

# Prospectus dated 23 August 2005

(Registered by the Monetary Authority of Singapore on 23 August 2005)

**This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.**

We have made an application to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of S\$0.13 each (the "Shares") in the capital of AA Group Holdings Ltd. (the "Company") already issued, the new Shares which are the subject of the Invitation (the "New Shares") and the Shares which may be issued upon the exercise of the options to be granted under the AA Group Employee Share Option Scheme (the "Option Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-SESDAO. **The dealing and quotation of the Shares will be in Singapore dollars.**

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in, and for quotation of, all the existing issued Shares, the New Shares and the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claims against us or the Manager or the Joint Lead Underwriters and Joint Lead Placement Agents.

The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-SESDAO is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiary, our Shares, the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Cap. 289) of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

**Investing in our Shares involves risks which are described in the section "RISK FACTORS" of this Prospectus.**

**No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.**



## AA Group Holdings Ltd.

(Incorporated in the Republic of Singapore on 21 September 2004)

(Company registration number: 200412064D)

Invitation in respect of 15,400,000 New Shares of S\$0.13 each as follows:

- (a) 1,500,000 Offer Shares at S\$0.21 for each Offer Share by way of public offer; and
- (b) 13,900,000 Placement Shares by way of placement, comprising:
  - (i) 11,900,000 Placement Shares at S\$0.21 for each Placement Share; and
  - (ii) 2,000,000 Reserved Shares at S\$0.21 for each Reserved Share reserved for our management, employees, business associates and those who have contributed to the success of our Group,

payable in full on application.

Manager



Joint Lead Underwriters and Joint Lead Placement Agents





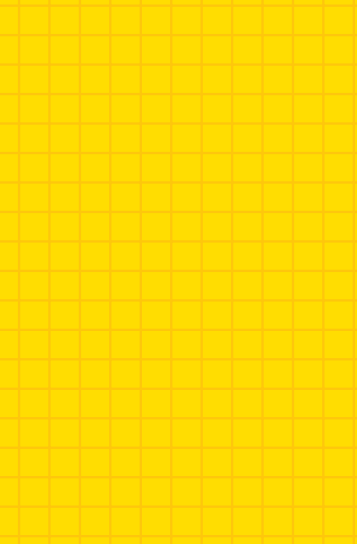
## Corporate Profile

Established in Malaysia in 1995, we are a manufacturer and supplier of high-precision cold forged loudspeaker parts, namely, T-yokes, U-yokes and washers – key components of the magnet assembly in a loudspeaker. The combination of yoke, washer and magnet represents the existing core audio technology and is commonly referred to as “The Heart of the Loudspeaker”.

Our customers include global names in sound systems such as Blaupunkt, Bose Corporation and Pioneer Corporation, and other manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products, located in Europe, North America and Asia.

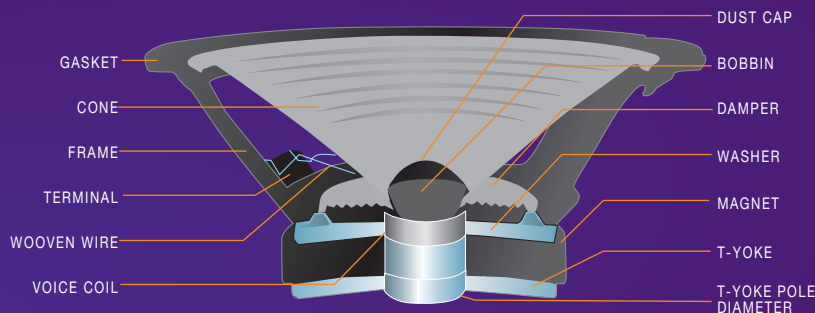
Blaupunkt, an internationally recognised manufacturer of audio and video products for automotives, is a major customer accounting for approximately 32.2% of our Group’s sales in FY2004. We enjoy good relationships with our customers, with repeat customers accounting for approximately 98.9% of our sales last year.

Our manufacturing and warehousing facilities are located in Sungai Petani, in the Malaysian state of Kedah. For FY2004, we had a total production capacity of 13,100 tonnes, with a utilisation rate of 80.5%.



# Our Products

Critical in determining sound quality, our yokes and washers are key components of the magnet assembly, also known as “The Heart of the Loudspeaker”.



T-yokes



U-yokes



Washers

## Competitive Strengths

### Established reputation and proven track record

- Timely delivery and reliability for our customers’ Just-In-Time inventory systems.
- Carry a wide range of tooling sizes to respond to customers’ specific product specifications at short notice.

### Diversified global customer base

- Supply to major loudspeaker manufacturers in various industries (e.g. automotive and commercial audio devices, home audio-visual products and other consumer electronic products) and across many countries in North America, Europe and Asia (including USA, Germany, Italy, France, Japan, Korea, Vietnam, Malaysia, Thailand and Singapore).

### Strong emphasis on maintaining good relationships with customers

- Repeat customers accounted for approximately 98.9% of our sales in FY2004.

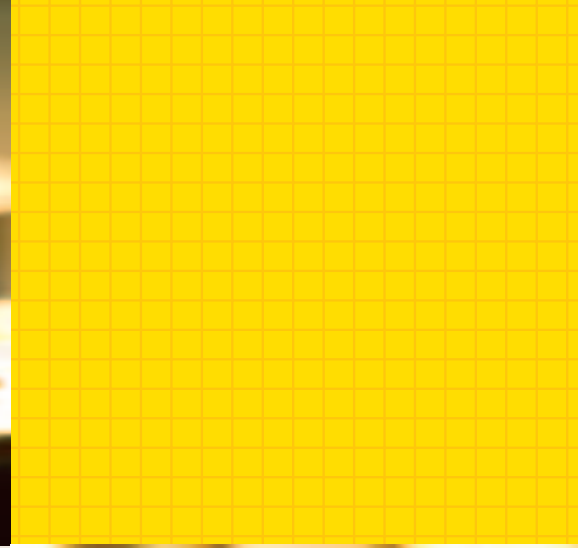
### Quality Certification

- Attained ISO/TS16949:2002 quality certification, a widely-recognised common quality standard and registration scheme developed by the members of the International Automotive Task Force (IATF) and Japan Automobile Manufacturers Association, Inc. (JAMA) for suppliers to the automotive industry.
- Obtained QS9000 and ISO9002 certifications for our quality management system.

### Experienced management team

- Top executives have extensive, in-depth knowledge in cold forging manufacturing and the production of yokes and washers.





## Prospects

### “The Heart of the Loudspeaker”

- The core components of the washer, T-yoke or U-yoke and the magnet represent “the heart of the loudspeaker” and will continue to be used in audio technology in the foreseeable future as there are currently no effective alternatives.

### Strong growth in demand for our products fueled by

- Demand for digital products with superior sound performance (e.g. computers, educational products, musical instruments, and other audio related products).
- Demand for higher quality sound systems due to rising affluence.
- Increasing demand for consumer electronic products with greater aesthetic appeal and multi-functional features which require smaller, more efficient and better quality parts (U-yokes).
- Cold forging increasingly becoming the preferred manufacturing method for mass-produced metal-based products.
- Outsourcing trend for cold forged metal parts by OEMs.
- Increase in sub-contracting of manufacturing processes in the automotive industry which involve cold forging technology.

## Future Plans

### Expand production capacity

- Purchase additional machinery to capitalise on strong growing demand in the loudspeaker market.

### Upgrade manufacturing and R&D capabilities

- Invest in new higher-end plant and machinery, software systems and prototyping equipment to equip us with the capabilities to provide metal part design consultancy, prototyping, higher complexity tooling and other value-added engineering solutions demanded by our customers.

### Diversification into the manufacturing of automotive parts

- Leverage on our experience in cold forging technology and existing manufacturing platform to produce cold-forged automotive parts so as to generate new revenue streams and enhance profitability.

### Expand export markets and customer base

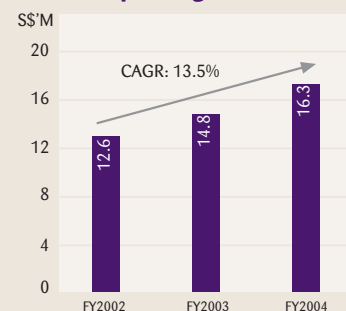
- Continue to build our presence in USA and Japan.
- To further increase sales to existing markets in Europe.

### Acquisitions, joint ventures and strategic alliances

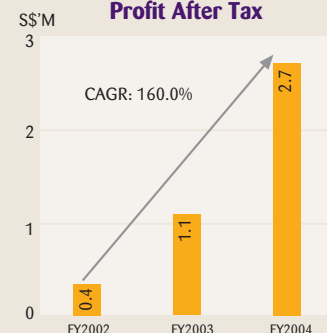
- To strengthen our market position and add value to our existing business.

## Financial Highlights

### Operating Revenue



### Profit After Tax





## **AA Group Holdings Ltd.**

Lots 148-149, Jalan PKNK 3/1  
Kawasan Perusahaan Sungai Petani  
08000 Sungai Petani, Kedah, Malaysia  
Tel: 604-4418351 Fax: 604-4418349

---

## CONTENTS

---

	Page
<b>CORPORATE INFORMATION</b> .....	4
<b>DEFINITIONS</b> .....	6
<b>GLOSSARY OF TECHNICAL TERMS</b> .....	11
<b>CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS</b> .....	13
<b>SELLING RESTRICTIONS</b> .....	14
<b>DETAILS OF THE INVITATION</b>	
– Listing on the SGX-SESDAQ .....	15
– Indicative Timetable for Listing .....	18
<b>PLAN OF DISTRIBUTION</b> .....	19
<b>PROSPECTUS SUMMARY</b>	
– Overview of our Group .....	21
– The Invitation .....	23
– Summary Financial Data .....	25
<b>EXCHANGE RATES</b> .....	27
<b>RISK FACTORS</b> .....	28
<b>INVITATION STATISTICS</b> .....	36
<b>USE OF PROCEEDS</b> .....	37
<b>DIVIDEND POLICY</b> .....	38
<b>SHARE CAPITAL</b> .....	39
<b>PRINCIPAL SHAREHOLDERS</b>	
– Ownership Structure .....	41
– Moratorium .....	43
<b>CAPITALISATION AND INDEBTEDNESS</b> .....	44
<b>DILUTION</b> .....	47
<b>GROUP STRUCTURE</b>	
– Restructuring Exercise and Bond Conversion .....	48
<b>GENERAL INFORMATION ON OUR GROUP</b>	
– History and Development of our Group .....	50
– Business Overview.....	51
– Quality Assurance .....	56
– Major Customers .....	56
– Major Suppliers .....	57
– Credit Policy .....	57
– Marketing and Distribution .....	58
– Inventory Management .....	58
– Intellectual Property .....	59
– Research and Development.....	59

---

## CONTENTS

---

– Competition .....	60
– Competitive Strengths .....	60
– Licences .....	62
– Properties .....	62
– Insurance .....	64
– Employees .....	64
– Prospects .....	65
– Trend Information .....	66
– Future Plans .....	67
<b>SELECTED PROFORMA CONSOLIDATED FINANCIAL INFORMATION .....</b>	<b>69</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>	
– Overview .....	71
– Review of Operating Results .....	72
– Seasonality .....	75
– Review of Financial Position .....	76
– Liquidity and Capital Resources .....	77
– Capital Expenditure and Commitments .....	78
– Changes in Accounting Policies .....	78
– Inflation .....	79
– Foreign Exchange Exposure .....	79
– Taxation .....	79
<b>DIRECTORS, MANAGEMENT AND STAFF</b>	
– Directors and Executive Officers .....	80
– Directors’ and Executive Officers’ Remuneration .....	83
– Service Agreements .....	84
– Corporate Governance .....	85
– AA Group Employee Share Option Scheme .....	86
<b>INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST</b>	
– Interested Person Transactions .....	92
– Potential Conflicts of Interest .....	96
<b>SHAREHOLDERS’ MANDATE .....</b>	<b>98</b>
<b>DESCRIPTION OF ORDINARY SHARES .....</b>	<b>102</b>
<b>EXCHANGE CONTROLS .....</b>	<b>106</b>
<b>GOVERNMENT REGULATIONS .....</b>	<b>107</b>
<b>TAXATION .....</b>	<b>109</b>
<b>CLEARANCE AND SETTLEMENT .....</b>	<b>111</b>
<b>GENERAL AND STATUTORY INFORMATION .....</b>	<b>112</b>
<b>THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION .....</b>	<b>123</b>
<b>REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004 .....</b>	<b>152</b>

---

## CONTENTS

---

<b>REPORTS OF THE AUDITORS ON THE AUDITED FINANCIAL STATEMENTS OF ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2002, 2003 AND 2004.....</b>	<b>192</b>
<b>APPENDIX I: SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY .....</b>	<b>195</b>
<b>APPENDIX II: RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME.....</b>	<b>210</b>
<b>APPENDIX III: LETTER FROM CIMB-GK SECURITIES PTE. LTD. TO THE INDEPENDENT DIRECTORS .....</b>	<b>227</b>
<b>APPENDIX IV: TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE .....</b>	<b>230</b>
– Additional Terms and Conditions for Applications Using Application Forms .....	235
– Additional Terms and Conditions for Electronic Applications .....	239



---

## CORPORATE INFORMATION

---

<b>BOARD OF DIRECTORS</b>	:	Jaimes Hsieh ( <i>Executive Chairman</i> ) Julie Feng ( <i>Managing Director</i> ) Pu, Jung-Tsan ( <i>Executive Director</i> ) Mark Yeo Wee Tiong ( <i>Non-Executive Director</i> ) Ng Teck Sim ( <i>alternate Director to Mark Yeo Wee Tiong</i> ) Loo Choon Chiaw ( <i>Independent Director</i> ) Phuah Lian Heng ( <i>Independent Director</i> ) Tan Kuang Hui ( <i>Independent Director</i> )
<b>COMPANY SECRETARY</b>	:	Shirley Lim Guat Hua, ACIS
<b>REGISTERED OFFICE</b>	:	11 Collyer Quay #10-04 The Arcade Singapore 049317
<b>COMPANY REGISTRATION NUMBER</b>	:	200412064D
<b>SHARE REGISTRAR AND SHARE TRANSFER OFFICE</b>	:	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315
<b>MANAGER</b>	:	UOB Asia Limited 80 Raffles Place UOB Plaza Singapore 048624
<b>JOINT LEAD UNDERWRITERS AND JOINT LEAD PLACEMENT AGENTS</b>	:	HL Bank 20 Collyer Quay #01-02 Tung Centre Singapore 049319  UOB Asia Limited 80 Raffles Place UOB Plaza Singapore 048624
<b>AUDITORS AND REPORTING ACCOUNTANTS</b>	:	Moore Stephens Certified Public Accountants 11 Collyer Quay #10-02 The Arcade Singapore 049317
<b>SOLICITORS TO THE INVITATION</b>	:	Colin Ng & Partners 50 Raffles Place #29-00 Singapore Land Tower Singapore 048623
<b>SOLICITORS TO THE MANAGER, JOINT LEAD UNDERWRITERS AND JOINT LEAD PLACEMENT AGENTS</b>	:	Rodyk & Davidson 80 Raffles Place #33-00 UOB Plaza 1 Singapore 048624

---

## CORPORATE INFORMATION

---

<b>LEGAL ADVISERS TO THE COMPANY ON MALAYSIA LAW</b>	:	Wong Beh & Toh Suite 4, 1 <sup>st</sup> floor Nos. 173 & 174 Jalan Kelab Cinta Sayang Taman Ria Jaya 08000 Sungai Petani Kedah, Malaysia
<b>INDEPENDENT FINANCIAL ADVISER</b>	:	CIMB-GK Securities Pte. Ltd. (formerly known as G.K. Goh Stockbrokers Pte Ltd) 50 Raffles Place #33-00 Singapore Land Tower Singapore 048623
<b>PRINCIPAL BANKERS</b>	:	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
<b>RECEIVING BANKER</b>	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624

---

## DEFINITIONS

---

In this Prospectus and the accompanying Application Forms, and, in relation to Electronic Applications, the instructions appearing on the screens of the ATMs and the IB websites of the relevant Participating Banks, the following definitions apply where the context so admits:-

### Companies and Individuals in the Group

<i>"AASB"</i>	:	Allied Advantage Sdn Bhd
<i>"Company"</i>	:	AA Group Holdings Ltd.. The terms "we", "our", "our Company" or "us" have correlative meanings
<i>"Group"</i>	:	Our Company and our subsidiary, treated for the purpose of this Prospectus as if the group structure had been in existence since 1 January 2002
<i>"Jaimes Hsieh"</i>	:	Hsieh, Kuo-Chuan, also known as Jaimes Hsieh
<i>"Julie Feng"</i>	:	Feng, Tzu-Ju, also known as Julie Feng

### Other Corporations or Agencies

<i>"ACIF"</i>	:	Asean China Investment Fund L.P.
<i>"Alpha Forge"</i>	:	Alpha Forge Sdn Bhd
<i>"Audio Yoke"</i>	:	Audio Yoke Industrial Co. Limited
<i>"Authority"</i>	:	Monetary Authority of Singapore
<i>"BNM"</i>	:	Bank Negara Malaysia
<i>"CDP"</i>	:	The Central Depository (Pte) Limited
<i>"China Steel"</i>	:	China Steel Corporation (a publicly listed company in Taiwan) and its subsidiaries, China Steel Global Trading Corporation and CSGT (Singapore) Pte Ltd
<i>"CPF"</i>	:	The Central Provident Fund
<i>"HL Bank", "Joint Lead Underwriter" or "Joint Lead Placement Agent"</i>	:	HL Bank
<i>"MITI"</i>	:	The Ministry of International Trade and Industry of Malaysia
<i>"SCCS"</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>"SGX-ST"</i>	:	Singapore Exchange Securities Trading Limited
<i>"UOB"</i>	:	United Overseas Bank Limited
<i>"UOB Asia", "Manager", "Joint Lead Underwriter" or "Joint Lead Placement Agent"</i>	:	UOB Asia Limited
<i>"UOB Venture"</i>	:	UOB Venture Management Private Limited

### General

<i>"Application Forms"</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
----------------------------	---	---

---

## DEFINITIONS

---

<i>"Application List"</i>	:	The list of applications for subscription of the New Shares
<i>"Associate"</i>	:	(a) In relation to a corporation, means: <ul style="list-style-type: none"><li>(i) a director or Controlling Shareholder;</li><li>(ii) a subsidiary or associated company; or</li><li>(iii) a subsidiary or associated company of the Controlling Shareholder,  of the corporation</li></ul> (b) In relation to a director, chief executive officer, or Substantial Shareholder or Controlling Shareholder of a corporation who is an individual, means: <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) a trustee, when acting in his capacity as such trustee, of any trust of which the individual or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or</li><li>(iii) any corporation in which he and his immediate family together (directly or indirectly) have an interest of not less than 30% of the aggregate nominal amount of all voting shares</li></ul> (c) In relation to a Substantial Shareholder or Controlling Shareholder, which is a corporation, means, notwithstanding paragraph (a), any corporation which is its related corporation or associated company
<i>"ATM"</i>	:	Automated teller machine of a Participating Bank
<i>"Companies Act"</i>	:	The Companies Act, Chapter 50 of Singapore
<i>"Controlling Shareholder"</i>	:	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
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Electronic Applications"</i>	:	Applications for the Offer Shares made through the ATMs or IB websites of the relevant Participating Banks in accordance with the terms and conditions of this Prospectus
<i>"EPS"</i>	:	Earnings per Share
<i>"Executive Directors"</i>	:	The executive Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>"Executive Officers"</i>	:	The executive officers of our Group as at the date of this Prospectus, unless otherwise stated

---

## DEFINITIONS

---

<i>“FY” or “financial year”</i>	:	Financial year ended or, as the case may be, ending 31 December
<i>“IB”</i>	:	Internet Banking
<i>“Independent Directors”</i>	:	The independent Directors of our Company as at the date of this Prospectus, unless otherwise stated
<i>“Invitation”</i>	:	Our invitation to the public in Singapore to subscribe for the New Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Issue Price”</i>	:	S\$0.21 for each New Share
<i>“Latest Practicable Date”</i>	:	30 June 2005, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>“Listing Manual”</i>	:	Listing Manual of the SGX-ST
<i>“Manufacturing Facility”</i>	:	Our manufacturing facility located at Lots 148 and 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“MITI Licences”</i>	:	The licences issued to AASB by MITI which permit AASB to carry on its manufacturing activities at the Manufacturing Facility, the details of which are contained in the sections “General Information on our Group - Licences” and “Government Regulations”
<i>“New Shares”</i>	:	The 15,400,000 new Shares for which we invite applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offer by our Company of the Offer Shares to the public in Singapore for subscription at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	1,500,000 of the New Shares which are the subject of the Offer
<i>“Option Shares”</i>	:	The Shares which may be issued upon the exercise of the options pursuant to the AA Group Employee Share Option Scheme
<i>“PER”</i>	:	Price earnings ratio
<i>“Participating Banks”</i>	:	UOB and its subsidiary, Far Eastern Bank Limited (the “UOB Group”), DBS Bank Ltd (including POSB) (“DBS”) and Oversea-Chinese Banking Corporation Limited (“OCBC”)

---

## DEFINITIONS

---

<i>“Placement”</i>	:	The placement of the Placement Shares by the Joint Lead Placement Agents on behalf of our Company for subscription at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	13,900,000 of the New Shares (including the Reserved Shares) which are the subject of the Placement
<i>“PRC” or “China”</i>	:	People’s Republic of China, excluding Macau and Hong Kong, for the purpose of this Prospectus and for geographical reference only
<i>“R&amp;D”</i>	:	Research and development
<i>“Reserved Shares”</i>	:	The 2,000,000 Placement Shares reserved for subscription by our management, employees, business associates and those who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken by our Group prior to the Invitation as described in the section “Group Structure - Restructuring Exercise and Bond Conversion”
<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
<i>“SFA” or “Securities and Futures Act”</i>	:	The Securities and Futures Act, Chapter 289 of Singapore
<i>“SGX-SESDAQ ”</i>	:	SGX-ST Dealing and Automated Quotation System
<i>“Share Option Scheme”</i>	:	The AA Group Employee Share Option Scheme
<i>“Shareholders”</i>	:	Registered holders of our Shares, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with the Shares
<i>“Shares”</i>	:	Ordinary shares of S\$0.13 each in the capital of our Company
<i>“Substantial Shareholder”</i>	:	A person who has an interest in Shares the nominal amount of which is 5% or more of the nominal amount of all the Shares of our Company
<i>“Taiwan”</i>	:	Republic of China
<i>“USA” or “United States”</i>	:	United States of America
<b>Currencies, Units and Others</b>		
<i>“°C”</i>	:	Degrees celsius
<i>“Euro”</i>	:	The official monetary unit of most member nations of the European Union
<i>“NT\$”</i>	:	New Taiwan dollar

---

## DEFINITIONS

---

“\$” or “S\$” and “cents”	:	Singapore dollars and cents respectively
“RM”	:	Malaysian ringgit
“tonnes”	:	Metric tonnes
“US\$”	:	US dollars
“%” or “per cent”	:	Per centum or percentage

The expressions “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

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 Prospectus, the Application Forms and/or Electronic Applications to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Prospectus, the Application Forms and/or Electronic Applications shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA or such statutory modification, as the case may be.

Any reference in this Prospectus, the Application Forms and/or Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and the Electronic Applications shall be a reference to Singapore time unless otherwise stated.

References in this Prospectus to “the Group”, “we”, “our”, “ourselves” and “us” refer to AA Group Holdings Ltd. and our subsidiary.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

---

## GLOSSARY OF TECHNICAL TERMS

---

To facilitate a better understanding of the business of our Group, the following glossary provides a description of some of the technical terms and abbreviations commonly found in our industry:-

<i>"CAD"</i>	:	Computer aided design – the modelling of physical systems on computers allowing both interactive and automatic analysis of design variants and the expression of designs in a form suitable for manufacturing
<i>"CNC"</i>	:	Computerised numerical control – a high-precision manufacturing process in which numerical directions contained in a computer program control and monitor the operations of machinery or control of equipment through the use of computer-controlled programming
<i>"cold forging"</i>	:	A specialised metal forming process to shape parts at room temperature based on extrusion principles
<i>"cold heading quality steel"</i>	:	A high grade quality low carbon steel used in cold forging
<i>"EN"</i>	:	European Committee for Standardisation, a standards body for the development of standards
<i>"ISO"</i>	:	International Organisation for Standardisation, a worldwide federation of national standards bodies whose mission is to develop industrial standards that facilitate international trade. The work of preparing International Standards is normally carried out through ISO technical committees
<i>"ISO9000"</i>	:	An internationally recognised quality management standard renewed annually subject to annual surveillance audits. These include verification of adequate personnel training, proper maintenance and calibration of equipment used in the manufacturing processes, as well as the use of correct procedures for all operations
<i>"ISO9002"</i>	:	A constituent part of the ISO9000 series which specifies the operating parameters that a good quality control system will employ
<i>"ISO/TS16949:2002"</i>	:	A widely recognised common quality standard and registration scheme developed by the members of the International Automotive Task Force (IATF) and Japan Automobile Manufacturers Association, Inc. (JAMA), for suppliers to the automotive industry. It is based on the 2000 edition of ISO9001 as well as the supplier quality standard of countries such as the USA (QS-9000), Italy, France and Germany. It specifies the quality system requirements for the design and development, production, installation and servicing of automotive-related products
<i>"LCD"</i>	:	Liquid crystal display
<i>"magnet assembly"</i>	:	A magnetic device and an essential component in modern-day loudspeakers that is designed using a combination of permanent magnet material, yokes and washers
<i>"NC"</i>	:	Numeric control without computers



---

## GLOSSARY OF TECHNICAL TERMS

---

<i>"neodymium magnet"</i>	:	A neodymium magnet is a member of the rare earth magnet family and is the most powerful permanent magnet in the world. It is also referred to as an NdFeB magnet, or NIB, because it is composed mainly of Neodymium (Nd), Iron (Fe) and Boron (B)
<i>"ODM"</i>	:	Original design manufacturer. In the context of this Prospectus, this refers to contract manufacturers with product design capabilities
<i>"OEM"</i>	:	Original equipment manufacturer
<i>"QS9000"</i>	:	Quality System Requirements for QS-9000. It is the common supplier quality standard for Daimler Chrysler Corporation, Ford Motor Company and General Motors Corporation. It involves the development of fundamental quality systems that provide for continuous improvement, emphasising defect prevention and the reduction of variation and waste in the supply chain
<i>"rare earth"</i>	:	High-energy magnet material such as Neodymium-Iron-Boron (NdFeB) and Samarium-Cobalt (SmCo)
<i>"tapping"</i>	:	The process of drilling holes and creating screw threads on metal parts
<i>"T-yoke" or "pole piece"</i>	:	"T" shaped metal component of a loudspeaker commonly glued together with ferrite magnets to form an electrical motor to move the voice coil by conducting the alternating magnetic field
<i>"U-yoke"</i>	:	"U" shaped metal part of a loudspeaker commonly glued together with neodymium magnets to form an electrical motor to move the voice coil by conducting the alternating magnetic field
<i>"washer"</i>	:	A metal part of a loudspeaker mounted under the basket or frame of the magnet assembly to form an electrical motor used to move the voice coil by conducting the alternating magnetic field
<i>"yoke"</i>	:	A metal part of a loudspeaker commonly glued together with magnets to form an electrical motor to move the voice coil by conducting the alternating magnetic field

---

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

---

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf, that are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these statements by forward-looking terms such as “expects”, “believes”, “plans”, “intends”, “estimates”, “anticipates”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including statements as to our revenue and profitability, prospects, future plans and other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. Some of these risk factors are discussed in more detail under “Risk Factors” in this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, undue reliance must not be placed on these statements. Neither our Company, the Manager, the Joint Lead Underwriters, the Joint Lead Placement Agents, nor any person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements. Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Manager, the Joint Lead Underwriters and the Joint Lead Placement Agents disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

---

## SELLING RESTRICTIONS

---

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the New Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the New Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Manager, the Joint Lead Underwriters and the Joint Lead Placement Agents to inform themselves about, and to observe and comply with, any such restrictions.

---

## DETAILS OF THE INVITATION

---

### **Listing on the SGX-SESDAQ**

We have applied to the SGX-ST for permission to deal in and for quotation of, all our Shares already issued, the New Shares and the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-SESDAQ. Our acceptance of applications will be conditional upon, *inter alia*, permission being granted to deal in, and for quotation of, all our existing issued Shares, the New Shares and the Option Shares. Monies paid in respect of any application accepted will be returned to you, without interest or any share of revenue or other benefit arising therefrom and at your own risk, if the said permission is not granted and you will not have any claims whatsoever against us, the Manager, the Joint Lead Underwriters or the Joint Lead Placement Agents.

The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-SESDAQ is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiary, our Shares, the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of the Prospectus. Registration of the Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the New Shares being offered or in respect of which an invitation is made, for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus 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 Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in the Prospectus misleading.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us or the Manager. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus.

Where such changes occur, we may make an announcement of the same to the SGX-ST and/or the Authority and will comply with the requirements of the Securities and Futures Act and/or any other requirements of the Authority. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the New Shares or for any other purpose.

---

## DETAILS OF THE INVITATION

---

**This Prospectus does not constitute an offer, solicitation or invitation to subscribe for the New Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, during office hours, from:-

**UOB ASIA LIMITED  
1 Raffles Place  
#13-01 OUB Centre  
Singapore 048616**

and members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: <http://www.sgx.com> and the Authority's website at <http://www.mas.gov.sg>.

**The Application List will open at 10.00 a.m. on 29 August 2005 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors may, in consultation with the Manager, decide, subject to any limitation under all applicable laws. In the event a supplementary prospectus or replacement prospectus is lodged with the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement prospectus.**

If, after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority which would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged, and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority pursuant to Section 241 of the Securities and Futures Act.

Where applications have been made for the New Shares prior to the lodgement of the supplementary or replacement prospectus, we shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, either:-

- (a) provide the applicants with a copy of the supplementary or replacement prospectus and provide the applicants with an option to withdraw their applications; or
- (b) treat the applications as withdrawn and cancelled and return all monies paid, without interest or any share of revenue or other benefit arising therefrom and at your own risk.

Any applicant who wishes to exercise his option to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify us whereupon we shall, within seven days from the receipt of such notification, return the application monies without interest or any share of revenue or other benefit arising therefrom and at the applicant's risk.

Pursuant to Section 242 of the Securities and Futures Act, the Authority may issue a stop order if a prospectus that has been registered (i) contains any statement or matter which, in the Authority's opinion, is false or misleading; (ii) omits any information that should have been included in it under Section 243 of the Securities and Futures Act; or (iii) does not in the Authority's opinion comply with the requirements of the Securities and Futures Act. In the event that the Authority issues a stop order, and applications to subscribe for the New Shares have been made prior to the stop order, then:-

---

## DETAILS OF THE INVITATION

---

- (a) where the New Shares have not been issued to you, your application for the New Shares shall be deemed to have been withdrawn and cancelled, and we shall, within 14 days from the date of the stop order, pay to you all monies you have paid on account of your application for the New Shares, without interest or any share of revenue or other benefit arising therefrom and at your own risk; or
- (b) where the New Shares have been issued to you, the issue of the New Shares shall be deemed to be void, and we shall, within 14 days from the date of the stop order, pay to you all monies paid by you for the New Shares, without interest or any share of revenue or other benefit arising therefrom and at your own risk.

Neither our Company, the Manager, the Joint Lead Underwriters and the Joint Lead Placement Agents nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

---

## DETAILS OF THE INVITATION

---

### Indicative Timetable for Listing

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out below for your reference:-

Indicative time/date	Event
12.00 noon on 29 August 2005	Close of Application List
30 August 2005	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 31 August 2005	Commence trading on a "when issued" basis
7 September 2005	Last day of trading on a "when issued" basis
9.00 a.m. on 8 September 2005	Commence trading on a "ready" basis
13 September 2005	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 8 September 2005

The above timetable is only indicative as it assumes that the date of closing of the Application List is 29 August 2005, the date of admission of our Company to the Official List of the SGX-SESDAQ is 31 August 2005, the shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 31 August 2005. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. All persons trading in our Shares on a "when issued" basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted or allocated with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SGX-ST's announcement on "ready" trading date on the Internet (at SGX-ST website <http://www.sgx.com>), Teletext or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:-

- (i) through a SGXNET announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) through a paid advertisement in a local newspaper.

We will publicly announce the level of subscription for the New Shares and the basis of allotment of the New Shares pursuant to the Invitation, as soon as it is practicable after the close of the Application List, through the channels in (i) and (ii) above.

---

## PLAN OF DISTRIBUTION

---

The Issue Price was determined by us in consultation with the Joint Lead Underwriters and Joint Lead Placement Agents, based on market conditions and the estimated market demand for our Shares determined through a book-building process. The Issue Price is the same for each New Share and is payable in full on application.

### **Offer Shares**

The Offer Shares are made available to the members of the public in Singapore for subscription at the Issue Price. The terms, conditions and procedures for application and acceptance are described in Appendix IV of this Prospectus.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, the number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed for as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and approved by the SGX-ST.

Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company and the Joint Lead Underwriters dated 23 August 2005, the Joint Lead Underwriters have agreed to underwrite the Offer Shares at the Issue Price. The Joint Lead Underwriters may, at their absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

### **Placement Shares (excluding Reserved Shares)**

The Placement Shares (excluding Reserved Shares) are reserved for placement to members of the public and institutional investors in Singapore.

Application for the Placement Shares may only be made by way of an application form. The terms, conditions and procedures for application and acceptance are described in Appendix IV of this Prospectus.

Pursuant to the terms and conditions in the Placement Agreement signed between our Company and the Joint Lead Placement Agents dated 23 August 2005, the Joint Lead Placement Agents have agreed to subscribe and/or procure subscribers for the Placement Shares (including Reserved Shares) at the Issue Price. The Joint Lead Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, the number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers of the Placement Shares (excluding Reserved Shares) may be required to pay a brokerage of up to 1.0% of the Issue Price.



---

## PLAN OF DISTRIBUTION

---

### Reserved Shares

We have reserved 2,000,000 Placement Shares for subscription by our management, employees, business associates and those who have contributed to the success of our Group at the Issue Price. These Reserved Shares are not subject to any moratorium and may be disposed of after the admission of our Company to the Official List of the SGX-SESDAQ.

In the event that any of the Reserved Shares are not taken up, they shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List, or, in the event of an under-subscription for the Placement Shares as at the close of the Application List, to satisfy excess applications made by members of the public for the Offer Shares to the extent there is an over-subscription for the Offer Shares as at the close of the Application List.

We are not aware of any person who intends to subscribe for more than 5% of the New Shares. However, through a book-building process to assess market demand for our Shares, there may be persons who may indicate an interest to subscribe for more than 5% of the New Shares. If such persons were to make an application for more than 5% of the New Shares pursuant to the Invitation and are subsequently allotted such number of Shares, we will make the necessary announcement at an appropriate time. The final allocation of Shares will be in accordance to the shareholding spread and distribution guidelines as set out in Rule 210 of the Listing Manual.

No Shares shall be allotted on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

---

## PROSPECTUS SUMMARY

---

The following summary highlights certain information found in greater detail elsewhere in this Prospectus. In addition to this summary, we urge you to read the entire Prospectus carefully, especially the section on “Risk Factors”, before deciding to invest in our Shares.

### OVERVIEW OF OUR GROUP

#### Our Group

Our company was incorporated under the laws of Singapore on 21 September 2004 and is the holding company for our wholly-owned subsidiary, AASB.

AASB was incorporated on 16 August 1995 under the laws of Malaysia as a private company limited by shares. AASB commenced business operations in 1996 as a manufacturer of high-precision cold forged loudspeaker parts, namely T-yokes, U-yokes and washers. Since commencing operations, AASB’s business has expanded considerably. AASB has developed and retained a strong international customer base comprising major manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products, such as Blaupunkt Werke GMBH, Monetech Audio Sdn. Bhd. (a subsidiary of Pioneer Corporation), Bose Corporation and Foster Electric (S) Pte. Ltd. (a subsidiary of Foster Group).

Our manufacturing operations are located at AASB’s licensed manufacturing facility in Sungai Petani, Kedah, Malaysia. AASB has been accredited with the ISO9002, QS9000 and ISO/TS16949:2002 certifications in 1997, 1999 and 2004 respectively.

Please refer to the section “General Information on our Group” for further details.

#### Our Competitive Strengths

We believe our competitive strengths are as follows:-

- We have established a reputation and track record for timely delivery and reliability
- We have an experienced management team
- We have a diversified customer base
- We place strong emphasis on maintaining good relationships with our customers
- We are certified with the ISO/TS16949:2002 quality certification

Please refer to the section “General Information on our Group – Competitive Strengths” for further details on our competitive strengths.

#### Our Prospects

We are optimistic about our business prospects and believe that we will continue to see strong growth in the demand for our products due to the following reasons:-

- Digital world trends towards 3C (Computer, Communication & Consumer Electronics) technology
- Increasing demand for quality sound systems
- Increasing demand for aesthetics and functional density in commercial audio devices and consumer electronic products
- The combination of the washer, T-yoke or U-yoke and the magnet represents “the heart of the loudspeaker”

---

## PROSPECTUS SUMMARY

---

- Cold forging increasingly becoming the preferred manufacturing method for mass-produced metal-based products
- Outsourcing trend driving increased demand for cold forged metal parts
- Increased sub-contracting of manufacturing processes in the automotive industry which involve cold forging technology

Please refer to the section “General Information on our Group – Prospects” for further details on our prospects.

### **Our Future Plans**

Our future plans are as follows:-

- Expand our production capacity
- Upgrade our manufacturing and R&D capabilities
- Diversify into the manufacturing of automotive parts
- Further develop our export markets and expand our customer base
- Acquisitions, joint ventures and strategic alliances

Please refer to the section “General Information on our Group – Future Plans” for further details on our future plans.

### **Our Contact Details**

Our principal place of business is located at Lots 148 and 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia. Our telephone number is +60 44418351 and our fax number is +60 44418349.

---

## PROSPECTUS SUMMARY

---

### THE INVITATION

- Issue Size : 15,400,000 New Shares comprising 1,500,000 Offer Shares and 13,900,000 Placement Shares (including 2,000,000 Reserved Shares).
- The New Shares will, upon issue and allotment, rank *pari passu* in all respects with the existing issued Shares.
- Issue Price : S\$0.21 for each New Share.
- Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-SESDAQ will enhance our public image locally and overseas and enable us to tap into the capital markets for the expansion of our operations. The Invitation will also provide members of the public as well as our management, employees, business associates and those who have contributed to the success of our Group, with an opportunity to participate in the equity of our Company.
- Use of Proceeds : The net proceeds from the issue of the New Shares (after deducting estimated issue expenses of S\$1.3 million) is approximately S\$1.9 million, which we intend to use in the following manner:-
- (a) approximately S\$0.4 million (approximately RM0.9 million) for the purchase of new plant and machinery;
  - (b) approximately S\$1.3 million (approximately RM2.9 million) for partial repayment of hire purchase facilities drawn for the purchase of plant and machinery in the first half of FY2005, as disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure and Commitments"; and
  - (c) approximately S\$0.2 million (approximately RM0.5 million) for research and development.
- Details of the above are set out under the sections "Use of Proceeds", "General Information on our Group – Prospects" and "General Information on our Group – Future Plans".
- Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds may be placed in short-term deposits or money market instruments or used for our working capital requirement as our Directors, in their absolute discretion, may deem fit.
- Reserved Shares : Of the 13,900,000 Placement Shares, 2,000,000 Reserved Shares will be reserved for subscription by our management, employees, business associates and those who have contributed to the success of our Group.

---

## PROSPECTUS SUMMARY

---

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares, or in the event of any under-subscription for the Placement Shares, to satisfy excess applications made by members of the public in Singapore for the Offer Shares.

- Listing Status : Our Shares will be quoted in Singapore dollars on the SGX-SESDAQ, subject to admission of our Company to the Official List of the SGX-SESDAQ and permission for dealing in and for quotation of our Shares being granted by the SGX-ST and the Authority not issuing a stop order.
- Dividend Policy : We currently do not have a fixed dividend policy. Our decision to declare or pay dividends and the amount of any dividends will depend on a number of factors, including:-
- (a) the level of our cash and retained earnings;
  - (b) our actual and projected financial performance;
  - (c) our projected levels of capital expenditure and other investment plans;
  - (d) the dividend yield of similar-sized companies with similar growth listed on the SGX-SESDAQ; and
  - (e) restrictions on payment of dividends imposed on us by our financing arrangements (if any).
- Risk Factors : Investing in our Shares involves risks which are described in the section "Risk Factors".

---

## PROSPECTUS SUMMARY

---

### SUMMARY FINANCIAL DATA

You should read the following summary financial data in conjunction with the full text of the Prospectus, including “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information” as set out in this Prospectus.

#### Proforma Operating Results of our Group <sup>(1)</sup>

S\$'000	FY2002	FY2003	FY2004
Operating revenue	12,624	14,789	16,251
Gross profit	1,640	2,581	3,992
Other operating revenue	183	421	461
Administrative costs	(617)	(684)	(870)
Other operating costs	(7)	(57)	(7)
Operating profit	1,199	2,261	3,576
Finance income	–	33	25
Finance costs	(618)	(775)	(616)
Profit before taxation	581	1,519	2,985
Taxation	(175)	(465)	(241)
Profit attributable to shareholders	406	1,054	2,744
EPS (cents) <sup>(2)</sup>	0.50	1.30	3.39

**Notes:-**

- (1) The proforma operating results of our Group for the last three financial years ended 31 December 2002, 2003 and 2004 have been prepared on the basis that our Group has been in existence throughout the period under review.
- (2) For comparative purposes, EPS is computed based on the pre-Invitation share capital of 80,876,201 Shares.

---

## PROSPECTUS SUMMARY

---

### Proforma Financial Position of our Group <sup>(1)</sup>

<b>S\$'000</b>	<b>As at 31 December 2004</b>
Non-current assets	11,716
Net current assets	1,348
Non-current liabilities	(3,662)
Net assets	<u>9,402</u>
Shareholders' equity	<u>9,402</u>
NTA per Share (cents) <sup>(2)</sup>	11.63

**Notes:-**

- (1) The proforma financial position of our Group as at 31 December 2004 has been prepared on the basis that our Group was in existence on that date.
- (2) NTA per Share as at 31 December 2004 is computed based on the pre-Invitation share capital of 80,876,201 Shares.

---

## EXCHANGE RATES

---

Our proforma consolidated financial statements, which are contained in the section “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information”, are expressed in Singapore dollars. The exchange rates for RM to S\$1.00 as outlined in the tables below were obtained from Bloomberg L.P. and have been presented solely for information only.<sup>(1)</sup> The tables and figures below should not be construed as representations that those Singapore dollar or RM amounts could have been, could be or would be, converted or convertible into RM or Singapore dollars, as the case may be, at any particular rate, the rate stated below, or at all.

The following table sets out the high and low exchange rates between the RM to the Singapore dollar for each of the past six months up to the Latest Practicable Date. The table illustrates how many RM it would take to buy one Singapore dollar.

	RM to S\$1.00	
	High	Low
January 2005	2.3307	2.3025
February 2005	2.3401	2.3000
March 2005	2.3469	2.2994
April 2005	2.3205	2.2817
May 2005	2.3248	2.2804
June 2005	2.2885	2.2539

The following table sets forth, for the financial years indicated, the average and closing exchange rates between the RM and the Singapore dollar. The average exchange rates are calculated using the average of the closing exchange rates on the last day of each month during each financial year. Where applicable, the exchange rates in this table are used for the translation of our Company’s financial statements disclosed in this Prospectus.

	S\$ to RM1.00	
	Average	Closing
FY2002	0.470	0.460
FY2003	0.460	0.450
FY2004	0.445	0.432

As at the Latest Practicable Date, the closing exchange rate between the RM and the Singapore dollar is RM2.2543 to S\$1.00.

Note:-

- (1) Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted under this section and is thereby not liable for these statements under Sections 253 and 254 of the SFA. The Company has included the above exchange rates in their proper form and context in this Prospectus and has not verified the accuracy of these statements.



