Any cost for 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 developing policy on executive remuneration and 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)	Lead Independent Director
Mr Phuah Lian Heng	Independent Director
Mr Tan Kuang Hui	Independent Director

2. REMUNERATION MATTERS (cont'd)

Procedures for Developing Remuneration Policies (cont'd)

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 FY2009 and attended by all members.

The duties of the RC are:

- 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 Employees 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 Catalist Rules. 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 FY2009.

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 than is necessary for this purpose. A significant proportion of executive directors' remuneration, should be structured so as to link rewards to corporation and individual 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 a 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 2008 ("the Initial Term"). The service agreement shall automatically expire at the end of the Initial Term unless renewed by the Company may decide.

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 FY2009 is set out as follows:

Remuneration of directors for the financial year ended 31 December 2009

Remuneration Band & Name of Director	Base/fixed salary	Bonus	Director's fees **	Other benefits	Total
S$0 to S$250,000					
Mr Hsieh Kuo-Chuan @ Jaimes Hsieh	94%	-	-	6%	100%
Ms Julie Feng	96%	-	-	4%	100%
Mr Loo Choon Chiaw	-	-	100%	-	100%
Mr Phuah Lian Heng	-	-	100%	-	100%
Mr Tan Kuang Hui	-	-	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 FY2009 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 Pu Jung-Tsan	94%	-	6%	100%
Mr Lo Huan-Hsin	81%	-	19%	100%
Mr Chen Chin-Hsiung	98%	-	2%	100%
Mr Beh Chye Hee	89%	-	11%	100%
Mr Koh Teik Huat	89%	-	11%	100%
Ms Goh Kim Loh	89%	-	11%	100%
Ms Ooi Soon Keow	88%	-	12%	100%

No employee who is an immediate family member of a Director was paid more than S$150,000 during the financial year ended 31 December 2009. "Immediate family member" (as defined in the Catalist Rules) 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)	Lead 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 Catalist Rules and the Code. The main terms of reference of the AC are:

- 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 Director and shareholder of local company. Mr Tan Kuang Hui is a certified public accountant and is a practising member of the Institute of Certified Public Accountants of Singapore. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.

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

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

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

The AC annually reviews the independence of the external auditors.

3. ACCOUNTABILITY AND AUDIT (cont'd)

Audit Committee (cont'd)

The AC met twice in FY2009 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 regard, the AC adopted a whistle-blower policy during FY2008.

The AC has recommended to the Board the reappointment of Moore Stephens LLP as the Company's independent auditors at the forthcoming Annual General Meeting.

Internal Controls

Principle 12 : The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments 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 losses, safeguarding of assets, maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulations and best practices and the identification and management of business risks.

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

Internal Audit

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

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

The internal audit function of the Group has been outsourced to a public accounting firm, Tan Cheah & Co. The internal auditors report 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 promote better investor communication.

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

4. COMMUNICATION WITH SHAREHOLDERS (cont'd)

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.

5. SECURITIES TRANSACTIONS

The Company has adopted policies in line with Rule 1204(18) of the Catalist Rules 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 transaction 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 on an arm's length basis and on normal commercial terms and are not prejudicial to the Company.

6. INTERESTED PERSON TRANSACTIONS (cont'd)

The AC reviewed the following interested person transactions for the financial year ended 31 December 2009 in accordance with its existing procedures:

Name of interested person	Aggregate value of all interested person transactions for the financial year ended 31 December 2009 (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-	5,138
- 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, and on normal commercial terms and are not prejudicial to the Company or its shareholders.

7. RISK MANAGEMENT AND PROCESSES

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Company's businesses and operational activities to identify areas of significant business risks and takes appropriate measures to minimise 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.

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Report of the Directors
31 December 2009

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiary companies (collectively the "Group") and the balance sheet of the Company for the financial year ended 31 December 2009.

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
Loo Choon Chiaw
Phuah Lian Heng
Tan Kuang Hui

2 Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Directors' Interests in Shares and Debentures

The Directors, who held office at the end of the financial year, had an interest in shares of the Company and related corporations as recorded in the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"):

	Direct Interest		
	As at 1.1.2009	As at 31.12.2009	As at 21.1.2010
	Ordinary shares of the Company		
Name of director			
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

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 the Company.

By virtue of Section 7 of the Act, Hsieh, Kuo-Chuan @ Jaimes Hsieh and Feng, Tzu-Ju @ Julie Feng are deemed to have an interest in the shares held by the Company in all its subsidiary companies.

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 a 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 also received remuneration from the Group's subsidiaries in their capacity as Directors of those subsidiaries.

5 Options Granted

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

6 Options Exercised

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

7 Options Outstanding

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

8 Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B : Rules of Catalist and the Code of Corporate Governance.

The composition of the Audit Committee and those functions performed by the Audit Committee are disclosed in the Corporate Governance Report.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that Moore Stephens LLP be nominated for reappointment as independent auditors at the Company's forthcoming Annual General Meeting.

9 Auditors

Moore Stephens LLP, Certified Public Accountants, has expressed its willingness to accept reappointment as independent auditors.

On behalf of the Board of Directors,

Hsieh, Kuo-Chuan @ Jaimes Hsieh
Director

Feng, Tzu-Ju @ Julie Feng
Director

Singapore
24 March 2010

Statement by Directors
31 December 2009

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company, together with the notes thereto, set out on pages 23 to 58, 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 2009 and the results, changes in equity and cash flows of the Group for the year then 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
24 March 2010

Independent Auditors' Report to the members
of AA Group Holdings Ltd. (Incorporated In Singapore)

We have audited the accompanying financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 23 to 58, which comprise the balance sheets of the Group and of the Company as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 audit 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 management, 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 consolidated financial statements of the Group and the balance sheet of the Company 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 Group and of the Company as at 31 December 2009, and the results, changes in equity and cash flows of the Group for the 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 LLP
Public Accountants and
Certified Public Accountants

Singapore
24 March 2010

Consolidated Statement of Comprehensive Income

For The Financial Year Ended 31 December 2009

	Note	Group 2009 S$	Group 2008 S$
Revenue	3	25,363,348	17,309,285
Cost of sales		(23,504,341)	(16,351,030)
Gross profit		1,859,007	958,255
Other operating income	4	454,737	869,722
Administrative expenses		(1,173,742)	(1,421,453)
Other operating expenses		(207,999)	(258,580)
Finance income	5	15,894	21,821
Finance costs	6	(658,243)	(683,125)
Profit/(Loss) before income tax	7	289,654	(513,360)
Income tax	9	(117,728)	26,055
Profit/(Loss) after income tax		171,926	(487,305)
Other comprehensive loss - exchange differences on translation of foreign operations		(274,727)	(523,928)
Total comprehensive loss for the year attributable to equity holders of the Company		(102,801)	(1,011,233)
Earnings/(Loss) per share (S$ cents)	10		
- Basic		0.18	(0.51)
- Diluted		0.18	(0.51)