---

## RISK FACTORS

---

*Investors should consider carefully the following risk factors and all other information contained in this Prospectus, before deciding to invest in our Shares. You should also note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties.*

*If any of the following risk factors and uncertainties develop into actual events, our business, financial condition or results of operations or cash flows may be adversely affected. In such circumstances, the trading price of our Shares could decline and investors may lose all or part of their investment. To the best of our Directors’ belief and knowledge, all the risk factors that are material to investors in making an informed judgement have been set out below.*

### **RISKS RELATING TO OUR BUSINESS**

#### **We are dependent on our major customers**

Our major customers include Blaupunkt Werke GMBH, Kamiita International, Inc., Monetech Audio Sdn. Bhd. (a subsidiary of Pioneer Corporation), Foster Electric (S) Pte. Ltd. (a subsidiary of Foster Group) and dB Technology (Thailand) Co., Ltd (formerly known as World Sound Corporation), who each accounted for approximately 32.2%, 12.1%, 9.2%, 8.0% and 5.6%, respectively, of our Group’s revenue in FY2004. For more information on our major customers, please refer to the section “General Information on our Group – Major Customers”. As we do not have any long-term supply arrangements with our customers, there is no assurance that we will continue to retain these customers and that they will maintain or increase their current level of business with our Group. In the event of a reduction or cancellation of orders from any of our major customers, our revenue and profitability may be adversely affected.

#### **We may not be able to compete successfully with other manufacturers of loudspeaker parts**

The industry in which we operate is highly competitive. We generally compete with other manufacturers of similar products and services on product pricing, quality, timeliness, technical capability and support and track record. There is no assurance that we can continue to compete successfully against competitors in our industry in the future. Although the industry is fairly capital intensive and requires specific technology and know-how, there is no assurance that we will not face competition from new entrants to the industry. Such competitive pressures faced by us and any significant increase in the level of competition in our targeted market segments may materially and adversely affect our revenue and profitability.

#### **We are dependent on the loudspeaker manufacturing industry**

We are a manufacturer of loudspeaker parts, serving customers who are manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products. These industries are subject to fluctuations in product demand and supply and price changes. A slowdown or downturn in these industries will adversely affect the loudspeaker manufacturing industry. This will in turn have a negative impact on the demand for our products and consequently, will have a material and adverse impact on our financial performance.

#### **We are exposed to the risk of price erosion due to our customers’ continuous cost-down policy**

The constant introduction of new products by competing manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products often results in short product life cycles and price reduction pressures. To remain competitive, most of our customers maintain a continuous cost-down policy, which means that our prices are subject to price erosion over a period of time. This may have an adverse impact on our profit margins and financial performance.

---

## RISK FACTORS

---

### **We are subject to fluctuations in the prices of our main raw materials, comprising steel wire rods and metal sheets**

We are exposed to fluctuations in the prices of steel wire rods and metal sheets, which are the main raw materials used in the manufacture of our products. The cost of such steel wire rods and metal sheets accounted for approximately 39.4%, 37.6% and 52.4% of our cost of goods sold in FY2002, FY2003 and FY2004 respectively. Any substantial increase in the prices of these raw materials is likely to have a material adverse impact on our production costs. The prices of these raw materials fluctuate according to changes in supply and demand conditions and are also subject to the underlying commodity prices. In the event that we are unable to pass the increase in the costs of such raw materials to our customers or locate a cheaper source of supply, our profit margins will decrease and this may have an adverse effect on our profitability.

### **We do not have long-term supply arrangements with our suppliers for raw materials**

Our ability to deliver quality products at competitive prices to our customers is dependent on our ability to obtain sufficient quantities of raw materials of good quality at acceptable prices. Since we do not have long-term supply arrangements with the suppliers of our raw materials, there can be no assurance that we will continue to be able to obtain sufficient quantities of raw materials of an acceptable quality and price from our suppliers. In the event that our suppliers are unable to fulfill our raw materials needs, we may not be able to find alternative sources of supply in a timely or cost-efficient manner. Any insufficient supply of raw materials or any delay or disruption to the delivery schedules of our raw materials will adversely affect our ability to meet our customers' orders. Furthermore, any significant increase in the cost of raw materials may have a material adverse effect on our profitability.

### **We require skilled technicians for our production operations**

There is a limited supply of skilled technicians in Malaysia who specialise in the production of T-yokes and U-yokes. In the event that our demand for skilled technicians exceeds supply, the search for technicians can be time-consuming. In addition, we may be compelled to offer higher salaries to attract and employ foreign skilled technicians in the future and this may increase our costs. In the event that we are unable to employ enough skilled technicians for our operations, our business may be adversely affected.

### **We may face claims by our customers for defects in our products**

Our products must meet the stringent quality requirements expected by our customers. There is no assurance that our products will always be able to satisfy our customers' changing quality requirements, or that oversights will not occur.

There is also no assurance that we may not face claims from our customers in the future for damages or loss of business suffered by them arising from such defects. If we are required to pay damages to our customers in respect of such claims, our business, financial condition and results of operations may be adversely affected.

### **Our continued success is dependent on our ability to attract and retain qualified personnel**

We are dependent on the continued services of our management team and skilled employees. Having a team of experienced management staff and skilled personnel is critical in maintaining the quality of our services and our customer relationships. Our continued success depends to a significant extent on our strong management team and experienced industry professionals, in particular our Executive Chairman, Jaimes Hsieh, and our Managing Director, Julie Feng.

Any high turnover of such personnel will adversely affect our operations and competitiveness. The loss of any of these key personnel without timely and suitable replacements and our inability to attract and retain qualified and experienced personnel could have an unfavourable impact on our business.

---

## RISK FACTORS

---

### **We are exposed to foreign exchange risks**

Our sales are denominated in RM, US\$ and Euro, which accounted for approximately 26.4%, 34.8% and 38.8% respectively of our total sales for FY2004. Our purchases and operating costs are denominated in RM, US\$ and NT\$, which accounted for approximately 36.7%, 56.5% and 6.8% respectively of our total purchases and operating costs for FY2004. To the extent that our Group's sales, purchases and operating costs are not naturally matched in the same currency and there are timing differences between collections and payments, our Group will be exposed to adverse fluctuations in the exchange rates between the various currencies and the RM. As a result, our Group's earnings may be adversely affected.

Currently, we do not have a formal hedging policy with respect to our foreign exchange exposure. We have also not used any financial hedging instruments to manage our foreign exchange risks.

In addition, as our reporting currency is in S\$, the financial statements of our subsidiary, AASB, will need to be translated to S\$ for consolidation purposes. As such, any material fluctuations in exchange rates between S\$ and RM will result in translation gains or losses on consolidation. Any such translation gains or losses will be recorded as translation reserves or deficits as part of our shareholders' equity.

### **We are exposed to the credit risks of our customers**

Our trade receivables of approximately S\$3.0 million, S\$4.8 million and S\$4.8 million accounted for approximately 55.2%, 67.1% and 44.7% of our current assets and approximately 16.9%, 25.1% and 21.4% of our total assets as at the end of FY2002, FY2003 and FY2004 respectively. Therefore, our financial position and profitability are dependent to a large extent on the creditworthiness of our customers. Although we usually extend credit terms of up to 120 days and regularly review our credit exposure, we are exposed to the credit risks of our customers due to the inherent risks and uncertainties associated with their businesses. Credit risks will also arise from events or circumstances that are difficult to anticipate.

In addition, as we increase our customer base in line with our expansion, we are subject to the risk of bad debts should any of our new customers face financial difficulties. In the event that this occurs, we may be unable to recover the debts and this may have an adverse impact on our financial results.

### **Our working capital may be tied up in inventories and trade receivables**

Our inventories and trade receivables comprise 23.5% and 44.7% respectively of our current assets as at 31 December 2004. As our sales increase, our inventory and trade receivables have also increased correspondingly.

If our customers are unable to take delivery of our products at the specified time, more of our working capital will be tied up in inventories in the future. Consequently, there will be a significant increase in inventory turnover days, and/or if our customers delay making payment to us until after the due dates, our cash flow will be adversely affected. Hence, our business and financial performance may be adversely affected.

Further, if our sales continue to increase but our customers delay in making payments to us or if there is no corresponding increase in the availability of credit facilities to support the sales, we may have to turn away customers. This could result in lost sales and may ultimately have an adverse effect on our business and profitability.

### **We may inadvertently infringe third-party intellectual property rights**

We may inadvertently infringe the intellectual property rights of others or other parties may assert infringement claims against us or claim that we have infringed their intellectual property rights. Such claims, even if untrue or baseless, could result in significant legal and other costs being incurred by us. Adverse determinations in respect of such claims could result in our loss of proprietary rights, subject us to significant liabilities (including possible indemnification of the claimant(s)), require us to secure licences from third parties, prevent us from manufacturing or selling our products, or delay or affect the introduction of new products. As a result, our business and financial condition may be adversely affected.

---

## RISK FACTORS

---

### **We may face disruptions at our Manufacturing Facility**

Disruptions to our operations may occur in the event of equipment failure or where there are power supply interruptions at our Manufacturing Facility. Floods, natural disasters and other events beyond our control may also disrupt or cause a cessation in production at our Manufacturing Facility. This could result in longer lead-times for production and delayed delivery to our customers. Failure to meet our customers' expectations could damage our reputation and any breach of our contractual obligations to our customers, as a result of unforeseen disruptions to our operations, could give rise to potential liabilities on our part. In such circumstances, our business, profitability and financial performance may be adversely affected.

### **We are exposed to interest rate risk as well as liquidity risk**

We are exposed to interest rate fluctuations in respect of our borrowings. In the event that interest rates increase, our financial performance may be adversely affected. As we are expanding our operations, a sufficient level of funding is required to finance both our expansion plans as well as our day-to-day operations. In the event that we are unable to generate a sufficient level of cash from our operating activities, our financial condition and performance may be adversely affected.

### **We may require additional financing in the future**

We may need to obtain additional debt or equity financing to fund future expansion plans, acquisitions or capital expenditure. We are continuously evaluating possible acquisition opportunities, which may require more funds if such acquisitions are carried out on a large-scale basis. Accordingly, we are unable to predict the amount of funds required in the near future. The issue of additional equity may result in dilution to the holders of our Shares. In addition, additional debt financing may include conditions that would restrict our freedom to operate our business, such as conditions that:-

- limit our ability to pay dividends or require us to seek consents for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

In addition, there is no assurance that we will be able to obtain any additional financing or obtain such additional financing on terms acceptable to us.

### **We are dependent on sub-contractors for some of our manufacturing operations from time to time**

We outsource some of our manufacturing processes to third party sub-contractors from time to time. Our decision to outsource would normally take into account factors such as the nature of the work to be done, terms with the customers and sub-contractors, and our existing and planned plant capacity. There can be no assurance that we will be able to secure favourable terms with our sub-contractors in the future. If the costs of subcontracting increase significantly and we are unable to pass on such cost increases to our customers, or the corresponding increase in price to our customers leads to overall reduction in orders, our financial results may be adversely affected.

### **There is no assurance that our future plans will be commercially successful**

As part of our future plans, we intend to market and sell our products in certain countries where we have not yet established a customer base. Our ability to expand into new geographical regions will depend on the level of acceptance by customers, based in these countries, of the use of our products and services. There is no assurance that our expansion plans will be commercially successful. We will need to increase our marketing activities to develop market awareness and relationships with potential customers. Such activities will consume financial resources and hence, any increase in our expenses without a corresponding increase in revenue may have an adverse impact on our future financial performance.

---

## RISK FACTORS

---

### **Unforeseen events, such as an outbreak of an infectious disease or terrorist activities and other acts of violence may affect the markets in which we operate and our profitability**

The outbreak, exacerbation, continuance or reoccurrence of an infectious disease, which includes but is not limited to the Severe Acute Respiratory Syndrome (“SARS”), may interrupt our business and/or operations. In the event that any of our employees or the employees of our customers or suppliers are affected by such a disease, we, our customers or suppliers may be required to temporarily shut down the affected office and quarantine all staff working in that office to prevent the spread of the disease. There is no assurance that there will not be any indirect or direct adverse impact on our business or operations arising from the outbreak, exacerbation, continuance or re-occurrence of an infectious disease.

Furthermore, terrorist attacks, such as those which occurred in New York on 11 September 2001 and in Bali and Jakarta on 12 October 2002 and 5 August 2003 respectively, or armed conflicts may negatively affect our operations. They may directly impact our physical facilities or those of our suppliers or customers. Such terrorist attacks or armed conflicts could have an adverse impact on the demand for our products and services, our supply chain, our production and execution capability and our ability to deliver our products and provide our services to our customers in a timely and cost-effective manner, which in turn could have a material adverse impact on our sales and/or our business and financial condition. Political and economic instability in some regions of the world may also result from such terrorist attacks and armed conflicts and could negatively impact our business. The consequences of any of these terrorist attacks or armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business and operations.

In addition, travel restrictions and/or reduced flights or such other measures that hamper travel implemented as a result of occurrences of unforeseen events such as an outbreak of an infectious disease or terrorist activities, may affect our ability to consult with our customers and deliver our products in a timely manner. This may in turn adversely affect our business and operations.

### **We may suffer irrecoverable property damage and losses as a result of natural calamities**

Any material damage to or the loss of our Manufacturing Facility due to fire, severe weather, earthquake or other causes, even if insured against, could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, if we are unable to locate suitable alternative facilities in a timely manner, in the event that our Manufacturing Facility is destroyed or become inoperable for any reason, our business, financial condition, results of operations and prospects may be materially and adversely affected.

## **RISKS RELATING TO COUNTRIES IN WHICH WE OPERATE**

### **Currently our Manufacturing Facility is located in Malaysia. Our ability to operate may be adversely affected if we fail to continue to hold the MITI Licences or where there are changes to the regulations or requirements in relation to the foreign ownership of companies incorporated in Malaysia**

The MITI Licences permit us to carry on our manufacturing activities at our Manufacturing Facility. Please refer to the sections “General Information on our Group - Licences” and “Government Regulations” for details on the MITI Licences. There is no assurance that we will continue to enjoy the benefits of the MITI Licences. In the event that the MITI Licences are revoked, we will lose all the incentives, rights and privileges afforded to us by the MITI Licences and consequently, we may no longer be able to engage in the manufacturing activities permitted under the MITI Licences.

---

## RISK FACTORS

---

### **We may be adversely affected by the consequences of past contravention of the Industrial Co-ordination Act 1975**

AASB commenced the manufacturing of washers in October 2000. AASB informed MITI of the same in a letter to MITI dated 20 February 2002 through its auditors at that time. In a letter issued by MITI dated 17 October 2002, AASB was given the approval to manufacture washers. The Washer Manufacturing Licence was subsequently issued and granted by MITI to AASB on 9 December 2004. The Washer Manufacturing Licence is effective from 17 October 2002. As AASB had engaged in the manufacturing of washers prior to the issuance of the Washer Manufacturing Licence, in contravention of the Industrial Co-ordination Act 1975 ("ICA"), technically AASB would be guilty of an offence under section 3(1) thereof. Section 3(2) of the ICA provides that any person who fails to comply with the provisions of section 3(1) is guilty of an offence and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000 for every day during which such default continues. Our Executive Chairman, Jaimes Hsieh, has undertaken to indemnify us against any fine that may be imposed on AASB as a result of the above contravention. In the event that AASB's Washer Manufacturing Licence is revoked for this reason, our business and financial performance will be adversely affected.

Please refer to the section "Government Regulations" for further details on the above.

### **We are subject to various laws and regulations in Malaysia**

Our business and operations are subject to the laws and regulations in Malaysia which are described in the section "Government Regulations". In the event that we fail to meet the requirements or comply with the legislation and regulations, we may not be able to obtain or renew the licences, permits or approvals necessary for our operations and consequently this may adversely affect our business, profitability and financial performance.

### **Our profits would be affected by the expiry of the tax and fiscal incentives that we currently enjoy and our ability to retain them**

Currently our subsidiary, AASB, enjoys tax allowances for the profits it generates in Malaysia, subject to compliance with certain terms and conditions imposed by the relevant authorities. There is no assurance that the current exemptions and concessions will continue in the future. The expiry of or inability to obtain such tax exemptions and concessions in the future may increase our tax exposure and will reduce our after tax profits.

### **Our business and operations may be affected by the economic, political and legal environment of the countries where we sell our products**

Our operations are located in Malaysia and we supply our products to customers based in various countries, including the USA, Germany, Italy, France, Japan, Korea, Vietnam, Malaysia, Thailand and Singapore. As such, we are dependent on the economic growth and political stability in these countries, in particular Germany, Malaysia and Japan which accounted for 32.2%, 26.4% and 12.1% respectively of our revenue for FY2004.

---

## RISK FACTORS

---

As a result, our business and future growth are dependent on the political, economic, regulatory and social conditions of these countries. Any changes in the policies implemented by the governments of these countries, currency and interest rate fluctuations, capital restrictions and changes in duties and tax that are detrimental to our business could materially and adversely affect our operations, financial performance and future growth. Sales to international sources represent a substantial portion of our revenue. Accordingly, our future results could be adversely affected by a variety of factors, including but not limited to:-

- interruptions to transportation flows for the delivery of raw materials and parts to us and finished goods to our customers;
- labour strikes;
- changes in foreign currency exchange rates and interest rates;
- changes in a specific country's or region's political or economic conditions;
- trade protection measures and import or export licensing requirements;
- negative consequences from changes in tax laws; and
- unexpected changes in regulatory requirements.

**Our principal subsidiary is incorporated in Malaysia and our main assets are located in Malaysia. Our Shareholders may not be accorded the same rights and protection that would be accorded under the Companies Act. In addition, it could be difficult to enforce a Singapore judgement against our Malaysian subsidiary, our Executive Directors and our Executive Officers**

Our principal subsidiary, AASB, is incorporated in Malaysia. In addition, our main assets are located in Malaysia. Our principal subsidiary and main assets are therefore subject to the relevant laws in Malaysia. The Companies Act may provide shareholders with certain rights and protection of which there may be no corresponding or similar provisions under the Malaysian laws. As such, investors in our Shares may not be accorded the same level of shareholder rights and protection that would be accorded under the Companies Act.

In addition, all our Executive Directors and Executive Officers are non-residents of Singapore, and the assets of these persons are substantially located outside Singapore. As a result, it could be difficult for our Shareholders to effect service of process in Singapore, or to enforce a judgement obtained in Singapore against our Malaysian subsidiary or any of these persons.

### RISKS RELATING TO AN INVESTMENT IN OUR SHARES

**Our Substantial Shareholders will retain significant control over our Company after the Invitation. Such control will allow them to influence the outcome of matters submitted to Shareholders for approval**

Upon completion of the Invitation, our Substantial Shareholders will beneficially own in aggregate approximately 66.0% of our issued share capital. As a result, these persons, if they act together, will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and approval of significant corporate transactions, and will have veto power with respect to any Shareholders' action or approval requiring a majority vote. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Company or otherwise discouraging a potential acquirer from attempting to obtain control of us through corporate actions such as mergers or takeovers attempts (notwithstanding that the same may be synergistic or beneficial to our Group) in a manner that could conflict with the interests of our public Shareholders.

---

## RISK FACTORS

---

### **Additional funds raised through the issuance of new Shares for our future growth will dilute Shareholders' equity interests**

We may in the future expand our capabilities and business through acquisitions and/or joint ventures and/or strategic partnerships with parties who are able to add value to our business. We may require additional equity funding after the Invitation and our Shareholders will face dilution of their shareholdings should we issue new Shares to finance future acquisitions and/or joint ventures and/or strategic partnerships.

### **Our Share price may be volatile, which could result in substantial losses for investors purchasing Shares in the Invitation**

The market price of our Shares may be highly volatile and could be subject to wide fluctuations in response to fluctuations in our financial performance and perceptions about our financial position. These fluctuations may be exaggerated if the trading volume of our Shares is low. In addition, the market price of our Shares may also rise and fall in response to:-

- the success or failure in implementing our business and growth strategies;
- announcements of new contracts or contract cancellations;
- announcements of technological innovations and/or new products and/or services offered by us and/or our competitors;
- gain or loss of an important business relationship;
- changes in analysts' recommendations or perceptions;
- changes in general economic conditions or stock market sentiments;
- broad stock market fluctuations; and
- changes in share prices of companies with similar businesses to our Group that are listed in Singapore.

### **There may be restrictions on dividend payments by our subsidiary**

We operate under a holding company structure. At present, all our revenue and profit are derived from AASB, our subsidiary in Malaysia. Accordingly, our Company's level of income and ability to pay dividends depends, to a large extent, on the amount of dividends received from AASB. The payment of dividends by AASB is in turn dependent on, among other things, its earnings, cash flow and government restrictions on overseas repatriation. Any restrictions on the payment of dividends by our subsidiary may affect our ability to pay dividends to our Shareholders.



---

## INVITATION STATISTICS

---

<b>Issue Price</b>	S\$0.21
<b>NTA</b>	
NTA per Share based on the proforma consolidated balance sheet of our Group as at 31 December 2004 and adjusted for the Bond Conversion referred to in the section "Group Structure – Restructuring Exercise and Bond Conversion":-	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 80,876,201 Shares	13.2 cents
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 96,276,201 Shares	13.1 cents
Premium of Issue Price over the NTA per Share as at 31 December 2004:-	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 80,876,201 Shares	59.1%
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 96,276,201 Shares	60.3%
<b>Earnings</b>	
Historical net earnings per Share based on the proforma consolidated results of our Group for FY2004 and our Company's pre-Invitation share capital of 80,876,201 Shares	3.4 cents
Historical net earnings per Share had the Service Agreements referred to in the section "Directors, Management and Staff – Service Agreements" been in effect in FY2004	3.1 cents
<b>Price Earnings Ratio</b>	
Historical price earnings ratio based on the Issue Price and the historical net earnings per Share for FY2004	6.2 times
Historical price earnings ratio based on the historical net earnings per Share had the Service Agreements referred to in the section "Directors, Management and Staff - Service Agreements" been in effect in FY2004	6.8 times
<b>Net Operating Cash Flow</b>	
Historical net operating cash flow per Share for FY2004 based on our Company's pre-Invitation share capital of 80,876,201 Shares	3.3 cents
<b>Price to Net Operating Cash Flow Ratio</b>	
Ratio of Issue Price to historical net operating cash flow per Share for FY2004 based on our Company's pre-Invitation share capital of 80,876,201 Shares	6.4 times
<b>Market Capitalisation</b>	
Our market capitalisation based on our Company's post-Invitation share capital of 96,276,201 Shares and the Issue Price of S\$0.21 per Share	S\$20.2 million

---

## USE OF PROCEEDS

---

The net proceeds from the issue of the New Shares (after deducting estimated issue expenses of S\$1.3 million) is approximately S\$1.9 million, which we intend to use in the following manner:-

- (a) approximately S\$0.4 million (approximately RM0.9 million) for the purchase of new plant and machinery;
- (b) approximately S\$1.3 million (approximately RM2.9 million) for partial repayment of hire purchase facilities drawn for the purchase of plant and machinery in the first half of FY2005, as disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure and Commitments”; and
- (c) approximately S\$0.2 million (approximately RM0.5 million) for research and development.

Please refer to the sections “General Information on our Group – Prospects” and “General Information on our Group – Future Plans” for further details on our plans above.

Pending the deployment of the net proceeds from the issue of the New Shares for the purposes mentioned above, the net proceeds may be deposited with banks or financial institutions or invested in short-term money market instruments or used as working capital, as our Directors may, in their absolute discretion, deem fit.

There is no minimum amount which, in the reasonable opinion of our Directors, must be raised by the Invitation.

---

## DIVIDEND POLICY

---

Neither our Company nor our subsidiary, AASB, has declared any dividends since their respective dates of incorporation.

We currently do not have a fixed dividend policy. We may declare annual dividends with the approval of our Shareholders in a general meeting, but the amount of such dividends shall not exceed the amount recommended by our Directors. Our Directors may also declare an interim dividend without seeking Shareholders' approval. Our Company must pay all dividends out of our profits or pursuant to Section 69 of the Companies Act.

Future dividends will be paid by us as and when approved by our Shareholders and Directors. The dividend that our Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board of Directors:-

- the level of our cash and retained earnings;
- our actual and projected financial performance;
- our projected levels of capital expenditure and other investment plans;
- the dividend yield of similar-sized companies with similar growth listed on the SGX-SESDAQ; and
- restrictions on payment of dividends imposed on us by our financing arrangements (if any).

For information relating to taxes payable on dividends, please refer to the section "Taxation".

---

## SHARE CAPITAL

---

Our Company was incorporated in Singapore on 21 September 2004 under the Companies Act as a private limited company under the name of AA Group Holdings Pte. Ltd.. Our Company's name was changed to AA Group Holdings Ltd. on 22 July 2005 in connection with our conversion to a public company limited by shares.

As at the date of incorporation and as at 31 December 2004, our authorised share capital was S\$10,000,000 comprising 10,000,000 ordinary shares of S\$1.00 each and our issued and paid-up capital was S\$1.00 comprising one ordinary share of S\$1.00.

At an extraordinary general meeting held on 4 July 2005, our Shareholder approved, *inter alia*, the following:-

- (a) the increase of our authorised share capital from S\$10,000,000 divided into 10,000,000 ordinary shares of S\$1.00 each to S\$19,500,000 divided into 19,500,000 ordinary shares of S\$1.00 each;
- (b) the issue of 9,408,463 new ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise;
- (c) the sub-division of each ordinary share of S\$1.00 each in our authorised and issued share capital into 100 ordinary shares of S\$0.01 each ("Sub-division");
- (d) the consolidation of every 13 ordinary shares of S\$0.01 each in our authorised and issued share capital into one ordinary share of S\$0.13 each ("Consolidation");
- (e) the conversion of our Company into a public limited company and the consequential change of name to AA Group Holdings Ltd.;
- (f) the adoption of a new set of Articles of Association;
- (g) the issue of such number of new Shares as required pursuant to the Bond Conversion referred to in the section "Group Structure – Restructuring Exercise and Bond Conversion";
- (h) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (i) that authority be given pursuant to Section 161 of the Companies Act to our Directors to allot and issue Shares or convertible securities in our Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as our Directors shall in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority does not exceed 50 per cent of the issued share capital of our Company and the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of our Company shall not exceed 20 per cent of the issued share capital of our Company, the percentage of the issued share capital being calculated based on the post-Invitation issued share capital of our Company (taking into account the conversion or exercise of any convertible securities and employee share options in issue at the time such authority was given and which were issued pursuant to previous shareholder's approval and adjusting for any subsequent consolidation or sub-division of shares) and, unless revoked or carried by our Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of our Company or the date by which the next Annual General Meeting is required by law or by our Articles of Association to be held, whichever is earlier;
- (j) the adoption of the Share Option Scheme, and that authority be and is hereby given to our Directors to:-
  - (A) (i) establish and administer the Share Option Scheme;

## SHARE CAPITAL

- (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme; and
  - (iii) to offer and grant Options in accordance with the provisions of the Share Option Scheme (including Options at a subscription price per Share set at a discount to the market price of a Share) and to allot and issue from time to time such number of Shares in the capital of our Company as may be required to be issued pursuant to the exercise of the Options under the Share Option Scheme, provided that the aggregate number of new Shares to be issued pursuant to the Share Option Scheme shall not exceed 15% of the issued ordinary share capital of our Company from time to time; and
- (B) offer and grant Options pursuant to and during the subsistence of the Share Option Scheme with subscription prices that are set at, or adjusted by, a discount to the market price of the Shares (as determined with the provisions of the Share Option Scheme), provided that the subscription price of any Share shall not be less than the nominal value of the Share; and
- (k) the adoption of the shareholders' mandate, the details of which are set out in the section "Shareholders' Mandate".

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares of S\$0.13 each. A summary of the Articles of Association of our Company relating to the voting rights of shareholders is set out under Appendix I of this Prospectus. There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose, save for the Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

Details of changes in our issued and paid-up capital since incorporation on 21 September 2004 and immediately after the Invitation are as follows:-

	Number of Shares	S\$
Issued and fully paid ordinary shares of S\$1.00 each as at date of incorporation	1	1
Issue of new ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise	9,408,463	9,408,463
	9,408,464	9,408,464
Sub-division of each ordinary share of S\$1.00 each into 100 ordinary shares of S\$0.01 each	940,846,400	9,408,464
Consolidation of every 13 ordinary shares of S\$0.01 each into one ordinary share of S\$0.13 each	72,372,800	9,408,464
Issue of new ordinary shares of S\$0.13 each pursuant to the Bond Conversion	8,503,401	1,105,442
Pre-Invitation issued and paid-up share capital	80,876,201	10,513,906
Issue of new ordinary shares of S\$0.13 each pursuant to the Invitation	15,400,000	2,002,000
Post-Invitation issued and paid-up share capital	96,276,201	12,515,906

## PRINCIPAL SHAREHOLDERS

### OWNERSHIP STRUCTURE

The shareholders of our Company and their respective shareholdings immediately before and after the Invitation are set out below:

	Before the Invitation				After the Invitation				
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest		
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	
<b>Directors</b>									
Jaimes Hsieh <sup>(1)(3)(4)</sup>	27,505,745	34.01	27,505,745	34.01	27,505,745	28.57	27,505,745	28.57	
Julie Feng <sup>(1)(3)(4)</sup>	27,505,745	34.01	27,505,745	34.01	27,505,745	28.57	27,505,745	28.57	
Pu, Jung-Tsan	–	–	–	–	–	–	–	–	–
Mark Yeo Wee Tiong	–	–	–	–	–	–	–	–	–
Ng Teck Sim (alternate Director to Mark Yeo Wee Tiong)	–	–	–	–	–	–	–	–	–
Loo Choon Chiaw	–	–	–	–	–	–	–	–	–
Phuah Lian Heng	–	–	–	–	–	–	–	–	–
Tan Kuang Hui	–	–	–	–	–	–	–	–	–
<b>Substantial Shareholder</b>									
ACIF <sup>(2)</sup>	8,503,401	10.51	–	–	8,503,401	8.83	–	–	
<b>Other shareholders of less than 5% each</b>									
Kok Teng Nam <sup>(3)</sup>	3,618,000	4.47	–	–	3,618,000	3.76	–	–	
Hung-Hou Pei Wen <sup>(3)</sup>	4,704,230	5.82	–	–	4,704,230	4.89	–	–	
Sung Shu-Ching <sup>(3)</sup>	3,612,850	4.47	–	–	3,612,850	3.75	–	–	
Wu Chung-Jung <sup>(3)</sup>	4,704,230	5.82	–	–	4,704,230	4.89	–	–	
Lee Ean Lean <sup>(4)</sup>	722,000	0.89	–	–	722,000	0.75	–	–	
<b>Public (including Reserved Shares)</b>	–	–	–	–	15,400,000	16.00	–	–	
	<u>80,876,201</u>	<u>100.00</u>			<u>96,276,201</u>	<u>100.00</u>			

**Notes:-**

- (1) Jaimes Hsieh is the husband of Julie Feng.
- (2) The shareholding interest of ACIF arises from the conversion of S\$1.25 million in principal amount of convertible bond into 8,503,401 Shares pursuant to the Bond Conversion (see section “Group Structure – Restructuring Exercise and Bond Conversion”).

## PRINCIPAL SHAREHOLDERS

ACIF is an exempted limited partnership established in the Cayman Islands on 15 May 2003 to make privately negotiated equity and equity-related investments in the Asean-China growth corridor. As at the Latest Practicable Date, the sponsors of ACIF are the Asian Development Bank, the China Development Bank, the State Secretariat of Economic Affairs of Switzerland, the United Overseas Bank Group, the Japan Asia Investment Co., Ltd. (JAIC) and Proparco (the French Investment and Promotion Company for Economic Cooperation). The General Partner is UOB Capital Partners LLC which has engaged UOB Venture as the investment adviser to ACIF.

- (3) On 4 July 2005, pursuant to the respective sale and purchase agreements, Kok Teng Nam transferred part of his shareholding interest in our Company for cash to the following parties:-

Transferee	Number of Shares Transferred
Jaimes Hsieh	6,154,845
Julie Feng	6,154,845
Hung-Hou Pei Wen	4,704,230
Sung Shu-Ching	3,612,850
Wu Chung-Jung	4,704,230

Save for Jaimes Hsieh and Julie Feng who are our Substantial Shareholders, none of Hung-Hou Pei Wen, Sung Shu-Ching or Wu Chung-Jung are related to any of our Directors or Substantial Shareholders.

- (4) On 4 July 2005, each of Jaimes Hsieh and Julie Feng transferred 361,000 Shares to Lee Ean Lean in consideration of services rendered by him in relation to the Invitation.

Save as disclosed above, there are no other relationships between the Directors and Substantial Shareholders.

Our Company is not directly or indirectly owned or controlled by a corporation, any government or other natural legal person whether severally or jointly.

There is no known arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

The following table sets forth the changes in the percentage ownership of our Company held by our Directors and Substantial Shareholders since the date of incorporation on 21 September 2004 and up to the date of lodgement of this Prospectus:-

	As at 21 September 2004		As at the date of lodgement of this Prospectus	
	Number of shares of S\$1.00 each	%	Number of shares of S\$0.13 each	%
Jaimes Hsieh	–	–	27,505,745	38.0
Julie Feng	1	100.0	27,505,745	38.0

---

## PRINCIPAL SHAREHOLDERS

---

### MORATORIUM

To demonstrate their commitment to our Group, our Substantial Shareholders, Jaimes Hsieh and Julie Feng, who hold in aggregate 55,011,490 Shares in our Company as at the date of this Prospectus, representing approximately 57.14 per cent of our Company's enlarged issued and paid-up capital after the Invitation, have each undertaken not to dispose of or transfer any part of their existing shareholdings in our Company for a period of six months from the date of our admission to the Official List of SGX-SESDAQ, and for a period of six months thereafter, to retain at least 50 per cent of their existing shareholdings in our Company.

ACIF, which holds 8,503,401 Shares as at the date of this Prospectus, has undertaken not to dispose of or transfer 2,551,020 Shares (as calculated based on the formula in Rule 229(3) of the Listing Manual) for a period of six months from the date of our admission to the Official List of SGX-SESDAQ.

Kok Teng Nam, who holds 3,618,000 Shares as at the date of this Prospectus, has undertaken not to dispose of or transfer any part of his shareholding in our Company for a period of six months from the date of our admission to the Official List of the SGX-SESDAQ.



## CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation as at 31 May 2005:-

- (i) based on the proforma balance sheet of our Group as at 31 May 2005;
- (ii) as adjusted for the Bond Conversion referred to in the section “Group Structure – Restructuring Exercise and Bond Conversion”; and
- (iii) as adjusted for the issue of the New Shares pursuant to the Invitation and the application of the net proceeds from the Invitation.

You should read this table in conjunction with the section “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information” and the related notes and the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

S\$'000	Proforma as at 31 December 2004	Proforma as at 31 May 2005	As adjusted for the Bond Conversion	As adjusted for the Invitation
Cash and bank balances (including fixed deposits)	597	670	670	2,604
Short-term debt:				
Secured	6,624	7,836	7,836	7,836
Unsecured	154	112	112	112
Convertible bond	1,250	1,250	–	–
	8,028	9,198	7,948	7,948
Long-term debt:				
Secured	2,586	2,167	2,167	2,167
Unsecured	–	–	–	–
	2,586	2,167	2,167	2,167
Total indebtedness	10,614	11,365	10,115	10,115
Shareholders' equity	9,402	9,402*	10,652*	12,586*
Total capitalisation and indebtedness	20,016	20,767	20,767	22,701

\* There were no material changes to our shareholders' equity save for the changes in our retained profits arising from the day-to-day operations in the ordinary course of our business.

## CAPITALISATION AND INDEBTEDNESS

### Banking and credit facilities

As at 31 May 2005, our cash and bank balances (including fixed deposits) amounted to S\$0.7 million. We also had the following banking and credit facilities:-

S\$'000	Approved Limit	Outstanding as at 31 May 2005
Bank overdraft <sup>(1)</sup>	767	399
Trade facilities <sup>(2)</sup>	10,620	6,558
	<hr/>	<hr/>
	11,387	6,957
Hire purchase <sup>(3)</sup>		1,654
Term loans <sup>(4)</sup>		1,504
		<hr/>
		3,158
		<hr/>
Total		<u>10,115</u>

#### Notes:-

- (1) Interest rate at 2.0% per annum above the respective banks' prevailing prime rate.
- (2) Interest rates range from 1.5% to 2.0% per annum above the respective banks' prevailing prime rate. For bankers' acceptance, the discount rates range from 2.88% to 3.75% per annum respectively.
- (3) Interest rates range from 3.25% to 9.0% per annum fixed for the term of the hire-purchase.
- (4) Interest rates range from 1.75% to 2.0% per annum above the respective banks' prevailing prime rate.

All our secured bank facilities are secured through a pledge of assets (including plant and machinery, motor vehicles, fixed deposits, and mortgages over the properties at Lots 148 and Lot 149, Jalan PKNK 3/1, Sungai Petani, Kedah, Malaysia) by the Group and personal guarantees provided jointly and severally by our Executive Chairman, Jaimes Hsieh, and Managing Director, Julie Feng.

After the Invitation, we intend to write to the relevant financial institutions to discharge the guarantees provided by our Executive Chairman, Jaimes Hsieh, and Managing Director, Julie Feng. Should we be unable to procure the discharge of these personal guarantees, Jaimes Hsieh and Julie Feng will continue to provide such personal guarantees until such time as the Group is able to procure alternative financing arrangements upon acceptable terms.

### Finance lease obligations

As at 31 May 2005, our finance lease obligations relating to the hire purchase of equipment and motor vehicles were as follows:-

	S\$'000
Due within 1 year	741
Due between 2 to 5 years	913
	<hr/>
Total	<u>1,654</u>

---

## CAPITALISATION AND INDEBTEDNESS

---

Save as disclosed above, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at 31 May 2005.

Saved as disclosed above, since 31 May 2005 to the date of this Prospectus, there were no material changes in our capitalisation or indebtedness other than the scheduled monthly repayments of our term loans, hire purchase and changes in our retained earnings arising from the day to day operations in the ordinary course of our business.

## DILUTION

Dilution is the amount by which the Issue Price paid by the subscribers of our Shares in the Invitation exceeds the NTA per Share after the Invitation. The NTA per Share as at 31 December 2004 after adjusting for the Bond Conversion referred to in the section “Group Structure – Restructuring Exercise and Bond Conversion” but before adjusting for the net proceeds from the Invitation, and based on our pre-Invitation issued and paid up share capital of 80,876,201 Shares, was approximately 13.2 cents.

Pursuant to the Invitation in respect of 15,400,000 New Shares at the Issue Price of 21 cents for each New Share, our NTA per Share after adjusting for the estimated net proceeds from the Invitation (and based on the post-Invitation issued and paid-up capital of 96,276,201 Shares) would be approximately 13.1 cents per Share. This represents an immediate decrease in the NTA per Share of 0.1 cents for our existing shareholders and an immediate dilution in NTA per Share of 7.9 cents, or approximately 37.6 per cent, for the new investors.

The following table illustrates the dilution per Share:-

	<b>Cents</b>
Issue Price per Share	21.0
NTA per Share as at 31 December 2004 adjusted for the Bond Conversion and based on the pre-Invitation share capital of 80,876,201 Shares	13.2
Decrease in NTA per Share attributable to our existing Shareholders	(0.1)
NTA per Share after the Invitation	13.1
Dilution in NTA per Share to the new public investors	7.9

The following table shows the effective cash cost to our Directors and Substantial Shareholders of Shares acquired by them during the period of three years before the date of this Prospectus, and to the public investors who subscribe for the New Shares pursuant to the Invitation:-

	No. of Shares Acquired	Total Consideration S\$	Effective Cash Cost per Share S\$
Jaimes Hsieh <sup>(1)</sup>	27,866,745	3,617,195	0.13
Julie Feng <sup>(1)</sup>	27,866,745	3,617,195	0.13
ACIF <sup>(2)</sup>	8,503,401	1,250,000	0.147
New public investors	15,400,000	3,234,000	0.21

**Notes:-**

- (1) These Shares were acquired by Jaimes Hsieh and Julie Feng (i) on 4 July 2005 pursuant to the Restructuring Exercise referred to in the section “Group Structure - Restructuring Exercise and Bond Conversion” and (ii) from Kok Teng Nam as disclosed in the section “Principal Shareholders – Ownership Structure”. These Shares represent the holdings of Jaimes Hsieh and Julie Feng prior to the transfer of Shares by them to Lee Ean Lean as mentioned in the section “Principal Shareholders – Ownership Structure”.
- (2) ACIF subscribed for a convertible bond of principal amount S\$1.25 million issued by our Company on 21 October 2004 pursuant to the Investment Agreement referred to in the section “Group Structure - Restructuring Exercise and Bond Conversion”. On 12 August 2005, ACIF converted the Convertible Bond into 8,503,401 Shares.

---

## GROUP STRUCTURE

---

### RESTRUCTURING EXERCISE AND BOND CONVERSION

#### (a) Restructuring Exercise

Prior to the Invitation, we carried out the following restructuring exercise (the “Restructuring Exercise”):-

- (i) Our Company was incorporated in Singapore on 21 September 2004 to serve as the holding company for our Group.
- (ii) Pursuant to a restructuring agreement dated 4 July 2005 between our Company, AASB, Jaimes Hsieh, Julie Feng and Kok Teng Nam, our Company acquired the entire issued and paid-up share capital of AASB, comprising 6,280,000 ordinary shares of RM1.00 each, from the existing shareholders of AASB for a total consideration of S\$9,408,464 (the “Consideration”). The Consideration was determined based on the audited net assets of AASB as at 31 December 2004. The Consideration was satisfied in full by the issuance of 9,408,463 ordinary shares of S\$1.00 each in the capital of our Company, at par, credited as fully paid, to the shareholders of AASB, as follows:-

	No. of ordinary shares of S\$1.00 each
Jaimes Hsieh	2,822,547
Julie Feng	2,822,546
Kok Teng Nam	3,763,370

Pursuant to the Restructuring Exercise, AASB became a wholly-owned subsidiary of our Company. Prior to 1 April 2005, ECM 9 of the Exchange Control Notices issued by BNM under the Exchange Control Act, 1953 of Malaysia provided that the approval of BNM was required for a resident to make any payment exceeding RM10,000 to a non-resident for investments abroad (this limit has now been raised to RM100,000). ECM 9 defines the swap of securities registered in Malaysia with non-residents for securities registered outside Malaysia as an investment abroad. As a result, the approval of BNM was required for the transfer of shares in AASB held by Kok Teng Nam, who is a Malaysian resident, to our Company pursuant to the Restructuring Exercise. The consent of BNM was issued on 17 December 2004 (“BNM Approval”). The BNM Approval is subject to, *inter alia*, the condition that Kok Teng Nam is required to bring back to Malaysia all dividends, profits or interests and proceeds from the sale of his investment in our Company as soon as the dividends, profits or interests are paid or when the investment in our Company is sold and to inform the Foreign Exchange Administration Department of the sale.

On 21 December 2004, Kok Teng Nam entered into a deed of undertaking with AASB and our Company, in which he has agreed and irrevocably and unconditionally undertaken that he shall fully and on a timely basis, comply with all the conditions imposed by BNM as stated in the BNM Approval including but not limited to the following:-

- (a) To repatriate to Malaysia all dividends, profits or interests and proceeds from the sale of his investment in the Company in accordance with the terms of the BNM Approval; and
- (b) To make the necessary notifications, disclosures and declarations in accordance with the terms of the BNM Approval.

On 14 October 2004, we obtained consent from MITI to increase the foreign ownership of AASB to 100% and for AASB to be wholly owned by our Company.

---

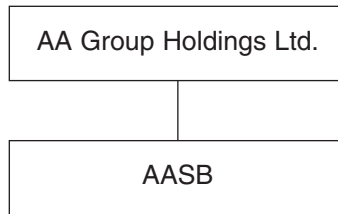
## GROUP STRUCTURE

---

### (b) Bond Conversion

On 21 October 2004, ACIF entered into an investment agreement with our Company, AASB, Jaimes Hsieh and Julie Feng ("Investment Agreement") to subscribe for a convertible bond of principal amount S\$1.25 million issued by our Company ("Convertible Bond"). Pursuant to the Investment Agreement, ACIF, immediately upon receipt of the letter of eligibility-to-list issued by the SGX-ST approving in principle our Company's application to seek a listing on the SGX-SESDAQ, shall be entitled to apply for the conversion of the Convertible Bond, in full or partially, into ordinary shares in the capital of our Company. On 12 August 2005, ACIF converted the Convertible Bond into 8,503,401 Shares ("Bond Conversion").

Our Group structure after the Restructuring Exercise and as at the date of this Prospectus is as follows:-



The details of our subsidiary as at the date of this Prospectus are as follows:-

<b>Name</b>	<b>Date and place of incorporation</b>	<b>Principal business</b>	<b>Issued and paid-up capital</b>	<b>Principal place of business</b>	<b>Percentage owned</b>
AASB	16 August 1995 (Malaysia)	Manufacture of loudspeaker parts	RM6,280,000 divided into 6,280,000 ordinary shares of RM1.00 each	Malaysia	100%

Our subsidiary is not listed on any stock exchange.

---

## GENERAL INFORMATION ON OUR GROUP

---

### HISTORY AND DEVELOPMENT OF OUR GROUP

The history of our Group can be traced back to the incorporation of AASB on 16 August 1995, under the laws of Malaysia, as a private company limited by shares. AASB commenced business operations in 1996 as a manufacturer of high-precision cold forged loudspeaker parts, namely T-yokes, U-yokes and washers.

AASB was founded by Jaimes Hsieh and Julie Feng (both of whom are Taiwanese citizens), who had been in the business of manufacturing yokes and washers through their involvement in Audio Yoke. Audio Yoke is a company incorporated in Taiwan which is principally engaged in the trading and manufacture of yokes as well as the trading of raw steel and LCD parts.

In 1996, AASB acquired the industrial land and buildings at Lot 148, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia and invested significantly in plant and machinery for the production of quality T-yokes using cold forging technology. AASB was granted a manufacturing licence by MITI on 7 November 1996. In the same year we became an approved vendor for Monetech Audio Sdn. Bhd., a subsidiary of Pioneer Corporation, a globally established name in audio and video products. We also began our preparation for ISO9002 compliance in that year.

In 1997, we were granted pioneer status by MITI under the Promotion of Investments Act, 1986 of Malaysia to carry on the promoted activity of manufacturing T-yokes for loudspeakers. This enabled us to provide prototyping services to cater for increases in research and development activities undertaken by customers. We also embarked on a series of process innovations to improve manufacturing efficiency and to achieve a quick turnaround time for prototyping, tooling and mass production. As a result, we obtained ISO9002 certification in the same year.

On 31 March 1998, Kok Teng Nam, a Malaysian citizen, took a 40% stake in AASB in order to satisfy the condition stated in the aforesaid manufacturing licence granted to AASB that at least 40% of the shares in AASB must be purchased and held by Malaysians. He was not involved in the management and operations of AASB.

In 1998, in order to meet the increasing demand for our products, we expanded our production capacity through the acquisition of additional plant and machinery. We also began preparing for QS9000 compliance as demand for automotive loudspeakers increased.

In 1999, we obtained the QS9000 Certification for our quality management systems. In the same year, we also became an approved vendor for Foster Electric (S) Pte. Ltd., a subsidiary of the Foster Group, an established original equipment manufacturer in the loudspeaker industry. By this time, we had also commenced our expansion into the production of washers by investing in new plant and machinery used in the production of washers.

In 2000, we became an approved supplier for Blaupunkt Werke GMBH, an internationally recognised automotive sound system manufacturer.

In 2002, to meet customer demand, we began manufacturing U-yokes for use in the production of smaller and lighter loudspeakers which are able to perform more efficiently than loudspeakers using T-yokes.

In 2003, we expanded our manufacturing facility by acquiring additional industrial land and buildings at Lot 149, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia, which is adjacent to our existing facility at Lot 148. We also invested further in new plant and machinery to increase our yoke production capacity. In the same year, we also underwent the ISO/TS16949:2002 compliance audit and received this certification in 2004.

In 2004, we became an approved supplier for Bose Corporation, a well-known name in the audio equipment industry. Our Directors believe that this is a testimony to our established position within the loudspeaker manufacturing industry.

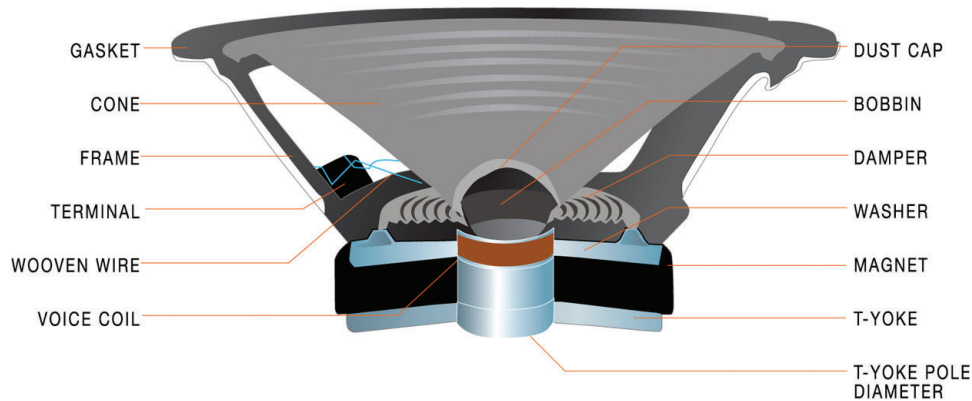
---

## GENERAL INFORMATION ON OUR GROUP

---

### BUSINESS OVERVIEW

We are principally engaged in the manufacture of high-precision cold forged loudspeaker parts, namely T-yokes, U-yokes and washers. Our customers are manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products. We sell our products to customers in various countries including USA, Germany, Italy, France, Japan, Korea, Vietnam, Malaysia, Thailand and Singapore.



### Our Products

#### *"The Heart of the Loudspeaker"*

The yoke functions by focusing the opposing force of a magnet towards the location of the washer, and as a result creates a magnetic field, which in turn creates a reaction with the alternating field formed by a voice coil. The consequent movement of the voice coil back and forth within the gap translates into acoustical energy or sound. The combination of the washer, T-yoke or U-yoke and the magnet represents the existing core audio technology and is commonly referred to as "the heart of the loudspeaker".

#### T-yoke

The back plate of the motor structure and the pole piece extends up to the center of the voice coil. The combination of these two is referred to as the T-yoke, which provides a method of focusing the opposing force of the magnet towards the location of the washer. This opposing force forms a magnetic field with the washer that is used to create a reaction with the alternating field established by the voice coil. As with the washer, the T-yoke uses a low carbon steel structure of cold heading quality. This steel structure in many cases also serves the purpose of ventilation. By boring a hole through the pole piece, air is then moved back and forth to effectively cool the voice coil. The pole piece of the T-yoke also draws heat from the voice coil, acting as a heat sink. Both the ventilation and the drawing of heat can significantly improve the performance of the loudspeaker.



---

## GENERAL INFORMATION ON OUR GROUP

---

### U-yoke

Traditionally, the magnet assembly using T-yoke ferrite magnet systems was the predominant design for loudspeakers. A newer design of magnet assembly using U-yokes and rare earth magnets made of neodymium was developed in recent years which allowed the production of smaller and lighter loudspeakers without compromising performance. This decrease in total size and weight of loudspeakers makes them suitable for use in automobiles and other applications.

### Washer

The washer is directly mounted to the underside of the frame of the loudspeaker using a high power press. The washer sits above the magnet and directs magnetic flux to the “gap” where the voice coil resides. This works directly with the yoke to create a magnetic field. In turn, this magnetic field reacts with the alternating field produced by the voice coil, consequently moving the voice coil back and forth within the gap.

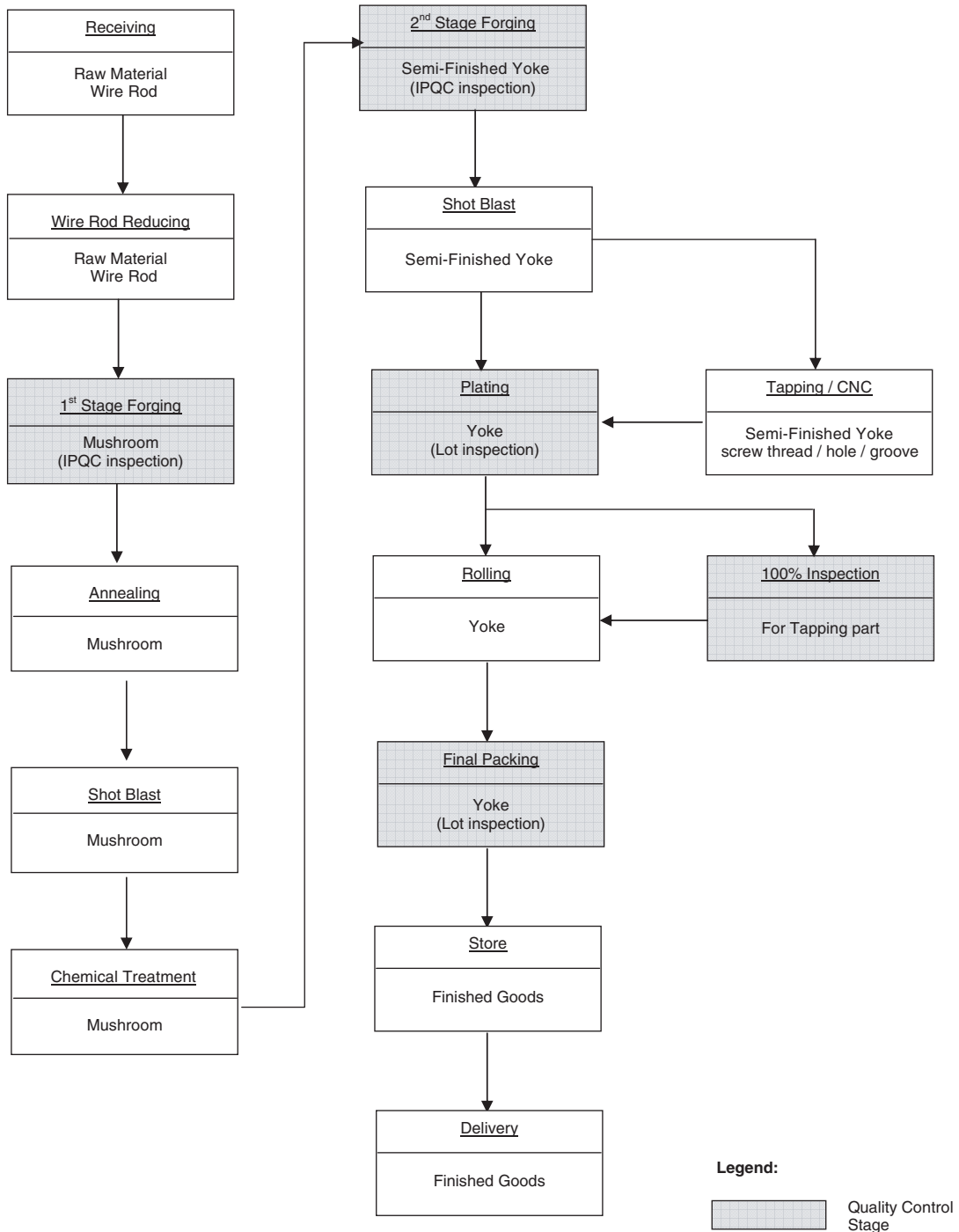
### **Production Process**

We use the cold forging process, which is a manufacturing technique whereby metal is pressed, pounded or subjected to great pressure to form high-strength metal parts. The cold forging process creates parts which are stronger than those manufactured by other metalworking processes and is used where reliability is critical. In addition to loudspeaker parts, this process is also used to manufacture components and parts which are commonly found in airplanes, automobiles, tractors, ships, oil drilling equipment and engines.

## GENERAL INFORMATION ON OUR GROUP

### Yoke manufacturing process

A diagrammatic illustration of the yoke manufacturing process is set out below:-



---

## GENERAL INFORMATION ON OUR GROUP

---

Our manufacturing process for yokes is as follows:-

- **Wire Rod Reducing:** The wire rod is first shot blasted to remove any oxidized layer from its surface and then drawn through a specific-sized die to standardise the diameter of the wire to conform to the required specification.
- **1<sup>st</sup> Stage Forging:** After the wire rod's diameter is standardised following the wire reducing process, it is forged into a semi-finished product known as a "mushroom" by means of the heading machine. The different sizes of heading machines have different forging pressure and production speed ranging from 40 pieces to 80 pieces of mushrooms per minute.
- **Annealing:** The mushroom is put into the annealing oven and heat-treated to a temperature of 700°C for up to 12 hours to soften the mushroom.
- **Shot Blasting of Mushroom:** As a result of the heat treatment, carbon is deposited on the surface of the mushroom. The mushroom is shot blasted using the shot blasting machine to remove such carbon deposits.
- **Chemical Treatment:** This process is also called phosphorus treatment because the mushroom is "washed" or treated with phosphate and lubricant powder.
- **2<sup>nd</sup> Stage Forging:** This process uses various types and sizes of tooling, mushrooms and forging machines to produce T-yokes and U-yokes. The size of yoke is mainly determined by the different tooling specification used. Depending on the capacity of the forging machine, the production speed will also vary ranging from 30 to 60 yokes per minute. After the 2<sup>nd</sup> stage forging, a semi-finished yoke is produced.
- **Shot Blasting of Semi-Finished Yoke:** In order to create a rough surface to strengthen the gluing of the yoke to the loudspeaker assembly, the semi-finished yoke has to be shot blasted again.
- **Additional Processes (Tapping / CNC process):** To achieve the customer's design specifications, the manufacturing process also involves secondary processes such as turning and milling to create threads, holes and grooves in the yoke.

We currently outsource most of our secondary processes for drilling, cutting of grooves and CNC machining to third parties. We are in the process of reducing the outsourcing of the CNC machining process by acquiring CNC machines and recruiting production workers who specialise in operating the CNC machining process and quality assurance operators. We believe this will allow us to achieve higher standards of quality for our products requiring the CNC machining process.

- **Plating:** To prevent corrosion, the finished products require different types of surface plating such as hexavalent and trivalent-based chromium plating, depending on customer's specifications. This process is outsourced to third party service providers.
- **Rolling:** In order to remove any dents at the pole diameter area of the yoke, the yoke is rolled using a rolling machine during packing.
- **Final Packing:** The quality control personnel will conduct a final inspection of the finished products during the final packing process to ensure that the quality of the finished products is of the standard required.

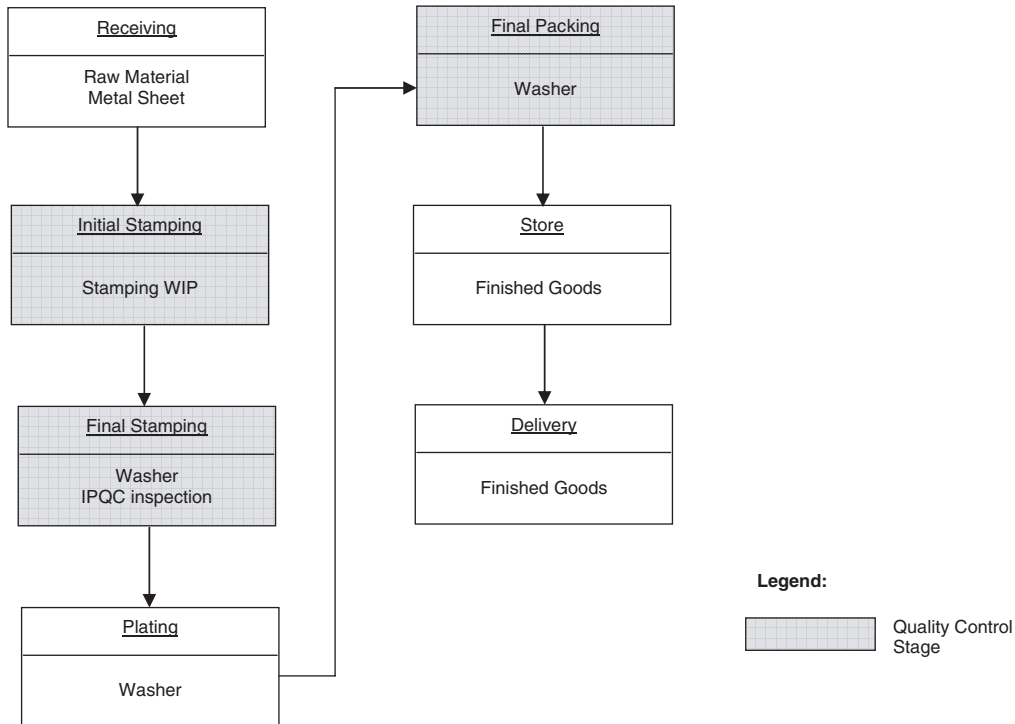
---

## GENERAL INFORMATION ON OUR GROUP

---

### Washer manufacturing process

A diagrammatic illustration of the washer manufacturing process is set out below:-



Our manufacturing process for washers is as follows:-

- **Initial Stamping:** The metal sheet is first cut into the required size and sent to the stamping machine to undergo the initial stamping process.
- **Final Stamping:** Upon completion of the initial stamping process, the cut metal sheet will be stamped again to form protrusions for assembly purposes and to finalise the internal diameter of the washer.
- **Plating:** To prevent corrosion, the finished products require different types of surface plating such as hexavalent and trivalent-based chromium plating, depending on customer's specifications. This process is outsourced to third party service providers.
- **Final Packing:** The washers are carefully packed piece by piece and arranged properly in the cartons to prevent damage during transportation whilst final inspection is carried out at the same time.

---

## GENERAL INFORMATION ON OUR GROUP

---

### QUALITY ASSURANCE

We place great emphasis on quality assurance and maintaining the quality of our products. We believe that our emphasis on quality has been an important factor in attracting and retaining our customers. We have put in place a rigorous quality control programme and monitor our production process closely by conducting stringent quality assurance inspections.

#### Quality Assurance of Parts

All incoming parts to be used in our production process are first forwarded to the quality assurance department for quality control inspections by trained quality assurance personnel. The quality control inspections include dimensional checks, visual checks and functional checks to ensure that the parts conform to the required specifications. Parts which pass our quality control inspections are then moved to the storage area and kept there until they are required for production. Parts which do not pass the quality control inspections are rejected and returned to the supplier. We assess the quality of services provided by our suppliers on a regular basis.

#### Production Process Inspections

We have established quality control inspections during our production process. Our quality control personnel conduct inspections at several stages in the manufacturing process (Please refer to the section "General Information on our Group - Business Overview - Production Process" for more details). This will ensure that any parts that do not conform to our product specifications are removed or the faults rectified.

#### Customer Feedback

When feedback is received from our customers relating to product quality or delivery issues, our quality assurance department will conduct an investigation. The quality assurance department will evaluate and recommend the appropriate action to be taken, if necessary.

#### Certifications of our Quality Management System

We believe that our efforts in maintaining quality control at each stage of the manufacturing process have enabled us to maintain consistent quality in our products. To date, we have not encountered any product liability claims. In recognition of our quality management system, we have been awarded the ISO9002, QS9000 and ISO/TS16949:2002 certifications in 1997, 1999 and 2004 respectively.

### MAJOR CUSTOMERS

Our customers are from various industries including the automotive and commercial audio devices, home audio-visual products and other consumer electronics markets.

The following table sets forth the customers accounting for 5% or more of our Group's total revenue for each of the last three financial years:-

	As a percentage of our total revenue (%)		
	FY2002	FY2003	FY2004
Audio Yoke	7.0	5.3	4.4
Blaupunkt Werke GMBH <sup>(1)</sup>	26.4	28.4	32.2
Eastern Asia Industries Sdn. Bhd.	3.2	5.5	1.6
Formosa Prosonic Technics Sdn. Bhd.	9.3	6.9	3.0
Foremost Audio Sdn. Bhd.	4.2	5.9	4.7
Foster Electric (S) Pte. Ltd. (a subsidiary of Foster Group)	9.4	8.5	8.0
Kamiita International, Inc.	0.2	7.5	12.1
Monetech Audio Sdn. Bhd. (a subsidiary of Pioneer Corporation)	12.5	10.2	9.2
dB Technology (Thailand) Co., Ltd (formerly known as World Sound Corporation)	–	0.9	5.6

---

## GENERAL INFORMATION ON OUR GROUP

---

### Note:

- (1) This customer is the end-user of our products and had in the past placed their orders through Audio Yoke, and also made payment for their purchases through Audio Yoke. However, we invoiced this customer directly for such purchases. Further details of this arrangement can be found in the section “Interested Person Transactions and Potential Conflicts of Interest - Interested Person Transactions”. Since the fourth quarter of FY2004, this customer has stopped placing its orders through Audio Yoke and now places its orders directly with AASB.

Save as disclosed in the section “Interested Person Transactions and Potential Conflicts of Interest”, none of our Directors or Controlling Shareholders has any interest, direct or indirect, in any of our major customers.

### MAJOR SUPPLIERS

Our purchases comprise mainly raw materials and secondary process services. We procure our raw materials and services from suppliers who are able to offer us the most competitive terms and quality raw materials and services as well as based on the preferences and requirements of our customers.

The following table sets forth the suppliers accounting for 5% or more of our Group’s total purchases for each of the last three financial years:-

	As a percentage of our total purchases (%)		
	FY2002	FY2003	FY2004
Audio Yoke	49.8	53.0	53.3
China Steel	10.1	3.4	3.1
Alpha Forge	8.9	6.6	5.2
Audio Mark Industrial Co Ltd	2.3	2.0	6.1
Tenaga Nasional Bhd	4.6	5.1	5.1

We purchase steel wire rods and metal sheets, tooling, semi-finished products and chemicals from Audio Yoke. Audio Yoke sources most of its steel wire rods and metal sheets from China Steel. Audio Yoke is related to our Executive Directors, Jaimes Hsieh and Julie Feng. For further information on our transactions with Audio Yoke, please refer to the section “Interested Person Transactions and Potential Conflicts of Interest”.

We procure plating services from Alpha Forge. Our Executive Director, Julie Feng, was previously a shareholder and director of Alpha Forge. Further information on our transactions with Alpha Forge can be found in the section “Interested Person Transactions and Potential Conflicts of Interest”.

Save as disclosed above and in the section “Interested Person Transactions and Potential Conflicts of Interest”, none of our Directors or Controlling Shareholders has any interest, direct or indirect, in any of our major suppliers.

### CREDIT POLICY

We typically give our customers credit terms of between 60 and 120 days. The credit terms granted to our customers are determined on a case-by-case basis, taking into consideration their payment record, their financial strength as well as the size of the transaction. Our trade receivables turnover days for the last three financial years, based on the average outstanding amount of trade receivables for the respective years (calculated on the basis of the opening and closing balances for the relevant year) against the revenue recorded for that year and multiplied by the number of days in that year, are as follows:-

	FY2002	FY2003	FY2004
Trade receivables turnover days	88	96	108

---

## GENERAL INFORMATION ON OUR GROUP

---

The trade receivables turnover days increased to 108 days in FY2004 due mainly to a change in customer mix as we increased our sales to customers who usually request for longer credit terms. We review our trade receivables balances on a regular basis and make specific provisions for doubtful debts where required. For the last three financial years, we have written-off approximately S\$2,000 of bad debts in FY2004 and have not made any specific provisions for doubtful debts.

Payment terms granted by our suppliers vary from supplier to supplier and are also dependent, *inter alia*, on our relationship with the suppliers and the size of the transaction. Our suppliers typically extend credit terms of up to 90 days to us. Our trade payables turnover days for the last three financial years, based on the average outstanding amount of trade payables for the respective years (calculated on the basis of the opening and closing balances for the relevant year) against the purchases for that year and multiplied by the number of days in that year, are as follows:-

	FY2002	FY2003	FY2004
Trade payables turnover days	25	39	39

### MARKETING AND DISTRIBUTION

Our sales and marketing department consisted of six persons as at 31 December 2004 and is spearheaded by our Executive Chairman, Jaimes Hsieh, and Managing Director, Julie Feng.

We sell our products directly to loudspeaker manufacturers. We identify potential customers through various means such as attendance and participation at trade shows and through referrals from suppliers of other components and parts for the loudspeaker industry. We also approach potential customers directly. Thereafter, we will establish direct contact with them to promote our products.

In our effort to retain our existing customers, our marketing activities include:-

- keeping our customers up-to-date on the latest industry trends and products we carry by conducting product introductions; and
- generating awareness of our products and services, manufacturing capabilities and capacity through continuous dialogue with our customers and frequent on-site customer visits.

### INVENTORY MANAGEMENT

Our inventory level for T-yokes, U-yokes and washers is maintained taking into account the expected demand pattern for our products and required lead-time for the production and delivery of our products. Our objective is to deliver our products within 21 days from the date that an order is placed with us.

We maintain a finished goods inventory level of approximately two-thirds of our expected monthly sales. We also maintain a raw materials inventory level of approximately one and a half months of our expected raw material purchases and approximately half a month's supply of spare parts and components.

In the last three financial years, we have not made any allowance for inventory obsolescence.

The inventory turnover based on the average inventories (calculated on the basis of the opening and closing balance for the relevant financial year) carried by us for each of the last three financial years against the cost of sales for that year and multiplied by the number of days in that year, are as follows:-

	FY2002	FY2003	FY2004
Inventory turnover (days)	31	35	57


---

## GENERAL INFORMATION ON OUR GROUP

---

### INTELLECTUAL PROPERTY

Our policy is to seek protection for any intellectual property originating within our Group. We have, on 23 July 2004, submitted an application, the outcome of which is pending, for the registration of the following trademark in Malaysia:-

Trademark	Applicant	Category
	AASB	Class 9 - Apparatus and instruments for conducting, switching, transforming, accumulating, regulating or controlling electricity, apparatus for recording, transmission or reproduction of sound or images  Class 12 – Vehicles, apparatus for locomotion by land

Failure to complete the registration of the trademark above will not have a significant impact upon our operations. Our business is not materially dependent on any trademark, patent or licence.

### RESEARCH AND DEVELOPMENT

We recognise that R&D is integral to retaining our competitive edge and to enhance our market position in the loudspeaker parts manufacturing industry.

Whilst we have in the past not undertaken substantial R&D activities and as such, have not incurred substantial expenses in this respect, going forward, we propose to enhance our R&D activities by introducing specially structured programs which focus on the following areas:-

#### Tooling design and tooling materials development

In respect of tooling designs and tooling materials, we intend to develop new methods for surface coating and heat treatment in order to extend tool life, reduce wear and tear and reduce tooling costs. As a result, we anticipate savings in respect of our overall production costs.

Additionally, we will undertake R&D on tooling materials and designs for automotive parts in line with our plans to expand into the manufacturing and supply of parts and components to customers in the automotive industry.

#### Automation of production processes

We plan to undertake R&D in relation to machine automation and robotics technology, for use in the harsh environment of the forging process. We anticipate that new developments in this field will improve product quality, increase efficiency, reduce waste and minimise the costs associated with the manufacturing process.

In particular, we intend to concentrate on automating the feeding of “mushrooms”, a process whereby the semi-finished product of the 1<sup>st</sup> stage forging process is fed into the 2<sup>nd</sup> stage forging machines. This process is currently being undertaken manually. Further details of our production process can be found in the section “General Information on our Group – Business Overview - Production Process”.

#### Steel materials research

Currently, we import almost all of our steel requirements, as local steel has not been able to consistently meet the required quality and specifications for cold forging. If we are successful in developing suitable local steel materials, we will be able to reduce our costs and waiting time for the supply of materials considerably.

We are collaborating with a local steel manufacturer to develop the right composition for the steel materials to be used in the manufacture of our products and to improve the range of local steel materials for use in cold forging of loudspeaker parts. This involves an analysis of the fiber flow and macrostructure of steel during the various intermediate production processes in order to facilitate cold forging and produce a more reliable finished product.



---

## GENERAL INFORMATION ON OUR GROUP

---

We propose to achieve the objectives described above by establishing a laboratory, installing the relevant software system, acquiring new measurement and testing equipment and employing four additional engineers to undertake our R&D work. Furthermore, we intend to place our engineers in overseas training programs and to engage external consultants where necessary. Further information on our future plans in respect of our R&D activities can be found in the section “General Information on our Group – Future Plans”.

### COMPETITION

We operate in a highly competitive industry. Globally, there are many companies that specialise in and devote a significant portion of their resources to the development, manufacture, sale and service of products similar to those manufactured and supplied by us. Our competitors range from large organisations that produce a comprehensive array of high-precision loudspeaker parts for a variety of markets to small organisations producing a limited number of products and services for specialised markets.

We believe that our success in this industry depends primarily on the following competitive factors:-

- timeliness in product delivery
- product quality
- competitive prices of our products
- technical capability and support
- reputation and track record

We have identified the following as our main competitors for yokes and washers:-

Company	Location of Headquarters
CX Technology Co. Ltd	Taiwan
Ben Shine Industrial Co. Ltd	PRC
Hong Long Industrial Co. Ltd	Taiwan

### COMPETITIVE STRENGTHS

We believe that our main competitive strengths are as follows:-

- *We have established a reputation and track record for timely delivery and reliability*

We are of the view that prompt and timely delivery of our products is important to our customers as many of them adopt Just-In-Time inventory systems. As such, we place great emphasis on the timely delivery of our products. Our inventory levels for T-yokes, U-yokes and washers and for spare parts and production components are maintained taking into account the unexpected demand patterns of our customers for our products. We also carry a wide range of tooling sizes which enables us to respond to our customers’ specific product specifications at short notice. We are thereby able to shorten the lead-time for the delivery of our products. We also place emphasis on and have instilled in our employees a culture based on teamwork and commitment to efficiency and quality. As a result, we believe that we have over the years, established a reputation and track record amongst our customers for timely delivery and reliability.

---

## GENERAL INFORMATION ON OUR GROUP

---

- *We have an experienced management team*

Our management team comprises our Executive Chairman, Jaimes Hsieh, Managing Director, Julie Feng, and Executive Director, Pu, Jung-Tsan. They have extensive experience in the cold forging manufacturing business and the manufacture of yokes and washers for a variety of industries. As such, they possess in-depth industry knowledge and understanding of the requirements and issues associated with the manufacture of yokes and washers.

They are supported by a team of skilled and experienced engineers and technicians who have contributed to our growth over the years.

- *We have a diversified customer base*

We have a diversified customer base comprising major manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products, who are located in various countries in Asia, North America and Europe.

Our Directors believe that a diversified and strong customer base provides us with a platform for continuous growth and can potentially help to stabilise and further grow the demand for our products, and to reduce the business and financial impact on us in the event of a downturn in a specific industry or country and/or reduction, cancellation or non-continuation of orders from a single customer. We believe that it would be difficult for any new entrants into this business to duplicate such a diversified customer base which would require substantial time, effort and funding to establish. Please refer to the section "General Information on our Group - Major Customers" for more details on our customers.

We will continue to work towards enhancing and strengthening our relationships with our existing customers, as well as establishing new relationships with prospective customers.

- *We place strong emphasis on maintaining good relationships with our customers*

We emphasize upon maintaining good relationships with our customers, and have done so as evidenced by the fact that for FY2004, approximately 98.9% of our sales were attributable to repeat customers. We maintain good relationships with our customers through our product quality, regular visits and periodic meetings with our customers.

- *We are certified with the ISO/TS16949:2002 quality certification*

In 2004, our Group was awarded the ISO/TS16949:2002 quality certification. The ISO/TS16949:2002 certification is a widely recognised common quality standard and registration scheme developed by the members of the International Automotive Task Force (IATF) and Japan Automobile Manufacturers Association, Inc. (JAMA), for suppliers to the automotive industry. It specifies the quality management system requirements for the design and development, production, installation and servicing of automotive-related products. By December 2006, most of the major car manufacturers in Europe and North America would require their suppliers to have this quality certification.

Having obtained the ISO/TS16949:2002 certification, our Directors believe that our Group is in a strong position to remain ahead of our competitors in the automotive loudspeakers market.

## GENERAL INFORMATION ON OUR GROUP

### LICENCES

Our Group has been issued the following licences:-

Licence	Issuing Authority	Period of Licence/ Expiry	Renewal
Manufacturing Licence (No. A011097) (for production of speaker yokes at Plot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah)	MITI (Malaysia Industrial Co-Ordination Act 1975)	Effective from 7 November 1996. No expiry date.	Not applicable
Manufacturing Licence (No. A014772) (for production of washer for speakers at Plot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah)	MITI (Malaysia Industrial Co-Ordination Act 1975)	Effective from 17 October 2002. No expiry date.	Not applicable
Manufacturing Warehouse Licence (No. 033723) (for manufacture of Speaker Yoke /Washer / Copper Cap at Lot 148 and Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah)	Royal Malaysia Customs (Section 65A of the Malaysia Customs Act, 1967)	1 April 2005 to 31 March 2006	At least one month prior to the date of expiration of the licence
Warehouse Licence (No. 045160)	Royal Malaysia Customs (Section 65 of the Malaysia Customs Act, 1967)	1 April 2005 to 31 March 2006	At least one month prior to the date of expiration of the licence

Further information on the conditions attached to the aforesaid licences can be found in the section "Government Regulations".

Our Directors are not aware of any incident of suspension or revocation of any of our licences or any facts or circumstances which will cause our licences to be suspended or revoked.

### PROPERTIES

We currently own the following leasehold properties:-

Location	Use	Land area (sq ft)	Tenure	Annual Land Rent <sup>(1)</sup> (RM)	Encumbrances
Lot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia ("Lot 148")	Manufacturing	65,343	Leasehold, 99 years, expiring 5 May 2094	1,214	Lien holder's caveat in favour of United Overseas Bank (Malaysia) Berhad
Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia ("Lot 149")	Manufacturing and warehousing	65,343	Leasehold, 99 years, expiring 5 May 2094	1,214	Charged in favour of Malayan Banking Berhad

AASB has sub-leased part of Lot 148 and Lot 149 (measuring in aggregate approximately 2,475 sq ft) to Tenaga Nasional Berhad for a period of 30 years from 15 October 2000 to 14 October 2030 in respect of Lot 148 and for a period of 30 years from 15 September 1997 to 14 September 2027 in respect of Lot 149, each for the housing of a power sub-station.

**Note:**

- (1) Refers to the land rent payable by the proprietor in respect of any alienated land (whether leasehold or freehold) to the State Authority under section 93 of the National Land Code in Malaysia.

## GENERAL INFORMATION ON OUR GROUP

Please refer to the sections “Capitalisation and Indebtedness” as well as the “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information” for details relating to our fixed assets and/or the encumbrances on our properties, plant and equipment.

We also lease the following properties:-

Location	Floor area (sq ft)	Tenure	Use	Annual rental (RM)
No. 5621, Lorong Bunga Rampai 2, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	One year expiring 28 February 2006	Hostel for employees	4,200
No. 5299, Lorong Bunga Rampai 7, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	Two years expiring 30 April 2007	Hostel for employees	3,000
No. 4793, Lorong Inang 8, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	Two years expiring 30 April 2007	Hostel for employees	3,000
No. 4690, Lorong Inang 7, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	Two years expiring 30 April 2007	Hostel for employees	3,000
No. 4790, Lorong Inang 8, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	One year expiring 31 March 2006	Hostel for employees	3,840
No. 4771, Lorong Inang 8, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	One year expiring 30 November 2005	Hostel for employees	3,360
No. 4795, Lorong Inang 8, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	One year expiring 31 March 2006	Hostel for employees	3,600
No. 557, Lorong Gamelan 2/5, Taman Ria Jaya, 08000 Sungai Petani, Kedah	810	Two years expiring 31 December 2006	Hostel for employees	3,600

Our production capacity and the utilisation rates of our Manufacturing Facility in Sungai Petani in FY2002, FY2003 and FY2004 are as follows:-

	FY2002			FY2003			FY2004		
	Maximum Capacity (tonnes) <sup>(1)(2)</sup>	Actual Production (tonnes)	Utilisation Rate (%)	Maximum Capacity (tonnes) <sup>(1)(2)</sup>	Actual Production (tonnes)	Utilisation Rate (%)	Maximum Capacity (tonnes) <sup>(1)(2)</sup>	Actual Production (tonnes)	Utilisation Rate (%)
Production of yokes	10,650	7,209	67.7	12,000	9,132	76.1	12,000	9,492	79.1
Production of washers	1,100	831	75.5	1,100	1,050	95.4	1,100	1,057	96.1

**Notes:**

- (1) Based on two 8-hour shifts per day, six days a week.
- (2) Maximum capacity is inclusive of all new machinery purchased and operating in the respective years.

We operate two shifts of eight hours each per day, six days a week. The actual number of hours we operate may vary depending on the quantity or urgency of our orders. Our manufacturing capacity is limited by the availability of skilled manpower, production floor area and machinery.

---

## GENERAL INFORMATION ON OUR GROUP

---

As at the Latest Practicable Date, our Group has 12 units of 1<sup>st</sup> stage forging machines, 20 units of 2<sup>nd</sup> stage forging machines, six units of washer stamping machines and two units of tapping machine. We also have various plant and machinery for secondary processes and tooling fabrication. Between 1 January 2005 and up to the Latest Practicable Date, our Group's production capacity for yokes was 6,000 tonnes and for washers, it was 550 tonnes. New plant and machinery which we have purchased and committed to purchase between 1 January 2005 and up to the Latest Practicable Date, as disclosed in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Expenditure and Commitments", is expected to increase our yoke production capacity to approximately 14,400 tonnes per annum once fully operational. We intend to use approximately S\$1.3 million of the net proceeds from the Invitation for partial repayment of hire purchase facilities drawn for the purchase of these new plant and machinery that we purchased and committed to purchase between 1 January 2005 and up to the Latest Practicable Date.

### INSURANCE

We have effected general insurance coverage in respect of:-

- (a) Group personal accident policy;
- (b) Marine cargo policies;
- (c) Public liability policy;
- (d) Foreign workers compensation;
- (e) Equipment insurance policies;
- (f) All risks insurance in relation to specific equipment; and
- (g) Fire policy for our buildings, plant, machinery and stocks.

To the best of their knowledge, our Directors believe that the above insurance policies are adequate for our business and operations.

### EMPLOYEES

All our employees are located in Malaysia. The functional distribution of our employees as at the end of each of the last three financial years was as follows:-

	As at 31 December 2002	As at 31 December 2003	As at 31 December 2004
Management	4	4	7
Production and Technical Support	130	77	78
Sales and Marketing	9	9	6
Finance and Administration	5	5	9
Quality Assurance	12	14	9
<b>Total</b>	<b>160</b>	<b>109</b>	<b>109</b>

We do not employ temporary employees and our employees are not unionised. The relationship between our management and employees has been good and there have not been any incidents of work stoppages or labour disputes which have affected our operations.

---

## GENERAL INFORMATION ON OUR GROUP

---

### PROSPECTS

Our Directors are optimistic about our business prospects and we believe that we will continue to see strong growth in the demand for our products due to the following reasons:-

#### **Digital world trends towards 3C (Computer, Communication & Consumer Electronics) technology**

With new and rapid technological development, digital products are now widely sold in the market. In the last few years, the demand for computers, educational products, musical instruments and other audio related products which offer quality sound performance, has been growing. This has created a larger market for loudspeaker products. Our Directors believe that in the future, there will be further growth in the demand for digital and telecommunication products such as video conferencing equipment, visual mobile telephone technology and wireless technology products, which will lead to an increase in demand for loudspeakers.

#### **Increasing demand for quality sound systems**

As living standards improve, our Directors believe that there will be a corresponding increase in consumer demand for higher quality sound systems. Our Directors note that the ownership of home theatre entertainment systems has been increasing and today's consumers also tend to replace their sound systems more often due to improvements in audio technology. Loudspeaker sound systems are also increasingly a standard feature in a wide range of consumer products such as motor vehicles. We believe that these trends will fuel the demand for our products.

#### **Increasing demand for aesthetics and functional density in commercial audio devices and consumer electronic products**

Changing consumers' tastes and trends have fuelled demand for commercial audio devices and consumer electronic products with more aesthetic and multi-functional features. This has in turn led to the demand for smaller, more efficient and better quality parts with enhanced capabilities. The loudspeaker system is an integral feature of most commercial audio devices and consumer electronic products. As a result, new designs in loudspeaker systems using the U-yoke and neodymium magnets, which are smaller, lighter in weight, more powerful and have greater reliability, are being developed to meet the increasing demand. We believe that as manufacturers of quality U-yokes, we are well poised to tap into the emerging opportunities in this growing market.

#### **“The Heart of the Loudspeaker”**

While existing loudspeaker system technology is relatively mature, we believe that there are presently no close substitutes in current loudspeaker systems for the key medium of producing good quality natural sound for acoustic products. The combination of the washer, T-yoke or U-yoke and the magnet represents the existing core audio technology and is commonly referred to as “the heart of the loudspeaker”. After many years of change and development, our Directors note that there is still no effective alternative to “the heart of the loudspeaker” and we believe that these core components will continue to be used in audio technology.

#### **Cold forging increasingly becoming the preferred manufacturing method for mass-produced metal-based products**

We currently employ the cold forging method in the manufacture of our products (further details of which can be found in the section “– Business Overview – Production Process”). Our Directors are of the view that in the mass production of metal-based products, the cold forging process is relatively more efficient and cost-effective and is able to consistently achieve high levels of precision in product specification and product reliability. As such, our Directors foresee that cold forging will increasingly become the preferred manufacturing process for a wide range of metal-based products in the years to come.

---

## GENERAL INFORMATION ON OUR GROUP

---

### **Outsourcing trend driving increased demand for cold forged metal parts**

We observe that in the global marketplace there has been an increase in the outsourcing of non-core activities by OEMs to companies which specialise in such activities and which offer competitive prices. Such outsourcing allows the OEMs to focus their management efforts and allocate more resources to their core activities such as product design and development, marketing and distribution, and certain critical manufacturing processes. We expect this outsourcing trend to drive and increase the demand for cold forged metal parts. This offers opportunities for us, as manufacturers with the relevant experience and expertise in the cold forging process, to diversify into other cold forged products in addition to our current loudspeaker products.

### **Increased sub-contracting of manufacturing processes in the automotive industry which involve cold forging technology**

Increased competition within the automotive parts industry has led to greater pressure to keep production costs low. This has in turn led to some automotive parts manufacturers sub-contracting parts of the manufacturing process involving cold forging technology to price-competitive companies with the relevant technical expertise. This offers opportunities for our Group to diversify into the manufacturing of automotive parts both in Malaysia as well as other international markets such as Japan, Europe and Thailand.

Our Group possesses the relevant expertise and know-how in cold forging technology. We also place great emphasis on product quality assurance. As such, we are confident that we are able to meet the stringent requirements of the automotive industry and at competitive pricing.

### **TREND INFORMATION**

For the current financial year up to the Latest Practicable Date, our Directors have observed the following trends for our business:-

- (a) Sales to our customers have increased in tandem with the increase in demand for our products. Our production and inventory levels have also increased correspondingly.
- (b) The prices of raw materials, in particular steel wire rods and metal sheets, have increased significantly in the current financial year resulting in an increase in our production cost. This in turn has led us to negotiate with and procure agreements from our customers to increase the selling prices of our products.

As at the Latest Practicable Date, we have confirmed orders of an aggregate contract value of approximately RM13.1 million (S\$5.8 million) scheduled for delivery in FY2005. However, the delivery schedules for these orders are subject to changes as requested by our customers.

Save as disclosed above and in the sections "Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview" and "General Information on our Group - Prospects", barring any unforeseen circumstances, our Directors do not expect any significant changes in our sales, production and inventory, and the cost and selling prices of our products for the current financial year.

---

## GENERAL INFORMATION ON OUR GROUP

---

### FUTURE PLANS

Our vision is to be a world-class supplier of cold forged metal products, offering integrated services including design consultancy, prototyping, tooling, stamping and value-added assembly.

Our Group intends to adopt the following plans to ensure our future growth:-

- ***Expand our production capacity***

The loudspeaker market is expected to grow due to the strong global demand for audio-video consumer electronic products. We intend to capitalise on this demand by expanding our production capacity. As our Group is currently running at almost full capacity, we intend to purchase additional machinery for the expansion of our production capacity.

- ***Upgrade our manufacturing and R&D capabilities***

We recognise the importance of R&D in ensuring that we remain competitive. To this end, we intend to equip our operations with capabilities to provide metal part design consultancy, prototyping, higher complexity tooling and other engineering solutions demanded by our customers. To provide such value-added services, we intend to invest in new higher-end plant and machinery, the relevant software systems and prototyping equipment, and upgrade our employees' skills through training and carefully structured R&D programs. We also intend to employ new employees with the relevant skills and expertise. We believe that the strengthening and upgrading of our manufacturing capabilities will allow us to be better equipped to penetrate into the automotive industry as discussed below.

Further information on our R&D plans can be found in the section "General Information on our Group - Research and Development".