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

Balance Sheets
As At 31 December 2009

	Note	Group 2009 S$	Group 2008 S$	Company 2009 S$	Company 2008 S$
ASSETS					
Non-current assets					
Property, plant and equipment	11	16,724,686	17,258,981	-	-
Prepaid land lease payments	12	993,831	1,030,865	-	-
Investment in subsidiaries	13	-	-	11,064,509	11,064,509
		17,718,517	18,289,846	11,064,509	11,064,509
Current assets					
Inventories	14	5,096,218	6,304,749	-	-
Trade and other receivables	15	6,220,840	3,927,147	1,262,088	1,501,119
Other current assets	16	241,440	250,131	642	642
Cash and cash equivalents	17	1,902,507	1,278,179	12,884	1,822
		13,461,005	11,760,206	1,275,614	1,503,583
Total assets		31,179,522	30,050,052	12,340,123	12,568,092
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	18	12,515,906	12,515,906	12,515,906	12,515,906
Reserves	19	1,833,270	1,936,071	(374,425)	(147,634)
		14,349,176	14,451,977	12,141,481	12,368,272
Non-current liabilities					
Bank borrowings	20	633,785	962,198	-	-
Hire purchase creditors	21	436,386	565,399	-	-
Deferred taxation	22	1,846,825	1,771,446	-	-
		2,916,996	3,299,043	-	-
Current liabilities					
Trade and other payables	23	2,511,968	1,958,715	198,642	199,820
Hire purchase creditors	21	655,877	415,881	-	-
Bank borrowings	20	10,745,505	9,924,436	-	-
		13,913,350	12,299,032	198,642	199,820
Total liabilities		16,830,346	15,598,075	198,642	199,820
Total equity and liabilities		31,179,522	30,050,052	12,340,123	12,568,092

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

Consolidated Statement of Changes In Equity

For The Financial Year Ended 31 December 2009

	Share capital S$	Merger reserve S$	Translation Reserve S$	Retained earnings S$	Total attributable to equity holders of the Company S$
Balance at 1 January 2009	12,515,906	(6,478,399)	(1,242,311)	9,656,781	14,451,977
Total comprehensive loss for the year	-	-	(274,727)	171,926	(102,801)
Balance at 31 December 2009	12,515,906	(6,478,399)	(1,517,038)	9,828,707	14,349,176
Balance at 1 January 2008 as previously reported	12,515,906	(6,478,399)	(718,383)	10,166,447	15,485,571
Prior year adjustment (Note 2(b))	-	-	-	(22,361)	(22,361)
As restated	12,515,906	(6,478,399)	(718,383)	10,144,086	15,463,210
Total comprehensive loss for the year	-	-	(523,928)	(487,305)	(1,011,233)
Balance at 31 December 2008	12,515,906	(6,478,399)	(1,242,311)	9,656,781	14,451,977

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

Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2009

	Note	2009 S$	2008 S$
Cash Flows from Operating Activities			
Profit/(Loss) before income tax		289,654	(513,360)
Adjustments for:			
Depreciation of property, plant and equipment		1,540,456	1,587,366
Amortisation of prepaid land lease payments		16,436	16,773
Gain on disposal of property, plant and equipment		-	(27,424)
Interest income		(15,894)	(21,821)
Interest expense		641,414	665,940
Operating cash flows before changes in working capital		2,472,066	1,707,474
Changes in working capital:			
Inventories		1,208,531	(2,525,793)
Trade and other receivables		(2,290,164)	4,384,041
Trade and other payables		519,886	(1,017,920)
Related party		33,367	-
Cash generated from operating activities		1,943,686	2,547,802
Interest received		15,894	21,821
Interest paid		(641,414)	(665,940)
Income tax paid		(1,869)	(45,070)
Net cash generated from operating activities		1,316,297	1,858,613
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(710,233)	(942,593)
Proceeds from disposal of property, plant and equipment		-	235,288
Net cash used in investing activities		(710,233)	(707,305)
Cash Flows from Financing Activities			
Increase/(Decrease) in bills payable		939,100	(461,556)
Repayment of hire purchase creditors		(529,794)	(718,717)
Proceeds from term loans		351,792	-
Repayment of term loans		(888,105)	(590,590)
(Increase)/Decrease in fixed deposits pledged		(10,742)	2,381
Net cash used in financing activities		(137,749)	(1,768,482)
Effect of foreign exchange rate changes on consolidation		55,402	137,341
Net increase/(decrease) in cash and cash equivalents		523,717	(479,833)
Cash and cash equivalents at the beginning of the year		(58,257)	421,576
Cash and cash equivalents at the end of the year	17	465,460	(58,257)

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

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

1 General

AA Group Holdings Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the SGX-Catalist. 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 investment holding. The principal activities of the subsidiary companies are disclosed in Note 13.

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

The Board of Directors has authorised the issue of the financial statements in accordance with a resolution of the directors on 24 March 2010.

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, Cap. 50 and Singapore Financial Reporting Standards ("FRS").

As at 31 December 2009, the Group's current liabilities exceeded its current assets by S$452,345 (2008: S$538,826).

The Group meets its day to day working capital requirements through its operating cash flows and bank borrowings. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financial resources. Further, as disclosed in Note 20(d), the Group has unutilised banking facilities amounting to S$1.81 million (2008: S$3.93 million) which management is not aware of any matter that will suggest the unutilised facilities will be withdrawn.

Based on the above factors, the directors of the Company have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the Group's financial statements for the financial year ended 31 December 2009 on a going concern basis.

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

(b) Changes in Accounting Policies

Valuation of inventories

During the previous financial year, the valuation of inventories was changed from the first-in first-out basis to the weighted average basis. The directors considered the change to weighted average basis was a fairer presentation of the valuation of inventories given the fluctuations in raw material prices. This change in accounting policy has been accounted for retrospectively and the financial effects of the change are disclosed below:

	Group 2008 S$
Increase/(Decrease) in:	
Retained earnings at 1 January	(22,361)
Cost of inventories sold (included in cost of sales)	399,911
Loss for the year	(399,911)
Inventories	377,550
Earnings per share (S$ cents)	
- Basic	(0.42)
- Diluted	(0.42)

2 Significant Accounting Policies (cont'd)

(c) Adoption of New and Revised FRS

On 1 January 2009, the Group has adopted all the new or revised FRS that is mandatory for application from that date and relevant to the Group. The adoption of these new and revised FRS has no material effect on the financial statements of the Group as discussed below.

Revised FRS 1	Presentation of Financial Statements - Revised Presentation
Revised FRS 23	Borrowing Costs
Amendments to FRS 107	Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments
FRS 108	Operating Segments

Revised FRS 1 Presentation of Financial Statements - Revised Presentation

Revised FRS 1 requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. The Group has elected to adopt the format of one statement of comprehensive income.

Revised FRS 23 Borrowing Costs

Revised 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. The Group's current policy to capitalise borrowing costs is consistent with the requirement in Revised FRS 23.

Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

Amendments to FRS 107 introduce a three level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. Additionally, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The adoption of the amendments results in additional disclosures but does not have an impact on the accounting policies and measurement bases adopted by the Group.

FRS 108 Operating Segments

FRS 108, which replaces FRS 14 Segment Reporting, requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group has determined that the reportable operating segments are the same as business segment previously identified under FRS 14. Additional disclosures required by FRS 108 are disclosed in Note 27 including comparative information.