- ***Diversify into the manufacturing of automotive parts***

We intend to deploy a product diversification strategy to increase our customer base and penetrate new markets. Our Group plans to diversify into products that can readily be manufactured using our existing cold forging manufacturing platform and technological capabilities.

Our product diversification strategy is as follows:-

- (a) Leverage on our existing cold forging manufacturing technology/know-how and capabilities to minimise start up cost, shorten the "learning curve" and achieve shortest time to market.
- (b) Identify products that already have a large demand and stable market.
- (c) Identify products that have a higher value-add and hence command higher margins.
- (d) Minimise risk associated with product quality and delivery by using technology and processes that we are already familiar with.

We have identified automotive parts as the immediate new products to diversify into. There are many high-precision automotive parts manufactured using cold forging technology, including piston pins, steering system parts, braking system parts, gears, engine covers and shock absorbers. We believe our product diversification strategy will allow us to generate new revenue streams and enhance our profitability.

- ***Further develop our export markets and expand our customer base***

We are of the view that there is significant potential in the markets in USA and Japan for our products and services. We will continue to build our presence in the USA and Japanese markets through various means including increasing our number of sales and marketing personnel, intensifying our marketing activities and setting up subsidiaries or sales support offices, when appropriate. In addition, we plan to increase sales to our existing markets in Europe.



---

## GENERAL INFORMATION ON OUR GROUP

---

- ***Acquisitions, joint ventures and strategic alliances***

We intend to expand our business through acquisitions, joint ventures or strategic alliances with parties whom we believe can strengthen our market position, add value to our existing business, as well as enable us to expand into new areas which are related to our product range and existing business. Although we do not have any agreements or understandings regarding any material acquisitions or joint ventures at this time, we are constantly exploring opportunities for such acquisitions, joint ventures and strategic alliances. Through such activities, we intend to acquire customers in new locations, increase our revenue and enhance our profitability.

---

## SELECTED PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

The following selected proforma consolidated financial information of our Group should be read in conjunction with the full text of this Prospectus, including “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information” as set out in this Prospectus.

### Proforma Operating Results of our Group <sup>(1)</sup>

S\$'000	FY2002	FY2003	FY2004
Operating revenue	12,624	14,789	16,251
Cost of goods sold	(10,984)	(12,208)	(12,259)
Gross profit	1,640	2,581	3,992
Other operating revenue	183	421	461
Administrative costs	(617)	(684)	(870)
Other operating costs	(7)	(57)	(7)
Operating profit	1,199	2,261	3,576
Finance income	–	33	25
Finance costs	(618)	(775)	(616)
Profit before taxation	581	1,519	2,985
Taxation	(175)	(465)	(241)
Net Profit attributable to shareholders	406	1,054	2,744
EPS (cents) <sup>(2)</sup>	0.50	1.30	3.39

**Notes: -**

- (1) The proforma operating results of our Group for the last three financial years ended 31 December 2002, 2003 and 2004 have been prepared on the basis that our Group has been in existence throughout the period under review.
- (2) For comparative purposes, EPS is computed based on the pre-Invitation share capital of 80,876,201 Shares.

---

## SELECTED PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### Proforma Financial Position of our Group <sup>(1)</sup>

S\$'000	As at 31 December 2004
<b>Non-current Assets</b>	
Property, plant and equipment	11,428
Other investment	288
	11,716
<b>Current Assets</b>	
Inventories	2,528
Trade receivables	4,811
Deposits, prepayments and other receivables	2,715
Tax asset	104
Fixed deposits	252
Cash and bank balances	345
	10,755
<b>Current Liabilities</b>	
Trade payables	1,154
Other payables and accruals	1,416
Amounts due to a related party - trade	52
Hire purchase creditors	887
Bank borrowings	5,891
Provision for employee benefits	7
	9,407
<b>Net Current Assets</b>	1,348
<b>Non-current Liabilities</b>	
Term loans	1,565
Hire purchase creditors	1,021
Deferred taxation	1,076
	3,662
<b>Net Assets</b>	9,402
<b>Shareholders' Equity</b>	9,402
NTA per Share (cents) <sup>(2)</sup>	11.63

**Notes: -**

- (1) The proforma financial position of our Group as at 31 December 2004 has been prepared on the basis that our Group was in existence on that date.
- (2) NTA per Share as at 31 December 2004 is computed based on the pre-Invitation share capital of 80,876,201 Shares.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

*The following discussion of our results of operations for the past three financial years ended 31 December 2002, 2003 and 2004 should be read in conjunction with the proforma consolidated financial statements and the related notes contained in the section "The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information". This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward looking-statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in the section "Risk Factors".*

### OVERVIEW

#### Operating revenue

Our operating revenue is derived primarily from the manufacture and sale of high-precision cold forged parts of the magnet assembly of loudspeakers, namely T-yokes, U-yokes and washers. Our customers are mainly manufacturers of automotive and commercial audio devices, home audio-visual products and other consumer electronic products.

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably.

Factors affecting our revenue include the following:-

- (i) Our ability to maintain our competitive advantage in order to compete effectively against our competitors and to retain our existing customers;
- (ii) The global market conditions of the industries we serve, in particular, the automotive and commercial audio devices, home audio-visual products and other consumer electronics markets;
- (iii) The socio-political and economic environments of the markets where we operate; and
- (iv) The price and availability of raw materials, in particular, steel wire rods and metal sheets.

#### Cost of goods sold

Our cost of goods sold comprises raw materials, labour costs and overheads. Raw materials, which accounted for between 58.1% and 59.8% of our cost of goods sold in the last three financial years ended 31 December 2002, 2003 and 2004, comprise mainly steel wire rods and metal sheets and semi-finished products, such as mushrooms and semi-finished yokes. Steel is a major component of our raw materials and the price of steel is subject to global demand and supply conditions. Direct labour costs, which accounted for between 3.1% and 4.4% of our cost of goods sold in the last three financial years ended 31 December 2002, 2003 and 2004, comprise mainly salaries and wages of our production staff, technicians and engineers. Labour costs vary with our level of manpower, which in turn is dependent on our sales and level of production activity. Overheads, which accounted for between 37.7% and 40.0% of our cost of goods sold in the last three financial years ended 31 December 2002, 2003 and 2004, comprise, amongst other things, depreciation charges on production equipment, sub-con charges, plating charges, utilities, indirect labour costs as well as costs of tools and supplies consumed. Overheads are affected by our sales and level of production activity.

#### Other operating revenue

Other operating revenue comprises mainly income from the sale of scrap material, gain on disposal of fixed assets and foreign exchange gains.

#### Administrative costs

Our administrative costs comprise mainly directors' remuneration, depreciation, insurance, administrative staff payroll and related expenses.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Other operating costs

Other operating costs comprise mainly foreign exchange losses, stamping fees and fixed assets written off.

### Finance income

Finance income comprises interest income earned on fixed deposits placed with financial institutions.

### Finance costs

Finance costs consist of interest expense incurred on bank borrowings.

## REVIEW OF OPERATING RESULTS

### Breakdown of our Operating Revenue by Products and Geographical Markets

A breakdown of our operating revenue by products and geographical markets for the past three financial years ended 31 December 2002, 2003 and 2004 is set out below. This analysis should be read in conjunction with the proforma consolidated financial statements and the related notes contained in the section "The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information".

#### By Products

	FY2002		FY2003		FY2004	
	S\$'000	%	S\$'000	%	S\$'000	%
T-yokes	10,278	81.4	11,776	79.6	12,288	75.6
U-yokes	994	7.9	1,585	10.7	1,494	9.2
Washers	1,352	10.7	1,428	9.7	2,469	15.2
	<b>12,624</b>	<b>100.0</b>	<b>14,789</b>	<b>100.0</b>	<b>16,251</b>	<b>100.0</b>

#### By Geographical Markets

	FY2002		FY2003		FY2004	
	S\$'000	%	S\$'000	%	S\$'000	%
Asia	8,141	64.5	8,178	55.3	7,219	44.4
Europe	4,285	33.9	5,204	35.2	6,519	40.1
North America	198	1.6	1,407	9.5	2,513	15.5
	<b>12,624</b>	<b>100.0</b>	<b>14,789</b>	<b>100.0</b>	<b>16,251</b>	<b>100.0</b>

We are unable to give a breakdown of our gross profit by products as we are not able to allocate our cost of goods sold between the different products due to the following reasons:-

- (i) We do not maintain a separate management information system for individual product costing; and
- (ii) Direct labour and plant and machinery are used interchangeably in the manufacture of the different products and there is no reasonable basis to allocate such costs between the different products.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

Set out below is a breakdown showing the cost of direct material as a percentage of sales for T-yokes, U-yokes and washers for the past three financial years ended 31 December 2002, 2003 and 2004.

	FY2002 %	FY2003 %	FY2004 %
T-yokes	53.0	51.7	47.6
U-yokes	16.1	12.9	13.2
Washers	57.7	56.7	51.9

### FY2003 vs FY2002

#### Operating revenue

Operating revenue increased by S\$2.2 million or 17.1% from S\$12.6 million in FY2002 to S\$14.8 million in FY2003. Revenue from sale of T-yokes and U-yokes grew by S\$1.5 million and S\$0.6 million respectively, while sale of washers increased by S\$0.1 million in FY2003. The overall increase in sales was mainly attributable to increases in sales orders from our existing European customers such as Blaupunkt Werke GMBH and our Korean customer, the Estec Group, as well as the strengthening of the Euro, the currency in which our sales to customers in Europe are denominated, which increased our operating revenue by approximately S\$0.7 million in FY2003. New customers such as Kamiita International, Inc., the US subsidiary of the Kamiita Group, and dB Technology (Thailand) Co., Ltd (formerly known as World Sound Corporation) contributed approximately S\$1.1 million and S\$0.1 million to our operating revenue in FY2003 respectively.

#### Gross profit

Gross profit increased by S\$1.0 million or 57.4% to S\$2.6 million in FY2003, from S\$1.6 million in FY2002, as a result of the higher sales in FY2003 and an increase in gross profit margin from 13.0% in FY2002 to 17.5% in FY2003. The improvement in the gross profit margin is mainly due to an increase in sales of U-yoke products, which has a higher gross profit margin compared to that for T-yokes, in FY2003 and the favourable impact of the strengthening of the Euro on our sales revenue while our costs and purchases are mainly denominated in US\$, NT\$ and RM. Cost of goods sold increased by S\$1.2 million or 11.1% from S\$11.0 million in FY2002 to S\$12.2 million in FY2003. Cost of raw materials and semi-finished products increased by S\$0.7 million or 11.2% from S\$6.4 million in FY2002 to S\$7.1 million in FY2003 due to the increase in sales. Direct labour cost decreased by S\$96,000 or 20% from S\$482,000 in FY2002 to S\$386,000 in FY2003 as the Group increased the automation of its manufacturing process and employed less production workers. Overheads increased by S\$0.74 million or 18.0% from S\$4.14 million in FY2002 to S\$4.88 million in FY2003 due mainly to an increase of S\$0.45 million in depreciation expenses and S\$0.55 million in charges for secondary processes, offset by a decrease of S\$0.16 million in plating charges.

#### Other operating revenue

Other operating revenue increased by S\$0.24 million or 130% to S\$0.42 million in FY2003 from S\$0.18 million in FY2002. The increase was mainly due to foreign exchange gains, which increased by S\$0.18 million in FY2003, and an increase of S\$57,000 in income from the sale of scrap material. Foreign exchange gains increased from S\$39,000 in FY2002 to S\$0.22 million in FY2003 due to differences in the exchange rates between the Euro and RM from the time the Euro-denominated sales and accounts receivables were recorded and the time that the payments were received from customers, and the revaluation of our outstanding Euro-denominated accounts receivable balances as at 31 December 2003.

#### Administrative costs

Administrative costs increased by approximately S\$67,000 or 10.9% from S\$0.62 million in FY2002 to S\$0.68 million in FY2003 due mainly to an increase of S\$13,000 in insurance costs, increase of S\$18,000 in travelling expenses and increase of S\$38,000 in directors' remuneration.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Other operating costs

Other operating costs increased by approximately S\$50,000 in FY2003 due mainly to a stamping fee of S\$42,000 that was incurred in that year for the purchase of property at Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia.

### Finance income

In FY2003, we had a finance income of approximately S\$33,000 representing interest income from fixed deposits placed with financial institutions.

### Finance costs

Finance costs increased by S\$0.15 million or 25.4% from S\$0.62 million in FY2002 to S\$0.77 million in FY2003 due mainly to additional interest expense incurred on the additional term loans drawn towards the end of FY2002 and during FY2003. Interest expense on term loans increased by approximately S\$143,000 due to a term loan of S\$0.5 million obtained for the acquisition of the new property at Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia, in the first quarter of FY2003 and term loan of S\$1.5 million taken for the acquisition of plant and machinery towards the end of FY2002.

### Profit before taxation

Profit before taxation increased by S\$0.9 million or 161.4% from S\$0.6 million in FY2002 to S\$1.5 million in FY2003 as a result of the growth in operating revenue in FY2003. Pre-tax profit margin improved from 4.6% in FY2002 to 10.3% in FY2003 mainly due to the improvement in gross profit margin as discussed above.

### Taxation

Taxation increased by S\$0.3 million or 166% from S\$0.2 million in FY2002 to S\$0.5 million in FY2003 in line with the increase in profit before taxation in FY2003. The effective taxation rate of our Group of 30.6% for FY2003 is slightly higher than the Malaysian statutory income tax rate of 28% due mainly to non-deductible expenses.

## FY2004 vs FY2003

### Operating revenue

Operating revenue increased by S\$1.5 million or 9.9% to S\$16.3 million in FY2004 from S\$14.8 million in FY2003. The increase in revenue is mainly attributable to growth in sales of T-yokes and washers. Revenue from the sale of T-yokes grew by S\$0.5 million while revenue from sale of washers grew by S\$1.0 million. This revenue growth is due mainly to increase in sales of S\$2.7 million to our overseas customers such as Blaupunkt Werke GMBH (which increased by S\$1.0 million of which approximately S\$0.4 million was due to the appreciation of the Euro vis-à-vis RM), Kamiita International, Inc. (which increased by S\$0.8 million), dB Technology (Thailand) Co., Ltd (which increased by S\$0.8 million) and Bose Corporation (a new customer which contributed S\$0.5 million to our operating revenue in FY2004), offset by a decrease of S\$1.2 million in sales to our Malaysian customers (such as Eastern Asia Industries Sdn. Bhd. and Formosa Prosonic Technics Sdn. Bhd.) as we allocated more of our production capacity to cater for overseas orders which offer us better pricing terms.

### Gross profit

Gross profit increased by S\$1.4 million or 54.7% to S\$4.0 million in FY2004 from S\$2.6 million in FY2003 as a result of improved sales during the year and increase in gross profit margin from 17.5% in FY2003 to 24.6% in FY2004. The increase in gross profit margin is mainly due to a reduction in the purchase of semi-finished products from Audio Yoke and other third parties, as we were able to produce more of such semi-finished products in-house at a lower cost. Purchases of semi-finished products from external parties fell by 51.2% to S\$1.1 million in FY2004, from S\$2.2 million in FY2003. Cost of goods sold increased by S\$51,000 or 0.4% from S\$12.21 million in FY2003 to S\$12.26 million in FY2004. Cost of raw materials and semi-finished products increased by S\$0.2 million or 3.1% from S\$7.1 million in FY2003 to S\$7.3 million in FY2004 due to the increase in sales. Direct labour cost remained constant at S\$0.4 million. Overheads decreased by S\$0.3 million or 5.3% from S\$4.9 million in FY2003 to S\$4.6 million in FY2004 due mainly to a decrease of S\$0.2 million in charges for secondary processes.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Other operating revenue

Other operating revenue increased by approximately S\$40,000 or 9.5% to S\$0.46 million in FY2004 from S\$0.42 million in FY2003. The increase in other operating revenue is primarily due to increase in scrap material sales of approximately S\$108,000 and gain on disposal of fixed asset of approximately S\$5,000, offset by decrease in foreign exchange gain of approximately S\$73,000.

### Administrative costs

Administrative costs increased by S\$0.2 million or 27.2% to S\$0.9 million in FY2004, from S\$0.7 million in FY2003, mainly due to an increase in directors' remuneration and salaries of approximately S\$170,000 and increase in travelling expenses of approximately S\$55,000, offset by a decrease in insurance expenses of approximately S\$27,000.

### Other operating costs

Other operating costs decreased by approximately S\$50,000 or 87.7% to approximately S\$7,000 in FY2004 from approximately S\$57,000 in FY2003. The decrease in other operating costs is primarily due to a reduction of S\$45,000 in stamping fees, which was higher in FY2003 due to the acquisition of the new property at Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia in that year.

### Finance income

Finance income decreased by approximately S\$8,000 or 24.2% to approximately S\$25,000 in FY2004 from approximately S\$33,000 in FY2003 due to lower fixed deposits placed with financial institutions during FY2004. Fixed deposit balances decreased from S\$0.6 million in FY2003 to S\$0.3 million in FY2004 as these fixed deposits were withdrawn and used for working capital purposes.

### Finance costs

Finance costs decreased by S\$0.16 million or 20.4% to S\$0.62 million in FY2004 from S\$0.77 million in FY2003 due to lower bank borrowings and outstanding hire purchase facilities during the year. Hire purchase interest expense decreased by S\$80,000 from S\$150,000 in FY2003 to S\$70,000 in FY2004 as a result of lower average outstanding hire purchase balances of S\$2.1 million in FY2004 as compared to S\$3.1 million in FY2003. Outstanding bank borrowings and term loans also decreased from S\$8.7 million as at 31 December 2003 to S\$7.5 million as at 31 December 2004 due to repayment during FY2004, resulting in a decrease in interest expenses on bank borrowings and term loans of S\$80,000 in FY2004.

### Profit before taxation

Profit before taxation increased by S\$1.5 million or 96.5% from S\$1.5 million in FY2003 to S\$3.0 million in FY2004 as a result of the growth in operating revenue. The pre-tax profit margin improved from 10.3% in FY2003 to 18.4% in FY2004 due mainly to the improvement in the gross profit margin as discussed above.

### Taxation

Taxation decreased by S\$0.2 million or 48.2% to S\$0.24 million in FY2004 from S\$0.47 million in FY2003. The effective taxation rate of our Group of 8.1% for FY2004 is lower than the Malaysian statutory income tax rate of 28% due mainly to the utilisation of reinvestment allowance of 60% on capital expenditure which was used as an additional deduction against taxable income. As at the end of 2004, we had unutilised reinvestment allowance of S\$2.2 million which can be carried forward for offset against future taxable income.

### SEASONALITY

Our business and results of operations are not affected by any seasonality factors.



---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### REVIEW OF FINANCIAL POSITION

#### Non-current assets

Non-current assets comprise property, plant and equipment such as factory buildings and land, production and ancillary machinery, motor vehicles, fixtures and quality control and testing equipment, as well as other investment. As at 31 December 2004, the net book value of our property, plant and equipment was S\$11.4 million, constituting 50.9% of our total assets, of which production machinery accounted for S\$8.8 million, factory buildings accounted for S\$1.8 million and leasehold land accounted for S\$0.5 million. Other investment amounted to S\$0.3 million, constituting 1.3% of our total assets. As at 31 December 2004, machinery with a net book value of S\$2.1 million were pledged to secure long-term bank loans and machinery with a net book value of S\$2.2 million were acquired under hire purchase financing.

#### Current assets

Current assets comprise cash and bank balances, fixed deposits, inventories, trade receivables, deposits, prepayments and other receivables and tax asset.

As at 31 December 2004, our current assets of S\$10.8 million represent 47.9% of total assets. Cash and bank balances comprising cash in hand and cash at financial institutions amounted to S\$0.3 million. Fixed deposits amounted to S\$0.3 million and were pledged to banks as collateral for notes payables. Inventories of S\$2.5 million comprised raw materials and semi-finished products of S\$1.9 million and finished goods of S\$0.6 million. Trade receivables amounted to S\$4.8 million and accounted for 44.7% of total current assets. Deposits, prepayments and other receivables amounted to S\$2.7 million and were made up mainly of amounts prepaid of S\$0.3 million, other receivables of S\$0.2 million and deposits of S\$2.2 million paid for the purchase of plant and machinery. Tax asset of S\$0.1 million was in respect of tax paid in advance.

#### Current liabilities

Current liabilities comprise short-term bank borrowings, trade payables, other payables and accruals and amounts due to a related party. Other payables comprise mainly convertible bond, accruals for payroll and welfare expenses and other payables for miscellaneous items.

As at 31 December 2004, short-term bank borrowings (including hire purchase liabilities) amounted to S\$6.8 million, accounting for 72.1% of total current liabilities. These were used mainly for working capital purposes and for the purchase of plant and equipment, of which S\$6.6 million was secured through a pledge of the assets of the Group. Our short-term bank borrowings in FY2004 were subject to effective interest rates of between 2.5% and 8.4% per annum. Trade payables, amounts due to a related party and other payables and accruals amounted to S\$1.2 million, S\$52,000 and S\$1.4 million respectively and accounted for 27.9% of total current liabilities.

#### Non-current liabilities

Non-current liabilities comprising the non-current portion of term loans and hire purchase liabilities and deferred taxation amounted to S\$3.7 million as at 31 December 2004, accounting for 28.0% of total liabilities. Non-current portion of term loans and hire purchase liabilities amounted to S\$1.6 million and S\$1.0 million respectively. Deferred taxation amounted to S\$1.1 million.

#### Shareholders' equity

Shareholders' equity as at 31 December 2004 was S\$9.4 million.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### LIQUIDITY AND CAPITAL RESOURCES

#### Sources of liquidity

We finance our business activities through a combination of share capital, retained profits, bank borrowings, hire purchase facilities and other external borrowings.

As at the Latest Practicable Date, we had cash and bank balances (including fixed deposits) of S\$1.3 million and short-term bank borrowings (including hire purchase liabilities) of S\$9.0 million. As at the Latest Practicable Date, our Group has credit facilities of up to S\$15.9 million comprising term loans, trade facilities, overdrafts, hire purchase and foreign exchange facilities. An aggregate of approximately S\$11.5 million of our credit facilities have been utilised, leaving a balance of approximately S\$4.4 million available for utilisation.

Our Directors are of the reasonable opinion that, after taking into account our present cash position and available banking facilities, our Group has sufficient working capital for our present requirements.

A summary of our cash flow for the financial year ended 31 December 2004 is as follows:-

	S\$' 000
Net cash provided by operating activities	2,709
Net cash used in investing activities	(2,364)
Net cash generated from financing activities	91
	<hr/>
Net increase in cash and cash equivalents at the end of the year	436
Cash and cash equivalents at the beginning of the year	190
Effect of exchange rate changes on consolidation	(29)
	<hr/>
Cash and cash equivalents at the end of the year	<u>597</u>

#### Net cash provided by operating activities

In FY2004, net cash from operating activities before working capital changes was S\$5.1 million. Net cash used in working capital was S\$1.7 million, attributable mainly to the increase in trade receivables of S\$0.4 million and increase in inventories of S\$1.3 million.

After taking into account the net cash used in working capital, interest paid of S\$0.6 million and income tax paid of S\$0.1 million, our net cash generated from operating activities was S\$2.7 million in FY2004.

#### Net cash used in investing activities

In FY2004, our net cash used in investing activities was S\$2.4 million. S\$0.2 million was used for the purchase of plant and equipment, S\$2.2 million was placed as a deposit for the purchase of machinery and equipment and S\$0.3 million was used for other investment. These were offset by proceeds from disposal of property, plant and equipment of S\$0.3 million.

#### Net cash generated from financing activities

In FY2004, our net cash generated from financing activities was approximately S\$0.1 million, due mainly to proceeds from the issuance of convertible bond of S\$1.3 million and offset by the repayment of hire purchase facilities of S\$0.7 million and term loan of S\$0.4 million.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### CAPITAL EXPENDITURE AND COMMITMENTS

During the last three financial years ended 31 December 2002, 2003 and 2004 and up to the Latest Practicable Date, the material acquisitions and divestment of property, plant and equipment made by our Proforma Group were as follows:-

S\$'000	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
<b>Material Acquisitions</b>				
Leasehold land and factory building	–	1,243	–	175
Plant and equipment	6,208	258	1,512	3,082
<b>Material Divestment</b>				
Plant and equipment	–	–	853	–

The above material acquisitions of property, plant and equipment were financed through a combination of shareholders' equity, funds generated from operations, hire purchase financing, bank borrowings and other external borrowings.

As at the Latest Practicable Date, we have committed to the purchase of machinery amounting to S\$0.8 million of which S\$0.7 million has been paid as a deposit. The plant and machinery which we have purchased and committed to purchase between 1 January 2005 and up to the Latest Practicable Date were financed by internal resources of approximately S\$2.3 million and hire purchase facilities of approximately S\$1.5 million. We intend to use approximately S\$1.3 million of the net proceeds from the Invitation for partial repayment of the hire purchase facilities drawn for the purchase of plant and machinery between 1 January 2005 and up to the Latest Practicable Date.

Save as disclosed above and in the section "General Information on our Group - Future Plans", we have no other material plans on capital expenditure and investments as at the Latest Practicable Date.

### CHANGES IN ACCOUNTING POLICIES

There has been no change in our accounting policies for the last three financial years, other than the change in accounting policy to adopt a new accounting standard on income tax in Malaysia, as disclosed on page 189 of this Prospectus.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### INFLATION

The inflation rate in Malaysia is not material and did not have any major impact on the Group's financial results for the last three financial years.

### FOREIGN EXCHANGE EXPOSURE

Our sales are denominated mainly in RM, Euro and US\$ while our purchases are denominated mainly in RM, NT\$ and US\$. Our operating costs are denominated mainly in RM. The percentages of our sales and total purchases and operating costs denominated in the various currencies for the last three financial years ended 31 December 2002, 2003 and 2004 are as follows:-

	FY2002	FY2003	FY2004
<b>As a percentage of our sales</b>			
RM	44.0	37.5	26.4
Euro	33.5	34.1	38.8
US\$	22.5	28.4	34.8
	100.0	100.0	100.0
	100.0	100.0	100.0
<b>As a percentage of total purchases and operating costs</b>			
RM	39.3	41.5	36.7
NT\$	9.1	8.0	6.8
US\$	51.6	50.5	56.5
	100.0	100.0	100.0
	100.0	100.0	100.0

To the extent that our sales, purchases and operating costs are not naturally matched in the same currency and there are timing differences between collections and payments, our Group will be exposed to adverse fluctuations in the exchange rates between the various currencies and the RM. As a result, our Group's earnings may be adversely affected.

At present, our Group does not have any formal policy for hedging against foreign exchange exposure. Our Group has not in the past used any financial hedging instruments to manage our foreign exchange risks. In the future, we may, when and where necessary, enter into foreign currency forward contracts to hedge against exposure from foreign currency fluctuations. We will seek approval from our Board of Directors for entering into such hedging transactions as well as for our policies and procedures relating to such hedging transactions. Our net foreign exchange gain for each of the last three financial years from FY2002 to FY2004 was as follows:-

	FY2002	FY2003	FY2004
Foreign exchange gain (S\$'000)	39	220	147
As a percentage of profit before taxation (%)	6.7	14.5	4.9

In addition to the above, the consolidated financial statements of our Group are presented in S\$. Hence, the accounts of AASB, our subsidiary in Malaysia, will need to be translated to S\$ for consolidation purposes. Any depreciation or appreciation of the RM against the S\$ will result in translation differences on consolidation, which are taken directly to shareholders' equity.

### TAXATION

A more detailed write-up on Singapore tax considerations may be found in the section "Taxation".

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### DIRECTORS AND EXECUTIVE OFFICERS

The following table provides information regarding our Directors and Executive Officers as at the date of this Prospectus.

<b>Directors</b>			
<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Address</u></b>	<b><u>Principal Occupation</u></b>
Jaimes Hsieh	45	3 Persiaran BLM 5, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Executive Chairman
Julie Feng	42	3 Persiaran BLM 5, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Managing Director
Pu, Jung-Tsan	45	53 Persiaran BLM 2, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Executive Director General Manager (Operations)
Mark Yeo Wee Tiong	41	37C Shelford Road, Singapore 288517	Director, UOB Venture
Ng Teck Sim (alternate Director to Mark Yeo Wee Tiong)	34	3 Rivervale Link, #06-22 Singapore 545119	Investment Manager, UOB Venture
Loo Choon Chiaw	49	4 Morley Road, Singapore 267726	Advocate and Solicitor
Phuah Lian Heng	38	42 Farleigh Ave, Singapore 557816	Executive Director, VCOD (S'pore) Pte Ltd
Tan Kuang Hui	34	Blk 164 Bishan Street 13 #03-268 Singapore 570164	Certified Public Accountant
<b>Executive Officers</b>			
<b><u>Name</u></b>	<b><u>Age</u></b>	<b><u>Address</u></b>	<b><u>Principal Occupation</u></b>
Lo Huan-Hsin	50	11, Lorong BLM 2/4, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Assistant General Manager
Eng Chong Him	31	343-A, Jalan Kuala Ketil 08000 Sungai Petani, Kedah, Malaysia	Financial Controller
Beh Chye Hee	33	23 Lorong BLM 3/1, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Quality Assurance Manager
Koh Teik Huat	33	No. 13, Jalan Beringin, Taman Beringin 08000 Sungai Petani, Kedah, Malaysia	Manufacturing Manager
Ooi Soon Keow	34	12 Persiaran BLM 9, Bandar Laguna Merbok 08000 Sungai Petani, Kedah, Malaysia	Sales Manager

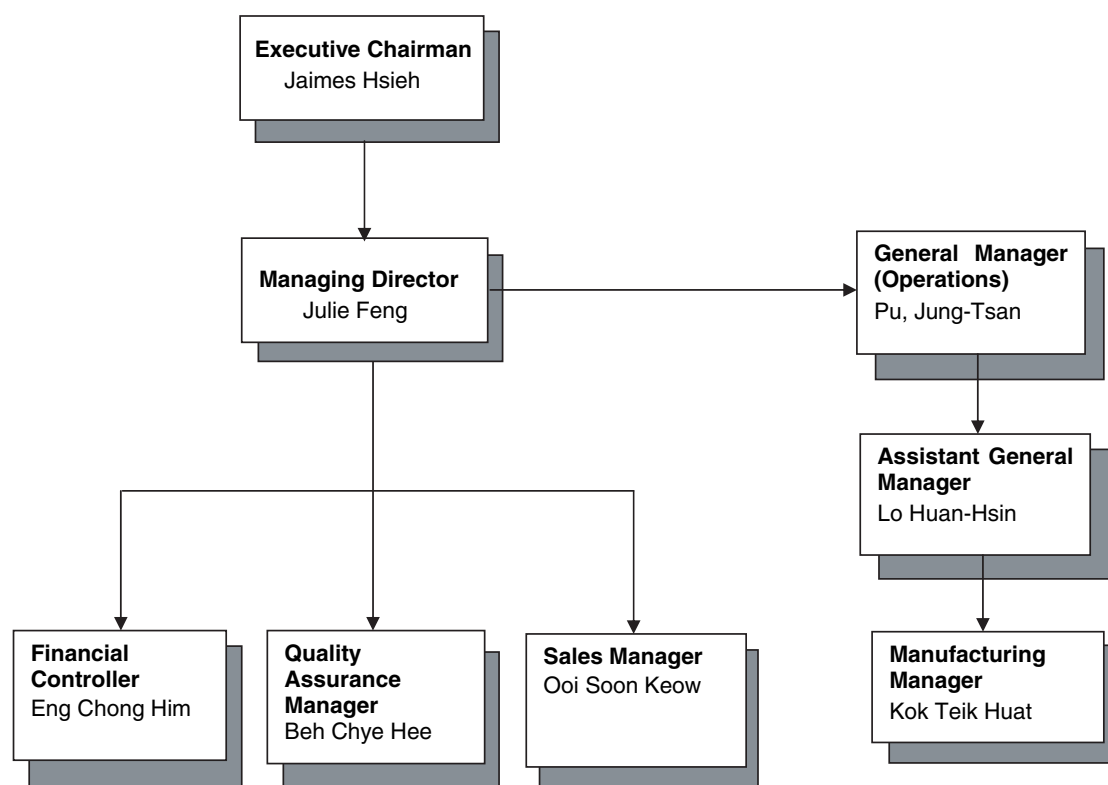
Jaimes Hsieh and Julie Feng are husband and wife. They are also our Controlling Shareholders (see section "Principal Shareholders – Ownership Structure").

Save for Mark Yeo Wee Tiong and Ng Teck Sim who were appointed as nominee directors for ACIF, none of our Directors or Executive Officers has any arrangement or understanding with any of our Substantial Shareholders, customers, suppliers or other person pursuant to which such Director or Executive Officer was appointed as a Director or Executive Officer, as the case may be.

Save as disclosed, none of our Directors and Executive Officers are related to each other or to any of our Substantial Shareholders.

## DIRECTORS, MANAGEMENT AND STAFF

The following chart shows our management reporting structure as at the Latest Practicable Date.



Information on the area of responsibility as well as the business and working experience of each of our Directors is set out below:-

**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 marketing activities of our Group. Prior to establishing our Group in 1995, he was the Managing Director of Audio Yoke. Jaimes Hsieh graduated from Taoyuan High School in Taiwan. He also holds a Bachelor of Business Administration from Golden State University in the United States.

**Julie Feng** is our Managing Director and co-founder. She is responsible for the overall day-to-day management of the Group 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 AASB together with Jaimes Hsieh. Julie Feng holds a Bachelor's Degree in Foreign Languages (majoring in French) from Tan Kang University in Taiwan.

**Pu, Jung-Tsan** was appointed as our Executive Director on 4 July 2005 and is responsible for the Group's operations. He commenced his career with Hong Long Industry Co. Ltd in Taiwan in 1979. He remained at Hong Long Industry for 15 years, after which he assumed the position of General Manager at Shanghai Man Ge Magnet Biochemical in 1994. In 1996, he was appointed as the General Manager of AASB. Pu, Jung-Tsan graduated from Jing Wen Private High School in Taiwan.

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

---

## DIRECTORS, MANAGEMENT AND STAFF

---

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

**Loo Choon Chiaw** joined our Company as an Independent Director on 4 July 2005. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1981 and is currently the Managing Partner of Loo & Partners, a law firm in Singapore. He is a Barrister-at-Law of Lincoln's Inn, London and obtained his Master of Laws from the University of London. He is a fellow of both the Chartered Institute of Arbitrators, London, and the Center of International Legal Studies, Salzburg. He is also a member of the Regional Panel of Arbitrators of the Singapore International Arbitration Centre. Loo Choon Chiaw is an independent director of several public listed companies as well as a Councillor of the South East Community Development Council.

**Phuah Lian Heng** joined our Company as an Independent Director on 4 July 2005. Between 1992 to 1994, Phuah Lian Heng 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 Managing Director of VCOD (S'pore) Pte Ltd, which provides consultancy services in areas such as preparing corporate development proposals, review of financials and project management work in relation to initial public offerings. Phuah Lian Heng 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 to become a Senior Accountant and Manager in 1997 and 2000 respectively. He left Arthur Andersen in June 2002 and founded TKH & Company, a public accounting firm, where he is currently the Managing Partner. Tan Kuang Hui holds a Bachelor of Accountancy from Nanyang Technological University, Singapore and is a practising member of the Institute of Certified Public Accountants of Singapore.

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

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

**Eng Chong Him** is our Financial Controller. He is responsible for our Group's financial and management reporting functions, IT administration and human resource management. Upon graduation, he joined Tan Cheah & Co. in Malaysia in 1997 and was promoted to the position of Audit Senior in 1999. In 2000, he left Tan Cheah & Co. to join Prestige Dynamics Industries Sdn Bhd as an accountant and later became the Administration and Finance Manager. Thereafter, he joined our Group in August 2004. Eng Chong Him holds a Bachelor's Degree (Honours) in Accountancy from University Utara Malaysia and is a member of the Malaysian Institute of Accountants. He also holds a Masters Degree in Information Technology from University Science Malaysia.

**Beh Chye Hee** is our Quality Assurance 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. Beh Chye Hee holds a Diploma in Electronic Engineering from Butterworth Institute of Technology in Malaysia. He also holds a Bachelor of Business Administration from Golden State University in the United States.

## DIRECTORS, MANAGEMENT AND STAFF

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

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

### DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The remuneration (including salary, bonus, contributions to mandatory provident fund scheme, directors' fees and benefits-in-kind) paid or payable by our Group to each of our Directors and Executive Officers for FY2003 and FY2004, and the estimated remuneration payable to them for FY2005, are as follows:-

Directors	FY2003 <sup>(1)</sup>	FY2004 <sup>(1)</sup>	FY2005 <sup>(1)</sup>
Jaimes Hsieh	A	A	A
Julie Feng	A	A	A
Pu, Jung-Tsan	A	A	A
Mark Yeo Wee Tiong	–	–	A
Ng Teck Sim (alternate Director to Mark Yeo Wee Tiong)	–	–	A
Loo Choon Chiaw	–	–	A
Phuah Lian Heng	–	–	A
Tan Kuang Hui	–	–	A
Executive Officers	FY2003 <sup>(1)</sup>	FY2004 <sup>(1)</sup>	FY2005 <sup>(1)</sup>
Lo Huan-Hsin	–	–	A
Eng Chong Him	–	A	A
Beh Chye Hee	A	A	A
Koh Teik Huat	A	A	A
Ooi Soon Keow	A	A	A

**Note:**

(1) Remuneration band "A" refers to remuneration of up to S\$250,000.

The estimated remuneration for FY2005 above does not include:-

- (a) Any performance bonus payable to Jaimes Hsieh and Julie Feng under their respective Service Agreements; and
- (b) Any options granted or that may be granted to the Directors and Executive Officers pursuant to the Share Option Scheme.

Other than amounts set aside or accrued in respect of the relevant laws, no amounts have been set aside or accrued by our Company or our subsidiary to provide for pension, retirement or similar benefits for any of our Directors or employees.



---

## DIRECTORS, MANAGEMENT AND STAFF

---

### SERVICE AGREEMENTS

We have entered into separate service agreements (“Service Agreements”) with each of our Executive Directors, namely, Jaimes Hsieh, Julie Feng and Pu, Jung-Tsan (individually known as a “Management Officer”), for an initial period of three years commencing from 1 July 2005 (the “Initial Term”). The Service Agreements shall automatically expire at the end of the Initial Term unless renewed by our Company for such period as our Company may so decide. The appointment of the Management Officer may be terminated at any time in accordance with the provisions of the Service Agreement or by either party giving to the other six months’ notice in writing of such intended termination, or in lieu of the said six months’ notice, an amount equivalent to six months’ salary based on the Management Officer’s last drawn salary, save that the Management Officer shall not terminate his employment with our Company during the Initial Term. None of the Management Officers will be entitled to any benefits upon termination of their respective Service Agreements.

The Service Agreement may be terminated at any time without any notice or payment in lieu of notice if:- (i) the Management Officer becomes prohibited by law from being or ceases to be a Director of our Company for any reason whatsoever; (ii) the Management Officer is or may be suffering from a mental disorder; or (iii) the Management Officer is convicted of any criminal offence (save for an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment.

The Service Agreement may be terminated by our Company in the event that the Management Officer commits certain events of default (comprising gross misconduct, breach of a material provision of the Service Agreement, breach of trust or dishonesty or if he becomes bankrupt or makes any arrangement or composition with his creditors) as described in his Service Agreement and upon such termination, the Management Officer shall not be entitled to claim any compensation or damages.

Under the Service Agreements, Jaimes Hsieh, Julie Feng and Pu, Jung-Tsan will each receive a monthly salary of RM25,000, RM20,000 and RM19,500 respectively. Our Company will reimburse the Management Officers all travelling, hotel, entertainment and other expenses reasonably incurred by them in the performance of their duties, during the term of their respective Service Agreements.

In addition, each Management Officer is entitled, for every 12 months of service, to an annual bonus (the “Annual Bonus”) of an amount equivalent to two months of his or her basic salary.

Each Management Officer is also entitled to 28 days of paid annual leave and four return airplane tickets to Taiwan annually.

#### *Performance Bonus*

Jaimes Hsieh and Julie Feng are also each entitled, in respect of each financial year, to an annual performance bonus (“Performance Bonus”) calculated based on the consolidated profit before tax of our Group, excluding extraordinary items, non-recurring items and minority interests, and before the payment of the Performance Bonus, based on the audited accounts of our Group for that financial year (“Group PBT”). The Performance Bonus payable to Jaimes Hsieh and Julie Feng is as follows:-

	<b>Percentage of Group PBT</b>	
	<b>James Hsieh</b>	<b>Julie Feng</b>
S\$1.25 million ≤ Group PBT < S\$1.75 million	1.0%	1.0%
S\$1.75 million ≤ Group PBT < S\$2.5 million	2.0%	2.0%
S\$2.5 million ≤ Group PBT < S\$3.5 million	2.5%	2.5%
Group PBT ≥ S\$3.5 million	3.0%	3.0%

---

## DIRECTORS, MANAGEMENT AND STAFF

---

Please refer to the section “Directors, Management and Staff - Directors and Executive Officers” for details of the responsibilities of Jaimes Hsieh and Julie Feng. Under their leadership, the business of our Group has developed and expanded rapidly. We consider their skills, expertise and continuing contribution to our Group to be invaluable and vital to the future growth of the Group and awarding them with the Performance Bonus will serve as incentive to motivate them to continue to contribute to the growth of our Group.

Save as disclosed above, there are no existing or proposed service contracts between our Executive Directors or Executive Officers and our Company or our subsidiary.

### **CORPORATE GOVERNANCE**

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company. In accordance with the Code of Corporate Governance, we have set up an Audit Committee, a Remuneration Committee and a Nominating Committee.

#### **Audit Committee**

Our Audit Committee comprises our Independent Directors, Loo Choon Chiaw, who is the Chairman of the committee, Phuah Lian Heng and Tan Kuang Hui.

The Audit Committee shall meet periodically to perform the following functions:-

- (a) to review with the external auditors the audit plan, and the results of our external auditors' examination and evaluation of our system of internal controls;
- (b) to review the consolidated financial statements and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;
- (c) to review the co-operation given by our management to our auditors;
- (d) to consider the appointment and re-appointment of the external auditors;
- (e) to review and approve interested person transactions; and
- (f) to generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Group's operating results and/or financial position.

#### **Remuneration Committee**

Our Remuneration Committee comprises Loo Choon Chiaw, Phuah Lian Heng and Jaimes Hsieh. Loo Choon Chiaw is the Chairman of our Remuneration Committee. Our Remuneration Committee will recommend to our Board of Directors a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options issued under the Share Option Scheme and benefits in kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations on the Remuneration Committee in respect of his remuneration package.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### Nominating Committee

Our Nominating Committee comprises Phuah Lian Heng, Tan Kuang Hui and Loo Choon Chiaw. The Chairman of the Nominating Committee is Phuah Lian Heng. Our Nominating Committee will be responsible for (i) re-nomination of our Directors having regard to the Director's contribution and performance, (ii) determining annually whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director. The Nominating Committee will decide on how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as Director.

### Board Practices

Our Directors are appointed by our Shareholders at a general meeting and an election of Directors is held annually. One third (or if their number is not a multiple of three, the number nearest to but not less than one third) of our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Please refer to "Appendix I – Summary of Selected Articles of Association of our Company" for more details on the appointment and retirement of Directors.

### AA GROUP EMPLOYEE SHARE OPTION SCHEME

The terms of our Share Option Scheme are set out in "Appendix II - Rules of the AA Group Employee Share Option Scheme" of this Prospectus.

Under the rules of the Share Option Scheme, our Executive and non-Executive Directors and employees of our Group and associated companies of our Company, who are not Controlling Shareholders of our Company, are eligible to participate in the Share Option Scheme.

### Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an opportunity for our Executive Directors and employees of our Group who are not Controlling Shareholders of our Company, to participate in the equity of our Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to non-Executive Directors of our Group and employees of our associated companies who have contributed to the success and development of our Company and/or our Group. The Share Option Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of our Group, made by these categories of persons. Our Company, by adopting the Share Option Scheme, will give these categories of persons a tangible interest in our Company and will help to achieve the following objectives:-

- (i) the motivation of participants to achieve higher standards of performance and efficiency and to maintain a high level of contribution;
- (ii) the retention of key employees whose contributions are important to the long-term growth and prosperity of our Group; and
- (iii) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long-term prosperity of our Group.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### Summary of the Share Option Scheme

A summary of the rules of the Share Option Scheme is set out as follows:-

(1) Participants

Under the rules of the Share Option Scheme, the following persons are eligible to participate in the Share Option Scheme:-

(a) Group Employees

- (i) confirmed full-time employees of our Company and/or its subsidiary who have attained the age of 21 years on or before the Offering Date;
- (ii) directors of our Company and/or its subsidiary who perform an executive function; and
- (iii) employees who qualify under sub-paragraph (i) above and are seconded to a company in an Associated Company, or any other company outside the Group in which our Company and/or Group has an equity interest.

(b) Associated Company Employees

- (i) confirmed full-time employees of an Associated Company who have attained the age of 21 years and above on or before the Offering Date; and
- (ii) directors of an Associated Company who perform an executive function.

(c) Non-Executive Directors

- (i) our non-Executive Directors; and
- (ii) the non-executive directors of an Associated Company.

Persons who qualify under (a), (b) or (c) above but who are also our Company's Controlling Shareholders or their Associates are not eligible to participate in the Share Option Scheme.

(2) Share Option Scheme administration

The Share Option Scheme is administered by a committee (the "Committee") appointed and authorised by our Directors to administer the Share Option Scheme. The Committee will consist of Directors and such other person as may be nominated by our holding company, if any (including Directors or persons(s) who may be participants of the Share Option Scheme). A member of the Committee who is also a participant of the Share Option Scheme must not be involved in its deliberations in respect of options granted or to be granted to him.

(3) Share Option Scheme Size

The aggregate number of Shares over which the Committee may grant options on any date, when added to the number of Shares issued and issuable in respect of all options granted under the Share Option Scheme and Shares subject to any other share option schemes of our Company, shall not exceed 15 per cent of the issued Shares of our Company on the date preceding the grant of an option. The number of Participants is expected to grow over the years as our Group brings its business into greater heights of expansion. Further, our Company intends to include more deserving employees into the Share Option Scheme. If the number of Options available under the Share Option Scheme is small, our Company may only be able to grant a small number of Options to each Participant, which may not be a sufficiently attractive incentive. Hence, there should be a sufficient number of Options under the Scheme to offer to existing employees as well as new employees. The number of Options offered must also be significant enough to serve as a meaningful reward for contribution to the Group. This will also give our Company greater flexibility in the structuring of remuneration and incentive packages for those deserving employees and directors. Accordingly, our Company believes that the size of the Scheme of up to 15 per cent of the issued share capital of our Company will be imperative in achieving the above purposes.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

(4) Maximum entitlements

The number of Shares comprised in any options to be offered to a participant in the Share Option Scheme shall be determined at the absolute discretion of the Committee, who shall take into account criteria such as the rank, the past performance, years of service, potential for future development and contribution of that participant.

(5) Options, exercise period and exercise price

Options that are granted under the Share Option Scheme may have exercise prices that are, at the Committee's discretion, set at a discount to the market price of a Share. Where the exercise price is set at a discount to the market price, the maximum discount shall not exceed 20% of the market price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST and approved by the Shareholders of the Company at a general meeting) and such options may be exercised on the second anniversary from the date of grant of the option ("Incentive Options"). Where the exercise price is fixed at a price equal to the average of the last dealt market prices for a Share for the five consecutive Market Days immediately preceding the grant of the relevant option, such options may be exercised on the first anniversary from the date of the grant of the option ("Market Price Options"). In addition, we will also have the discretion to impose conditions on exercise of the options (whether an Incentive Option or a Market Price Option) such as limiting the number of Shares in respect of which the option may be exercised during the exercise period applicable to that option.

(6) Grant of options

Under the rules of the Share Option Scheme, there are no fixed periods for the grant of options. As such, offers of the grant of options may be made at any time and from time to time at the discretion of the Committee. However, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second Market Day from the date on which the aforesaid announcement is released.

(7) Termination of options

Special provisions in the rules of the Share Option Scheme deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's cessation of employment in our Group or Associated Company (as the case may be), the bankruptcy of the participant, the death of the participant, a take-over of our Company and the winding-up of our Company.

(8) Acceptance of options

Offers of options made to grantees, if not accepted by the grantees within 30 days from the date of the offer, will lapse. Upon acceptance of the offer, the grantee must pay us a consideration of \$1.00.

(9) Rights of Shares arising

Shares arising from the exercise of options are subject to the provisions of the Memorandum and Articles of Association of our Company. The Shares so allotted will upon issue rank *pari passu* in all respects with the then existing issued Shares, and shall rank in full for all entitlements, including any dividends, or other distributions declared or recommended in respect of the then existing Shares, the record date ("Record Date") for which falls on or before the relevant exercise date of the option. "Record Date" means the date as at the close of business on which our shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.

(10) Duration of the Share Option Scheme

The Share Option Scheme shall continue in operation for a maximum duration of 10 years commencing on the date on which the Share Option Scheme is adopted by our Company in general meeting, provided always that the Share Option Scheme may continue beyond the above stipulated period with the approval of our shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### Grant of Options with a Discounted Exercise Price

The ability to offer options to participants of the Share Option Scheme with exercise prices set at a discount to the prevailing market price of our Shares will operate as a means to recognise participants for their outstanding performance as well as to motivate them to continue to excel.

The flexibility to grant Option Shares with discounted exercise prices is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Committee will have the absolute discretion to:-

- (i) grant Option Shares with discounted exercise prices subject to the aforesaid limit; and
- (ii) determine the participants to whom, and the options to which, such reduction in exercise prices will apply. In determining whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration factors including the performance of our Company or our Group, the individual performance of the participant concerned and the contribution of the participant to the success and development of our Company and/or our Group. It is envisaged that our Company may consider granting Option Shares with exercise prices set at a discount to the market price of our Shares prevailing at the time of grant under circumstances including (but not limited to) the following:-
  - (a) where, due to speculative forces in the stock market resulting in an overrun of the market, the market price of our Shares at the time of the grant of options is not a true reflection of the financial performance of our Company;
  - (b) to enable our Company to offer competitive remuneration packages in the event that the practice of granting options with exercise prices that have a discount element becomes a general market norm. As share options become more significant components of executive remuneration packages, a discretion to grant options with discounted exercise prices will provide our Company with a means to maintain the competitiveness of our Group's compensation strategy; and/or
  - (c) where our Group needs to provide more compelling motivation for specific business units to improve our performance, grants of share options with discounted exercise prices will help to align the interests of employees to those of the shareholders as they would be perceived more positively by the employees who receive such options. The Committee will determine on a case by case basis whether a discount will be given, and if so, the quantum of the discount, taking into account the objective that is desired to be achieved by our Company and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount of 20 per cent to the market price of our Shares. The discretion to grant options to subscribe for Shares at an exercise price set at a discount to the market price will, however, be used judiciously. The amount of the discount may vary from one offer to another, and from time to time, subject to a limit of 20 per cent on the quantum of discount in respect of options granted under the Share Option Scheme.

In determining the quantum of such discount, the Committee will take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate including but not limited to:

- (i) the performance of our Company and our Group;
- (ii) the individual performance of the participant; and
- (iii) the contribution of the participant to the success and development of our Company and/or our Group.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

Such flexibility in determining the quantum of discount would enable the Committee to tailor the incentives in the grant of options to commensurate with the performance and contribution of each individual participant. By individually recognising the degree of performance and contribution of each participant, the granting of options at a commensurate discount would enable the Committee to provide incentives for better performance, greater dedication and loyalty of the participants.

Our Company may also grant options without any discount to the market price. In addition, our Company may, if it deems fit, impose conditions on the exercise of the options (whether such options are granted at the market price or at a discount to the market price), such as restricting the number of Shares for which the option may be exercised during the initial years following its vesting.

Non-Executive Directors may only be granted options under the Share Option Scheme without a discount to the market price.

### **Participants in the Share Option Scheme**

#### **(a) Executive Directors and full-time employees of our Group**

The extension of the Share Option Scheme to our Executive Directors and our confirmed full-time employees allows us to have a fair and equitable system to reward executive employees who have made and who continue to make important contributions to the long-term growth of our Group. The Share Option Scheme will also serve to attract, retain and provide incentives to its participants to higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating them to contribute towards our long-term prosperity.

#### **(b) Associated Company Employees**

We recognise that it is important to the well-being and stability of our Group that we acknowledge the services and contributions made by Associated Company employees so that our Group will continue to receive their support and contributions. We currently do not have any Associated Company in our Group.

By implementing the Share Option Scheme, our Company will have a means of providing such Associated Company employees with an opportunity to share in the success and achievements of our Group as well as the performance of our Company through participation in the equity of our Company without any direct cost to our Company's profitability, even though they are not Executive Directors or employees of our Group, are nevertheless closely associated with our Group and our business operations. It is hoped that by doing so, we will also strengthen our working relationships with the participants by inculcating in them a stronger and more lasting sense of identification with our Group.

#### **(c) Non-Executive Directors of our Group**

We have extended eligibility to Non-Executive Directors who, although not employed by us, work closely with us and who are in a position to give input and contribute their experience, knowledge and expertise to our development and success. In providing them with an opportunity to participate in the equity of our Company, we believe we will enhance our working relationships with our Non-Executive Directors and give recognition to them for their contribution to our success and growth.

To minimise any possible conflicts of interest and not to compromise the objectivity of any independent members of our Board who may, in the future, be selected to participate in the Share Option Scheme, our Non-Executive Directors would largely continue to be remunerated for their services by way of directors' fees. As such, it is envisaged that options that may be granted to Non-Executive Directors will be of token amounts and will not comprise (whether on an individual or collective basis) a significant portion of the Shares available under the Share Option Scheme.

Persons who qualify under (a), (b) or (c) above, and who are also our Company's Controlling Shareholders or their Associates are not eligible to participate in the Share Option Scheme.

### Cost of the Share Option Scheme to our Company

Any options granted under the Share Option Scheme, whether such options are Market Price Options or Incentive Options, would have a fair value. In the event that such options are granted at prices below the fair value of the options, there will be a cost to our Company. Such costs may be more significant in the case of incentive options, where such options are granted with exercise prices set at a discount to the prevailing market price of our Shares. The cost to our Company of granting options with a discounted exercise price under the Share Option Scheme would be as follows:-

- (i) the exercise of an option at a discounted exercise price would translate into a reduction of the proceeds from the exercise of such options, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of our Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company of granting options with a discounted exercise price;
- (ii) as the monetary cost of granting options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from an exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's earnings per Share; and
- (iii) the effect of the issue of new Shares upon the exercise of options on our Company's NTA per Share is accretive if the exercise price is above the NTA per Share, but dilutive otherwise. The dilutive effect is greater if the exercise price is at a discount to the market price.

The costs discussed in (i), (ii) and (iii) above would materialise only upon the exercise of the relevant options.

Previously, the Financial Reporting Standards ("FRS") were silent on the recognition and measurement for share-based awards granted to employees. Accordingly, companies have not recognised any compensation expenses relating to share options granted to their employees in their financial statements. However, share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option.

A new accounting standard FRS102 will require the recognition of an expense in respect of options granted under the Share Option Scheme. The expense will be based on the fair value of the options at the date of grant (as determined by an option pricing model) and will be recognised over the vesting period. FRS102, share-based payments, is effective from 1 January 2005.

In-principle approval has been obtained from the SGX-ST for the listing and quotation of the Option Shares. Admission to the Official List of the SGX-SESDAQ is not to be taken as an indication of the merits of the Option Shares. The rules of the Share Option Scheme are set out in Appendix II of this Prospectus. Details of the number of options granted, the number of options exercised and the subscription price (as well as any discount involved) will be disclosed in our annual report. The committee currently appointed to administer the Share Option Scheme is the Remuneration Committee.

Details of the number of options granted pursuant to the Share Option Scheme, the number of options exercised and the exercise price (as well as any applicable discounts) will be disclosed in our annual report.

No person (including a Director or Executive Officer) has been, or is entitled to be, granted an option to subscribe for shares in, or debentures of, our Company or our subsidiary.

No option to subscribe for shares in, or debentures of, our Company or our subsidiary has been granted to, or was exercised by, any of our Directors or Executive Officers within the last two financial years.



---

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

---

### INTERESTED PERSON TRANSACTIONS

Save as disclosed below and in the section “Group Structure - Restructuring Exercise and Bond Conversion”, none of our Directors or Controlling Shareholders or their Associates was or is interested in any material transactions undertaken by our Group during the last three financial years and up to the Latest Practicable Date.

#### Past Interested Person Transactions

##### 1. Transactions with Fairway Fortune Sdn Bhd

Fairway Fortune Sdn Bhd (“FFSB”) is a company incorporated in Malaysia. The entire share capital of FFSB is beneficially owned by our Executive Directors and Controlling Shareholders, Jaimes Hsieh and Julie Feng. Our Executive Director, Pu, Jung-Tsan is also a director of FFSB. Our Executive Directors and Controlling Shareholders, Jaimes Hsieh and Julie Feng, were previously directors of FFSB.

##### (a) *Rental of land, building and motor vehicles from FFSB*

AASB entered into an agreement on 1 January 2001 with FFSB to rent the factory at Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan, Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia at a monthly rental of RM12,000.00 and two motor vehicles at a monthly rental of RM2,114.00. The value of the rental amounts were arrived at based on the prevailing market rates and normal commercial terms.

The total rental payments made by AASB to FFSB for the past three financial years were as follows:-

S\$'000	FY2002	FY2003	FY2004
Rental payments made by AASB to FFSB	72	24	–

Our rental arrangement with FFSB has ceased since January 2004.

##### (b) *Purchase of land and building from FFSB*

In 2003, AASB as purchaser entered into a Sale and Purchase Agreement dated 10 February 2003 with FFSB as vendor in respect of the sale and purchase of the land and building at Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia for a purchase consideration of RM2.5 million (approximately S\$1.15 million).

The purchase consideration was determined based on an independent valuation performed on the said property in 2000. (In March 2005, AASB obtained a valuation report from an accredited chartered surveyor in Malaysia stating that the market value of the property as at February 2003 was RM2.55 million.) The aggregate consideration of RM2.5 million was satisfied partially by the issue of 1,280,000 ordinary shares of RM1.00 each at par in the share capital of AASB to FFSB and the balance in cash.

##### 2. Transactions with Audio Yoke

Audio Yoke is a company incorporated in Taiwan which is principally engaged in general trading including the trading of steel wire rods and metal sheets. It had in the past also engaged in the trading and manufacture of yokes, which has ceased in 2003. Further information on Audio Yoke can be found under the section “General Information on our Group - History and Development of our Group”. The entire share capital of Audio Yoke is beneficially owned by our Executive Directors and Controlling Shareholders, Jaimes Hsieh and Julie Feng. Jaimes Hsieh and Julie Feng are also the directors of Audio Yoke.

In the past, some of AASB’s customers made their purchases of yokes and washers from AASB by placing their orders through Audio Yoke and making payments for the purchases through Audio Yoke. For certain customers, AASB invoiced Audio Yoke for the sales while for others, AASB would

---

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

---

invoice the customers directly. Sales invoiced through Audio Yoke were based on prices quoted to the end-customers without any mark-up by Audio Yoke.

The aggregate value of such sales for the past three financial years were as follows:-

S\$'000	FY2002	FY2003	FY2004
Sales where invoices were issued to Audio Yoke	882	787	714
Sales where invoices were issued to the end-customers	4,880	5,732	5,368

Since the fourth quarter of 2004, the above arrangement has ceased and all of AASB's customers now place their orders directly with AASB.

### 3. **Transactions with Alpha Forge**

Alpha Forge is a company incorporated in Malaysia and owned by Wen Tien Lin, Wen Tien Ti and Lee Ching Hsin, none of whom are related to any of our Directors or Controlling Shareholders. Our Managing Director, Julie Feng, had previously held a 30% interest in the share capital of Alpha Forge. She was also a director of Alpha Forge. In July 2004, she disposed of her shareholding interest in Alpha Forge to the existing shareholders of Alpha Forge and resigned as a director of the company.

#### (a) *Purchase of services from Alpha Forge*

In the initial stages of its business, AASB was doing its own plating works. However, as its operations expanded, AASB decided to subcontract the plating process to a third party so that it did not have to invest in acquiring additional plating equipment to cope with the higher volume. This would enable the company to concentrate its resources on expanding its production capacity for yokes and washers. In 2001, AASB began procuring plating services from Alpha Forge. On 26 February 2002, the parties entered into an agreement pursuant to which AASB's plating equipment and waste water treatment plant were made available to Alpha Forge in return for Alpha Forge agreeing to provide discounted prices in respect of plating services to AASB. The agreement also provides that Alpha Forge provide such plating services as required by AASB in priority to its other customers. The agreement became effective 1 March 2002 and is effective until terminated by mutual agreement.

The prices charged by Alpha Forge in respect of plating services to AASB were arrived at based on negotiations between the parties on arm's length basis and were at a discount to the prices quoted by other plating service providers which took into account AASB allowing Alpha Forge to use its plating equipment and waste water treatment plant as mentioned above. The aggregate value of plating services provided to AASB by Alpha Forge for the past three financial years were as follows:-

S\$'000	FY2002	FY2003	FY2004
Plating services provided by Alpha Forge	886	731	388

Following the disposal by Julie Feng of her shareholding interest in Alpha Forge, our transactions with Alpha Forge are no longer deemed as Interested Person Transactions as defined under Chapter 9 of the Listing Manual. It is our intention to continue procuring plating services from Alpha Forge as we are satisfied with the quality and delivery of their plating services at a competitive price compared to other suppliers of plating services. All transactions with Alpha Forge will be carried out on arm's length basis and we expect Alpha Forge to continue to quote us rates that are at a discount to other providers of plating services taking into account the plating equipment and waste water treatment that we have made available to them.

#### (b) *Guarantees provided by Jaimes Hsieh and Julie Feng in respect of bank facilities for Alpha Forge*

Jaimes Hsieh and Julie Feng had in the past provided personal guarantees in respect of credit facilities granted by financial institutions to Alpha Forge. As at the Latest Practicable Date, the aggregate outstanding amount of such credit facilities was approximately RM1.9

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

million. Jaimes Hsieh and Julie Feng are in the process of procuring the release of the said personal guarantees. There is however no assurance that they will be able to procure the release of these personal guarantees. In the event that Jaimes Hsieh and Julie Feng are unable to procure the discharge of these personal guarantees, they will continue to provide these guarantees until such time Alpha Forge is able to procure alternative financing arrangements. The Directors are of the opinion that failure to procure the discharge of these personal guarantees provided by Jaimes Hsieh and Julie Feng to secure credit facilities for Alpha Forge will have no material impact on our Group.

### 4. **Amounts due from and to our Executive Chairman, Jaimes Hsieh**

Our subsidiary, AASB, had in the past made advances to our Executive Chairman, Jaimes Hsieh. The latter had also made payments for and on behalf of AASB. These amounts due from and to Jaimes Hsieh were interest-free, unsecured and had no fixed term of repayment. The outstanding amounts due from him as at the end of each of the past three financial years were as follows:-

S\$'000	2002	As at 31 December 2003	2004
Amount due from Jaimes Hsieh	166	9	–

During the last three financial years, the largest aggregate amount due from Jaimes Hsieh was approximately RM0.38 million and the largest aggregate amount due to him was approximately RM0.45 million. As at 31 December 2004, all amounts due from Jaimes Hsieh had been fully repaid and as at the Latest Practicable Date, there is no amount due from him. We do not intend to provide or obtain any advances or loans to or from Jaimes Hsieh in the future.

### Present and on-going Interested Person Transactions

#### 1. **Purchases from Audio Yoke**

In addition to the transactions with Audio Yoke as disclosed above on pages 92 and 93 of this Prospectus, Audio Yoke also supplies AASB with raw materials such as steel wire rods and metal sheets as well as tooling, semi-finished products and chemicals for use in its manufacturing operations. The prices charged by Audio Yoke to AASB for such supplies are based on Audio Yoke's purchase costs plus a service fee to cover the costs of shipping the goods to AASB and Audio Yoke's administrative costs.

##### (a) *Purchase of steel wire rods and metal sheets*

The aggregate value of AASB's purchases of steel wire rods and metal sheets from Audio Yoke in each of the last three financial years ended 31 December 2002, 2003 and 2004 and for the period from 1 January 2005 to the Latest Practicable Date are as follows:-

S\$'000	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
Purchase of steel wire rods and metal sheets from Audio Yoke	3,217	4,109	6,065	2,580
As a percentage of AASB's total purchases of steel wire rods and metal sheets	76.8%	88.4%	86.1%	67.7%

Most of the above steel materials supplied by Audio Yoke to AASB was procured from China Steel and only a small amount was from other suppliers in Taiwan. AASB procures its steel supply from China Steel through Audio Yoke for the following reasons:-

- The quality of the steel materials from China Steel meets AASB's requirements;
- As a local Taiwanese company, Audio Yoke is able to purchase the steel materials from China Steel at a lower price compared to foreign companies; and

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

- Due to its good track record and established relationship with China Steel over the years, Audio Yoke has been granted a periodic quota by China Steel which assures it of a steady supply of steel materials.

Neither AASB nor any subsidiary established by AASB in Taiwan or elsewhere would be able to procure steel materials from China Steel on the same favourable terms that Audio Yoke enjoys. Audio Yoke procures steel materials from China Steel only for AASB and does not supply steel to any other party.

Whilst AASB has commenced sourcing steel wire rods and metal sheets from other suppliers in Malaysia and the PRC, it expects that it will continue to purchase steel materials from Audio Yoke where it is able to benefit from Audio Yoke's favourable purchase terms with China Steel. Upon the admission of our Company to the Official List of SGX-SESDAQ, AASB's purchases of steel wire rods and metal sheets from Audio Yoke will be governed by the Shareholders' Mandate as set out in the section "Shareholders' Mandate".

### (b) *Other purchases*

Besides steel wire rods and metal sheets, AASB also purchases tooling, semi-finished products, machinery and chemicals from Audio Yoke. The aggregate value of such purchases in each of the last three financial years ended 31 December 2002, 2003 and 2004 and for the period from 1 January 2005 to the Latest Practicable Date are as follows:-

SS\$'000	FY2002	FY2003	FY2004	1 January 2005 to Latest Practicable Date
Purchase of tooling, semi-finished products, machinery and chemicals from Audio Yoke	2,631	1,967	269	323

Since the beginning of FY2004, AASB has reduced substantially its purchase of semi-finished products from Audio Yoke.

## 2. Guarantees provided by Directors

As at the Latest Practicable Date, the guarantees provided by our Executive Chairman, Jaimes Hsieh, and our Managing Director, Julie Feng, jointly and severally, to secure banking facilities for our Group, are as follows:-

Bank	Amount guaranteed	Facilities
United Overseas Bank (Malaysia) Berhad	RM12,800,000	Trade financing and overdraft
Malayan Banking Berhad	RM4,400,000	Trade financing, overdraft and term loan
HSBC Bank Malaysia Berhad	RM5,000,000	Trade financing
Citibank Berhad	RM1,928,343	Trade financing and term loan
AmBank Berhad	RM1,500,000	Trade financing
AmFinance Berhad	RM4,259,114	Hire purchase
Public Finance Berhad	RM190,000	Hire purchase
OCBC Bank (M) Berhad	RM4,394,052	Hire purchase
Hong Leong Bank Berhad	RM360,000	Hire purchase

---

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

---

The largest aggregate outstanding amount of bank facilities guaranteed by Jaimes Hsieh and Julie Feng during the last three financial years 31 December 2004 and up to the Latest Practicable Date, was approximately RM25.9 million. As at the Latest Practicable Date, the aggregate outstanding amount of bank facilities which is guaranteed by the above guarantors was approximately RM25.9 million.

After the Invitation, we intend to write to the relevant financial institutions to discharge the guarantees provided by our Executive Chairman, Jaimes Hsieh, and Managing Director, Julie Feng. Should we be unable to procure the discharge of these personal guarantees, Jaimes Hsieh and Julie Feng will continue to provide such personal guarantees until such time as the Group is able to procure alternative financing arrangements on terms acceptable to us.

### POTENTIAL CONFLICTS OF INTEREST

#### Audio Yoke

As disclosed above, Audio Yoke is principally engaged in general trading including the trading of steel wire rods and metal sheets. It had in the past also engaged in the trading and manufacture of yokes, which has ceased since 2003. The entire share capital of Audio Yoke is beneficially owned by our Executive Directors and Controlling Shareholders, Jaimes Hsieh and Julie Feng, who are also the directors of Audio Yoke.

To address any potential conflicts of interest that could arise between our Group and Audio Yoke as a result of Jaimes Hsieh and Julie Feng being Directors and Controlling Shareholders of our Company as well as Audio Yoke, Audio Yoke has given an undertaking to our Group:-

- (i) that it will not engage in the trading or manufacture of yokes or washers or in any business that competes directly or indirectly with our Group;
- (ii) that it will not have any interest in or provide financial assistance or advisory services to any other person to carry on any business or other activity that will directly or indirectly compete with our Group;
- (iii) that in the event that any existing customers of Audio Yoke or if any other person should approach Audio Yoke to carry on any business or other activities that is similar to our Group's business, Audio Yoke will immediately inform our Group of such customer or person and shall redirect such customer and business opportunities to our Group without any payment consideration; and
- (iv) not to solicit, market to or entice away from our Group, whether directly or indirectly, any customer or potential customer.

This undertaking will lapse on the occurrence of any one of the following events:-

- (i) when Jaimes Hsieh, Julie Feng and their Associates hold in aggregate, directly or indirectly, less than 15% of the issued and paid up share capital of Audio Yoke and does not participate in the management of Audio Yoke as a director or otherwise; or
- (ii) when both Jaimes Hsieh and Julie Feng cease to be Directors and Controlling Shareholders of our Group.

In addition, Jaimes Hsieh and Julie Feng have given an undertaking to our Group:-

- (i) that they will not engage in the trading or manufacture of yokes or washers or in any business that competes directly or indirectly with our Group;
- (ii) that they will not have any interest in or provide financial assistance or advisory services to any other person to carry on any business or other activity that will directly or indirectly compete with our Group;

---

## INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

---

- (iii) that in the event that any existing customers of Audio Yoke or if any other person should approach Audio Yoke to carry on any business or other activities that is similar to our Group's business, they will procure that Audio Yoke will immediately inform our Group of such customer or person and that Audio Yoke will redirect such customer and business opportunities to our Group without any payment consideration; and
- (iv) not to solicit, market to or entice away from our Group, whether directly or indirectly, any customer or potential customer.

This undertaking will lapse when both Jaimes Hsieh and Julie Feng cease to be Directors and Controlling Shareholders of our Group.

To ensure that the above undertakings are monitored and complied with, our Audit Committee (which is made up of our Independent Directors) and our Board will, on a regular basis, review whether the undertakings provided by Audio Yoke, Jaimes Hsieh and Julie Feng have been breached or could potentially be breached. As and when our Board receives information or becomes aware that the undertakings referred to above have been or could potentially be breached, our Board and Audit Committee will review the matter, and where necessary, obtain legal advice as to the appropriate measures that should be taken to address such breach or potential breach, and to take necessary measures to safeguard our Group's position in light of the legal advice given.

### UOB Venture

Our Non-Executive Director, Mark Yeo Wee Tiong and his alternate director, Ng Teck Sim are employees of UOB Venture. UOB Venture is the investment adviser to ACIF. UOB Venture is also the investment adviser or fund manager to other funds and may, from time to time, invest in companies that carry on similar businesses or deal in similar products as our Group, or which compete with the business of our Group.

In the event of any possible conflict of interest between our Group and any company in which any of the funds managed by UOB Venture has an investment, Mr Yeo and Mr Ng will (to the extent that they are aware of such conflict and are not able to act in the best interests of our Company as a result of such conflict) disclose the situations of conflict to our Board and abstain from voting or participating in the decision-making process in relation to those matters.

Save as disclosed in the sections "Interested Person Transactions and Potential Conflicts of Interest – Interested Person Transactions" and "Group Structure - Restructuring Exercise and Bond Conversion":-

- (a) None of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any transactions to which our Group was or is to be a party;
- (b) None of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any company carrying on the same business or similar trade as our Group; and
- (c) None of our Directors or Controlling Shareholders or any of their Associates has any interest, direct or indirect, in any of our Group's customers or suppliers.

---

## SHAREHOLDERS' MANDATE

---

We anticipate that we would, in the ordinary course of business, enter into certain transactions with persons which are considered "Interested Persons" as defined in Chapter 9 of the Listing Manual ("Interested Person Transactions"). It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Chapter 9 of the Listing Manual allows a listed company to obtain a mandate from its shareholders for recurrent interested person transactions which are of a revenue or trading nature or for those necessary for its day-to-day operations.

Our Company has on 4 July 2005 obtained a Shareholders' mandate ("Shareholders' Mandate") to enter into certain Interested Person Transactions which would eliminate the need for our Company to convene separate general meetings on every occasion to seek Shareholders' approval as and when such Interested Person Transactions arise, provided that the transactions are made on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders. This would reduce the administrative time and expenses in convening such meetings substantially. In addition, it would not be feasible to obtain Shareholders' approval each and every time our Group enters into an Interested Person Transaction as the transactions would be recurrent in nature.

The Shareholders' Mandate will take effect from our admission to the Official List of the SGX-SESDAQ and will be effective until the earlier of the following: (i) our first annual general meeting following our admission to the Official List of the SGX-SESDAQ; or (ii) the first anniversary of the date of our admission to the Official List of the SGX-SESDAQ. Thereafter, we will seek the approval of our Shareholders for a renewal of the Shareholders' Mandate at each subsequent annual general meeting.

### ***Interested Person Transactions covered under the Shareholders' Mandate***

The Shareholders' Mandate will apply to our Group's purchases of steel wire rods and metal sheets from Audio Yoke ("Mandate Transactions").

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 our 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.

### ***Rationale for and benefits of the Shareholders' Mandate***

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

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

---

## SHAREHOLDERS' MANDATE

---

### ***Review procedures for the 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 Jaimes Hsieh and 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 favourable 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 given an undertaking to render all assistance and cooperation in providing the necessary information and documents set out in (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 S\$100,000 but is 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 (who shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and
  - (b) Any Mandate Transaction which equals or exceeds 3% of our Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.

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



---

## SHAREHOLDERS' MANDATE

---

- (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 all 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 (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 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 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.

### ***Disclosure in annual report***

We are required, under Rule 920(1)(a)(i) of the Listing Manual, to disclose in our Company's annual report the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the current financial year, as well as in the annual reports for the subsequent financial years during which the Shareholders' Mandate is in force. The name of the Interested Person and the corresponding aggregate value of the Interested Person Transactions will be presented in the following format:-

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all Interested Person Transactions conducted under the Shareholders' Mandate (excluding transactions less than S\$100,000) pursuant to Rule 920 of the Listing Manual

### ***Opinion of the Independent Financial Adviser***

CIMB-GK Securities Pte. Ltd. ("CIMB-GK") has been appointed as the independent financial adviser pursuant to Rule 920(1)(b)(v) of the Listing Manual, to opine on whether the review procedures as set out above ("Review Procedures") are sufficient to ensure that the Mandate Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

Based on the evaluation of CIMB-GK on the Review Procedures and the discussions with the Directors and management of the Company and subject to the qualifications and assumptions made in their letter (the "IFA Letter"), CIMB-GK is of the opinion that the Review Procedures are sufficient to ensure that the Mandate Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders.

---

## SHAREHOLDERS' MANDATE

---

The IFA Letter is reproduced in Appendix III of this Prospectus.

### ***Review by Audit Committee***

Our Audit Committee will review all other existing and future Interested Person Transactions not subject to the Shareholders' Mandate to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

Our Audit Committee will also review all Interested Person Transactions to ensure that the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Listing Manual) are complied with. We will also endeavour to comply with the principles and best practices set out in the "Best Practices Guide" of the Listing Manual.

---

## DESCRIPTION OF ORDINARY SHARES

---

The following statements are brief summaries of the rights and privileges of Shareholders conferred by the laws of Singapore and the Articles of Association (the "Articles"). These statements summarise the material provisions of the Articles but are qualified in entirety by reference to the Articles.

### Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

### New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares (including Shares to be issued in pursuance of instruments made or granted pursuant to such approval) to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being, of which the aggregate number of Shares (including Shares to be issued in pursuance of instruments made or granted pursuant to such approval) to be issued other than on a pro rata basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital for the time being. The approval, if granted, will lapse at the conclusion of the Annual General Meeting following the date on which the approval was granted or the date by which the Annual General Meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board who may allot and issue the same with such rights and restrictions as it may think fit.

### Shareholders

Only persons who are registered in the Register of Shareholders of our Company and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for our Shares, are recognised as Shareholders. Our Company will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share. We may close the Register of Shareholders for any time or times if we provide the SGX-ST at least 10 clear Market Days' notice. However, the Register of Shareholders may not be closed for more than 30 days in aggregate in any calendar year. We typically close the Register of Shareholders to determine Shareholders' entitlement to receive dividends and other distributions.

### Transfer of Shares

There is no restriction on the transfer of fully-paid Shares except where required by law or the listing rules or the rules or by-laws of any stock exchange on which our Company is listed. Our Board may decline to register any transfer of Shares which are not fully-paid Shares or Shares on which we have a lien. Shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which our Company is listed. Our Board may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if we are properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board may require.

### General Meeting of Shareholders

We are required to hold an annual general meeting every year. Our Board may convene an extraordinary general meeting whenever it thinks fit and must do so if Shareholders representing not less than 10% of the total voting rights of all Shareholders request in writing that such a meeting be held. In addition, two or more Shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by the Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote

---

## DESCRIPTION OF ORDINARY SHARES

---

of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and the Articles, a change of the corporate name and a reduction in the share capital, share premium account or capital redemption reserve fund. Our Company must give at least 14 days' notice in writing for every general meeting convened for the purpose of passing an ordinary resolution. Special resolutions generally require at least 21 days' notice in writing. The notice must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### **Voting Rights**

A Shareholder is entitled to attend, speak and vote at any general meeting in person or by proxy. A proxy need not be a Shareholder. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in the Articles, two or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under the Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote, and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all Shareholders having the right to attend and vote at the meeting or any two Shareholders present in person or by proxy and entitled to vote.

### **Dividends**

Our Company may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if such dividends are satisfied by the issue of Shares to our Shareholders. Our Board may also declare an interim dividend without the approval of our Shareholders. All dividends are paid pro rata among our Shareholders in proportion to the amount paid-up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

### **Bonus and Rights Issues**

Our Board may, with the approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profit or moneys carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

### **Take-overs**

The SFA and the Singapore Code on Take-overs and Mergers ("Take-over Code") regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future take-over or change in control of our Company. Under the Take-over Code, any person acquiring an interest, either on his own or together with persons acting in concert with him, in 30% or more of our voting shares must extend a take-over offer for the remaining voting shares in accordance with the provisions of the Take-over Code. In addition, a mandatory take-over offer is also required to be made if a person holding, either on his own or together with persons acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any six-month period.

---

## DESCRIPTION OF ORDINARY SHARES

---

Under the Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:-

- (a) the following companies:-
  - (i) a company;
  - (ii) the parent company of (i);
  - (iii) the subsidiaries of (i);
  - (iv) the fellow subsidiaries of (i);
  - (v) the associated companies of any of (i), (ii), (iii) or (iv); and
  - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of:-
  - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
  - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:-
  - (i) an individual;
  - (ii) the close relatives of (i);
  - (iii) the related trusts of (i);
  - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
  - (v) companies controlled by any of (i), (ii), (iii), or (iv).

Under the Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert with the offeror within the preceding six months.

---

## DESCRIPTION OF ORDINARY SHARES

---

### **Liquidation or Other Return of Capital**

If our Company is liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares then existing.

### **Indemnity**

As permitted by Singapore law, the Articles provide that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by our Company against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify Directors and officers against any liability which by law otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to our Company.

### **Limitations on Rights to Hold or Vote Shares**

Except as described in “Voting Rights” and “Take-overs” above, there are no limitations imposed by Singapore law or by the Articles on the rights of non-resident shareholders to hold or vote our Shares.

### **Minority Rights**

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations:-

- (a) the affairs of our Company are being conducted or the powers of our Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our Shareholders; or
- (b) our Company takes an action, or threatens to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our Shareholders, including the applicant. Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:-
  - (i) direct or prohibit any act or cancel or vary any transaction or resolution; or
  - (ii) regulate the conduct of the affairs of our Company in the future;
- (c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority Shareholder's Shares by the other Shareholders or by our Company and, in the case of a purchase of Shares by our Company, a corresponding reduction of our share capital;
- (e) provide that the Memorandum of Association or the Articles be amended; or
- (f) provide that our Company be wound up.

---

## EXCHANGE CONTROLS

---

In accordance with the current Exchange Control Notices of Malaysia issued by BNM, foreign direct investors have the freedom to repatriate their investment including capital, profit and dividends without being subject to any levy. There are also no restrictions on the repatriation of interest and rental incomes. However, BNM requires the completion of a prescribed form and documentary evidence to be furnished to the remitting banks for any remittance or payment in foreign currency exceeding the equivalent of RM50,000 to a non-resident. To date, we have not experienced any difficulties in importing or exporting capital and remitting interest and other payments to and from Malaysia. Our Directors do not expect any difficulties on such repatriation or remittance in the future, including any remittance of dividends, unless there are changes to the present exchange controls in Malaysia.

---

## GOVERNMENT REGULATIONS

---

### **Industrial Co-Ordination Act 1975**

Pursuant to the Industrial Co-Ordination Act 1975 (“ICA”), a person engaged in a manufacturing activity and with shareholders’ funds in excess of RM2,500,000 or which engages more than 75 full-time employees must acquire a manufacturing licence issued by MITI.

The ICA defines “manufacturing activity” as “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

On 8 December 1997, AASB was issued with a manufacturing licence by MITI to produce speaker yokes at Lot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia (the “Yoke Manufacturing Licence”) which is effective from 7 November 1996. Pursuant to a series of subsequent correspondences and notifications from MITI and the Malaysian Industrial Development Authority (“MIDA”), the relevant conditions applicable to and imposed upon our Yoke Manufacturing Licence include the following:-

- (a) The place of manufacturing shall be “Plot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah”, subject to the approval from the relevant State Government and the Department of Environment;
- (b) AASB shall employ and train Malaysians so that the transfer of technology and skills can be made at all levels of position;
- (c) AASB is required to export at least 80% of the speaker yokes overseas and it is not permitted to sell more than 20% of such products to the local market, including the “Free Trade Zone and Licensed Manufacturing Warehouse”; and
- (d) AASB shall run its projects as approved in accordance with the conditions above and in compliance with other existing laws and regulations of Malaysia.

On 9 December 2004, AASB was issued with a manufacturing licence by MITI to produce washer for speakers at Lot 149 Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia (the “Washer Manufacturing Licence”). The Washer Manufacturing Licence is effective from 17 October 2002 and, pursuant to a series of subsequent correspondences and notifications from MITI and MIDA, is subject to the following conditions:-

- (a) The place of manufacturing shall be “Plot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah”, subject to the approval from the relevant State Government and the Department of Environment;
- (b) AASB shall employ and train Malaysians so that the transfer of technology and skills can be made at all levels of position; and
- (c) AASB shall run its projects as approved in accordance with the conditions above and in compliance with other existing laws and regulations of Malaysia.

Both the Washer Manufacturing Licence and the Yoke Manufacturing Licence are not required to be renewed.

The Washer Manufacturing Licence and/or the Yoke Manufacturing Licence may be revoked if AASB:-

- has not complied with any condition imposed in the licence;
- is no longer engaged in the manufacturing activity in respect of which the licence is issued; or
- has made a false statement in its application for the licence.



---

## GOVERNMENT REGULATIONS

---

In the event the Washer Manufacturing Licence or the Yoke Manufacturing Licence is revoked, AASB will lose all the incentives, rights and privileges attached to the Washer Manufacturing Licence or the Yoke Manufacturing Licence (as the case may be) and will not be able to engage in the manufacturing activity licensed.

AASB commenced the manufacturing of washers in October 2000. AASB informed MITI of the same in a letter to MITI dated 20 February 2002 through Messrs Tan, Cheah & Co., who were AASB's auditors at that time. In a letter dated 17 October 2002 issued by MITI, AASB was given approval to manufacture washers. The Washer Manufacturing Licence was subsequently issued and granted by MITI to AASB on 9 December 2004. The Washer Manufacturing Licence is effective from 17 October 2002.

Messrs Wong Beh & Toh ("WBT"), our legal advisors on Malaysia law, have advised that as AASB engaged in the manufacturing of washers prior to the issuance of the Washer Manufacturing Licence, in contravention of the ICA, technically AASB would be guilty of an offence under section 3(1) of the ICA. However, since no action has been taken by MITI against AASB to date in this respect even though MITI had been given notice that AASB had already commenced manufacturing washers at the time of application and nevertheless issued AASB with the Washer Manufacturing Licence, on this basis, WBT are of the view that the likelihood of enforcement by MITI against AASB is remote. To the best of their knowledge and belief, WBT are of the view that in practice, subject to AASB's compliance with the conditions of the Washer Manufacturing Licence and other laws of Malaysia, it is unlikely that the Washer Manufacturing Licence would be revoked by MITI for this reason.

Section 3(2) of the ICA provides that any person who fails to comply with the provisions of section 3(1) is guilty of an offence and is liable on conviction to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000 for every day during which such default continues. Our Executive Chairman, Jaimes Hsieh, has undertaken to indemnify us against any fine that may be imposed on AASB as a result of the above contravention.

On 14 October 2004, we received approval from MITI for the entire share capital of AASB to be held by foreigners.

As AASB possesses the Washer Manufacturing Licence and the Yoke Manufacturing Licence, the Guidelines on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests issued by the Foreign Investment Committee ("FIC") (effective from 21 May 2003) do not apply to any acquisition of interest in AASB. Therefore, FIC approval is not required in relation to the transfer of shares in AASB to our Company pursuant to the Restructuring Exercise.

### **Sales Tax Act, 1972**

Section 13 of the Sales Tax Act 1972 of Malaysia ("STA") prohibits a person from manufacturing taxable goods in the course of business unless such person is in possession of a licence issued under section 13(3) of the STA. However, section 2B of the STA provides that for the purpose of this Act, a licensed warehouse (being a warehouse or other place licensed under section 65 of the Customs Act 1967) and a licensed manufacturing warehouse (in respect of which an additional licence to carry on any manufacturing process has been granted under section 65A of the Customs Act, 1967) shall be deemed to be a place outside Malaysia.

In April 1996, AASB was issued with a manufacturing warehouse licence by the Royal Malaysia Customs under section 65A of the Customs Act, 1967 to manufacture "Speaker Yoke" at "Lot 148, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah" (the "Manufacturing Warehouse Licence"). In April 1999, the Manufacturing Warehouse Licence was extended to apply to "Washer" and "Magnet Cover" and in April 2000 it was extended to apply to "Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah". The Manufacturing Warehouse Licence, which is renewable on an annual basis, has been successfully renewed by AASB every year since the date on which it was first issued. AASB's current Manufacturing Warehouse Licence (No. 033723) is valid from 1 April 2005 to 31 March 2006.

As AASB has been issued with the Manufacturing Warehouse Licence (No. 033723), it is not required to further possess any licence under section 13 of the STA for the purpose of manufacturing "Speaker Yoke and Washer" at "Lot 148 and 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah". In connection with this and for the purpose of the STA, the licensed manufacturing warehouse is deemed to be a place outside Malaysia.

---

## TAXATION

---

### SINGAPORE INCOME TAX

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of the existing laws in force, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase our Shares. Prospective investors should consult their tax advisors regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

### GENERAL

Singapore tax resident companies are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign income received in Singapore, subject to certain exceptions. Non-resident companies are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to certain exceptions. All individuals resident and non-resident, subject to certain exceptions, are subject to income tax on the income accrued in or derived from Singapore. With effect from year of assessment 2005, all foreign-source income received in Singapore by all individuals will be exempted from Singapore tax. The latter exemption will not apply to such income received through partnerships in Singapore.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore. An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

The corporate tax rate in Singapore is 20% with effect from the year of assessment 2005 (i.e. the financial year ending in 2004). In addition, three-quarters of up to the first \$10,000 of a company's chargeable income and one-half of up to the next \$90,000 will be exempted from corporate tax. The remaining chargeable income (after the tax exemption) will be taxed at 20%. The above tax exemption will not apply to Singapore dividends received by companies.

For a Singapore tax resident individual, the rate of tax will vary according to the individual's circumstances but is subject to a maximum rate of 22%, 21% and 20% for the years of assessment 2005, 2006 and 2007 (i.e. calendar years 2004, 2005 and 2006) respectively.