New and Revised FRS issued but not yet effective

As at the date of authorisation of the financial statements, the Group has not adopted the following revised FRSs that have been issued and which are relevant to the Group but not yet effective:

FRS 24	Related Party Disclosures (Revised)
Amendments to FRS 27	Consolidated and Separate Financial Statements
Revised FRS 103	Business Combination

2 Significant Accounting Policies (cont'd)

(c) Adoption of New and Revised FRS (cont'd)

The above FRSs will become effective for the Group's financial statements for the annual period on or after 1 January 2010 except for FRS 24 Related Party Disclosures (Revised) as disclosed below.

FRS 24	Related Party Disclosures (Revised)

Revised FRS 24 simplifies the definition of a related party and provides partial exemption for government-related entities. The revised FRS 24 applies retrospectively for annual periods beginning on or after 1 January 2011 but earlier application is permitted. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 27	Consolidated and Separate Financial Statements

Amendments to FRS 27 requires the effects of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The revised standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit and loss. The changes will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

Revised FRS 103	Business Combination

Revised FRS 103 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related cost should be expensed. The changes will be adopted prospectively for transactions after the date of adoption of the revised standard and, therefore, no restatements will be required in respect of transactions prior to the date of adoption.

(d) Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise its judgement, 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. Estimates and judgements are continually evaluated and are based on historical experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances, however actual results may ultimately differ from those estimates. In the process of applying the Group's accounting policies, management are of the view that any instances of application of judgements are not to have a significant effect on the amounts recognised in the financial statements. Critical accounting estimates and assumptions used that are significant to the financial statements are summarised below:

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 5 to 99 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2009 is disclosed in Note 11. The Group assesses annually the residual value and the useful lives of the property, plant and equipment and if the expectation differs from the original estimate due to changes in the expected level of usage and/or technological developments, such difference will impact the depreciation charge in the period in which such estimate is changed.

2 Significant Accounting Policies (cont'd)

(d) Critical Accounting Estimates and Judgements (cont'd)

Allowance for inventories obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost and record an allowance against the inventories for any such declines. These reviews require management to estimate future demand for our products. Possible changes in these estimates could result in revisions to the valuation of inventories.

No allowance for inventories obsolescence has been made in the financial statements for the financial years ended 31 December 2009 and 2008 except there were certain inventories written down by S$14,354 (2008: S$107,558) to its net realisable value as at 31 December 2009. The carrying amount of inventories is disclosed in Note 14.

Allowance for impairment of receivables

The Group assesses at each balance sheet date whether there is any objective evidence that receivables are impaired. To determine whether there is objective evidence of impairment, management considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. When there is objective evidence of impairment, an allowance for the estimated impairment loss will be made. Where the expected outcome is different from the original estimate, such difference will impact the carrying amount of receivables in the period in which such estimate has been changed.

No allowance for impairment of trade and other receivables has been made in the financial statements for the financial years ended 31 December 2009 and 2008. The carrying amount of trade and other receivables is disclosed in Note 15.

(e) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(f) Functional and Foreign Currency

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 (the "functional currency"). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore Dollar (S$), which is the functional currency of the Company.

Transactions in foreign currencies are measured in the respective functional currency of entities in the Group 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 dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2 Significant Accounting Policies (cont'd)

(f) Functional and Foreign Currency (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in equity as translation reserve and recognised in profit or loss on disposal of the foreign operation.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign operations are translated into Singapore Dollar at the exchange rates ruling at the balance sheet date and their income statement are translated into Singapore Dollar at the average exchange rates which approximate the rates at transaction dates. The exchange differences arising on the translation are taken directly to a separate component of equity as translation reserve. On disposal of a foreign operation, the cumulative amount recognised in translation reserve relating to that particular foreign operation is recognised in profit or loss.

(g) 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. Subsequent expenditure for additions, improvements and renewals is capitalised only when it is probable that future economic benefits associated with the property, plant and equipment will flow to the Group and the cost of the property, plant and equipment can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated on a straight-line basis on annual depreciation rates over the estimated useful lives of the property, plant and equipment as follows:

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

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

(h) Prepaid Land Lease Payments

Prepaid land lease payments are initially recognised at cost. Following initial recognition, prepaid land lease payments are measured at cost less accumulated amortisation and accumulated impairment losses. The prepaid land lease payments are amortised on a straight-line basis over the remaining lease terms, which range from 49 to 99 years.

(i) Investment in Subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment are taken to profit or loss.

2 Significant Accounting Policies (cont'd)

(j) Impairment of Non-Financial Assets

Non-financial assets of the Group are reviewed for impairment whenever there is an 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, the 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, the recoverable amount is determined for the cash-generating unit (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 profit or loss.

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 profit or loss.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, it also includes labour and attributable 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, which generally have 30 to 180 days term, including amount due from related 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 profit or loss.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and banks, fixed deposits less those pledged, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. Bank overdrafts are presented under current borrowings on the balance sheet.

(n) Trade and Other Payables

Trade and other payables, which are normally settled on 30 to 120 days term, including amount due to related party, are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2 Significant Accounting Policies (cont'd)

(p) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs), and subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs are recognised in the profit or loss as incurred except to the extent that they are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

(q) Assets under Hire Purchase Arrangement

Cost of property, plant and equipment acquired under hire purchase arrangement are capitalised as property, plant and equipment and depreciated in accordance with the Group's policy on depreciation of property, plant and equipment outlined in (g) above. The related finance charges are allocated to the profit or loss over the period of the instalment plan 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 instalment payments after deducting the future finance charges, representing the present values of hire purchase liabilities, are presented under hire purchase creditors on the balance sheet.

(r) Operating Lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(s) 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 profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the bank in the Company's balance sheet.

(t) 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)

(u) 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 companies makes contributions to the state pension scheme, the Employees Provident Fund, in Malaysia. Such contributions are recognised as an expense in profit or loss as incurred.

(v) Share Capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share proceeds.

(w) Income Tax

Current income tax for current and prior period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by the balance sheet date.

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted at the balance sheet date.

(x) Segment Reporting

Operating segments are represented in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

3 Revenue

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

4 Other Operating Income

	Group	
	2009 S$	2008 S$
Rental income	4,295	7,513
Scrap sales	448,885	732,845
Insurance claim received	1,557	4,881
Gain on disposal of property, plant and equipment	-	27,424
Gain on foreign exchange	-	97,059
	454,737	869,722

5 Finance Income

	Group	
	2009 S$	2008 S$
Interest income		
- fixed deposits	15,894	21,821

6 Finance Costs

	Group	
	2009 S$	2008 S$
Interest expense		
- bankers' acceptance charges	321,003	241,232
- hire purchase	59,523	41,954
- term loans	86,968	141,071
- bank overdrafts	46,873	51,342
- trust receipts	127,047	190,341
	641,414	665,940
Bank charges	12,007	11,020
Bank guarantee charges	1,057	2,207
Bank commitment fees	3,765	3,958
	658,243	683,125

7 Profit/(Loss) Before Income Tax

	Group	
	2009 S$	2008 S$
Profit/(Loss) before income tax is arrived at after charging:		
Cost of inventories sold (included in cost of sales)	23,504,341	16,351,030
Depreciation of property, plant and equipment		
- recognised in cost of sales	1,406,273	1,411,057
- recognised in administrative expenses	134,183	176,309
	1,540,456	1,587,366
Amortisation of prepaid land lease payments	16,436	16,773
Inventories written down	14,354	107,558
Loss on foreign exchange	194,930	153,811

There were no non-audit fees paid to the Company's auditors during the financial years ended 31 December 2009 and 2008. There was also no non-sponsor fees paid to the Company's Sponsor (appointed in 1 February 2010) for the financial year ended 31 December 2009.

8 Staff Costs

	Group	
	2009 S$	2008 S$
Salaries and bonuses	1,444,522	1,507,960
Employees Provident Fund & Social Security contributions	61,780	65,668
Other short-term benefits	7,070	5,834
	1,513,372	1,579,462

9 Income Tax

	Group	
	2009 S$	2008 S$
Income tax expense	6,955	1,670
- current income tax	80,541	(18,783)
- deferred tax	87,496	(17,113)
Over provision in prior years	-	(8,942)
- income tax	30,232	-
- deferred tax	117,728	(26,055)

9 Income Tax (cont'd)

The income tax expense on profit/(loss) before income tax differs from the amount that would arise using the Singapore statutory tax rate is explained below:

	Group	
	2009 S$	2008 S$
Profit/(Loss) before income tax	289,654	(513,360)
Tax at statutory tax rate of 17% (2008: 18%)	49,241	(92,405)
Effect of different tax rate in Malaysia	41,319	(23,449)
Non-deductible expenses	57,400	99,200
Effect of change in tax rate in Malaysia	-	(459)
Over provision of income tax in prior years	-	(8,942)
Over provision of deferred tax in prior years	(30,232)	-
	117,728	(26,055)

The corporate income tax rate of the Company was reduced from 18% for the Year of Assessment 2009 to 17% for the Year of Assessment 2010.

The corporate income tax rate of the subsidiaries in Malaysia was reduced from 26% for the Year of Assessment 2009 to 25% for the Year of Assessment 2010. Consequently, deferred tax assets and liabilities arising from the subsidiaries are measured using the tax rate of 25%.

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

(i) estimated unutilised reinvestment allowances of S$6,616,546 (2008: S$6,709,705), available for set-off against future taxable profits;

(ii) a tax credit of S$70,358 (2008: S$71,793) under Section 108 of Income Tax Act, 1967 to frank future payment of dividend of approximately S$200,848 (2008: S$204,943) without incurring additional tax liability; and

(iii) estimated tax exempt income account from pioneer profits of S$597,228 (2008: S$609,404), reinvestment allowances utilised against taxable profits of S$7,787,275 (2008: S$7,946,044) available for distribution by way of tax exempt dividend.

(iv) estimated unutilised capital allowances of S$1,126,142 (2008: S$1,101,519) are available for set-off against future taxable profits.

10 Earnings/(Loss) Per Share

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

	Group	
	2009	**2008**
Profit/(Loss) after income tax attributable to equity holders of the Company (S$)	171,926	(487,305)
Weighted average number of ordinary shares for basic earnings per share computation	96,276,201	96,276,201
Earnings/(Loss) per share (S$ cents)		
- Basic	0.18	(0.51)
- Diluted	0.18	(0.51)

There are no dilutive potential ordinary shares.

11 Property, Plant and Equipment

Group	**Factory Buildings S$**	**Plant & Machinery S$**	**Furniture, Fittings & Equipment S$**	**Motor Vehicles S$**	**Total S$**
2009					
Cost					
Balance at 1 January 2009	3,420,617	24,473,018	266,632	356,171	28,516,438
Additions	-	1,320,906	30,104	-	1,351,010
Currency realignment	(68,347)	(488,991)	(5,328)	(7,118)	(569,784)
Balance at 31 December 2009	3,352,270	25,304,933	291,408	349,053	29,297,664
Accumulated depreciation					
Balance at 1 January 2009	442,965	10,318,738	189,682	306,072	11,257,457
Charge for the year	67,045	1,415,571	37,322	20,518	1,540,456
Currency realignment	(8,851)	(206,179)	(3,790)	(6,115)	(224,935)
Balance at 31 December 2009	501,159	11,528,130	223,214	320,475	12,572,978
Net book value					
Balance at 31 December 2009	2,851,111	13,776,803	68,194	28,578	16,724,686

11 Property, Plant and Equipment (cont'd)

Group (cont'd)	Factory Buildings S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
2008					
Cost					
Balance at 1 January 2008 as previously reported	3,505,582	24,030,633	429,405	416,195	28,381,815
Reclassification	-	165,596	(165,596)	-	-
As restated	3,505,582	24,196,229	263,809	416,195	28,381,815
Additions	50,672	1,859,107	15,477	30,140	1,955,396
Disposals	-	(646,122)	(2,446)	(74,061)	(722,629)
Currency realignment	(135,637)	(936,196)	(10,208)	(16,103)	(1,098,144)
Balance at 31 December 2008	3,420,617	24,473,018	266,632	356,171	28,516,438
Accumulated depreciation					
Balance at 1 January 2008 as previously reported	389,955	9,620,657	250,378	333,797	10,594,788
Reclassification	-	101,912	(101,912)	-	-
As restated	389,955	9,722,569	148,467	333,797	10,594,788
Charge for the year	68,098	1,411,057	48,958	59,253	1,587,366
Disposals	-	(438,705)	(1,999)	(74,061)	(514,765)
Currency realignment	(15,088)	(376,183)	(5,744)	(12,917)	(409,932)
Balance at 31 December 2008	442,965	10,318,738	189,682	306,072	11,257,457
Net book value					
Balance at 31 December 2008	2,977,652	14,154,280	76,950	50,099	17,258,981

(a) As at 31 December 2009, the net book value of property, plant and equipment acquired under hire purchase in respect of which instalment payments are outstanding are as follows:

	Group 2009 S$	Group 2008 S$
Plant and machinery	2,214,781	1,775,961
Motor vehicles	27,981	49,024
	2,242,762	1,824,985

(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 20.

(ii) Plant and machinery with a total net book value of S$1,819,809 (2008: S$2,033,210) pledged as security for bank borrowings of the Group as disclosed in Note 20.

(c) During the financial year, the Group acquired certain plant and machinery by means of hire purchase totalling S$640,777 (2008: S$1,012,803). Other plant and machinery were acquired by cash payment of S$710,233 (2008: S$942,593).

12 Prepaid Land Lease Payments

	Leasehold Lands S$
Group	
2009	
Cost	
Balance at 1 January 2009	1,112,256
Currency realignment	(22,224)
Balance at 31 December 2009	1,090,032
Accumulated amortisation	
Balance at 1 January 2009	81,391
Charge for the year	16,436
Currency realignment	(1,626)
Balance at 31 December 2009	96,201
Net book value	
Balance at 31 December 2009	993,831
2008	
Cost	
Balance at 1 January 2008	1,157,022
Currency realignment	(44,766)
Balance at 31 December 2008	1,112,256
Accumulated amortisation	
Balance at 1 January 2008	67,219
Charge for the year	16,773
Currency realignment	(2,601)
Balance at 31 December 2008	81,391
Net book value	
Balance at 31 December 2008	1,030,865

The prepaid land lease payments are for four plots of leasehold lands in Kedah, Malaysia where the manufacturing facilities of the Group reside. The leasehold lands have remaining lease terms ranging from 49 to 99 years. Certain of these plots of leasehold lands with a net book value of S$620,680 (2008:S$645,600) as at 31 December 2009 are pledged as security for bank borrowings of the Group as disclosed in Note 20.