### DIVIDEND DISTRIBUTIONS

Singapore moved to the one-tier corporate tax system with effect from 1 January 2003. Under this system, the tax collected from corporate profits is final and all Singapore dividends paid by Singapore tax resident companies to their shareholders are exempted from tax (referred hereinafter as "one-tier tax exempt dividends").

We are in the one-tier corporate tax system. Under this system, when we distribute dividends, we will pay one-tier tax exempt dividends to our Shareholders. One-tier tax exempt dividends on our Shares are tax exempt in the hands of our Shareholders.

### GAINS ON DISPOSAL OF OUR SHARES

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains, and hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore regards as the carrying on of a trade in Singapore.

---

## TAXATION

---

Any profits from the disposal of our Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature, in which case, the disposal profit would be taxable.

### **STAMP DUTY**

There is no stamp duty payable on the subscription of our Shares.

Stamp duty is payable on the instrument of transfer of our Shares at the rate of \$2.00 for every \$1,000 market value of our Shares registered in Singapore.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP.

### **ESTATE DUTY**

Singapore estate duty is imposed on the value of immovable property situated in Singapore owned by individuals who are not domiciled in Singapore, subject to specific exemption limits. Movable assets of non-domiciles will be exempted from estate duty with respect to deaths occurring on or after 1 January 2002. Singapore estate duty is imposed on the value of most immovable property situated in Singapore and on most movable property, wherever it may be, owned by individuals who are domiciled in Singapore, subject to specific exemption limits. Our Shares are considered to be movable property situated in Singapore as we are a company incorporated in Singapore.

Accordingly, our Shares held by an individual domiciled in Singapore are subject to Singapore estate duty upon such individual's death. Singapore estate duty is payable to the extent that the value of our Shares aggregated with any other movable assets subject to Singapore estate duty exceeds \$600,000. Unless other exemptions apply to the other assets, for example, the separate exemption limit for residential properties, any excess beyond \$600,000 will be taxed at 5% of the first \$12,000,000 of the individual's Singapore chargeable assets and thereafter at 10%. Individuals should consult their own tax advisors regarding the Singapore estate duty consequences of their ownership of our Shares.

### **GOODS AND SERVICES TAX ("GST")**

The sale of our Shares by an investor in Singapore to another person in Singapore is an exempt sale not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt sale is a cost to the investor.

Where our Shares are sold by a GST-registered investor to a person outside Singapore, the sale is a taxable sale subject to GST at zero-rate. Any GST incurred by the investor in the making of this sale, if the same is a supply in the course of furtherance of a business, is claimable as a refund from the Comptroller of GST.

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 5%. Similar services rendered to an investor outside Singapore are subject to GST at zero-rate.

---

## CLEARANCE AND SETTLEMENT

---

Upon listing and quotation on the SGX-SESDAQ, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through the SGX-SESDAQ will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles of Association and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-SESDAQ, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10.00 for each withdrawal of 1,000 Shares or less and a fee of \$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-SESDAQ must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-SESDAQ is payable at the rate of 0.05 per cent of the transaction value subject to a maximum of \$200 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-SESDAQ generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

---

## GENERAL AND STATUTORY INFORMATION

---

### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, age, address, principal occupation and business and working experience of each of our Directors and Executive Officers are set out in the section “Directors, Management and Staff”.
2. The present and past directorships (held in the five years preceding the Latest Practicable Date) of each of our Directors, other than the directorships held in our Company, are as follows:-

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships</u>
Jaimes Hsieh	Audio Yoke Industrial Co. Ltd	Fairway Fortune Sdn Bhd
Julie Feng	Audio Yoke Industrial Co. Ltd	Alpha Forge Sdn Bhd Fairway Fortune Sdn Bhd
Pu, Jung-Tsan	Fairway Fortune Sdn Bhd	Metalwin Industry Sdn Bhd
Mark Yeo Wee Tiong	China Precision Technology Pte. Ltd. Hitchins Group Ltd. Mermaid Maritime Limited Sun International Holdings Pte. Ltd. TPA Strategic Holdings Ltd	Changchun FAW United Casting Company Coslab International Holdings Pte Ltd Ever Technologies Pte Ltd MP World Corporation Simplex (Holdings) Pte Ltd Singapore Highpolymer Chemical Products Pte Ltd Speedy-Tech Electronics (S) Pte Ltd Tiong Woon Corporation Holdings Ltd Tiong Woon Crane & Transport Pte Ltd TPA Pte Ltd
Ng Teck Sim (alternate Director to Mark Yeo Wee Tiong)	Nil	Nil
Loo Choon Chiaw	Allied Technologies Limited China Steel Structure Investment Pte. Ltd. <sup>(1)</sup> CSGT (Singapore) Pte. Ltd. <sup>(1)</sup> Ionics EMS, Inc. United Steel Investment Pte Ltd	China American Singapore Company Private Limited (Dissolved – members’ voluntary winding up) China Hi-Ment (Singapore) Investment Pte Ltd (De-registered) Compass Technology Holdings Ltd L & P Global Pte Ltd (De-registered) OKP Holdings Limited Spindex Industries Limited WPG International Limited (formerly known as Allcom Technologies Limited)
Phuah Lian Heng	Armarda Group Limited Sinobest Technology Holdings Ltd VCOD (S’pore) Pte. Ltd.	E-ComBiz Pte Ltd (Struck off) Treasure Asia Online.com Pte Ltd (Struck off) VCOD Limited (BVI) (Struck off)

---

## GENERAL AND STATUTORY INFORMATION

---

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships</u>
Tan Kuang Hui <sup>(2)</sup>	Singland Heavy Machinery & Construction Pte. Ltd. The Vintage Consultants Pte. Ltd. Tianshi (S) Pte. Ltd.	2544 Investments Private Limited Acropolis Holdings Pte. Ltd. Airin Investments Pte. Ltd. Aldeanadri Pte Ltd Alrose Pte. Ltd. Anytime Investments Pte. Ltd. (Struck off) Apamatewood Investment Pte Ltd Arosa Pte Ltd Aurantium Pte Ltd Barrial Pte Ltd Bled Pte. Ltd. Blue Coral Pte Ltd Bogaroo Pte Ltd Bouty Pte. Ltd. (Struck off) Breete Pte Ltd Buena Vista Pte. Ltd. By By Investments Pte Ltd Calabria Pte.Ltd. Carloswood Private Limited Carinthia Pte Ltd Cathedralwood Pte Ltd Cayetano Pte. Ltd. Cedarwood Investment Pte Ltd Cherokee Holdings Pte Ltd Cimena Pte. Ltd. Clear Water Pte. Ltd. Circus Investments Pte. Ltd. Cocaike Pte. Ltd. (Struck off) Codero Investments Pte Ltd Crivi Pte Ltd Davos Pte Ltd Del Milagro Pte. Ltd. Del Pilar Pte. Ltd. Delax Private Limited Demonde Investments Pte Ltd Deroni Pte Ltd (Struck off) Divisadero Investments Pte Ltd Dragster Pte Ltd Dricon Pte Ltd Einsiedeln Pte Ltd Eisenstedt Pte Ltd El Sol Pte. Ltd. Estavayer Pte Ltd Estrella Investments Pte Ltd Famato Investments Pte. Ltd. First Trust Corporate Services Pte. Ltd. Florina 156792 Pte Ltd Four Seasons Pte. Ltd. Frapamagus Pte. Ltd. Fribourg Investment Pte Ltd Genalba Pte. Ltd. Gornergrat Pte Ltd Gregelvi Peninsula Pte. Ltd. Hanna Inv. Pte. Ltd. Hasliberg Pte Ltd HL Switzerland Investments Pte. Ltd. Illiabaum2 Investments Pte Ltd Ineses Pte Ltd (Struck off) Initiative Investments Pte. Ltd. Inliner Technologies Pte Ltd Interamco Private Limited Inversiones Bruno Pte Ltd Iscar Pte. Ltd. Islas Margarita Pte Ltd

---

## GENERAL AND STATUTORY INFORMATION

---

Name	Present Directorships	Past Directorships
		Jasuri Pte Ltd
		Jomed (Singapore) Pte Ltd (In liquidation – members' voluntary winding up)
		Jose Cuervo International Pte Ltd (in the process of being struck off)
		Klagenfurt Pte Ltd
		Koriander Investments Pte Ltd
		Labsource Pte. Ltd.
		Lauren Investments Pte. Ltd.
		Le Grain D'or Pte. Ltd.
		Lenga Company Pte Ltd
		Liguria Pte. Ltd.
		Lindito Holdings Pte. Ltd.
		Live Fort Pte Ltd
		Lucarno Pte Ltd
		Macacao Pte. Ltd.
		Madigan Pte. Ltd.
		Madrigal Investments Pte. Ltd.
		Magali Pte Ltd
		Malleo Investments Pte. Ltd.
		Marinella Pte Ltd
		Martigny Pte Ltd
		Matrix7 Investments Pte Ltd
		Meadowweed Pte. Ltd.
		Melide Pte Ltd (Struck off)
		Mia Investments Pte. Ltd.
		Milano Investments Pte Ltd
		Milestone Capital Pte Ltd
		Mistral Investments Pte Ltd
		Miva Investments Pte. Ltd.
		Mobilian Singapore Pte. Ltd.(Dissolved – members' voluntary winding up)
		Mocopuc Pte. Ltd. (Struck off)
		Mozart Pte. Ltd.
		News Fund Pte Ltd (in the process of being struck off)
		Nitita Pte. Ltd. (in the process of being struck off)
		Organic.com Pte Ltd (Stuck off)
		Pampa Investments Pte. Ltd.
		Plore Investments Pte Ltd
		Pagliaio Pte Ltd
		Pinewood Investments Pte Ltd
		Protiviti Pte. Ltd.
		Rati Pte Ltd
		Reeze Enterprises Pte Ltd
		Riederalp Pte Ltd
		Rosemead Pte Ltd
		San Juan Investments Pte. Ltd.
		Samnaun Pte Ltd
		Schoenried Pte Ltd
		Scuol Pte Ltd
		Sesilu Pte Ltd
		Solothurn Pte Ltd
		Sorenberg Pte Ltd (Struck off)
		Splugen Pte Ltd
		St. Gallen Pte Ltd
		Stiria Network Consulting Pte Ltd (Struck off)
		Stoos Pte Ltd (in the process of being struck off)
		Sulzberg Pte Ltd
		Taltarni Pte Ltd (Dissolved - members' voluntary winding up)
		Tassore Pte. Ltd.

## GENERAL AND STATUTORY INFORMATION

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships</u>
		Techno Quartz Singapore Pte Ltd (Dissolved – members’ voluntary winding up) Tei Enterprises Pte Ltd Tendota Pte Ltd Terry Investments Pte. Ltd. Titin Private Limited Topacio Pte. Ltd. Towers, Perrin, Forster & Crosby, Inc. (as agent) Tucu Company Pte Ltd (Struck off) Unterwasser Pte Ltd UTW Investments Pte Ltd Ventino Investments Pte Ltd Vidala Pte. Ltd. Voralberg Pte Ltd (Struck off) Yeltin Investments Pte Ltd Zurca Pte. Ltd. Zurichsee Pte Ltd

**Notes:**

- (1) Loo Choon Chiaw is acting as a nominee director for these companies which are associated with China Steel, a major supplier of our Group and a publicly listed company in Taiwan.
- (2) Save for Protiviti Pte. Ltd., Tan Kuang Hui is acting/acted as a nominee director for these companies.

3. The present and past directorships (held in the five years preceding the Latest Practicable Date) of each of our Executive Officers are as follows:-

<u>Name</u>	<u>Present Directorships</u>	<u>Past Directorships</u>
Lo Huan-Hsin	Nil	Nil
Eng Chong Him	Ascentmax Construction Sdn Bhd	Nil
Beh Chye Hee	Nil	Metalwin Industry Sdn Bhd
Koh Teik Huat	Nil	Nil
Ooi Soon Keow	Nil	Nil

4. Save as disclosed below, none of our Directors, Controlling Shareholders or Executive Officers is or was involved in any of the following events:-

- (i) during the last ten years, a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
- (ii) during the last ten years, a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding-up of that corporation on the ground of insolvency;
- (iii) any unsatisfied judgments against him;
- (iv) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (v) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;



---

## GENERAL AND STATUTORY INFORMATION

---

- (vi) during the last ten years, judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (vii) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (viii) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (ix) the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; or
- (x) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:-
  - (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or
  - (b) any corporation or partnership which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the corporation or partnership.

### *Disclosure relating to AASB*

In August 2003, as part of the Malaysian Inland Revenue Board's self-assessment tax regime, the Board performed a routine tax audit on the financial records of AASB for the period between 16 August 1995 (date of incorporation) and 31 December 2001. As a result of the tax audit, in June 2004, the Inland Revenue Board imposed an additional tax and penalty of RM44,894 and RM27,658, respectively, on AASB in respect of additional taxable income for the years of assessment 2000 and 2001 due to the non-deductibility of certain expenses and error in the recording of sales. As of 31 December 2004, the above additional tax and penalty of RM72,552 in aggregate have been fully paid to the Inland Revenue Board.

5. There is no shareholding qualification for Directors under the Articles of Association of our Company.

### **SHARE CAPITAL**

6. Save as disclosed below and in the section "General Information of our Group – Share Capital", there were no changes in the issued and paid-up share capital of our Company and our subsidiary within the three years preceding the date of this Prospectus:-

#### **AASB**

<b>Date of issue</b>	<b>Number of shares issued</b>	<b>Par value</b>	<b>Issue price/ Consideration/Purpose</b>	<b>Resultant issued share capital</b>
29 December 2003	1,280,000	RM1.00	RM1,280,000 / Part consideration for purchase of Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia	RM6,280,000

---

## GENERAL AND STATUTORY INFORMATION

---

### MEMORANDUM AND ARTICLES OF ASSOCIATION

7. Our Company is registered in Singapore with the Accounting and Corporate Regulatory Authority and our Company registration number is 200412064D. The main object of our Company is investment holding. Our objects can be found in our Memorandum of Association which is available for inspection at our registered office in accordance with paragraph 29 of this section.
8. A summary of selected provisions of our Articles of Association providing for, *inter alia*, transferability of shares, directors' voting rights, borrowing powers of directors and dividend rights is set out in Appendix I of this Prospectus. Our Articles of Association is available for inspection at our registered office in accordance with paragraph 29 of this section.

### BANK BORROWINGS AND WORKING CAPITAL

9. Our Directors are of the opinion that, after taking into account our present cash position and available banking facilities, our Group has adequate working capital for our present requirements.

### MATERIAL CONTRACTS

10. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiary within the two years preceding the date of this Prospectus and are or may be material:-
  - (a) The Investment Agreement dated 21 October 2004 referred to in the section "Group Structure - Restructuring Exercise and Bond Conversion";
  - (b) The Restructuring Agreement dated 4 July 2005 referred to in the section "Group Structure - Restructuring Exercise and Bond Conversion";
  - (c) The Depository Agreement dated 23 August 2005 between our Company and CDP pursuant to which CDP agreed to act as central depository for our Company's securities for trades in the securities of our Company through the SGX-SESDAQ;
  - (d) The Management and Underwriting Agreement dated 23 August 2005 between our Company and the Joint Lead Underwriters referred to in this section under the heading "Management, Underwriting and Placement Arrangements";
  - (e) The Placement Agreement dated 23 August 2005 between our Company and the Joint Lead Placement Agents referred to in this section under the heading "Management, Underwriting and Placement Arrangements"; and
  - (f) Receiving Banker Agreement dated 23 August 2005 between our Company and UOB pursuant to which UOB was appointed as the receiving banker in relation to the Invitation.

### LITIGATION

11. As at the Latest Practicable Date, neither our Company nor our subsidiary is engaged in any legal or arbitration proceedings as plaintiff or defendant, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the date of lodgement of this Prospectus, a material effect on the financial position or profitability of our Company or our subsidiary.

### MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

12. Pursuant to the management and underwriting agreement dated 23 August 2005 (the "Management and Underwriting Agreement") entered into between our Company and the Manager and Joint Lead Underwriters, our Company appointed the Manager to manage the Invitation. The Manager and HL Bank will each receive a management fee from our Company for their services rendered in connection with the Invitation.

---

## GENERAL AND STATUTORY INFORMATION

---

Pursuant to the Management and Underwriting Agreement, the Joint Lead Underwriters have agreed to underwrite the Offer Shares for a commission of 2.75 per cent of the Issue Price for each Offer Share, payable by our Company. The Joint Lead Underwriters may, at their absolute discretion, appoint one or more sub-underwriters to sub-underwrite the Offer Shares. The number of Offer Shares that each of the Joint Lead Underwriters has agreed to underwrite is as follows:

HL Bank	1,275,000 Offer Shares
UOB Asia	225,000 Offer Shares

13. Pursuant to the placement agreement dated 23 August 2005 (the "Placement Agreement") entered into between our Company and the Joint Lead Placement Agents, the Joint Lead Placement Agents agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 2.0 per cent of the Issue Price for each Placement Share, to be paid by our Company. The Joint Lead Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares. The number of Placement Shares that each of the Joint Lead Placement Agents has agreed to subscribe or procure subscriptions for is as follows:

HL Bank	11,815,000 Placement Shares
UOB Asia	2,085,000 Placement Shares

14. Brokerage will be paid by our Company at the rate of 0.25 per cent of the Issue Price for each Offer Share and 1.0 per cent of the Issue Price for each Placement Share. In respect of the Offer Shares, the brokerage will be paid to members of the SGX-ST, merchant banks in Singapore and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs or IB websites. In respect of the Placement Shares, the brokerage will be paid to the Joint Lead Placement Agents in accordance with the Placement Agreement.
15. The Management and Underwriting Agreement may be terminated by the Manager and/or the Joint Lead Underwriters at any time before the close of the Application List on the occurrence of certain events including, *inter alia*:-
- (a) there shall come to the knowledge of the Manager or the Joint Lead Underwriters any breach of certain warranties or undertakings in the Management and Underwriting Agreement or that any of certain warranties by our Company as provided in the Management and Underwriting Agreement is untrue or incorrect; or
  - (b) any event or circumstance occurring after the date of the Management and Underwriting Agreement and prior to the close of the Application List, which if it had occurred before the date of the Management and Underwriting Agreement, would have rendered any of the warranties in the Management and Underwriting Agreement untrue or incorrect in any material respect; or
  - (c) if there shall have been, since the date of the Management and Underwriting Agreement:-
    - (i) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), performance or general affairs of our Company and/or our subsidiary; or
    - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore or elsewhere (whether or not having the force of law) and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST in the interpretation or application thereof by any governmental body, regulatory authority, court or other competent authority in Singapore or elsewhere; or

---

## GENERAL AND STATUTORY INFORMATION

---

- (iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise); or
- (iv) any imminent threat or occurrence of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets); or
- (v) any other occurrence of any nature whatsoever,

which event or events shall in the opinion of the Manager and/or the Joint Lead Underwriters (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas, or (2) be likely to prejudice the success of the subscription or offer of the New Shares (whether in the primary market or in respect of dealings in the secondary market), or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement, or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company and/or our subsidiary, or (5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement, or (6) result or be likely to result in the issue of a stop order by the Authority pursuant to the Securities and Futures Act, or (7) makes it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for the Joint Lead Underwriters to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement; or

- (d) without limiting the generality of the foregoing, if it comes to the notice of the Manager and/or the Joint Lead Underwriters (1) any statement contained in this Prospectus or the application forms relating thereto which in the sole and absolute opinion of the Manager and/or the Joint Lead Underwriters has become untrue, incorrect or misleading in any respect, or (2) circumstances or matters have arisen or have been discovered, which would, if this Prospectus was to be issued at that time, constitute in the sole and absolute opinion of the Manager and/or the Joint Lead Underwriters, a material omission of such information, and our Company fails to lodge a supplementary or replacement prospectus or document within a reasonable time after being notified of such material misrepresentation or omission or fails to promptly take such steps as the Manager and/or the Joint Lead Underwriters may reasonably require to inform investors of the lodgement of such supplementary or replacement prospectus or document. In such an event, the Manager and/or the Joint Lead Underwriters reserve the right, at their absolute discretion, to cancel the Invitation and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the New Shares by ordinary post or telegraphic transfer or such other means as the Manager may deem appropriate at the applicant's own risk within 14 days of the termination of the Invitation.
16. The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors, to cancel the Invitation.
17. UOB Asia is a wholly-owned subsidiary of UOB, which is the parent company of United Overseas Bank (Malaysia) Berhad, one of our principal bankers which has granted banking facilities to our subsidiary, AASB. UOB is also one of the sponsors of ACIF, a Substantial Shareholder of our Company.

---

## GENERAL AND STATUTORY INFORMATION

---

HL Bank is a branch of Hong Leong Bank Berhad, one of our bankers which has granted banking facilities to our subsidiary, AASB.

Save as disclosed above, we do not have any material relationship with any of the Manager, Joint Lead Underwriters or Joint Lead Placement Agents.

### MISCELLANEOUS

18. The nature of the business of our Group is stated in the section “General Information on our Group - Business Overview”. By virtue of Section 6 of the Companies Act, AASB is deemed to be related to our Company.
19. The estimated expenses in connection with the Invitation and the application for listing, including underwriting and placement commissions, brokerage, management fees, auditors’ fee, solicitors’ fee, and all other incidental expenses in relation to the Invitation, can be broken down as follows:-

	S\$'000
Listing fee	10
Professional fees	830
Underwriting and placement commissions and brokerage	100
Miscellaneous expenses	360
	<hr/>
Total estimated expenses	<u>1,300</u>

20. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies’ shares which have occurred during the last and current financial year.
21. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiary.
22. No expert is engaged on a contingent basis by our Company or our subsidiary, or has a material interest, whether direct or indirect, in our Shares, our subsidiary or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Invitation.
23. We currently have no intention of changing our auditors after the listing of our Company on the SGX-SESDAQ.
24. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 31 December 2004 which may have a material effect on the financial information provided in the section “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information”.

### CONSENTS

25. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of “The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information” and the “Report on Examination of the Re-Stated Financial Statements of AASB for the Financial Years Ended 31 December 2002, 2003 and 2004” in the form and context in which they are included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

---

## GENERAL AND STATUTORY INFORMATION

---

26. Messrs Tan, Cheah & Co., Malaysia have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their letter set out in Appendix A of the "Report on Examination of the Re-Styled Financial Statements of AASB for the Financial Years Ended 31 December 2002, 2003 and 2004" and their reports of the auditors on the audited financial statements of AASB for the financial years ended 31 December 2002 and 2003 in the form and context in which they are included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
27. Messrs Moore Stephens, Malaysia have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their letter set out in Appendix B of the "Report on Examination of the Re-Styled Financial Statements of AASB for the Financial Years Ended 31 December 2002, 2003 and 2004" and their report of the auditors on the audited financial statements of AASB for the financial year ended 31 December 2004 in the form and context in which they are included and references to their name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
28. The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the "Letter from CIMB-GK Securities Pte. Ltd. to the Independent Directors" in the form and context in which it is included and references to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.
29. Messrs Wong Beh & Toh have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of their name and references to their name in the section "Government Regulations" in this Prospectus, in the form and context in which it appears in the said section and to act in such capacity in relation to this Prospectus.
30. Each of the Manager, the Joint Lead Underwriters and Joint Lead Placement Agents, the Share Registrar, the Solicitors to the Invitation, the Solicitors to the Manager, Joint Lead Underwriters and Joint Lead Placement Agents, the Principal Bankers and the Receiving Banker do not make or purport to make any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the extent permitted by law, expressly disclaim and takes no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS

31. This Prospectus has been seen and approved by our Directors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as at the date of this Prospectus and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

### DOCUMENTS AVAILABLE FOR INSPECTION

32. The following documents or copies thereof may be inspected at our registered office at 11 Collyer Quay, #10-04, The Arcade, Singapore 049317 during normal business hours for a period of six months from the date of this Prospectus:-
  - (a) the Memorandum and Articles of Association of our Company;
  - (b) The Compilation Report of the Independent Auditors on the Proforma Consolidated Financial Information;

---

## GENERAL AND STATUTORY INFORMATION

---

- (c) Report on Examination of the Re-Styled Financial Statements of AASB for the Financial Years Ended 31 December 2002, 2003 and 2004;
- (d) Reports of the Auditors on the audited financial statements of AASB for each of the financial years ended 31 December 2002, 2003 and 2004;
- (e) the letter from Messrs Moore Stephens, Malaysia in respect of their audit opinion on the audited financial statements of AASB for the financial year ended 31 December 2004;
- (f) the letter from Messrs Tan, Cheah & Co., Malaysia in respect of their audit opinions on the audited financial statements of AASB for the financial years ended 31 December 2002 and 2003;
- (g) the letter from CIMB-GK Securities Pte. Ltd. to the Independent Directors;
- (h) the material contracts referred to in paragraph 10 of this section;
- (i) the letters of consent referred to in paragraphs 25 to 29 of this section; and
- (j) the service agreements referred to in the section "Directors, Management and Staff – Service Agreements".

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**AA GROUP HOLDINGS LTD.**  
(Company Registration Number 200412064D)

**COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON  
THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

23 August 2005

The Board of Directors  
AA Group Holdings Ltd.  
11 Collyer Quay  
#10-04 The Arcade  
Singapore 049317

Dear Sirs

**COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

This compilation report has been prepared for inclusion in the prospectus dated 23 August 2005 (the "Prospectus") in connection with the invitation in respect of new shares in the capital of AA Group Holdings Ltd. (the "Company").

We report on the unaudited proforma consolidated financial information for the financial years ended 31 December 2002, 2003 and 2004 ("FY2002 to FY2004") set out on pages 125 to 151 of the Prospectus which has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (a) the financial results of the proforma Group for the financial years ended 31 December 2002, 2003 and 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place since 1 January 2002;
- (b) the financial position of the proforma Group as at 31 December 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place on those dates; and
- (c) the changes in equity and the cash flows of the proforma Group for the financial year ended 31 December 2004 would have been if the group structure as of the date of lodgement of the Prospectus had been in place since 1 January 2002.

The proforma consolidated financial information for FY2002 to FY2004, because of its nature, may not give a true picture of the proforma Group's actual financial results, position, changes in equity or cash flows.

The proforma consolidated financial information for FY2002 to FY2004 is the responsibility of the directors of the Company. Our responsibility is to express an opinion on the proforma consolidated financial information based on our work.



---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

We carried out procedures in accordance with Singapore Statement of Auditing Practice SAP 24 “Auditors and Public Offering Documents”. Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the proforma consolidated financial information of the proforma Group to the financial statements (or where information is not available, to the accounting records), considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the directors of the Company.

- (a) In our opinion, the proforma consolidated financial information has been properly prepared:
  - (i) in a manner consistent with both the format of the financial statements and the accounting policies of the Company, which are in accordance with Singapore Financial Reporting Standards; and
  - (ii) on the basis stated in Note 3 to the proforma consolidated financial statements;
- (b) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purpose of preparing such financial statements.

Yours faithfully

Moore Stephens  
Certified Public Accountants  
Singapore

Christopher Bruce Johnson  
Partner

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**A. PROFORMA GROUP CONSOLIDATED PROFIT AND LOSS STATEMENTS**

	<b>Note</b>	———— Year ended 31 December ————		
		<b>2002</b> S\$'000	<b>2003</b> S\$'000	<b>2004</b> S\$'000
<b>Operating revenue</b>	6	12,624	14,789	16,251
<b>Cost of goods sold</b>		(10,984)	(12,208)	(12,259)
<b>Gross profit</b>		1,640	2,581	3,992
Other operating revenue		183	421	461
Administrative costs		(617)	(684)	(870)
Other operating costs		(7)	(57)	(7)
<b>Operating profit</b>	7	1,199	2,261	3,576
Finance income	8	—	33	25
Finance costs	9	(618)	(775)	(616)
<b>Profit before taxation</b>		581	1,519	2,985
Taxation	11	(175)	(465)	(241)
<b>Profit attributable to Shareholders</b>		406	1,054	2,744
Earnings per share (cents) *		0.50	1.30	3.39

\* For comparative purposes, earnings per share for the periods under review have been computed based on the pre-invitation share capital of 80,876,201 ordinary shares.

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**B. PROFORMA GROUP CONSOLIDATED BALANCE SHEET**

	<b>Note</b>	<b>As at 31 December 2004 S\$'000</b>
<b>Non-Current Assets</b>		
Property, plant and equipment	12	11,428
Other investments	13	288
		11,716
<b>Current Assets</b>		
Inventories	14	2,528
Trade receivables		4,811
Other receivables, deposits and prepayments	15	2,715
Tax asset	16	104
Fixed deposits	17	252
Cash at banks and in hand		345
		10,755
<b>Current Liabilities</b>		
Trade payables		1,154
Other payables and accruals	18	1,416
Due to a related party	19	52
Hire purchase creditors	20	887
Bank borrowings	21	5,891
Provision for employee benefits	22	7
		9,407
<b>Net Current Assets</b>		1,348
<b>Non-Current Liabilities</b>		
Term loans	23	1,565
Hire purchase creditors	20	1,021
Deferred taxation	24	1,076
		3,662
		9,402
<b>Proforma Shareholders' Equity</b>		9,402

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**C. PROFORMA GROUP CONSOLIDATED MOVEMENT IN SHAREHOLDERS' EQUITY**

	<b>Year ended 31 December 2004 S\$'000</b>
Balance brought forward	7,020
Net profit for the year	2,744
Loss not recognised in the profit and loss account – translation difference	(362)
Balance carried forward	<u>9,402</u>

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**D. PROFORMA GROUP CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Year ended 31 December 2004 S\$'000</b>
<b>Cash flows from operating activities</b>	
Profit before taxation	2,985
Adjustments for:	
Provision for employee benefits	7
Depreciation of property, plant and equipment	1,559
Gain on foreign exchange – unrealised	(57)
Property, plant and equipment written off	1
Gain on disposal of property, plant and equipment	(5)
Interest expense	595
Interest income	(25)
	5,060
Operating profit before working capital changes	5,060
Changes in working capital:	
Inventories	(1,293)
Trade and other receivables	(387)
Trade and other payables	(7)
	3,373
Cash generated from operating activities	3,373
Interest paid	(595)
Interest received	25
Income tax paid	(94)
	2,709
Net cash from operating activities	2,709
<b>Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(2,363)
Purchase of other investments	(288)
Proceeds from disposal of property, plant and equipment	287
	(2,364)
Net cash used in investing activities	(2,364)
<b>Cash flows from financing activities</b>	
Convertible bond	1,250
Payment of bills payable	(21,275)
Repayment of bank loan	(435)
Proceeds from bills payable	21,276
Repayment of hire purchase creditors	(725)
	91
Net cash generated from financing activities	91
Effect of foreign exchange rate changes on consolidation	(29)
Net increase in cash and cash equivalents	407
<b>Cash and cash equivalents at the beginning of the year</b>	<b>190</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>597</b>
Cash and cash equivalents comprise of the following:	
Fixed deposits	252
Cash and cash balances	345
	597

---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 1 Introduction

The proforma consolidated financial information of AA Group Holdings Ltd. (the "Company") and its subsidiary (collectively, the "proforma Group") has been prepared for inclusion in the Prospectus dated 23 August 2005 in connection with the invitation in respect of new shares in the capital of the Company (the "Invitation").

#### 2 General

The Company was incorporated in Singapore on 21 September 2004 as a private company limited by shares. On 22 July 2005, the Company was converted into a public company and changed its name to "AA Group Holdings Ltd.". The principal activity of the Company is that of an investment holding company.

The address of the registered office of the Company is 11 Collyer Quay, #10-04 The Arcade, Singapore 049317.

#### 3 Basis of Preparation of Proforma Consolidated Financial Information

##### I. Restructuring Exercise

The proforma Group was formed as a result of a restructuring exercise (the "Restructuring Exercise"), undertaken for the purpose of the Company's listing on the SGX-SESDAQ. Pursuant to the Restructuring Exercise, the following transactions were effected:

- (a) The Company was incorporated on 21 September 2004 to serve as the holding company for the Group.
- (b) Pursuant to a restructuring agreement dated 4 July 2005 between the Company, Allied Advantage Sdn. Bhd. ("AASB"), Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh, Ms Feng, Tzu-Ju @ Julie Feng and Mr Kok Teng Nam, the Company acquired the entire issued and paid-up share capital of AASB, comprising 6,280,000 ordinary shares of RM1.00 each from the existing shareholders of AASB for a total consideration of S\$9,408,464 (the "Consideration"). The Consideration was determined based on the audited net assets of AASB as at 31 December 2004. The Consideration was satisfied in full by the issuance of 9,408,463 ordinary shares of S\$1.00 each in the capital of the Company, at par, credited as fully paid, to the shareholders of AASB, as follows:-

<u>Shareholders</u>	<u>No of ordinary shares of S\$1.00 each</u>
1. Hsieh Kuo-Chuan	2,822,547
2. Feng Tzu-Ju	2,822,546
3. Kok Teng Nam	3,763,370

Pursuant to the Restructuring Exercise, the Company has the following wholly-owned subsidiary. The details of the subsidiary as at the date of the Prospectus are as follows:

<u>Name of company and country of incorporation/operation</u>	<u>Principal activities</u>	<u>Effective equity interest held by the proforma Group</u>
Allied Advantage Sdn. Bhd. ("AASB") Malaysia	Engaged in the manufacture of high-precision cold forged loudspeaker parts, namely T-yokes, U-yokes and washers.	100%

---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 3 Basis of Preparation of Proforma Consolidated Financial Information (cont'd)

##### II. Basis of Preparation

- (a) The proforma consolidated financial information for each of the three financial years ended 31 December 2002 to 31 December 2004 are prepared for illustrative purposes only. These are prepared in accordance with the accounting policies of the proforma Group as set out in Note 4 to the proforma Group consolidated financial information. These are prepared based on certain assumptions after making certain adjustments to show what the effect on the financial results and financial position of the proforma Group would have been if the proforma Group structure had been in existence since 1 January 2002.

The objective of the proforma consolidated financial information of the proforma Group is to show what the historical information might have been had the proforma Group existed at an earlier date and had the proforma Group structure been in existence since 1 January 2002. However, the proforma consolidated financial information of the proforma Group is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the above-mentioned proforma Group actually existed earlier.

- (b) The proforma Group consolidated financial information for the financial years ended 31 December 2002, 2003 and 2004 were prepared primarily based on the audited financial statements of AASB for the twelve months ended 31 December 2002, 2003 and 2004, prepared under approved accounting standards in Malaysia and there are no material adjustments required to re-state the financial statements in accordance with Singapore Financial Reporting Standards. Accordingly, the proforma Group consolidated financial information are prepared in accordance with Singapore Financial Reporting Standards.
- (c) All material intra-group transactions and balances have been eliminated in the preparation of the proforma Group consolidated financial information.
- (d) The financial statements of AASB for the financial years ended 31 December 2002 and 2003 were audited by Messrs Tan Cheah & Co., Malaysia in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants and were not subject to any qualification. Moore Stephens, Singapore have performed an independent review on the audited financial statements for the financial years ended 31 December 2002 and 2003 to the extent that work performed by Messrs Tan Cheah and Co., Malaysia are in accordance with Singapore Standards on Auditing and are satisfied that these financial statements are appropriate and proper for inclusion in the proforma consolidated financial information.
- (e) The financial statements of AASB for the financial year ended 31 December 2004 were audited by Messrs Moore Stephens, Malaysia in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants and were not subject to any qualification. Moore Stephens, Singapore have performed an independent review on the audited financial statements for the financial year ended 31 December 2004 to the extent that work performed by Messrs Moore Stephens, Malaysia are in accordance with Singapore Standards on Auditing and are satisfied that these financial statements are appropriate and proper for inclusion in the proforma consolidated financial information.

---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 4. Summary of Significant Accounting Policies

The accounting policies, which have been consistently adopted in preparing the proforma consolidated financial information set out above, are as follows:

**(a) Basis of Accounting**

The unaudited proforma consolidated financial information has been prepared on a historical basis and in accordance with Singapore Financial Reporting Standards. Consistent accounting policies are adopted by all entities within the proforma Group.

The unaudited proforma consolidated financial information is presented in Singapore dollars.

**(b) Measurement Currency**

Items included in the financial statements of each entity in the proforma Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The proforma consolidated financial information is presented in Singapore dollars which is the measurement currency of the Company.

**(c) Basis of Proforma Consolidation**

The unaudited proforma consolidated financial information for the financial years ended 31 December 2002, 2003, and 2004 are prepared for illustrative purposes only. These are prepared on the basis detailed in Note 3 above.

The proforma Group consolidated financial information incorporates the financial statements of the Company and enterprise controlled by the Company (its subsidiary) made up to the balance sheet date. The control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. All significant inter-company transactions and balances within the proforma Group are eliminated on consolidation.

**(d) Investments**

Long-term investments, including investments in subsidiary companies, are stated at cost less impairment losses. Short-term investments are stated at the lower of cost and market value determined on an individual basis.

**(e) Other Investments**

Other investments are stated at cost. Cost comprises premium paid plus amortised yield.

**(f) Property, Plant and Equipment**

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

Depreciation is provided on the straight-line method so as to write off the cost of each property, plant and equipment over their estimated useful lives. The principal rates used are as follows:

Long-term leasehold lands	–	Over 53 to 99 years
Factory building	–	2%
Plant and machinery	–	10%
Furniture, fittings and equipments	–	10 to 25%
Motor vehicles	–	20%



---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 4. Summary of Significant Accounting Policies (cont'd)

##### (f) Property, Plant and Equipment (cont'd)

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

##### (g) Impairment of Assets

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the proforma consolidated profit and loss statements unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets are carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### (h) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store and for manufactured inventories, it also includes labour and appropriate production overheads.

##### (i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified.

##### (j) Payables

Payables, including amounts due to related parties, are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (k) Interest Bearing Borrowings

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the proforma consolidated profit and loss statement as an expense in the period in which they are incurred.

##### (l) Hire Purchase

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

---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 4. Summary of Significant Accounting Policies (cont'd)

##### (l) Hire Purchase (cont'd)

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

##### (m) Provisions

Provisions are recognised when there is a present 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.

##### (n) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash at bank and bank overdrafts which are short-term, highly liquid assets that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft which are payable on demand and which form an integral part of the proforma Group's cash management.

##### (o) Revenue Recognition

Revenue from the sale of goods is recognised upon delivery of products and customer acceptance, if any.

##### (p) Operating Leases

Rentals payable under operating leases are charged to the proforma consolidated profit and loss account.

##### (q) Employee Benefits

###### i. Short term benefits

Wages, salaries, social security contributions and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the proforma 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

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the proforma consolidated profit and loss statement as incurred.

---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 4. Summary of Significant Accounting Policies (cont'd)

##### (r) Taxation

Taxation in the proforma consolidated profit and loss statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

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

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

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

##### (s) Foreign Currency Conversion

The measurement currency of AASB is Malaysian Ringgit. Transactions in foreign currencies are converted into the measurement currency at the exchange rate ruling at the date of the transaction. Foreign currency assets and liabilities are stated in the balance sheet at the approximate rates ruling at the balance sheet date. All exchange differences are included in the income statement.

The principal exchange rate for every unit of foreign currency at the balance sheet date used is as follows:

	As at 31 December		
	<u>2002</u> RM	<u>2003</u> RM	<u>2004</u> RM
1 United States Dollar	3.8000	3.8000	3.8000
1 Euro	3.9811	4.7783	5.1729
1 New Taiwan Dollar	9.1141	8.8850	8.3526

For inclusion in the proforma consolidated financial statements, the financial statements of AASB have been translated into Singapore dollars as follows:

- assets and liabilities are translated at exchange rates ruling at the balance sheet date;
- share capital and reserves are translated at historical exchange rates; and
- profit and loss items are translated at the average exchange rates for the year.

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**4. Summary of Significant Accounting Policies (cont'd)**

**(s) Foreign Currency Conversion (cont'd)**

Exchange differences arising from the above transactions are taken directly to the translation reserve.

The average and closing exchange rates between RM and S\$ are as follows:

	<b>Year ended 31 December</b>		
	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Average	0.470	0.460	0.445
Closing	0.460	0.450	0.432

**(t) Segment Reporting**

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

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

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

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

**5. Financial Risk Management Policies**

**(a) Financial Risk Management Policies**

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

**(i) Foreign Currency Risk**

The proforma Group is exposed to foreign currency risk as a result of its normal trade activities when the currency denomination differs from its functional currency.

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

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**5. Financial Risk Management Policies (cont'd)**

**(a) Financial Risk Management Policies (cont'd)**

**(i) Foreign Currency Risk (cont'd)**

The net unhedged financial assets and liabilities of AASB as at 31 December 2004 that are not denominated in their functional currency are as follows:-

<u>Functional currency of AASB</u>	(Represents foreign currencies translated into RM)		
	<u>Trade</u>	<u>Cash and Bank</u>	<u>Trade</u>
	<u>Receivables</u>	<u>Balances</u>	<u>Payables</u>
	RM'000	RM'000	RM'000
United States Dollar	6,200	1	–
Euro	3,154	–	121
New Taiwan Dollar	–	–	416
	9,354	1	537
	9,354	1	537

**(ii) Interest Rate Risk**

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

– Interest bearing financial assets

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

The proforma Group manages its interest rate yield by prudently balances the placement of deposits with varying maturity periods.

– Interest bearing financial liabilities

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

The proforma Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The proforma 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 COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**5. Financial Risk Management Policies (cont'd)**

**(a) Financial Risk Management Policies (cont'd)**

**(ii) Interest Rate Risk (cont'd)**

The effective interest rates at 31 December 2004 and the periods in which they reprice or mature, whichever is earlier are as follows:

	<u>Note</u>	<u>Effective interest rate %</u>	<u>Total S\$'000</u>	<u>Maturity within 1 year S\$'000</u>	<u>Maturity between 2 to 5 years S\$'000</u>	<u>Maturity more than 5 years S\$'000</u>
<u>As at 31 December 2004</u>						
<u>Financial Assets</u>						
- Other investments	13	4.00	288	-	-	288
- Fixed deposit	17	3.00 – 3.70	252	252	-	-
<u>Financial Liabilities</u>						
- Hire purchase payables	20	3.97 – 4.50	1,908	887	1,021	-
- Term loans	23	2.50 – 8.00	1,927	362	1,565	-
- Bill payables	21	4.70 – 8.40	5,529	5,529	-	-

**(iii) Credit Risk**

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

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

**(iv) Liquidity and Cash Flow Risk**

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

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

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**5. Financial Risk Management Policies (cont'd)**

**(b) Fair Value of Financial Instruments**

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

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

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

(ii) Other Investments

The carrying amount of other investments approximate their fair values.

(iii) Borrowings

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

The carrying amounts of long term floating rate loans approximate their fair values.

The fair value of hire purchase payables and fixed rate term loan are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending and borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the balance sheet of the Company approximate to their fair values except for the following:

	<b>Carrying Amount S\$'000</b>	<b>Fair Value S\$'000</b>
Financial liabilities:		
<u>As at 31 December 2004</u>		
– hire purchase payables	1,908	1,906
– term loan	83	79
	<u>          </u>	<u>          </u>

The nominal/notional amount and fair value of financial instruments not recognised in the balance sheet are as follows:

	<b>Note</b>	<b>Nominal/ Notional Amount S\$'000</b>	<b>Fair Value S\$'000</b>
Contingent liability:			
– As at 31 December 2004	28	75	*
		<u>          </u>	<u>          </u>

\* It is not practical to estimate the fair value of the contingent liability reliably due to uncertainties in timing, costs and eventual outcome.