13 Investment in Subsidiaries

	Company 2009 S$	Company 2008 S$
Unquoted equity investments, at cost	11,064,509	11,064,509

13 Investment in Subsidiaries (cont'd)

Details of the 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 2009 %	2008 %
Held by Company				
Allied Advantage Sdn. Bhd.*	Malaysia	Manufacturer of speaker parts	100	100
Held through subsidiary				
AA Supply Chain Management Sdn. Bhd.*	Malaysia	Supply chain management	100	100
Allied Advantage (Xu Zhou) Co Ltd.**	People's Republic of China	Dormant	100	100

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

** The subsidiary was incorporated in 2008 with a registered capital of US$10 million (S$14.8 million). As at 31 December 2009, the Group has not contributed any paid-up capital to the subsidiary. The subsidiary has not commenced operations since its incorporation.

14 Inventories

	Group 2009 S$	Group 2008 S$
At cost		
Raw materials	3,203,331	4,510,948
Semi-finished goods	638,492	414,620
Finished goods	1,194,002	1,134,343
	5,035,825	6,059,911
At net realisable value		
Semi-finished goods	13,479	30,253
Finished goods	46,914	214,585
	5,096,218	6,304,749

15 Trade and Other Receivables

	Group 2009 S$	Group 2008 S$	Company 2009 S$	Company 2008 S$
Trade receivables				
- third parties	5,154,758	3,818,207	-	-
- related parties	964,514	-	-	-
	6,119,272	3,818,207	-	-
Other receivables				
- due from a subsidiary	-	-	1,262,088	1,501,119
- tax recoverable	101,568	108,940	-	-
	6,220,840	3,927,147	1,262,088	1,501,119

Related parties refer to companies in which certain key management personnel of the Group have a substantial interest in. The amount due are unsecured, interest-free and are repayable on normal credit terms.

16 Other Current Assets

	Group		Company	
	2009 S$	2008 S$	2009 S$	2008 S$
Deposits	7,751	67,153	-	-
Prepayments	233,689	182,978	642	642
	241,440	250,131	642	642

Included in deposits were amounts totalling S$58,279 paid for the purchase of plant and equipment as at the end of the previous financial year.

17 Cash and Cash Equivalents

	Note	Group		Company	
		2009 S$	2008 S$	2009 S$	2008 S$
Cash on hand and at banks		1,359,989	746,403	12,884	1,822
Fixed deposits		542,518	531,776	-	-
Cash and cash equivalents		1,902,507	1,278,179	12,884	1,822
Less:					
Fixed deposits pledged		(542,518)	(531,776)	-	-
Bank overdrafts	20	(894,529)	(804,660)	-	-
Cash and cash equivalents per consolidated cash flow statement		465,460	(58,257)	12,884	1,822

(a) Included in fixed deposits are amounts totalling S$542,518 (2008: S$531,776) pledged to banks as collateral for banking facilities granted to the Group, as disclosed in Note 20, and are utilised only for repayment of the said facilities.

The fixed deposits' effective interest rates ranged from 3% to 3.7% (2008: 3% to 3.7%) per annum during the financial year.

(b) The bank overdrafts of the Group bear interest at 6.75% to 7.05% (2008: 6.09% to 8.54%) per annum and are secured and supported by:

(i) legal charges over the Group's leasehold lands and factory buildings;
(ii) pledged of fixed deposits; and
(iii) joint and severally guaranteed by the Directors of the Company.

18 Share Capital

	Group and Company			
	2009 No. of ordinary shares with no par value	2008 No. of ordinary shares with no par value	2009 S$	2008 S$
Issued and fully paid:				
As at beginning and end of year	96,276,201	96,276,201	12,515,906	12,515,906

The holders of ordinary shares are entitled to receive dividends as and when declared payable by the Company. All ordinary shares carry one vote per share without restrictions.

19 Reserves

(a) The movements in the Group's reserves 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 prior to the Company's initial public offering over the nominal value of the Company's shares issued in exchange thereof.

(c) The Group's translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

20 Bank Borrowings

			← Non-Current →			
Group	**Note**	**Current Within 1 year S$**	**Within 2 – 5 years S$**	**After 5 years S$**	**Non-current Total S$**	**Total bank borrowings S$**
2009						
Secured						
Borrowing I		30,867	-	-	-	30,867
Borrowing II		47,699	132,403	-	132,403	180,102
Borrowing III		-	-	-	-	-
Borrowing IV		214,637	229,166	-	229,166	443,803
Borrowing V		54,030	255,137	17,079	272,216	326,246
		347,233	616,706	17,079	633,785	981,018
Bank overdrafts	17	894,529	-	-	-	894,529
Bills payables		9,434,612	-	-	-	9,434,612
		10,676,374	616,706	17,079	633,785	11,310,159
Unsecured						
Bills payables		69,131	-	-	-	69,131
		10,745,505	616,706	17,079	633,785	11,379,290
2008						
Secured						
Borrowing I		257,752	27,336	-	27,336	285,088
Borrowing II		44,785	183,408	-	183,408	228,193
Borrowing III		53,489	252,048	40,415	292,463	345,952
Borrowing IV		199,107	458,991	-	458,991	658,098
		555,133	921,783	40,415	962,198	1,517,331
Bank overdrafts	17	804,660	-	-	-	804,660
Bills payables		8,019,101	-	-	-	8,019,101
		9,378,894	921,783	40,415	962,198	10,341,092
Unsecured						
Bills payables		545,542	-	-	-	545,542
		9,924,436	921,783	40,415	962,198	10,886,634

20 Bank Borrowings (cont'd)

(a) The bank borrowings of the Group have effective interest rates from 6.55% to 7.50% (2008: 7.40% to 8.50%) per annum during the financial year. The bank borrowings are secured by:

(i) legal charges over a subsidiary's leasehold lands (Note 12) and factory buildings (Note 11(b)(i));

(ii) specific debenture incorporating a fixed and floating charge over certain plant and equipment of a subsidiary as disclosed in Note 11(b)(ii);

(iii) pledge of fixed deposits as disclosed in Note 17;

(iv) corporate guarantee of the Company; and

(v) jointly and severally guaranteed by certain directors of the Company.

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

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

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

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

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

(v) Borrowing V is repayable in 72 monthly instalment over a period of 6 years commencing from July 2009.

(c) The unsecured bank borrowings of the Group has effective interest rate at 3.82% (2008: 3.96% to 4.21%) per annum during the financial year.

(d) As at 31 December 2009, the Group has S$1.81 million (2008: S$3.93 million) outstanding of undrawn trade and overdraft facilities.

21 Hire Purchase Creditors

The Group has certain 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:

	2009		2008	
	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	704,796	655,877	463,062	415,881
Between two to five years	446,639	436,386	593,959	565,399
Total minimum lease payments	1,151,435	1,092,263	1,057,021	981,280
Less: Future finance charges	(59,172)	-	(75,741)	-
Present value of minimum lease payments	1,092,263	1,092,263	981,280	981,280
Less:				
Repayable within one year included under current liabilities		(655,877)		(415,881)
Repayable within two to five years included under non-current liabilities		436,386		565,399

21 Hire Purchase Creditors (cont'd)

The hire purchase creditors' effective interest rates range from 5.2% to 6.6% (2008: 6.2% to 6.9%) per annum during the financial year.

Certain plant and equipment acquired under hire purchase is secured by corporate guarantees of the Company. The total outstanding instalment payments of these plant and equipment amounted to S$558,957 (2008: S$126,729) as at 31 December 2009.

22 Deferred Taxation

	Group	
	2009 S$	2008 S$
Deferred tax liabilities		
- to be settled after 12 months	1,846,825	1,771,446

The movement in the deferred tax account is as follows:

	Group	
	2009 S$	2008 S$
Deferred tax liabilities		
- Accelerated tax depreciation:		
Balance at 1 January	2,031,653	1,900,059
Currency translation difference	(40,594)	(73,516)
Charged to income statement	154,993	205,110
Balance at 31 December	2,146,052	2,031,653
Deferred tax assets		
- Unrealised foreign exchange (gain)/loss		
Balance at 1 January	(15,152)	37,775
Currency realignment	303	(1,461)
Credited/(Charged) to income statement	32,643	(51,466)
Balance at 31 December	17,794	(15,152)
- Unutilised capital allowances		
Balance at 1 January	275,359	-
Currency realignment	(5,502)	-
Credited to income statement	11,576	275,359
Balance at 31 December	281,433	275,359
Total deferred tax assets	299,227	260,207

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 Group's consolidated balance sheet:

	Group	
	2009 S$	2008 S$
Deferred tax liabilities	2,146,052	2,031,653
Less : Deferred tax assets	(299,227)	(260,207)
	1,846,825	1,771,446

23 Trade and Other Payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	S$	**S$**	**S$**	**S$**
Trade payables				
- third parties	1,577,008	944,532	-	-
- related parties	502,851	607,119	-	-
	2,079,859	1,551,651	-	-
Other payables				
- accrued operating expenses	299,641	320,764	157,000	162,000
- sundry creditors	132,468	86,300	41,642	37,820
	2,511,968	1,958,715	198,642	199,820

Related parties refer to companies in which certain directors of the Company/key management personnel of the Group have a substantial interest in. The amounts due are unsecured, interest-free and are repayable on normal credit terms.

24 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.

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

	Group	
	2009	**2008**
	S$	**S$**
With a company in which certain directors of the Company have a substantial interest		
Purchase of raw materials	7,198,699	5,346,303
Purchase of tools, moulds, machineries and others	396,256	409,719
With companies in which certain key management personnel of the Group have a substantial interest		
Purchase of goods	5,697,981	2,904,759
Sale of goods	(1,768,052)	-

(b) Compensation of Key Management Personnel

	Group	
	2009	**2008**
	S$	**S$**
Directors' fees	130,000	135,000
Salaries and bonuses	405,994	454,320
Employees Provident Fund and Social Security contributions	15,808	16,529
Other short-term benefits	17,386	8,297
	569,188	614,146
The above comprised compensation of the following:		
Directors of the Company	339,318	393,501
Key management personnel	229,870	220,645
	569,188	614,146

25 Contingent Liabilities

As disclosed in Note 20, the Company has provided a corporate guarantee for banking facilities granted by financial institutions to a subsidiary. As at 31 December 2009, the facilities utilised amounted to S$9,561,286 (2008: S$8,247,495).

As disclosed in Note 21, the Company has also provided corporate guarantees for certain plant and equipment acquired under hire purchase.

The fair value of the above corporate guarantees have not been recognised in the financial statements of the Company, as the amounts involved are, in the opinion of the directors, not material to the Company and have no impact on the consolidated financial statements of the Group.

26 Capital Commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2009	**2008**
	S$	**S$**
Property, plant and equipment	-	332,887

27 Segment Reporting

For management purposes, the Group is organised into business segments based on their products as the Group's risks and rates of return are affected predominantly by differences in the products produced. Each segment represents a strategic business unit that offers different product categories. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Revenue reported below represents revenue generated form external customers. There were no inter-segment sales in the current financial year (2008: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies discounted in Note 2. Segment results represent the profit or loss earned by each segment without allocation of corporate expenses, finance income/costs and income tax expense. Segment assets and liabilities are disclosed unallocated in the segment reporting as the assets of the Group are utilised interchangeably between the different operating segments and there is no reasonable basis to allocate liabilities of the Group between the different operating segments. No operating segments have been aggregated to form the following reportable operating segments.

27 Segment Reporting (cont'd)

(i) Reportable Operating Segments

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

	LCD & computer accessories S$	Frame & others S$	T-yokes S$	U-yokes S$	Washers S$	Total S$
2009						
Revenue	6,744,564	1,030,360	9,595,763	2,590,280	5,402,381	25,363,348
Segment results						1,158,685
Unallocated corporate expenses (net)						(226,682)
Finance income						15,894
Finance costs						(658,243)
Profit before income tax						289,654
Income tax						(117,728)
Profit for the year						171,926
Segment assets - unallocated						31,183,244
Segment liabilities - unallocated						16,834,068
Additions to property, plant and equipment - unallocated						1,351,010
Depreciation of property, plant and equipment - unallocated						1,540,456
Amortisation of prepaid land lease payments - unallocated						16,436
2008						
Revenue	2,946,465	1,160,043	7,969,272	2,113,131	3,120,374	17,309,285
Segment results						376,441
Unallocated corporate expenses (net)						(228,497)
Finance income						21,821
Finance costs						(683,125)
Loss before income tax						(513,360)
Income tax						26,055
Loss for the year						(487,305)
Segment assets - unallocated						30,050,052
Segment liabilities - unallocated						15,598,075
Additions to property, plant and equipment - unallocated						1,955,396
Depreciation of property, plant and equipment - unallocated						1,587,366
Amortisation of prepaid land lease payments - unallocated						16,773

Property, plant and equipment purchased by the Group are used interchangeably in the manufacture of the different product categories. Accordingly, additions to property, plant and equipment, depreciation of property, plant and equipment and amortisation of prepaid land lease payments are disclosed unallocated in this segment reporting.

27 Segment Reporting (cont'd)

(ii) Geographical Information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Asia S$	Europe S$	North America S$	Total S$
2009				
Revenue	14,044,976	4,381,862	6,936,510	25,363,348
2008				
Revenue	7,698,748	4,950,779	4,659,758	17,309,285
2009				
Non-current assets	17,718,517	-	-	17,718,517
2008				
Non-current assets	18,289,846	-	-	18,289,846

Non-current assets information presented above consist of property, plant and equipment and prepaid land lease payments as presented in the consolidated balance sheet.

(iii) Information about Major Customers

Revenues of approximately S$17,561,847 (2008: S$11,268,973) are derived from 4 external customers (2008: 4). These revenue are attributable to the manufacture of T-yokes, Y-yokes, washers and frame and trading in LCD and computer accessories.

28 Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of market risk (including currency risk, interest rate risk and price 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 the Group entities. The currencies giving rise to this risk are primarily United States 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 currency denomination.

In addition, the Group is exposed to currency translation risk on the net assets of 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.