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**6. Operating Revenue**

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

**7. Operating Profit**

The proforma Group's operating profit is arrived at after charging/(crediting):

	Year ended 31 December		
	2002 S\$'000	2003 S\$'000	2004 S\$'000
Bad debts written off	–	–	2
Cost of inventories sold	10,984	12,208	12,259
Depreciation of property, plant and equipment	1,123	1,562	1,559
Directors' remuneration			
– emoluments	43	78	274
– benefits-in-kind	–	–	25
Gain on foreign exchange	(39)	(220)	(147)
Loss/(Gain) on disposal of property, plant and equipment	–	1	(5)
Property, plant and equipment written off	–	–	1
Provision for employee benefits	–	–	7
Rental of factory building	68	22	–
Rental of hostel	11	9	8
Rental of motor vehicle	4	2	–
	<u>          </u>	<u>          </u>	<u>          </u>

**8. Finance Income**

	Year ended 31 December		
	2002 S\$'000	2003 S\$'000	2004 S\$'000
Interest income:			
– fixed deposit	–	33	25
	<u>          </u>	<u>          </u>	<u>          </u>

**9. Finance Costs**

	Year ended 31 December		
	2002 S\$'000	2003 S\$'000	2004 S\$'000
Interest expense:			
– bank overdraft	50	45	38
– bank acceptance charges	195	222	189
– factoring and discounting charges	44	2	–
– hire purchase	137	148	67
– term loans	61	205	183
– trust receipts	120	136	118
	<u>          </u>	<u>          </u>	<u>          </u>
	607	758	595
Bank charges	10	16	16
Bank guarantee charge	–	–	3
Bank commitment fee	1	1	2
	<u>          </u>	<u>          </u>	<u>          </u>
	618	775	616
	<u>          </u>	<u>          </u>	<u>          </u>



**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**10. Staff Costs** (including directors' remuneration)

	Year ended 31 December		
	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Salaries and wages	944	909	1,154
Employees Provident Fund	56	49	47
Other staff related costs	32	15	21
	<u>1,032</u>	<u>973</u>	<u>1,222</u>
No of employees as at year end	<u>160</u>	<u>109</u>	<u>109</u>

**11. Taxation**

	Year ended 31 December		
	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Taxation on the profit for the year:			
– Current income tax	–	–	–
– Deferred income tax	198	426	282
	<u>198</u>	<u>426</u>	<u>282</u>
Under/(Over) provision in prior years:			
– Current income tax	14	–	–
– Deferred income tax	(37)	39	(41)
	<u>175</u>	<u>465</u>	<u>241</u>

The charge for the year can be reconciled to the profit per the proforma Group as follows:

	Year ended 31 December		
	<u>2002</u> S\$'000	<u>2003</u> S\$'000	<u>2004</u> S\$'000
Profit before tax	<u>581</u>	<u>1,519</u>	<u>2,985</u>
Income tax expense at the statutory rate	128	334	597
Effect of different tax rate in Malaysia	35	91	240
Non tax deductible expenses	48	41	74
Income not subject to tax	(13)	(40)	–
Utilisation of reinvestment allowance	–	–	(453)
Utilisation of unabsorbed capital allowance	–	–	(176)
Under-provision of income tax in prior years	14	–	–
(Over)/under provision of deferred tax in prior years	(37)	39	(41)
	<u>175</u>	<u>465</u>	<u>241</u>
Unabsorbed capital allowance as at year end	<u>1,573</u>	<u>651</u>	<u>–</u>
Unutilised reinvestment allowances as at year end	<u>2,821</u>	<u>3,486</u>	<u>2,236</u>

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**12. Property, plant and equipment**

As at 31 December 2004

	<u>Leasehold Land</u> S\$'000	<u>Factory Building</u> S\$'000	<u>Plant &amp; Machinery</u> S\$'000	<u>Furniture, Fittings &amp; Equipment</u> S\$'000	<u>Motor Vehicles</u> S\$'000	<u>Total</u> S\$'000
<u>Cost</u>						
At 1 January 2004	551	2,109	14,372	203	301	17,536
Additions	–	–	1,512	26	238	1,776
Disposals/Write off	–	–	(853)	(1)	(114)	(968)
Currency realignment	(22)	(84)	(596)	(8)	(15)	(725)
At 31 December 2004	529	2,025	14,435	220	410	17,619
<u>Accumulated Depreciation</u>						
At 1 January 2004	22	199	5,055	121	169	5,566
Charge for the year	9	42	1,404	23	81	1,559
Disposals/Write off	–	–	(633)	(1)	(51)	(685)
Currency realignment	(1)	(9)	(225)	(5)	(9)	(249)
At 31 December 2004	30	232	5,601	138	190	6,191
<u>Net Book Value</u>						
31 December 2004	499	1,793	8,834	82	220	11,428

At 31 December 2004, the net book value of property, plant and equipment of the proforma Group under hire purchase amounted to S\$2,246,000.

Included in the property, plant and equipment of the proforma Group are:

- (a) Long term leasehold land and factory building, pledged to a financial institution for banking facilities granted to the proforma Group as disclosed in note 21 and 23.
- (b) Plant and machinery with a net book value of S\$2,137,000 pledged as securities for term loan facilities granted to the proforma Group as disclosed in note 23.

**13. Other Investments**

	<b>As at 31 December 2004 S\$'000</b>
At cost	<u>288</u>

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**13. Other Investments (cont'd)**

These investments are in respect of single premium paid plus amortised yield on endowment plan insurance contracts insured on the life of a director of the Company where AASB is the beneficiary to these contracts. The salient features of these contracts are as follows:

- (i) The contracts shall be terminated upon expiry of 10 years from the date of payment of the premium or on the death of the insured, whichever is earlier.
- (ii) The maturity value or death benefit upon termination of the contracts is 1.5 times of the premium paid. However, accidental death benefit amounts to 2.25 times of the premium paid. The effective yield to maturity on the premium paid is 4% per annum.

The above investments are assigned to a financial institution as security for credit facilities granted to the proforma Group as disclosed in note 21.

Subsequent to the year end, the above investments were terminated and the proceeds were placed in a fixed deposit pledged to a financial institution as security for credit facilities granted to the proforma Group.

**14. Inventories**

	<b>As at 31 December 2004 S\$'000</b>
At cost:	
Raw materials	1,372
Semi finished goods	527
Finished goods	629
	2,528

**15. Other Receivables, Deposits and Prepayments**

	<b>As at 31 December 2004 S\$'000</b>
Other receivables	217
Deposits	2,243
Prepayments	255
	2,715

Included in the deposits is an amount of S\$2,233,000 for purchase of plant and machinery.

**16. Tax Asset**

This is in respect of tax paid in advance to the Inland Revenue Board of Malaysia in accordance with the tax instalment scheme.

**17. Fixed Deposits**

The fixed deposits are pledged to a bank as collateral for banking facilities granted to the proforma Group as disclosed in note 21.

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**18. Other Payables and Accruals**

	<b>As at 31 December 2004 S\$'000</b>
Convertible bond *	1,250
Other payables	63
Accruals	103
	1,416
	1,416

\* On 21 October 2004, Asean China Investment Fund L.P. ("ACIF") entered into an investment agreement with the Company, AASB, Mr Hsieh Kuo-Chuan and Ms Feng Tzu-Ju ("Investment Agreement") to subscribe for a convertible bond of principal amount S\$1,250,000 issued by the Company ("Convertible Bond"). Pursuant to the Investment Agreement, ACIF, immediately upon receipt of the letter of eligibility-to-list issued by the SGX-ST approving in principle the Company's application to seek a listing on the SGX-SESDAQ, shall be entitled to apply for the conversion of the Convertible Bond, in full or partially, into ordinary shares in the capital of the Company.

**19. Due To A Related Party**

The related party is a company in which a director of the Company has a substantial financial interest. This amount is trade in nature, unsecured, interest free and has no fixed terms of repayment.

**20. Hire Purchase Creditors**

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

**As at 31 December 2004**

	<b>Minimum lease payments S\$'000</b>	<b>Present value of minimum lease payments S\$'000</b>
Amount payable under finance leases:		
Within one year	982	887
Between two to five years	1,085	1,021
	2,067	1,908
Total minimum lease payments	2,067	1,908
Less: Future finance charges	(159)	-
	1,908	1,908
Present value of minimum lease payments	1,908	1,908
Less:		
Repayable within one year included under current liabilities		(887)
		1,021
Repayable within two to five years included under non-current liabilities		1,021

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**21. Bank Borrowings**

	<b>As at 31 December 2004 S\$'000</b>
Secured:	
– bills payables	5,375
– term loans (note 23)	362
	5,737
Unsecured:	
– bills payables	154
	5,891

The secured bank borrowings of the proforma Group are secured and supported by:

- (a) legal charges over the proforma Group's leasehold land and factory buildings;
- (b) debenture incorporating a fixed and floating charge over the assets of the proforma Group;
- (c) joint and several guarantee by certain directors of the proforma Group;
- (d) assignment of insurance contracts as disclosed in note 13; and
- (e) pledge of fixed deposits as disclosed in note 17.

**22. Provision For Employee Benefits**

This relates to short term accumulating compensated absences.

**23. Term Loans – Secured**

	<b>As at 31 December 2004 S\$'000</b>
Repayable within 1 year (Note 21)	
– Term loan I	92
– Term loan II	83
– Term loan III	161
– Term loan IV	26
	362
Repayable after 1 year	
– Term loan I	211
– Term loan II	–
– Term loan III	994
– Term loan IV	360
	1,565

The term loans are secured by way of first legal charge on the proforma Group's leasehold land and factory building, certain machinery and jointly and severally guaranteed by the Directors of the proforma Group.

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**23. Term Loans – Secured (cont'd)**

The repayment term of the secured term loans are as follows:

- (i) Term loan I is repayable in 120 monthly instalments over a period of 10 years commencing in October 1998;
- (ii) Term loan II is repayable in 36 monthly instalments over a period of 3 years commencing in September 2002;
- (iii) Term loan III is repayable in 84 monthly instalments over a period of 7 years commencing in February 2003; and
- (iv) Term loan IV is repayable in 120 monthly instalments over a period of 10 years commencing in June 2003.

**24. Deferred Taxation**

	<b>As at 31 December 2004 S\$'000</b>
<u>Deferred tax liabilities</u>	
– to be settled after more than 12 months	<u>1,076</u>

The movement in the deferred tax account is as follows:-

	<b>Year ended 31 December 2004 S\$'000</b>
<u>Deferred tax liabilities</u>	
– Accelerated tax depreciation:	
Balance as at beginning of year	1,165
Currency translation difference	(43)
Credited to profit and loss	(62)
Balance as at end of year	<u>1,060</u>
– Unrealised foreign exchange gain:	
Balance as at beginning of year	–
Charged to profit and loss	16
Balance as at end of year	<u>16</u>
Total deferred tax liabilities	<u>1,076</u>
<u>Deferred tax assets – unutilised capital allowances</u>	
Balance as at beginning of year	287
Charged to profit and loss	(287)
Balance as at end of year	<u>–</u>

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**24. Deferred Taxation (cont'd)**

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 balance sheet:

	<b>As at 31 December 2004 S\$'000</b>
Deferred tax liabilities	1,076
Deferred tax assets	—
	1,076

**25. Operating Lease Commitments**

At the balance sheet date, the proforma Group was committed to making the following payments in respect of operating leases:

	<b>As at 31 December 2004 S\$'000</b>
Payable:	
Within one year	3
	3

**26. Capital Commitments**

	<b>As at 31 December 2004 S\$'000</b>
Capital expenditure in respect of purchases of plant and machinery	967
	967

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**27. Related Party Transactions**

Related parties are entities with common shareholders and/or directors. The proforma Group had the following significant transactions with related parties and the effect of these transactions on the basis determined between the parties are reflected in the unaudited proforma Group consolidated financial information:

	<b>Year ended 31 December</b>		
	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<u>Sales</u>			
– Invoices issued to a related party *	882	787	714
– Invoices issued to the end customers *	4,880	5,732	5,368
<u>Purchases from related parties</u>			
– Purchase of raw materials	3,217	4,109	6,065
– Purchase of semi-finished products	1,736	1,759	76
– Purchase of tools, moulds and machinery	895	208	193
– Purchase of land and building	–	1,150	–
– Plating charges #	886	731	388
– Rental of land and building	68	22	–
– Rental of motor vehicles	4	2	–

\* These relate to customers who have placed orders and made payments through a related party. Invoices were raised by the proforma Group either to the related party or directly to the end-customers.

# The director of the Proforma group ceased to have any financial interest in the related party in the financial year ended 31 December 2004.

**28. Contingent Liabilities**

	<b>As at 31 December <u>2004</u> S\$'000</b>
Corporate guarantee given to financial institutions for hire purchase facilities granted to a third party	75

**29. Subsequent Events**

At an extraordinary general meeting held on 4 July 2005, the shareholder approved, *inter alia*, the following:

- (a) the increase of the authorised share capital from S\$10,000,000 divided into 10,000,000 ordinary shares of S\$1.00 each to S\$19,500,000 divided into 19,500,000 ordinary shares of S\$1.00 each;
- (b) the issue of 9,408,463 new ordinary shares of S\$1.00 each pursuant to the Restructuring Exercise;
- (c) the sub-division of each ordinary share of S\$1.00 each in the authorised and issued share capital into 100 ordinary shares of S\$0.01 each (“Sub-division”);
- (d) the consolidation of every 13 ordinary shares of S\$0.01 each in the authorised and issued share capital into one ordinary share of S\$0.13 each (“Consolidation”);
- (e) the conversion of the Company into a public limited company and the consequential change of name to AA Group Holdings Ltd.;



---

## THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

---

### E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION

#### 29. Subsequent Events (cont'd)

- (f) the adoption of a new set of Articles of Association;
- (g) the issue of such number of new Shares as required pursuant to the Bond Conversion referred to in the section "Group Structure – Restructuring Exercise and Bond Conversion" in the Prospectus;
- (h) the allotment and issue of the New Shares which are the subject of the Invitation. The New Shares, when issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;
- (i) that authority be given pursuant to Section 161 of the Act to the Directors to allot and issue Shares or convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities to be issued pursuant to such authority does not exceed 50 per cent of the issued share capital of the Company and the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20 per cent of the issued share capital of the Company, the percentage of the issued share capital being calculated based on the post-Invitation issued share capital of the Company (taking into account the conversion or exercise of any convertible securities and employee share options in issue at the time such authority was given and which were issued pursuant to previous shareholder's approval and adjusting for any subsequent consolidation or sub-division of shares) and, unless revoked or carried by the Company in general meeting, such authority shall continue in full force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law or by the Articles of Association to be held, whichever is earlier;
- (j) the adoption of the AA Group Employee Share Option Scheme (the "Share Option Scheme"), and that authority be and is hereby given to the Directors to:
  - (A) (i) establish and administer the Share Option Scheme;
  - (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme and to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme; and
  - (iii) to offer and grant Options in accordance with the provisions of the Share Option Scheme (including Options at a subscription price per Share set at a discount to the market price of a Share) and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the Options under the Share Option Scheme, provided that the aggregate number of new Shares to be issued pursuant to the Share Option Scheme shall not exceed 15% of the issued ordinary share capital of the Company from time to time; and
- (B) offer and grant Options pursuant to and during the subsistence of the Share Option Scheme with subscription prices that are set at, or adjusted by, a discount to the market price of the Shares (as determined with the provisions of the Share Option Scheme), provided that the subscription price of any Share shall not be less than the nominal value of the Share; and

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**29. Subsequent Events** (cont'd)

- (k) the adoption of the shareholders' mandate, the details of which are set out in the section "Shareholders' Mandate" in the Prospectus.

**30. Segment Information**

- (i) Business segments

The proforma Group is primarily engaged in 3 business segments namely, manufacture of T-yokes, U-yokes and washers.

**Proforma Group Consolidated Profit and Loss Statements**

	<u>T-yokes</u> S\$'000	<u>U-yokes</u> S\$'000	<u>Washers</u> S\$'000	<u>Total</u> S\$'000
<b>Year ended 31 December 2002</b>				
Revenue	<u>10,278</u>	<u>994</u>	<u>1,352</u>	<u>12,624</u>
Profit from operations				1,199
Finance income				–
Finance costs				(618)
Income tax expense				(175)
Net profit for the year				<u>406</u>
<b>Other Information</b>				
Depreciation of property, plant and equipment – unallocated				1,123
Capital expenditure – unallocated				<u>6,292</u>
<b>Year ended 31 December 2003</b>				
Revenue	<u>11,776</u>	<u>1,585</u>	<u>1,428</u>	<u>14,789</u>
Profit from operations				2,261
Finance income				33
Finance costs				(775)
Income tax expense				(465)
Net profit for the year				<u>1,054</u>
<b>Other Information</b>				
Depreciation of property, plant and equipment – unallocated				1,562
Capital expenditure – unallocated				<u>1,531</u>

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**30. Segment Information (cont'd)**

(i) Business segments (cont'd)

**Proforma Group Consolidated Profit and Loss Statements** (cont'd)

	<u>T-yokes</u> S\$'000	<u>U-yokes</u> S\$'000	<u>Washers</u> S\$'000	<u>Total</u> S\$'000
<b>Year ended 31 December 2004</b>				
Revenue	12,288	1,494	2,469	16,251
Profit from operations				3,576
Finance income				25
Finance costs				(616)
Income tax expense				(241)
Net profit for the year				<u>2,744</u>
<b>Other Information</b>				
Depreciation of property, plant and equipment				
– unallocated				1,559
Capital expenditure				
– unallocated				<u>1,776</u>

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

**Proforma Group Consolidated Balance Sheet**

	<b>As at 31 December 2004 S\$'000</b>
<b>Assets</b>	
Total assets – unallocated	22,471
<b>Liabilities</b>	
Total liabilities – unallocated	<u>13,069</u>

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

---

**THE COMPILATION REPORT OF THE INDEPENDENT AUDITORS  
ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

---

**E. NOTES TO THE PROFORMA GROUP CONSOLIDATED FINANCIAL INFORMATION**

**30. Segment Information (cont'd)**

(ii) Geographical segments

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

**Year ended 31 December 2004**

	<b>Asia S\$'000</b>	<b>Europe S\$'000</b>	<b>North America S\$'000</b>	<b>Total S\$'000</b>
Segment assets	22,471	–	–	22,471
Capital expenditure	1,776	–	–	1,776

**Revenue**

	<b>Asia S\$'000</b>	<b>Europe S\$'000</b>	<b>North America S\$'000</b>	<b>Total S\$'000</b>
<b>Year ended</b>				
31 December 2002	8,141	4,285	198	12,624
31 December 2003	8,178	5,204	1,407	14,789
31 December 2004	7,219	6,519	2,513	16,251

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

In the opinion of the directors, the financial statements of the Company set out on pages 155 to 189 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2002, 2003 and 2004 and of the results of the business, changes in equity and cash flows of the Company for the financial years ended 31 December 2002, 2003 and 2004.

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.

Board of Directors,

FENG TZU-JU

HSIEH KUO-CHUAN

23 August 2005

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

23 August 2005

The Directors  
Allied Advantage Sdn. Bhd.  
Lot 148-149, Jalan PKNK 3/1  
Kawasan Perusahaan, Sungai Petani,  
08000 Sungai Petani,  
Kedah, Malaysia

Dear Sirs,

We have read the audited statutory financial statements of Allied Advantage Sdn. Bhd. in respect of the financial years ended 31 December 2002, 2003 and 2004. These financial statements were prepared in accordance with applicable approved accounting standards in Malaysia and were audited by Messrs Tan Cheah & Co., Malaysia in respect of the financial years ended 31 December 2002 and 2003 and by Messrs Moore Stephens, Malaysia for the financial year ended 31 December 2004. We have not carried out any subsequent or additional audit procedures on those financial statements.

We have performed an independent review on the audited statutory financial statements of Allied Advantage Sdn. Bhd. for the financial year ended 31 December 2004. Messrs Moore Stephens, Malaysia performed the audit in accordance with approved standards on auditing in Malaysia. Based on our review, we are of the opinion that there are no material differences between the auditing standards adopted by Messrs Moore Stephens, Malaysia in the audit of the financial statements of Allied Advantage Sdn. Bhd. and the equivalent Singapore Standards on Auditing.

Based on our procedures, in our opinion, there are no material adjustments required to re-state the financial statements in accordance with Singapore Financial Reporting Standards. However, the Company has made certain adjustments to and reclassified certain balances in the audited statutory financial statements, and details are set out in note 29 to the re-stated financial statements. Messrs Tan Cheah & Co., Malaysia and Messrs Moore Stephens, Malaysia have reviewed these adjustments and reclassifications and their opinions thereon are set out in Appendices A and B of this Report respectively.

Management is responsible for the re-stated financial statements. Our responsibility is to issue a report on whether anything has come to our attention to cause us to believe that a material adjustment is required to the re-stated financial statements, in order for them to be prepared in accordance with Singapore Financial Reporting Standards.

We conducted our procedures in accordance with Singapore Statement of Auditing Practice, SAP 24 "Auditors and Public Offering Documents". This standard requires that we discuss with management to obtain an understanding of the business and the financial position and performance of the Company for the financial years under review, and of the procedures applied and decisions made by the management in identifying, quantifying and making the re-statement adjustments in arriving at the re-stated financial statements. Our procedures in this regard did not involve any audit or review procedures on the statutory financial statements of the Company. Accordingly, we do not express any opinion on the re-stated financial statements.

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

Based on our procedures, in our opinion, taking into account the adjustments set out in note 29, nothing came to our attention to cause us to believe that the re-stated financial statements set out on pages 155 to 189 have not been properly presented in accordance with Singapore Financial Reporting Standards.

Yours faithfully

Moore Stephens  
Certified Public Accountants  
Singapore

Christopher Bruce Johnson  
Partner

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**RE-STATED PROFIT AND LOSS ACCOUNTS**

	<u>Note</u>	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Operating revenue	(3)	26,859,614	32,150,585	36,519,418
Cost of goods sold		(23,369,961)	(26,538,894)	(27,547,916)
Gross profit		3,489,653	5,611,691	8,971,502
Other operating revenue		389,059	913,673	1,036,574
Administrative costs		(1,313,361)	(1,487,503)	(1,942,131)
Other operating costs		(14,677)	(123,695)	(15,372)
Operating profit	(4)	2,550,674	4,914,166	8,050,573
Finance income	(5)	–	72,019	55,508
Finance costs	(6)	(1,314,651)	(1,683,862)	(1,385,813)
Profit before income tax		1,236,023	3,302,323	6,720,268
Income tax	(8)	(372,455)	(1,011,919)	(540,691)
Profit for the year		863,568	2,290,404	6,179,577

The accompanying notes form an integral part of these financial statements



**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**RE-STATED BALANCE SHEETS**

	Note	As at 31 December		
		2002 RM	2003 RM	2004 RM
<b>Share Capital and Reserves</b>				
Share capital	(9)	5,000,000	6,280,000	6,280,000
Retained profit		7,028,874	9,319,278	15,498,855
		12,028,874	15,599,278	21,778,855
<b>Non-Current Assets</b>				
Property, plant and equipment	(10)	26,670,869	26,599,302	26,453,505
Other investments	(11)	–	–	667,171
		26,670,869	26,599,302	27,120,676
<b>Current Assets</b>				
Inventories	(12)	2,160,220	2,945,875	5,851,063
Trade receivables		6,526,108	10,662,068	11,137,014
Other receivables, deposits and prepayments	(13)	1,680,547	708,109	5,781,367
Amount due from directors	(14)	360,601	21,169	–
Tax asset	(15)	65,448	29,448	240,926
Fixed deposits	(16)	1,018,000	1,262,018	584,298
Cash and bank balances		5,192	252,769	775,131
		11,816,116	15,881,456	24,369,799
<b>Current Liabilities</b>				
Trade payables		997,559	1,445,997	2,670,900
Other payables and accruals	(17)	350,262	361,532	369,805
Amount due to related parties	(18)	1,302,489	1,452,545	2,488,907
Hire purchase creditors	(19)	2,063,055	1,397,897	2,052,487
Bank borrowings	(20)	14,155,565	14,884,394	13,637,381
Provision for employee benefits	(21)	–	–	15,901
		18,868,930	19,542,365	21,235,381
<b>Net Current (Liabilities)/Assets</b>		(7,052,814)	(3,660,909)	3,134,418
<b>Non-Current Liabilities</b>				
Term loans – secured	(22)	(4,308,561)	(4,441,836)	(3,621,919)
Hire purchase creditors	(19)	(2,342,230)	(946,970)	(2,363,320)
Deferred taxation	(23)	(938,390)	(1,950,309)	(2,491,000)
		12,028,874	15,599,278	21,778,855

The accompanying notes form an integral part of these financial statements

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**RE-STATED STATEMENTS OF CHANGES IN EQUITY**

	<u>Share Capital</u> RM	<u>Retained Profit</u> RM	<u>Total</u> RM
<b>Balance at 1 January 2002</b>	5,000,000	6,165,306	11,165,306
Net profit for the year	–	863,568	863,568
<b>Balance at 31 December 2002</b>	<u>5,000,000</u>	<u>7,028,874</u>	<u>12,028,874</u>
<b>Balance at 1 January 2003</b>	5,000,000	7,028,874	12,028,874
Share issue during the year	1,280,000	–	1,280,000
Net profit for the year	–	2,290,404	2,290,404
<b>Balance at 31 December 2003</b>	<u>6,280,000</u>	<u>9,319,278</u>	<u>15,599,278</u>
<b>Balance at 1 January 2004</b>	6,280,000	9,319,278	15,599,278
Net profit for the year	–	6,179,577	6,179,577
<b>Balance at 31 December 2004</b>	<u>6,280,000</u>	<u>15,498,855</u>	<u>21,778,855</u>

The accompanying notes form an integral part of these financial statements

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**RE-STATED CASH FLOW STATEMENTS**

	Financial years ended 31 December		
	<u>2002</u> RM	<u>2003</u> RM	<u>2004</u> RM
<b>Cash Flows from Operating Activities</b>			
Profit before income tax	1,236,023	3,302,323	6,720,268
Adjustments for:			
Depreciation of property, plant and equipment	2,390,298	3,395,027	3,502,990
Property, plant and equipment written off	805	–	1,634
Interest expense	1,292,068	1,648,558	1,338,957
Interest income	–	(72,019)	(55,508)
Gain on foreign exchange – unrealised	–	(310,240)	(128,022)
Loss/(Gain) on disposal of property, plant and equipment	–	2,108	(11,581)
Provision for employee benefits	–	–	15,901
Operating profit before working capital changes	4,919,194	7,965,757	11,384,639
Changes in working capital:			
Inventories	(316,614)	(785,655)	(2,905,188)
Trade and other receivables	405,068	(2,477,850)	(230,149)
Trade and other payables	1,406,761	609,764	2,269,538
Cash generated from operations	6,414,409	5,312,016	10,518,840
Interest paid	(1,292,068)	(1,648,558)	(1,338,957)
Interest received	–	72,019	55,508
Tax paid	(279,465)	–	(211,478)
<b>Cash generated from operating activities</b>	4,842,876	3,735,477	9,023,913
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	(8,532,103)	(2,047,798)	(5,460,605)
Proceeds from sale of property, plant and equipment	–	2,230	644,590
Disposal/(Purchase) of investments	8,000	–	(667,171)
<b>Net cash used in investing activities</b>	(8,524,103)	(2,045,568)	(5,483,186)
<b>Cash Flows from Financing Activities</b>			
Proceeds from bills payables	37,627,991	48,019,329	47,812,444
Payment of bills payables	(35,205,381)	(47,208,810)	(47,809,796)
Payment of finance lease liability	(1,847,956)	(2,060,417)	(1,629,155)
Proceeds from long term borrowings	3,400,000	1,000,000	–
Repayment of bank loan	(154,692)	(821,764)	(977,726)
<b>Net cash generated from/(used in) financing activities</b>	3,819,962	(1,071,662)	(2,604,233)

The accompanying notes form an integral part of these financial statements

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**RE-STATED CASH FLOW STATEMENTS**

	—— Financial years ended 31 December ——		
	<u>2002</u> RM	<u>2003</u> RM	<u>2004</u> RM
<b>Net increase in cash and cash equivalents</b>	138,735	618,247	936,494
<b>Cash and cash equivalents at beginning of year</b>	(334,047)	(195,312)	422,935
	(195,312)	422,935	1,359,429
<b>Cash and cash equivalents at end of year</b>	(195,312)	422,935	1,359,429
<u>Cash and cash equivalents comprise of:</u>			
Bank overdrafts	(1,218,504)	(1,091,852)	—
Cash and bank balances	5,192	252,769	775,131
Fixed deposits	1,018,000	1,262,018	584,298
	(195,312)	422,935	1,359,429

The accompanying notes form an integral part of these financial statements

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

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

**1 General**

The Company is domiciled and incorporated in Malaysia. The address of its registered office is No. 232, Unit 1, 1st Floor, Jalan Legenda 9, Legenda Heights, 08000 Sungai Petani, Kedah Darul Aman.

The board of directors has authorised the re-stated financial statements for issue on the date of the statement by directors.

**2 Significant Accounting Policies**

(a) Basis of Preparation

The audited financial statements of the Company for the financial years ended 31 December 2002, 2003 and 2004 prepared in accordance with applicable approved accounting standards in Malaysia, are used for the purpose of re-statement.

The re-stated financial statements, expressed in Malaysian Ringgit ("RM"), are prepared in accordance with the historical cost convention.

(b) Measurement Currency

Items included in the re-stated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency").

(c) Investments

Long-term investments, including investments in subsidiary companies, are stated at cost less impairment losses. Short-term investments are stated at the lower of cost and market value determined on an individual basis.

(d) Other Investments

Other investments are stated at cost. Cost comprises premium paid plus amortised yield.

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**2 Significant Accounting Policies (cont'd)**

(e) Property, Plant and Equipment

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

Depreciation is provided on the straight-line method so as to write off the cost of each property, plant and equipment over their estimated useful lives. The principal rates used are as follows:

Long-term leasehold lands	–	Over 53 to 99 years
Factory building	–	2%
Plant and machinery	–	10%
Furniture, fittings and equipments	–	10 to 25%
Motor vehicles	–	20%

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

(f) Impairment of Assets

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the re-stated profit and loss statements unless the relevant assets are carried at revalued amounts, in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised as income immediately, unless the relevant assets are carried at revalued amounts, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in-first-out basis. Cost includes the actual cost of purchase and incidentals in bringing the inventories into store and for manufactured inventories, it also includes labour and appropriate production overheads.

(h) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified.

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**2 Significant Accounting Policies (cont'd)**

(i) Payables

Payables, including amounts due to related parties, are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(j) Interest Bearing Borrowings

Interest bearing bank borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are charged to the re-stated profit and loss statement as an expense in the period in which they are incurred.

(k) Hire Purchase

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

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

(l) Provisions

Provisions are recognised when there is a present 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.

(m) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash at bank and bank overdrafts which are short-term, highly liquid assets that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft which are payable on demand and which form an integral part of the Company's cash management.

(n) Revenue Recognition

Revenue from the sale of goods is recognised upon delivery of products and customer acceptance, if any.

(o) Operating Leases

Rentals payable under operating leases are charged to the re-stated profit and loss account.

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**2 Significant Accounting Policies (cont'd)**

(p) Employee Benefits

(i) Short term benefits

Wages, salaries, social security contributions and bonuses are recognised as expenses in the year in which the associated services are rendered by employees of the Company. 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

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the re-stated profit and loss statement as incurred.

(q) Taxation

Taxation in the re-stated profit and loss statement represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the year and any adjustments recognised in the year for current tax of prior years.

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

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

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

(r) Foreign Currency Conversion

The measurement currency of the Company is Malaysian Ringgit. Transactions in foreign currencies are converted into the measurement currency at the exchange rate ruling at the date of the transaction. Foreign currency assets and liabilities are stated in the re-stated balance sheet at the approximate rates ruling at the balance sheet date. All exchange differences are included in the re-stated income statement.



**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**2 Significant Accounting Policies (cont'd)**

(r) Foreign Currency Conversion (cont'd)

The principal exchange rate for every unit of foreign currency at the balance sheet date used is as follows:

	As at 31 December		
	2002 RM	2003 RM	2004 RM
1 United States Dollar	3.8000	3.8000	3.8000
1 Euro	3.9811	4.7783	5.1729
1 New Taiwan Dollar	9.1141	8.8850	8.3526

**3 Principal Activities and Operating Revenue**

The principal activities of the Company are that of manufacturer of speaker parts.

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

**4 Operating Profit**

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
This was arrived at after charging/(crediting):			
Bad debt written off	–	–	5,037
Cost of inventories sold	23,369,961	26,538,894	27,547,916
Depreciation of property, plant and equipment	2,390,298	3,395,027	3,502,990
Directors' remuneration			
– emoluments	85,000	169,559	428,560
– benefits-in-kind	–	–	44,388
Property, plant and equipment written off	805	–	1,634
Loss/(Gain) on disposal of property, plant and equipment	–	2,108	(11,581)
Gain on disposal of investment	(27)	–	–
Gain on foreign currency exchange	(82,241)	(477,354)	(331,412)
Provision for employee benefits	–	–	15,901
Rental of equipment	804	804	–
Rental of factory building	144,000	48,000	–
Rental of hostel	23,160	18,860	19,076
Rental of motor vehicle	8,711	5,208	–

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**5 Finance Income**

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Interest income			
– fixed deposit	–	72,019	55,508

**6 Finance Costs**

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Interest expense			
– bank overdraft	106,401	98,676	86,392
– bank acceptance charges	414,053	481,240	425,355
– factoring and discounting charges	93,246	5,227	–
– hire purchase	291,960	321,600	151,089
– term loan	131,118	445,545	411,836
– trust receipt charges	255,290	296,270	264,285
	1,292,068	1,648,558	1,338,957
– bank charges	20,337	32,687	37,035
– bank commitment fees	2,246	2,617	4,281
– bank guarantee	–	–	5,540
	1,314,651	1,683,862	1,385,813

**7 Staff Costs (including directors' remuneration)**

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Salaries, wages and bonuses	2,007,641	1,975,947	2,594,199
Employers' Provident Fund	119,242	107,082	104,597
Other staff related costs	68,167	33,024	47,695
	2,195,050	2,116,053	2,746,491
Number of employees as at year end	160	109	107

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**8 Income Tax**

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Taxation on the profit for the year			
– current income tax	–	–	–
– deferred income tax	422,113	926,675	632,848
	<u>422,113</u>	<u>926,675</u>	<u>632,848</u>
Under/(Over)provision in prior years			
– current income tax	29,987	–	–
– deferred income tax	(79,645)	85,244	(92,157)
	<u>372,455</u>	<u>1,011,919</u>	<u>540,691</u>

The income tax expense varied from the amount of income tax expense determined by applying the Malaysian income tax rate of 28% to profit before income tax as a result of the following differences:

	Year from 1 Jan 2002 to 31 Dec 2002 RM	Year from 1 Jan 2003 to 31 Dec 2003 RM	Year from 1 Jan 2004 to 31 Dec 2004 RM
Profit before income tax	1,236,023	3,302,323	6,720,268
Income tax at statutory rate	346,086	924,650	1,882,000
Income not subject to tax	(26,646)	(86,867)	–
Non tax deductible expenses	102,673	88,892	165,500
Utilisation of unabsorbed capital allowance	–	–	(396,400)
Utilisation of reinvestment allowance	–	–	(1,018,252)
Under/(Over)provision in prior years			
– current income tax	29,987	–	–
– deferred income tax	(79,645)	85,244	(92,157)
	<u>372,455</u>	<u>1,011,919</u>	<u>540,691</u>
Unabsorbed capital allowances as at year end	<u>3,346,348</u>	<u>1,416,000</u>	<u>–</u>
Unutilised reinvestment allowances as at year end	<u>6,002,047</u>	<u>7,577,706</u>	<u>5,026,000</u>

The above unabsorbed capital allowances and reinvestment allowances are estimated figures, subject to agreement by the Inland Revenue Board, available for set-off against future taxable profits.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**9 Share Capital**

	Financial years ended 31 December		
	<u>2002</u> RM	<u>2003</u> RM	<u>2004</u> RM
Authorised			
At beginning of the year			
– 5,000,000/10,000,000 ordinary shares of RM1 each	5,000,000	5,000,000	10,000,000
Created during the year			
– 5,000,000 ordinary shares of RM1 each	–	5,000,000	–
	<hr/>	<hr/>	<hr/>
At end of the year			
– 5,000,000/10,000,000 ordinary shares of RM1 each	<u>5,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid			
At beginning of the year			
– 5,000,000/6,280,000 ordinary shares of RM1 each	5,000,000	5,000,000	6,280,000
Allotted during the year			
– 1,280,000 ordinary shares of RM1 each	–	1,280,000	–
	<hr/>	<hr/>	<hr/>
At end of the year			
– 5,000,000/6,280,000 ordinary shares of RM1 each	<u>5,000,000</u>	<u>6,280,000</u>	<u>6,280,000</u>

**10 Property, Plant and Equipment**

As at 31 December 2002

	Leasehold <u>land</u> RM	Factory <u>building</u> RM	Plant and <u>machinery</u> RM	Furniture, fittings and <u>equipment</u> RM	Motor <u>vehicle</u> RM	<u>Total</u> RM
Cost						
At 1 January 2002	424,723	2,785,251	18,173,101	393,795	555,935	22,332,805
Addition	–	–	13,209,179	35,266	142,871	13,387,316
Disposal/Written off	–	–	–	(1,020)	–	(1,020)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	<u>424,723</u>	<u>2,785,251</u>	<u>31,382,280</u>	<u>428,041</u>	<u>698,806</u>	<u>35,719,101</u>
Depreciation						
At 1 January 2002	25,740	306,538	5,945,925	189,533	190,413	6,658,149
Charge for the year	4,290	55,705	2,133,340	59,583	137,380	2,390,298
Disposal/Written off	–	–	–	(215)	–	(215)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	<u>30,030</u>	<u>362,243</u>	<u>8,079,265</u>	<u>248,901</u>	<u>327,793</u>	<u>9,048,232</u>
Net book value						
At 31 December 2002	<u>394,693</u>	<u>2,423,008</u>	<u>23,303,015</u>	<u>179,140</u>	<u>371,013</u>	<u>26,670,869</u>

At the balance sheet date, the net book value of property, plant and equipment in respect of which hire purchase instalments are outstanding amounted to RM8,308,956.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**10 Property, Plant and Equipment (cont'd)**

As at 31 December 2003

	Leasehold land RM	Factory building RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicle RM	Total RM
<b>Cost</b>						
At 1 January 2003	424,723	2,785,251	31,382,280	428,041	698,806	35,719,101
Addition	800,000	1,902,200	560,115	30,199	35,284	3,327,798
Disposal/Written off	-	-	(6,620)	(6,699)	(64,300)	(77,619)
<b>At 31 December 2003</b>	<b>1,224,723</b>	<b>4,687,451</b>	<b>31,935,775</b>	<b>451,541</b>	<b>669,790</b>	<b>38,969,280</b>
<b>Depreciation</b>						
At 1 January 2003	30,030	362,243	8,079,265	248,901	327,793	9,048,232
Charge for the year	19,385	80,269	3,155,516	26,390	113,467	3,395,027
Disposal/Written off	-	-	(2,442)	(6,539)	(64,300)	(73,281)
<b>At 31 December 2003</b>	<b>49,415</b>	<b>442,512</b>	<b>11,232,339</b>	<b>268,752</b>	<b>376,960</b>	<b>12,369,978</b>
<b>Net book value</b>						
<b>At 31 December 2003</b>	<b>1,175,308</b>	<b>4,244,939</b>	<b>20,703,436</b>	<b>182,789</b>	<b>292,830</b>	<b>26,599,302</b>

At the balance sheet date, the net book value of property, plant and equipment in respect of which hire purchase instalments are outstanding amounted to RM4,659,204. Plant and machinery with a total net book value of RM5,577,109 was pledged as securities for term loans facilities granted to the Company as disclosed in note 22 to the re-stated financial statements.

As at 31 December 2004

	Leasehold land RM	Factory building RM	Plant and machinery RM	Furniture, fittings and equipment RM	Motor vehicle RM	Total RM
<b>Cost</b>						
At 1 January 2004	1,224,723	4,687,451	31,935,775	451,541	669,790	38,969,280
Addition	-	-	3,396,719	59,255	535,862	3,991,836
Disposal/Written off	-	-	(1,917,313)	(3,180)	(254,788)	(2,175,281)
Reclassification	-	-	(620)	620	-	-
<b>At 31 December 2004</b>	<b>1,224,723</b>	<b>4,687,451</b>	<b>33,414,561</b>	<b>508,236</b>	<b>950,864</b>	<b>40,785,835</b>
<b>Depreciation</b>						
At 1 January 2004	49,415	442,512	11,232,339	268,752	376,960	12,369,978
Charge for the year	19,384	93,749	3,155,741	52,520	181,596	3,502,990
Disposal/Written off	-	-	(1,421,965)	(2,352)	(116,321)	(1,540,638)
Reclassification	-	-	(295)	295	-	-
<b>At 31 December 2004</b>	<b>68,799</b>	<b>536,261</b>	<b>12,965,820</b>	<b>319,215</b>	<b>442,235</b>	<b>14,332,330</b>
<b>Net book value</b>						
<b>At 31 December 2004</b>	<b>1,155,924</b>	<b>4,151,190</b>	<b>20,448,741</b>	<b>189,021</b>	<b>508,629</b>	<b>26,453,505</b>

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**10 Property, Plant and Equipment (cont'd)**

As at 31 December 2004 (cont'd)

At the balance sheet date, the net book value of property, plant and equipment in respect of which hire purchase instalments are outstanding amounted to RM5,199,266.

Included in the property, plant and equipment of the Company are:-

- (i) Long term leasehold land and factory building pledged to a financial institution for banking facilities granted to the Company as disclosed in note 20 and 22 to the re-stated financial statements; and
- (ii) Plant and machinery with a total net book value of RM4,947,912 pledged as securities for term loan facilities granted to the Company as disclosed in note 22 to the re-stated financial statements.

**11 Other Investments**

	As at 31 December		
	2002 RM	2003 RM	2004 RM
At cost	-	-	667,171
	-	-	667,171

These investments are in respect of single premium paid plus amortised yield on endowment plan insurance contracts insured on the life of a director of the Company where the Company is the beneficiary to these contracts. The salient features of these contracts are as follows: -

- (i) The contracts shall be terminated upon expiry of 10 years from the date of payment of the premium or on the death of the insured, whichever is earlier.
- (ii) The maturity value or death benefit upon termination of the contracts is 1.5 times of the premium paid. However, accidental death benefit amounts to 2.25 times of the premium paid. The effective yield to maturity on the premium paid is 4% per annum.

The above investments are assigned to a financial institution as security for credit facilities granted to the Company as disclosed in note 20 to the re-stated financial statements.

The maturity profile and effective interest rates are disclosed in note 28 to the re-stated financial statements.

Subsequent to the financial year ended 31 December 2004, the above investments were terminated and the proceeds were placed in a fixed deposit pledged to a financial institution as security for credit facilities granted to the Company.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**12 Inventories**

	As at 31 December		
	2002	2003	2004
	RM	RM	RM
At cost:			
Raw material	765,957	1,171,734	3,174,882
Semi finished goods	465,225	487,331	1,218,997
Finished goods	929,038	1,286,810	1,457,184
	2,160,220	2,945,875	5,851,063

**13 Other Receivables, Deposits and Prepayments**

	As at 31 December		
	2002	2003	2004
	RM	RM	RM
Other receivables	247,365	–	–
Deposits	16,795	17,910	5,191,694
Prepayments	1,416,387	690,199	589,673
	1,680,547	708,109	5,781,367

Included in the deposits as at 31 December 2004 is an amount of RM5,168,864 for purchase of plant and machinery.

**14 Amount Due From Directors**

The amounts due from directors are non-trade in nature, unsecured, interest-free and have no fixed terms of repayment.

**15 Tax Asset**

This relates to tax paid in advance.

**16 Fixed Deposits**

The fixed deposits are pledged to a bank as collateral for banking facilities granted to the Company as disclosed in note 20 to the re-stated financial statements.

Fixed deposits placed under the name of a director of the Company who held these deposits in trust for the Company are as follows:

	As at 31 December		
	2002	2003	2004
	RM	RM	RM
Fixed deposits held in trust by a director	560,000	881,250	–

The maturity profile and effective interest rates are disclosed in note 28 to the re-stated financial statements.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**17 Other Payables and Accruals**

	As at 31 December		
	2002 RM	2003 RM	2004 RM
Other payables	138,856	115,173	137,682
Accruals	211,406	246,359	232,123
	350,262	361,532	369,805

**18 Amount Due To Related Parties**

The related parties are companies in which a director of the Company has a substantial financial interest.