28 Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency Risk (cont'd)

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

	USD S$	RM S$	Euro S$	Others S$	Total S$
Group					
As at 31 December 2009					
Financial assets					
Cash and cash equivalents	916,790	612,504	358,717	14,496	1,902,507
Trade and other receivables	3,766,041	1,311,305	1,143,494	-	6,220,840
Other financial assets	-	240,798	-	642	241,440
	4,682,831	2,164,607	1,502,211	15,138	8,364,787
Financial liabilities					
Trade and other payables	382,448	1,930,878	-	198,642	2,511,968
Borrowings	913,542	10,465,748	-	-	11,379,290
Hire purchase creditors	-	1,092,263	-	-	1,092,263
	1,295,990	13,488,889	-	198,642	14,983,521
Net financial assets/(liabilities)	3,386,841	(11,324,282)	1,502,211	(183,504)	(6,618,734)
Less: Net financial assets denominated in the respective entities' functional currencies	-	11,324,282	-	183,504	11,507,786
Currency exposure on net financial assets and liabilities	3,386,841	-	1,502,211	-	4,889,052
Group					
As at 31 December 2008					
Financial assets					
Cash and cash equivalents	643,404	550,603	80,440	3,732	1,278,179
Trade and other receivables	2,678,693	388,121	860,333	-	3,927,147
Other financial assets	-	249,489	-	642	250,131
	3,322,097	1,188,213	940,773	4,374	5,455,457
Financial liabilities					
Trade and other payables	(510,995)	(1,247,900)	-	(199,820)	(1,958,715)
Borrowings	(874,532)	(10,012,102)	-	-	(10,886,634)
Hire purchase creditors	-	(981,280)	-	-	(981,280)
	(1,385,527)	(12,241,282)	-	(199,820)	(13,826,629)
Net financial assets/(liabilities)	1,936,570	(11,053,069)	940,773	(195,446)	(8,371,172)
Less: Net financial assets denominated in the respective entities' functional currencies	-	11,053,069	-	195,446	11,248,515
Currency exposure on net financial assets and liabilities	1,936,570	-	940,773	-	2,877,343

28 Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency Risk (cont'd)

If the USD and Euro change against S$ by 5% (2008: 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:

	2009	2008
	← Increase/(Decrease) →	
	Profit after income tax	Loss after income tax
Group	**S$**	**S$**
USD against S$		
- strengthened	169,342	(96,828)
- weakened	(169,342)	96,828
Euro against S$		
- strengthened	75,111	(47,383)
- weakened	(75,111)	47,383

(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 include 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% (2008: 0.5%) with all other variables including the tax rate being held constant, the profit before income tax will be lower/higher by S$56,551 (2008: the loss before income tax will be higher/lower by S$51,705) as a result of the increase/decrease in interest expense on these borrowings.

28 Financial Risk Management (cont'd)

(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 adopts 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.

The Group has significant concentration of credit risk from trade receivables as approximately 52% (2008: 65%) of the trade receivables are due from 3 (2008: 3) customers.

As the Group does not hold any material 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 major classes of financial assets are bank deposits and trade receivables.

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

	Group	
	2009	**2008**
	S$	**S$**
By geographical areas		
Asia	3,113,047	1,116,347
North America	1,983,290	1,697,069
Europe	1,022,935	1,004,791
	6,119,272	3,818,207
By types of customers		
External parties	6,119,272	3,818,207

(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 ageing analysis of trade receivables past due as at the balance sheet date but not impaired is as follows:

	Group	
	2009	**2008**
	S$	**S$**
Past due within 3 months	537,147	600,308
Past due 3 to 6 months	14,870	-
	552,017	600,308

No allowance for impairment of trade receivables has been made for the financial years ended 31 December 2009 and 2008.

28 Financial Risk Management (cont'd)

(c) Liquidity Risk

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

Group	Carrying amount S$	Contractual cash flow S$	Within one year S$	Between two to five years S$	Over five years S$
As at 31 December 2009					
Trade and other payables	2,511,968	2,511,968	2,511,968	-	-
Borrowings	11,379,290	11,503,537	10,804,332	668,579	30,626
Hire purchase creditors	1,092,263	1,151,435	704,796	446,639	-
	14,983,521	15,166,940	14,021,096	1,115,218	30,626
As at 31 December 2008					
Trade and other payables	1,958,715	1,958,715	1,958,715	-	-
Borrowings	10,886,634	11,090,095	10,019,415	995,152	75,528
Hire purchase creditors	981,280	1,057,021	463,062	593,959	-
	13,826,629	14,105,831	12,441,192	1,589,111	75,528

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	Within one year S$	Between two to five years S$	Over five years S$
As at 31 December 2009			
Financial guarantees	9,044,213	1,076,030	-
As at 31 December 2008			
Financial guarantees	7,374,612	959,197	40,415

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$2.97 million (equivalent to RM7.26 million) (2008: S$3.13 million (equivalent to RM7.5 million)) term loan facilities that is secured. Interest would be payable at rates ranging from 6.5% to 7.5% (2008: 6.85% to 8.75%) per annum.

(ii) Approximately S$1.06 million (equivalent to RM2.6 million) (2008: S$1.04 million (equivalent to RM2.5 million) overdraft facilities that are secured. Interest would be payable at rates ranging from 7.35% to 8.25% per annum.

(iii) Approximately S$11.35 million (equivalent to RM27.75 million) (2008: S$10.64 million (equivalent to RM25.5 million) of 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 rates ranging from 8% to 8.25% per annum.

28 Financial Risk Management (cont'd)

(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 optimal capital structure so as to maximise shareholder value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. 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. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2009 and 2008.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising share capital, reserves and retained earnings and net debts, which represent borrowings plus trade and other payables and hire purchase creditors less cash and cash equivalents.

The gearing ratio of the Group is calculated as net debts as defined above divided by total capital. Total capital is calculated as equity plus net debt.

	Group	
	2009	**2008**
	S$	**S$**
Net debt	13,081,014	12,548,450
Total equity	14,349,176	14,451,977
Total capital	27,430,190	27,000,427
Gearing ratio	48%	46%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2009 and 2008.

(e) 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 2009, 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.

(ii) Intra-group financial guarantees

The value of financial guarantees provided by the Company to its subsidiary 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.

7 April 2010

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 **22 April 2010 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

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 other company which is its subsidiary or holding company or is a subsidiary of 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 Director 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 Director"	: The independent Director of our Company as at the date of this Appendix, unless otherwise stated
"Interested Person"	: A Director, chief executive officer or controlling shareholder of the Company or an associate of such Director, chief executive officer or controlling shareholder
"Interested Person Transaction"	: Any transaction proposed to be entered into the Group and any Interested Person
"Latest Practicable Date"	: 10 March 2010, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	: The listing manual Section B : Rules of Catalist of the SGX-ST
"NTA"	: Net tangible assets

"Securities Account"	:	Securities account maintained by a Depositor with CDP
"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.

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 23 April 2009, 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 into 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 on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

1. Introduction (cont'd)

Pursuant to Chapter 9 of the Listing Manual, the Shareholders' Mandate, which was approved by the Shareholders in the last AGM held on 23 April 2009, 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 22 April 2010.

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 23 April 2009, applies to transactions with Audio Yoke.

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

2.2 Nature of Transactions

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

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

(b) purchase of tooling, semi-finished products, machinery and chemicals.

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

2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by our Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. Our Directors are of the view that it will be beneficial to our Group to transact with Audio Yoke. It is intended that the Mandate Transactions shall continue in the future as long as Audio Yoke (as the case may be) are Interested Persons of our Group and so long as the transactions are on an 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.

2.3 Rationale for and Benefits of the Shareholders' Mandate (cont'd)

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

2.4 Review Procedures for Mandate Transactions

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

(i) Our Group shall require that:-

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

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

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

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

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

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

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

(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

2.4 Review Procedures for Mandate Transactions (cont'd)

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

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

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

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

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

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

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

2.5 Audit Committee's Statement

(a) The Audit Committee (currently comprising Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 23 April 2009.

(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.

2.5 Audit Committee's Statement (cont'd)

(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 the Latest Practicable Date are set out below: -

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Hsieh, Kuo-Chuan @ Jaimes Hsieh [(1)]	27,505,745	28.57	27,505,745	28.57
Feng, Tzu-Ju @ Julie Feng [(1)]	27,505,745	28.57	27,505,745	28.57
Substantial Shareholders				
Asean China Investment Fund L.P.	8,503,401	8.83	-	-
Poh Po Lian [(2)]	-	-	11,707,186	12.16

[(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 12,143,000 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 2009 of the Company, will be held on 22 April 2010 at 2.00 p.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.

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/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 22 April 2010.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2008 and 31 December 2009 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. Directors' 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, 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.

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 persons 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 2010

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 for 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	205	70.69	733,000	0.76
10,001 - 1,000,000	79	27.24	6,811,000	7.08
1,000,001 and above	6	2.07	88,732,201	92.16
Total	**290**	**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 2010, approximately 21.87% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Catalist Rules has been complied with.

Statistics of Shareholdings (cont'd)

As At 10 March 2010

Top Twenty Shareholders

	Name	No. of Shares	%
1.	HL Bank Nominees (S) Pte Ltd	65,001,800	67.52
2.	UOB Kay Hian Pte Ltd	8,665,401	9.00
3.	Maybank Nominees (S) Pte Ltd	8,178,000	8.49
4.	CIMB-GK Securities Pte. Ltd.	3,850,000	4.00
5.	DBS Nominees Pte Ltd	1,799,000	1.87
6.	Tan Kim Cheng	1,238,000	1.29
7.	DBS Vickers Securities (S) Pte Ltd	795,000	0.83
8.	Lee Ean Lean	722,000	0.75
9.	Koh Chin Hwa	688,000	0.71
10.	Yeap Lam Wah	450,000	0.47
11.	Chia Pin Yong Francis (Xie Bingrong Francis)	428,000	0.44
12.	Beh Chye Hee	393,000	0.41
13.	Tan Lye Seng	347,000	0.36
14.	OCBC Securities Private Ltd	283,000	0.29
15.	Wong Cheong Yim	220,000	0.23
16.	Lee Ghee Thiam	192,000	0.20
17.	Chng Eng Keong	134,000	0.14
18.	United Overseas Bank Nominees Pte Ltd	108,000	0.11
19.	Lim Gek Sian	100,000	0.10
20.	Goh Kim Hong	87,000	0.09
	Total :	**93,679,201**	**97.30**

Substantial Shareholders

(as shown in the Company's register of substantial shareholders)
as at 10 March 2010

Substantial Shareholders	Direct interest		Deemed Interest	
	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)	-	-	11,707,186	12.16

(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 11,707,186 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, 22 April 2010 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 2009 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) Mdm Feng, Tzu-Ju @ Julie Feng **[See Explanatory Note 1]**; and **(Resolution 2)**

   (ii) Mr Loo Choon Chiaw **[See Explanatory Note 2]**. **(Resolution 3)**

3. To approve the amount of S$130,000.00 proposed as Directors' Fees for the financial year ended 31 December 2009. **(Resolution 4)**

4. To re-appoint Messrs Moore Stephens LLP 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 issue shares** **(Resolution 6)**

   That pursuant to Section 161 of the Companies Act, Cap.50, the Articles of Association and the Listing Manual Section B : Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST")("Catalist Rules"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or in relation to sub-paragraph (3) above, 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See Explanatory Note 3]

7. **Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.**

(Resolution 7)

That subject to and pursuant to the aforesaid share issue mandate being obtained, the Directors of the Company be hereby authorised and empowered to issue shares other than on a pro-rata basis at a discount not exceeding twenty per centum (20%) to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement in relation to such shares is executed (or if not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement or subscription agreement is executed), provided that :-

(a) in exercising the authority conferred by this Resolution, the Company complies with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(b) 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 the date by which the next Annual General Meeting of the Company is required by law to be held, or 31 December 2010 or such other deadline as may be extended by the SGX-ST whichever is earlier.

[See Explanatory Note 4]

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

"That the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the AA Group Employee Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note 5]

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

(a) "That approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules 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 **7 April 2010** (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 6]

By Order of the Board

Chia Foon Yeow
Company Secretary

Singapore, 7 April 2010

EXPLANATORY NOTES:

1. Mdm Feng, Tzu-Ju @ Julie Feng will, upon re-election as a Director of the Company, remain as the Managing Director.

2. Mr Loo Choon Chiaw will, upon re-election as a Director of the Company, remain as the lead independent director and chairman of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued shares in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares will be calculated based on the total number of issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

The resolution will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. Minority shareholders' interests are mitigated as all shareholders have equal opportunities to participate and can dispose their entitlements through trading of nil-paid rights if they do not wish to subscribe for their rights shares. It is subject to the condition that the Company makes periodic announcements on the use of the proceeds as and when the funds are materially disbursed and provides a status report on the use of proceeds in the annual report.

4. The Ordinary Resolution 7 in item 7 above is pursuant to measures implemented by the SGX-ST as stated in a press release entitled "SGX introduces further measures to facilitate fund raising" dated 19 February 2009 which became effective on 20 February 2009 and will expire on 31 December 2010 unless extended. Under the measures implemented by the SGX-ST, issuers will be allowed to undertake non pro-rata placements of new shares priced at discounts of up to 20% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed, subject to the conditions that (a) shareholders' approval be obtained in a separate resolution (the "Resolution") at a general meeting to issue new shares on a non pro-rata basis at discount exceeding 10% but not more than 20%; and (b) that the resolution seeking a general mandate from shareholders for issuance of new shares on a non pro-rata basis is not conditional upon the Resolution.

   It should be noted that under the Catalist Rules, shareholders' approval is not required for placements of new shares, on a non pro-rata basis pursuant to a general mandate, at a discount of up to 10% to the weighted average price for trades done on the SGX-ST for a full market day on which the placement or subscription agreement in relation to such shares is executed.

5. The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoke by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

6. The Ordinary Resolution 9 proposed in item 9 above, if passed, will authorise the interested person transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

NOTES:

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

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

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

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

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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, 22 April 2010 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 direction 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 Mdm Feng, Tzu-Ju @ Julie Feng as a Director		
3	Re-election of Mr Loo Choon Chiaw as a Director		
4	Approval of proposed Directors' Fees of S$130,000.00 for the financial year ended 31 December 2009		
5	Re-appointment of Messrs Moore Stephens LLP as Auditors		
6	Authority to issue and allot shares		
7	Authority to issue shares other than on a pro-rata basis pursuant to the aforesaid share issue mandate at discounts not exceeding twenty per centum (20%) of the weighted average price for trades done on the SGX-ST.		
8	Authority to allot and issue shares under the AA Group Share Option Scheme		
9	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

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

Dated this ________ day of ________ , 2010.

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.

AA Group Holdings Ltd.
(Company Registration Number : 200412064D)

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