**19 Hire Purchase Creditors**

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

	<b>Minimum lease payments RM</b>	<b>Present value of minimum lease payments RM</b>
<u>As at 31 December 2002</u>		
Amount payable under finance leases:		
Within one year	2,382,018	2,063,055
Between two to five years	2,530,733	2,342,230
Total minimum lease payments	4,912,751	4,405,285
Less: Future finance charges	(507,466)	—
Present value of minimum lease payments	4,405,285	4,405,285
Less:		
Repayable within one year included under current liabilities		(2,063,055)
Repayable within two to five years included under non-current liabilities		2,342,230



**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**19 Hire Purchase Creditors (cont'd)**

	<b>Minimum lease payments RM</b>	<b>Present value of minimum lease payments RM</b>
<u>As at 31 December 2003</u>		
Amount payable under finance leases:		
Within one year	1,548,331	1,397,897
Between two to five years	982,402	946,970
	2,530,733	2,344,867
Total minimum lease payments		
Less: Future finance charges	(185,866)	–
	2,344,867	2,344,867
Present value of minimum lease payments		
Less:		
Repayable within one year included under current liabilities		(1,397,897)
Repayable within two to five years included under non-current liabilities		946,970
	<b>Minimum lease payments RM</b>	<b>Present value of minimum lease payments RM</b>
<u>As at 31 December 2004</u>		
Amount payable under finance leases:		
Within one year	2,273,192	2,052,487
Between two to five years	2,511,642	2,363,320
	4,784,834	4,415,807
Total minimum lease payments		
Less: Future finance charges	(369,027)	–
	4,415,807	4,415,807
Present value of minimum lease payments		
Less:		
Repayable within one year included under current liabilities		(2,052,487)
Repayable within two to five years included under non-current liabilities		2,363,320

The maturity profile and effective interest rates are disclosed in note 28 to the re-stated financial statements.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**20 Bank Borrowings**

	As at 31 December		
	2002	2003	2004
	RM	RM	RM
Secured:			
– bank overdrafts	1,218,504	1,091,852	–
– bills payable	11,487,129	12,297,648	12,443,296
– term loan (Note 22)	949,932	994,894	837,085
Unsecured:			
– bills payable	500,000	500,000	357,000
	14,155,565	14,884,394	13,637,381

The secured bank borrowings of the Company are secured and supported by:-

- (i) legal charges over the Company's leasehold land and factory buildings;
- (ii) debenture incorporating a fixed and floating charge over the assets of the Company;
- (iii) pledge of fixed deposits as disclosed in note 16 to the re-stated financial statements;
- (iv) assignment of insurance contracts as disclosed in note 11 to the re-stated financial statements; and
- (v) joint and several guarantee by certain directors of the Company.

The maturity profile and effective interest rates are disclosed in note 28 to the re-stated financial statements.

**21 Provision For Employee Benefits**

This relates to short term accumulating compensated absences.

**22 Term Loans – Secured**

	As at 31 December		
	2002	2003	2004
	RM	RM	RM
Repayable			
– within 1 year (Note 20)	949,932	994,894	837,085
– between 2 to 5 years	4,308,561	4,441,836	3,621,919
	5,258,493	5,436,730	4,459,004

The term loans are secured by way of first legal charge on the Company's leasehold land and factory building, certain machinery and jointly and severally guaranteed by the directors of the Company.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**23 Deferred Taxation**

	As at 31 December		
	2002 RM	2003 RM	2004 RM
<u>Deferred tax liabilities</u>			
– to be settled after more than 12 months	2,086,320	2,589,436	2,491,000
<u>Deferred tax assets</u>			
– to be recovered after more than 12 months	1,147,930	639,127	–

The movement in the deferred tax account is as follows:-

	Financial years ended 31 December		
	2002 RM	2003 RM	2004 RM
<b><u>Deferred tax liabilities</u></b>			
Accelerated tax depreciation			
– Balance as at beginning of year	956,948	2,086,320	2,589,436
– Charged/(Credited) to profit and loss	1,129,372	503,116	(134,436)
	2,086,320	2,589,436	2,455,000
– Balance as at end of year			
Unrealised foreign exchange gain			
– Balance as at beginning of year	–	–	–
– Charged to profit and loss	–	–	36,000
	–	–	36,000
– Balance as at end of year			
Total deferred tax liabilities as at year end	2,086,320	2,589,436	2,491,000
<b><u>Deferred tax assets</u></b>			
Unutilised capital allowances			
– Balance as at beginning of year	361,026	1,147,930	639,127
– Credited/(Charged) to profit and loss	786,904	(508,803)	(639,127)
	1,147,930	639,127	–
– Balance as at end of year			

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**23 Deferred Taxation (cont'd)**

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 balance sheets:-

	As at 31 December		
	2002 RM	2003 RM	2004 RM
Deferred tax liabilities	2,086,320	2,589,436	2,491,000
Deferred tax assets	1,147,930	639,127	-
	938,390	1,950,309	2,491,000

**24 Operating Lease Commitments**

At the balance sheet date, the Company was committed to making the following payments in respect of operating leases:

	As at 31 December		
	2002 RM	2003 RM	2004 RM
Payable:			
Within one year	11,400	15,780	6,020
Between two to five years	11,760	2,940	-
	23,160	18,720	6,020

**25 Capital Commitment**

	As at 31 December		
	2002 RM	2003 RM	2004 RM
Capital expenditure in respect of purchase of:			
- leasehold property	2,500,000	-	-
- plant and machinery	-	-	2,238,107
	-	-	2,238,107

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**26 Related Party Transactions**

Related parties are entities with common shareholders and/or directors. The Company had significant transactions with companies in which certain directors have substantial financial interests as follows:

	Financial years ended 31 December		
	2002 RM	2003 RM	2004 RM
<u>Sales</u>			
– Invoices issued to a related party*	1,875,730	1,710,510	1,605,069
– Invoices issued to the end-customers *	10,382,780	12,461,550	12,061,830
<u>Purchases from related parties</u>			
– Purchase of raw materials	6,844,746	8,932,514	13,629,091
– Purchase of semi-finished products	3,694,419	3,822,989	171,173
– Purchase of tools, moulds and machinery	1,903,709	452,373	433,588
– Plating charges #	1,885,904	1,588,759	871,952
– Rental of land and building	144,000	48,000	–
– Rental of motor vehicles	7,812	5,208	–
– Purchase of land and building	–	2,500,000	–
	–	2,500,000	–

\* These relate to customers who have placed orders and made payments through a related party. Invoices were raised by the Company either to the related party or directly to the end-customers.

# The director of the Company ceased to have any financial interest in the related party in the financial year ended 31 December 2004.

**27 Contingent Liabilities**

	As at 31 December		
	2002 RM	2003 RM	2004 RM
Corporate guarantees given to financial institutions for hire purchase facilities granted to a third party	–	368,104	173,343
	–	368,104	173,343

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**28 Risk Management**

Financial Instruments

The Company's financial assets include cash and bank balances, fixed deposits, trade receivables and other receivables. The Company's financial liabilities include trade payables, other payables, amount due to related parties and bank borrowings.

(a) Risk Management and Policies

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

(i) Credit risk

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

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

(ii) Interest rate risk

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

– Interest bearing financial assets

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

The Company manages its interest rate yield by prudently balances the placement of deposits with varying maturity periods.

– Interest bearing financial liabilities

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

The Company manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Company 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.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.  
(Incorporated in Malaysia)**

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**28 Risk Management (cont'd)**

(ii) Interest rate risk (cont'd)

The effective interest rates at 31 December 2002, 2003 and 2004 and the periods in which they reprice or mature, whichever is earlier are as follows:-

	Note	Effective Interest rate %	Total RM	Maturity within 1 year RM	Maturity between 2 to 5 years RM	Maturity more than 5 years RM
<b>2002</b>						
<u>Financial Liabilities</u>						
- Hire purchase payables	19	3.97 – 5.05	4,405,285	2,063,055	2,342,230	-
- Bank overdrafts	20	8.00	1,218,504	1,218,504	-	-
- Term loans	22	2.50 – 8.90	5,258,493	949,932	4,308,561	-
- Bill payables	20	4.70 – 8.40	11,987,129	11,987,129	-	-
<b>2003</b>						
<u>Financial Assets</u>						
- Fixed deposit	16	3.00 – 4.00	1,262,018	1,262,018	-	-
<u>Financial Liabilities</u>						
- Hire purchase payables	19	3.97 – 5.05	2,344,867	1,397,897	946,970	-
- Bank overdrafts	20	8.00	1,091,852	1,091,852	-	-
- Term loans	22	2.50 – 8.90	5,436,730	994,894	4,441,836	-
- Bill payables	20	4.70 – 8.00	12,797,648	12,797,648	-	-
<b>2004</b>						
<u>Financial Assets</u>						
- Other investments	11	4.00	667,171	-	-	667,171
- Fixed deposit	16	3.00 – 3.70	584,298	584,298	-	-
<u>Financial Liabilities</u>						
- Hire purchase payables	19	3.97 – 4.50	4,415,807	2,052,487	2,363,320	-
- Term loans	22	2.50 – 8.00	4,459,004	837,085	3,621,919	-
- Bill payables	20	4.70 – 8.40	12,800,296	12,800,296	-	-

(iii) Liquidity risk

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

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

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**28 Risk Management (cont'd)**

(iv) Foreign currency risk

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

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

The net unhedged financial assets and liabilities of the Company as at 31 December 2002, 2003 and 2004 that are not denominated in their functional currencies are as follows:-

	(Represents foreign currencies translated into RM)			
	Trade receivables RM	Cash and bank balances RM	Trade payables RM	Amount due to related parties RM
Functional currency of the Company:				
<b><u>2002</u></b>				
United States Dollar	1,988,229	3,588	79,420	-
Euro	2,291,571	-	-	-
New Taiwan Dollar	-	-	406,268	-
	<u>4,279,800</u>	<u>3,588</u>	<u>485,688</u>	<u>-</u>
<b><u>2003</u></b>				
United States Dollar	3,760,482	56	4,854	-
Euro	4,042,525	-	-	-
New Taiwan Dollar	-	-	637,713	-
	<u>7,803,007</u>	<u>56</u>	<u>642,567</u>	<u>-</u>
<b><u>2004</u></b>				
Singapore Dollar	-	-	-	2,367,704
United States Dollar	6,200,098	600	-	-
Euro	3,154,027	-	121,203	-
New Taiwan Dollar	-	-	415,702	-
	<u>9,354,125</u>	<u>600</u>	<u>536,905</u>	<u>2,367,704</u>



**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**28 Risk Management (cont'd)**

(b) Fair Value

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

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

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

(ii) Other Investments

The carrying amount of other investments approximate their fair values.

(iii) Borrowings

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

The carrying amounts of long term floating rate loans approximate their fair values.

The fair value of hire purchase payables and fixed rate term loan are estimated using discounted cash flow analysis, based on current lending rates for similar types of lending and borrowing arrangements.

The carrying amounts of financial assets and liabilities recognised in the balance sheet of the Company approximate to their fair values except for the following:-

	Carrying Amount RM	Fair Value RM
Financial liabilities:		
<u>2002</u>		
– hire purchase payables	4,405,285	4,382,445
– term loan	719,057	720,336
	4,124,342	5,102,781
<u>2003</u>		
– hire purchase payables	2,344,867	2,336,749
– term loan	464,310	439,207
	2,809,177	2,775,956
<u>2004</u>		
– hire purchase payables	4,415,807	4,413,079
– term loan	191,684	183,604
	4,607,491	4,596,683

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**28 Risk Management (cont'd)**

(iii) Borrowings (cont'd)

The nominal/notional amount and fair value of financial instruments not recognised in the balance sheet are as follows:-

	<u>Note</u>	Nominal/Notional <u>Amount</u> RM	Fair <u>Value</u> RM
Contingent liability:			
– 2003	27	368,104	*
– 2004	27	173,343	*

\* It is not practical to estimate the fair value of the contingent liability reliably due to uncertainties of timing, costs and eventual outcome.

**29 Adjustments/Reclassifications**

The adjustments/reclassifications made to the audited statutory financial statements of the Company in the preparation of the re-stated financial statements are as follows: -

**Adjustments**

The adjustments represent the re-presentation of the financial information of the Company for the financial years ended 31 December 2002 and 2003 to include the prior year adjustments passed in the audited financial statements for the years ended 31 December 2003 and 2004 in accordance with the applicable approved accounting standards in Malaysia. No adjustments were made to re-state the financial statements in order to comply with Singapore Financial Reporting Standards.

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassifications (cont'd)**

**Reclassifications**

The adjustments are reclassification of accounts to present the financial statements consistently for all the financial years under review. There is no impact to the profit for the year or the net assets.

**Year ended 31 December 2002**

	<b>Audited profit and loss statement RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated profit and loss statement RM</b>
Revenue	26,859,614			26,859,614
Cost of goods sold	(23,370,766)		805 <sup>(4)</sup>	(23,369,961)
Gross profit	3,488,848			3,489,653
Other operating revenue	389,059			389,059
Administrative costs	(1,327,233)		13,872 <sup>(4)</sup>	(1,313,361)
Other operating costs	-		(14,677) <sup>(4)</sup>	(14,677)
Operating profit	2,550,674			2,550,674
Finance income	-			-
Finance costs	(1,288,142)	(26,509) <sup>(1)</sup>		(1,314,651)
Profit before income tax	1,262,532			1,236,023
Income tax	(231,987)	(140,468) <sup>(2)</sup>		(372,455)
Profit for the year	<u>1,030,545</u>			<u>863,568</u>

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassifications (cont'd)**

**Year ended 31 December 2003**

	<b>Audited profit and loss statement RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated profit and loss statement RM</b>
Revenue	32,150,585			32,150,585
Cost of goods sold	(26,540,842)		1,948 <sup>(4)</sup>	(26,538,894)
Gross profit	5,609,743			5,611,691
Other operating revenue	985,692		(72,019) <sup>(5)</sup>	913,673
Administrative costs	(1,609,250)		121,747 <sup>(4)</sup>	(1,487,503)
Other operating costs	–		(123,695) <sup>(4)</sup>	(123,695)
Operating profit	4,986,185			4,914,166
Finance income	–		72,019 <sup>(5)</sup>	72,019
Finance costs	(1,630,064)	(53,798) <sup>(1)</sup>		(1,683,862)
Profit before income tax	3,356,121			3,302,323
Income tax	(1,011,919)			(1,011,919)
Profit for the year	<u>2,344,202</u>			<u>2,290,404</u>

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassifications (cont'd)**

**Year ended 31 December 2004**

	<b>Audited profit and loss statement RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated profit and loss statement RM</b>
Revenue	36,519,418			36,519,418
Cost of goods sold	(27,547,916)			(27,547,916)
Gross profit	8,971,502			8,971,502
Other operating revenue	1,092,082		(55,508) <sup>(5)</sup>	1,036,574
Administrative costs	(1,942,131)			(1,942,131)
Other operating costs	(15,372)			(15,372)
Operating profit	8,106,081			8,050,573
Finance income	–		55,508 <sup>(5)</sup>	55,508
Finance costs	(1,385,813)			(1,385,813)
Profit before income tax	6,720,268			6,720,268
Income tax	(540,691)			(540,691)
Profit for the year	<u>6,179,577</u>			<u>6,179,577</u>

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassification (cont'd)**

**As at 31 December 2002**

	<b>Audited balance sheet RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated balance sheet RM</b>
<b>Share Capital and Reserves</b>				
Share capital	5,000,000			5,000,000
Retained profit	7,794,799	(765,925)		7,028,874
	<u>12,794,799</u>			<u>12,028,874</u>
<b>Non-Current Assets</b>				
Property, plant and equipment	26,670,869			26,670,869
Other investments	–			–
	<u>26,670,869</u>			<u>26,670,869</u>
<b>Current Assets</b>				
Inventories	2,160,220			2,160,220
Trade receivables	6,526,108			6,526,108
Other receivables, deposits and prepayments	1,818,547		(138,000) <sup>(6)</sup>	1,680,547
Amount due from directors	360,601			360,601
Tax asset	–	(72,552) <sup>(3)</sup>	138,000 <sup>(6)</sup>	65,448
Fixed deposits	–		1,018,000 <sup>(7)</sup>	1,018,000
Cash and bank balances	1,023,192		(1,018,000) <sup>(7)</sup>	5,192
	<u>11,888,668</u>			<u>11,816,116</u>
<b>Current Liabilities</b>				
Trade payables	427,861		569,698 <sup>(9)</sup>	997,559
Other payables and accruals	2,222,449		(1,872,187) <sup>(8) (9)</sup>	350,262
Amount due to related parties	–		1,302,489 <sup>(8)</sup>	1,302,489
Hire purchase creditors	2,344,722	(15,000) <sup>(1)</sup>	(266,667) <sup>(10)</sup>	2,063,055
Bank borrowings	13,888,899		266,666 <sup>(10)</sup>	14,155,565
Provision for employee benefits	–			–
	<u>18,883,931</u>			<u>18,868,930</u>
<b>Net Current Liabilities</b>	<b>(6,995,263)</b>			<b>(7,052,814)</b>
<b>Non-Current Liabilities</b>				
Term loans - secured	(3,856,170)	(7,946) <sup>(1)</sup>	(444,445) <sup>(10)</sup>	(4,308,561)
Hire purchase creditors	(2,654,637)	(132,037) <sup>(1)</sup>	444,444 <sup>(10)</sup>	(2,342,230)
Deferred taxation	(370,000)	(568,390) <sup>(2)</sup>		(938,390)
	<u>12,794,799</u>			<u>12,028,874</u>

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassification (cont'd)**

**As at 31 December 2003**

	<b>Audited balance sheet RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated balance sheet RM</b>
<b>Share Capital and Reserves</b>				
Share capital	6,280,000			6,280,000
Retained profit	9,570,611	(251,333)		9,319,278
	<u>15,850,611</u>			<u>15,599,278</u>
<b>Non-Current Assets</b>				
Property, plant and equipment	26,599,302			26,599,302
Other investments	–			–
	<u>26,599,302</u>			<u>26,599,302</u>
<b>Current Assets</b>				
Inventories	2,945,875			2,945,875
Trade receivables	10,662,068			10,662,068
Other receivables, deposits and prepayments	810,109		(102,000) <sup>(6)</sup>	708,109
Amount due from directors	21,169			21,169
Tax asset	–	(72,552) <sup>(3)</sup>	102,000 <sup>(6)</sup>	29,448
Fixed deposits	1,262,018			1,262,018
Cash and bank balances	252,769			252,769
	<u>15,954,008</u>			<u>15,881,456</u>
<b>Current Liabilities</b>				
Trade payables	2,898,542		(1,452,545) <sup>(8)</sup>	1,445,997
Other payables and accruals	361,532			361,532
Amount due to related parties	–		1,452,545 <sup>(8)</sup>	1,452,545
Hire purchase creditors	1,341,745	56,152 <sup>(1)</sup>		1,397,897
Bank borrowings	14,956,111		(71,717) <sup>(11)</sup>	14,884,394
Provision for employee benefits	–			–
	<u>19,557,930</u>			<u>19,542,365</u>
<b>Net Current Liabilities</b>	<b>(3,603,922)</b>			<b>(3,660,909)</b>
<b>Non-Current Liabilities</b>				
Term loans - secured	(4,350,253)	(19,866) <sup>(1)</sup>	(71,717) <sup>(11)</sup>	(4,441,836)
Hire purchase creditors	(844,207)	(102,763) <sup>(1)</sup>		(946,970)
Deferred taxation	(1,950,309)			(1,950,309)
	<u>15,850,611</u>			<u>15,599,278</u>

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassification (cont'd)**

**As at 31 December 2004**

	<u>Audited balance sheet</u> RM	<u>Adjustments</u> RM	<u>Reclassifications</u> RM	<u>Re-stated balance sheet</u> RM
<b>Share Capital and Reserves</b>				
Share capital	6,280,000			6,280,000
Retained profit	15,498,855			15,498,855
	<u>21,778,855</u>			<u>21,778,855</u>
<b>Non-Current Assets</b>				
Property, plant and equipment	26,453,505			26,453,505
Other investments	667,171			667,171
	<u>27,120,676</u>			<u>27,120,676</u>
<b>Current Assets</b>				
Inventories	5,851,063			5,851,063
Trade receivables	11,137,014			11,137,014
Other receivables, deposits and prepayments	5,781,367			5,781,367
Amount due from directors	-			-
Tax asset	240,926			240,926
Fixed deposits	584,298			584,298
Cash and bank balances	775,131			775,131
	<u>24,369,799</u>			<u>24,369,799</u>
<b>Current Liabilities</b>				
Trade payables	2,792,103		(121,203) <sup>(6)</sup>	2,670,900
Other payables and accruals	2,737,509		(2,367,704) <sup>(6)</sup>	369,805
Amount due to related parties	-		2,488,907 <sup>(6)</sup>	2,488,907
Hire purchase creditors	2,052,487			2,052,487
Bank borrowings	13,637,381			13,637,381
Provision for employee benefits	15,901			15,901
	<u>21,235,381</u>			<u>21,235,381</u>
<b>Net Current Asset</b>	<b>3,134,418</b>			<b>3,134,418</b>
<b>Non-Current Liabilities</b>				
Term loans - secured	(3,621,919)			(3,621,919)
Hire purchase creditors	(2,363,320)			(2,363,320)
Deferred taxation	(2,491,000)			(2,491,000)
	<u>21,778,855</u>			<u>21,778,855</u>



**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassification (cont'd)**

**Year ended 31 December 2002**

	<b>Audited cash flow statement RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated cash flow statement RM</b>
Cash flow from operating activities	4,869,385	(26,509) <sup>(1)</sup>		4,842,876
Cash flow used in investing activities	(8,524,103)			(8,524,103)
Cash flow from financing activities	3,793,453	26,509 <sup>(1)</sup>		3,819,962
Net increase in cash and cash equivalent	138,735			138,735
Cash and cash equivalents at the beginning of the year	(334,047)			(334,047)
Cash and cash equivalents at the end of the year	<u>(195,312)</u>			<u>(195,312)</u>

**Year ended 31 December 2003**

	<b>Audited cash flow statement RM</b>	<b>Adjustments RM</b>	<b>Reclassifications RM</b>	<b>Re-stated cash flow statement RM</b>
Cash flow from operating activities	5,069,275	(53,798) <sup>(1)</sup>	(1,280,000) <sup>(12)</sup>	3,735,477
Cash flow used in investing activities	(3,325,568)		1,280,000 <sup>(12)</sup>	(2,045,568)
Cash flow used in financing activities	(1,125,460)	53,798 <sup>(1)</sup>		(1,071,662)
Net increase in cash and cash equivalent	618,247			618,247
Cash and cash equivalents at the beginning of the year	(195,312)			(195,312)
Cash and cash equivalents at the end of the year	<u>422,935</u>			<u>422,935</u>

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

**NOTES TO THE RE-STATED FINANCIAL STATEMENTS**

**29 Adjustments/Reclassification (cont'd)**

**Year ended 31 December 2004**

There are no adjustments made to the audited cash flow statement for the financial year ended 31 December 2004.

**Notes to adjustments: -**

- (1) These adjustments relate to the change in allocation method for the hire purchase finance charges and fixed rate term loan interest from straight line method to sum-of-digit method.
- (2) These adjustments relate to the additional provision for deferred tax liability as a result of a change in accounting policy to adopt a new accounting standard on income tax in Malaysia.
- (3) This adjustment relates to the additional tax assessed and related late penalty charges arising from tax audit conducted by Inland Revenue Board for Year of Assessment 1997 to 2001.

**Notes to reclassifications: -**

- (4) These relate to the reclassification of cost of goods sold and administrative costs to other operating costs.
- (5) These relate to the reclassification of other operating revenue to finance income.
- (6) These relate to the reclassification of other receivables, deposits and prepayments to tax asset.
- (7) This relates to the reclassification of cash and bank balances to fixed deposits.
- (8) These relate to the reclassification of trade and other payables to amount due to related parties.
- (9) This relates to the reclassification of other payables and accruals to trade payables.
- (10) These relate to the reclassification of hire purchase creditors to term loans.
- (11) This relates to the reclassification of term loans from current liabilities to non-current liabilities.
- (12) This relates to the reclassification of the non-cash purchase of property, plant and equipment included previously under investing activities.

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

APPENDIX A

23 August 2005

The Directors  
Allied Advantage Sdn. Bhd.  
Lots 148-149, Jalan PKNK 3/1  
Kawasan Persusahaan Sungai Petani,  
08000 Sungai Petani,  
Kedah, Malaysia

Dear Sirs

**Allied Advantage Sdn. Bhd.**  
**Audit for the years ended 31 December 2003 and 31 December 2002**

We refer to the Re-stated Financial Statements of Allied Advantage Sdn. Bhd. as set out in the prospectus of AA Group Holdings Ltd. dated 23 August 2005.

In so far as adjustments were made between the audited financial statements, audited by us, and the Re-stated Financial Statements, we are aware of the nature and the quantum of these adjustments. In our opinion, there is no impact on our audit opinions dated 7th June 2004 and 12th June 2003 arising from these adjustments.

Yours faithfully

TAN CHEAH & CO.  
CHARTERED ACCOUNTANTS

TAN HOCK SEONG  
PARTNER

---

**REPORT ON EXAMINATION OF THE RE-STATED FINANCIAL STATEMENTS OF  
ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

---

APPENDIX B

23 August 2005

The Directors  
Allied Advantage Sdn. Bhd.  
Lots 148-149, Jalan PKNK 3/1  
Kawasan Perusahaan Sungai Petani,  
08000 Sungai Petani,  
Kedah, Malaysia

Dear Sirs

**Allied Advantage Sdn. Bhd.  
Audit for the year ended 31 December 2004**

We refer to the Re-stated Financial Statements of Allied Advantage Sdn. Bhd. as set out in the prospectus of AA Group Holdings Ltd. dated 23 August 2005.

In so far as adjustments were made between the audited financial statements, audited by us, and the Re-stated Financial Statements, we are aware of the nature and the quantum of these adjustments. In our opinion, there is no impact on our audit opinion dated 7th March 2005 arising from these adjustments.

Yours faithfully

MOORE STEPHENS  
CHARTERED ACCOUNTANTS


AU TAI WEE  
PARTNER

REPORTS OF THE AUDITORS ON THE AUDITED FINANCIAL STATEMENTS  
OF ALLIED ADVANTAGE SND. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004



陳謝業務會計公司  
TAN CHEAH & CO. (AF1253)  
Chartered Accountants

CERTIFIED TRUE COPY

  
CHEAH SOOK SEAN  
Chartered Accountant

No. 3, 1st Floor, Lorong Satu, Taman Ria,  
08000 Sungai Petani, Kedah Darulaman.  
Tel: 04-4413109 / 4419811  
Fax: 04-4412548  
E-mail: tancheah@pd.jaring.my

**REPORT OF THE AUDITORS**

**To The Members Of Allied Advantage Sdn. Bhd.**  
**(355488-P)**

We have audited the financial statements of the Company as set out on pages 8 to 16.

The financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute Of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

- a) the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :-
  - i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
  - ii) the state of affairs of the Company as at **31 DECEMBER, 2002** and of the results of the operations and of the cash flows of the Company for the year ended on that date; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the company have been properly kept in accordance with the provisions of the said Act.



TAN CHEAH & CO.  
CHARTERED ACCOUNTANTS  
FIRM NO : AF1253



TAN HOCK SEONG  
AUDIT LICENCE NO : 1676/8/03(J)  
PARTNER OF THE FIRM

SUNGAI PETANI  
DATE **12 JUN 2003**

7

REPORTS OF THE AUDITORS ON THE AUDITED FINANCIAL STATEMENTS  
OF ALLIED ADVANTAGE SND. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004

 陳謝業務會計公司  
**TAN CHEAH & CO.** (AF1253)  
Chartered Accountants

No. 232, 1st Floor, Unit 2,  
Jalan Legenda 9, Legenda Heights,  
08000 Sungai Petani, Kedah Darul Aman.  
Tel: 04 - 422 3109 Fax: 04 - 425 2548  
E-mail: tancheah@pd.jaring.my

**REPORT OF THE AUDITORS**

**To The Members Of Allied Advantage Sdn. Bhd.**  
**(355488-P)**

We have audited the financial statements of the Company as set out on pages 8 to 21.

The financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute Of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting principles used and significant estimates made by the directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion,

- a) the financial statements which have been prepared under the historical cost convention, are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of :-
  - i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
  - ii) the state of affairs of the Company as at **31 DECEMBER, 2003** and of the results of the operations and of the cash flows of the Company for the year ended on that date; and
- b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the company have been properly kept in accordance with the provisions of the said Act.



**TAN CHEAH & CO.**  
CHARTERED ACCOUNTANTS  
FIRM NO : AF1253

SUNGAI PETANI

DATE **07 JUN 2004**



**TAN HOCK SEONG**  
AUDIT LICENCE NO : 1676/8/05(J)  
PARTNER OF THE FIRM

**REPORTS OF THE AUDITORS ON THE AUDITED FINANCIAL STATEMENTS  
OF ALLIED ADVANTAGE SDN. BHD. FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2002, 2003 AND 2004**

Company No. : 355488-P

**MOORE STEPHENS**

CHARTERED ACCOUNTANTS  
(FIRM NO: AF.0282)

Wisma Boon Siew  
Level 10, Unit 10h  
1, Penang Road,  
10000 Penang  
Malaysia

Tel: 604 262 9431  
604 262 9432  
Fax: 604 263 8196

**REPORT OF THE AUDITORS TO THE MEMBERS OF**

**ALLIED ADVANTAGE SDN. BHD.**  
(Incorporated in Malaysia)

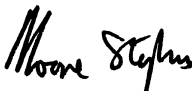
We have audited the financial statements as set out on pages 7 to 34.

The preparation of the financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.


In our opinion:-

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:-
- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Company; and
  - (ii) the state of affairs of the Company as at 31st December, 2004 and of the results of the operations, changes in equity and cash flows of the Company for the year ended on that date;
- and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company have been properly kept in accordance with the provisions of the said Act.

  
MOORE STEPHENS  
CHARTERED ACCOUNTANTS  
(AF.0282)

PENANG

07 MAR 2005

  
AU TAI WEE  
1551/01/07 (J)  
PARTNER

---

## APPENDIX I

### SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY

---

This Appendix provides information about certain provisions of the Articles of Association of our Company. The description below is only a summary and is qualified in its entirety by reference to the Articles of Association of our Company.

#### **Articles of Association**

The following provisions in the Articles of Association of our Company relate to *inter alia*, the transfer of shares, voting rights of shareholders and Directors' shareholding qualification, remuneration, borrowing powers and voting rights on proposals, arrangements or contracts in which they are interested:-

**(1) The following provisions of the Articles of Association of our Company relate to the remuneration, restrictions on voting rights and borrowing powers of the Directors.**

**(a) Directors' Remuneration**

Article 101(3)

An alternate Director shall be entitled to contract and be interested in and benefit from contracts, arrangements or transactions to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company any remuneration in respect of his appointment as alternate Director except only such part (if any) of the remuneration otherwise payable to his appointor in which event any fee paid by the Company to an alternate Director shall be deducted from the fees of the Director appointing the alternate.

Article 102(1)

The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, subject to Section 169 of the Act, be determined by the Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally.

Article 102(2)

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

Article 102(3)

The remuneration of a non-Executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an Executive Director may not include a commission on or a percentage of turnover.

Article 102(4)

The provisions of this Article are without prejudice to the power of the Directors to appoint any of their number to be employee or agent of the Company at such remuneration and upon such terms as they think fit without the approval of the Members in General Meeting provided that such remuneration may include a commission on or percentage of profits but not a commission on or percentage of turnover.

Article 102(5)

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.



---

**APPENDIX I**

**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 103

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum or as provided in Article 102(3) (but not by way of commission on or percentage of turnover) and such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of the Company.

Article 105(3)

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 114

The Directors shall (subject to the provisions of any contract between the Managing Director and the Company) from time to time fix the remuneration of the Managing Director which may be by way of fixed salary, commission or participation in profits (but not turnover) of the Company or by any or all of these modes.

**(b) Restrictions on Voting Rights of Directors**

Article 105(1)

A Director who is in any way whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 156 of the Act.

Article 105(2)

A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted nor save as provided by Article 106 shall he be counted in the quorum present at the meeting.

Article 105(3)

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 106

Subject to Article 105(2) above, a Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged.

**(c) Borrowing Powers of Directors**

Article 62

The Directors may, from time to time, exercise all the powers of the Company to raise or borrow or secure the payment of any sum or sums of moneys for the purposes of the Company.

Article 63

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of debentures or debenture stock of the Company, perpetual or otherwise, charged upon or by mortgage charge or lien of and on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being, or by making, accepting, endorsing or executing any cheque, promissory note or bill of exchange.

**(2) The following provisions of the Articles of Association of the Company relate to the variation of members' rights, the transfer of shares and voting rights of members:-**

**(a) Variation of Members' Rights**

Article 9

Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall *mutatis mutandis* apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Article 61

Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Companies Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

**(b) Transfer of Shares**

Article 40

Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Directors and the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

Article 41

The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

Article 42

Shares of different classes shall not be comprised in the same instrument of transfer.

Article 43

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 44(1)

All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

Article 44(2)

The Company shall be entitled to destroy:-

- (a) all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof;
- (b) all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and
- (c) all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 44(3)

It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:

- (a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;
- (b) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and
- (c) every other document hereinbefore mentioned so destroyed was a valid and effective document;

in accordance with the recorded particulars thereof in the books or records of the Company.

Article 44(4)

Articles 44(2) and 44(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.

Article 44(5)

Nothing contained in this Article 44 shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this Article 44, and references in this Article 44 to the destruction of any document include references to the disposal thereof in any manner.

Article 45

The Directors may decline to accept any instrument of transfer unless:-

- (a) all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding two Singapore dollars for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to the Company; and
- (b) such fee not exceeding two Singapore dollars as the Directors may from time to time determine is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

Article 46

The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:-

- (a) which are not fully paid up; or
- (b) on which the Company has a lien.

Article 47

If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 48

The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.

**(c) Alteration of Capital**

Article 57

The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.

Article 58(1)

Unless otherwise determined by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.

Article 58(2)

The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

Article 59

Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

Article 60(1)

The Company may by Ordinary Resolution:-

- (a) consolidate and divide its capital into shares of larger amount than its existing shares; or
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or

---

**APPENDIX I**

**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

- (c) by subdivision of its existing shares or any of them divide its capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or
- (d) subject to the Statutes, convert any class of shares into any other class of shares.

Article 60(2)

The Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any requirement authorised and consent required by law.

**(d) Voting Rights of Members**

Article 10

Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

Article 13(3)

The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

Article 80

At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:-

- (a) the Chairman of the meeting; or
- (b) not less than two Members present in person or by proxy and entitled to vote; or
- (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:-
  - (i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or
  - (ii) shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Article 81(1)

If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 81(2)

No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.

Article 82

Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Article 83(1)

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

Article 83(2)

If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

Article 84

In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.

Article 85(1)

Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company:-

- (a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman to decide which proxy shall be entitled to vote where a Member is represented by two proxies; and
- (b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.

Article 85(2)

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 86

In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.

Article 87

Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.

Article 88

A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.

Article 89

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 90(1)

A proxy need not be a Member.

Article 90(2)

A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:-

- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;
- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and
- (c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

Article 90(3)

In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.



---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 91

Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.

Article 92

An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:-

- (1) in the case of an individual shall be signed by the appointor or his attorney;
- (2) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

Article 93

Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

Article 94

The signature on an instrument of proxy need not be witnessed.

Article 95

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.

Article 96

An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

Article 97

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

**(3) *The following provisions of the Articles of Association of the Company relate to the Dividend Rights***

Article 135

The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid up on the shares held by them respectively.

---

**APPENDIX I**

**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 136

The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

Article 137

No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.

Article 138

The declaration of the Directors as to the net profits of the Company shall be conclusive.

Article 139

The Directors may from time to time pay to the Members such interim dividends as in their judgement the position of the Company justifies provided no such dividends shall be declared more than once in six months.

Article 140

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

Article 141

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.

Article 142

Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures, or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

Article 143

The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

---

**APPENDIX I**

**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 144

In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.

Article 145

Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

Article 146

Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or persons(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

Article 147

The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.

**(4) *The following provisions of the Articles of Association of the Company relate to the appointment, retirement and removal of Directors.***

**(a) Appointment, Retirement and Removal of Directors**

Article 98

Until otherwise determined by a Special Resolution at a General Meeting, the number of Directors shall not be less than two or more than twenty. All the Directors of the Company shall be natural persons.

Article 100

A Director shall not be required to hold any share in the Company.

---

**APPENDIX I**

**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 101(1)

Any Director may at any time and from time to time appoint any other person approved by a majority of the Directors for the time being to be his alternate. An alternate Director shall be entitled (subject to his giving to the Company an address within the Republic of Singapore at which notices may be served on him) to receive notice of meetings of the Directors and to attend and vote as a Director at any such meeting at which the Director appointing him is not present, and generally at such meeting to exercise all the powers, rights, duties and authorities of the Director appointing him. Every person acting as an alternate Director shall be an officer of the Company and shall alone be responsible to the Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him. All the appointments and removals of alternate Directors made by any Director in pursuance of this Article, shall be in writing under the hand of the Director making the same and shall be sent to or left at the Office. A Director may not act as an alternate for another Director. A person may not act as an alternate Director for more than one Director of the Company.

Article 101(2)

An alternate Director may be removed by his appointor and the appointor (subject to the approval of the Directors) may appoint another in his place. An alternate Director may be removed from office by a resolution of the Directors, but he shall be entitled to vote on such resolution and he shall, ipso facto, cease to be an alternate Director if his appointor ceases for any reason to be a Director. The appointment of an alternate Director shall also determine on the happening of any event which, if he were a Director, would cause him to vacate such office.

Article 104(1)

The office of a Director shall be vacant if the Director:-

- (a) ceases to be a Director by virtue of the Statutes; or
- (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (c) is or becomes prohibited from being a Director by reason of any order made under the Statutes; or
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under any law relating to mental disorder; or
- (e) resigns his office by notice in writing to the Company; or
- (f) for more than six months is absent without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead; or
- (g) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in the manner required by the Statutes; or
- (h) if he is removed from office pursuant to the Statutes.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 104(2)

The appointment of any Director to the office of Chairman or Deputy Chairman or Managing or Joint Managing or Deputy or Assistant Director shall automatically terminate if he ceases to be a Director but without prejudice to any claim for any damage or breach of any contract of service between him and the Company.

Article 104(3)

The appointment of any Director to any other executive office shall automatically terminate if he ceases from any cause to be a Director only if the contract or resolution under which he holds office expressly so provides, in which case such termination shall be without prejudice to any claim for damages or breach of any contract of service between him and the Company.

Article 107

At the Annual General Meeting in every year one-third of the Directors for the time being or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office Provided Always that all Directors shall retire from office at least once every three years.

Article 108

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 109

Subject to the Statutes, a retiring Director shall be eligible for re-election at the meeting at which he retires.

**(b) Nomination of Directors**

Article 110

A person who is not a retiring Director shall be eligible for election to office of Director at any General Meeting if some Member intending to propose him has, at least eleven clear days before the meeting, left at the Office of the Company a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him, Provided That in the case of a person recommended by the Directors for election, nine clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board of Directors shall be served on the registered holders of shares at least seven days prior to the meeting at which the election is to take place.

Article 111

The Company by Special Resolution in General Meeting may, from time to time, increase or reduce the number of Directors, and may alter their qualification, if any.

---

**APPENDIX I**  
**SUMMARY OF SELECTED ARTICLES OF ASSOCIATION OF OUR COMPANY**

---

Article 112

The Directors may from time to time appoint one or more of their body to the office of Managing Director or a person holding an equivalent position for such period (not exceeding five years) and on such terms as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Managing Director or a person holding an equivalent position shall be subject to the control of the Directors. A Director so appointed shall not, while holding that office be subject to retirement but his appointment shall be automatically determined if he ceases from any cause to be a Director.

Article 117

The Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the Board. But any Director so appointed shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election.

Article 118

The Company may from time to time by Ordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead. The person so appointed shall continue to hold office until the next Annual General Meeting.

Article 125

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the continuing Directors may, except in an emergency, act for the purpose of increasing the number of Directors to such minimum number, or of summoning a General Meeting of the Company, notwithstanding that there shall not be a quorum, but for no other purpose.

**(5) *Limitations on Rights to Hold or Vote Ordinary Shares***

There are no limitations imposed by Singapore law or by the Articles of Association on the rights of non-resident Shareholders to hold or vote on the ordinary shares.

**(6) *Delaying, deferring or preventing change in control of the Company***

There is no provision in the Articles of Association which could have an effect of delaying, deferring or preventing a change in control of the Company and which could operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

#### 1. Name of the Scheme

The Scheme shall be called the “AA Group Employee Share Option Scheme”.

#### 2. Definitions

2.1 In this Scheme, except where the context otherwise requires, the following words and expressions shall have the following meanings:-

“Acceptance Period”	The period within which an Option may be accepted, as described in Rule 7.2
“Act”	The Companies Act, Chapter 50 of Singapore as amended or modified from time to time
“Adoption Date”	The date on which the Scheme is adopted by the Company in a general meeting
“Aggregate Subscription Cost”	The total amount payable for the Shares to be subscribed for on the exercise of an Option
“Associated Company”	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Associated Company Employee”	An executive director of an Associated Company or a full time employee of an Associated Company selected by the Committee to participate in the Scheme in accordance with Rule 4.1(c)
“Auditors”	The auditors for the time being of the Company
“Board”	The board of directors for the time being of the Company
“CDP”	The Central Depository (Pte) Limited
“CPF”	Central Provident Fund
“Committee”	A committee comprising directors of the Company duly authorised and appointed by the Board or such other person(s) as may be nominated by the Board, to administer the Scheme
“Company”	AA Group Holdings Ltd., a company incorporated in Singapore
“Controlling Shareholder”	A person who:  (a) holds directly or indirectly fifteen (15) per cent. Or more of the issued share capital of the Company; or  (b) in fact exercises control over the Company
“Depository Agent”	An entity registered as a depository agent with CDP for the purpose of maintaining securities sub-accounts for its own account and for the account of others
“Group”	The Company and its subsidiary

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

“Group Employee”	An executive director of any member of the Group or a full-time employee of any member of the Group who is selected by the Committee to participate in the Scheme in accordance with Rule 4.1(a)
“Incentive Option”	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.2
“Market Day”	A day on which the SGX-ST is open for trading in securities
“Market Price Option”	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting, and in respect of which the Subscription Price is determined in accordance with Rule 8.1
“Offering Date”	The date on which an Option is granted pursuant to Rule 6.1
“Option”	A Market Price Option or an Incentive Option, as the case may be
“Option Period”	The period for the exercise of an Option as set out in Rule 9.1
“Participant”	The holder of an Option
“Rules”	The rules of the Scheme, as the same may be amended from time to time
“Scheme”	The AA Group Employee Share Option Scheme, as modified or altered from time to time
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Shareholders”	The registered holders of the Shares or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
“Shares”	Fully-paid ordinary shares of S\$0.13 each in the capital of the Company
“Subscription Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option as determined in accordance with Rule 8.1 in relation to a Market Price Option, and Rule 8.2 in relation to an Incentive Option
“\$”	Singapore dollars
“%”	Per centum

#### 2.2 For the purposes of the Scheme:

- (a) in relation to a company (including, where the context requires, the Company), “control” means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of that company;



---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

- (b) unless rebutted, a person who holds directly or indirectly, a shareholding of 15% or more of the Company's issued share capital shall be presumed to be a Controlling Shareholder; and
  - (c) in relation to a Controlling Shareholder, his "associate" means his parent, sibling, spouse, or child (including adopted or step child).
- 2.3 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act and used in these Rules shall have the meaning assigned to it under the Act.
- 2.4 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.
- 2.5 Any reference to a time of day shall be a reference to Singapore time.

### 3. Objectives

The purpose of the Share Option Scheme is to 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 non-executive directors of the Group and employees of the Associated Companies who have contributed to the success and development of the Company and/or the Group. The Share Option Scheme is proposed on the basis that it is important to acknowledge the contribution, which is essential to the well-being and prosperity of the Group, made by these categories of persons. The Company, by adopting the Share Option Scheme, will give these categories of persons a tangible interest in the Company and will help to achieve the following objectives:-

- (i) the motivation of participants to achieve higher standards of performance and efficiency and to maintain a high level of contribution;
- (ii) the retention of key employees whose contributions are important to the long term growth and prosperity of the Group; and
- (iii) the development of a participatory style of management which promotes greater commitment and dedication amongst the employees and instills loyalty and a stronger sense of identification with the long term prosperity of the Group.

### 4. Eligibility

- 4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:-
- (a) Group Employees
    - (i) confirmed full-time employees of the Company and/or its subsidiary who have attained the age of 21 years on or before the Offering Date;
    - (ii) directors of the Company and/or its subsidiary who perform an executive function; and
    - (iii) employees who qualify under sub-paragraph (i) above and are seconded to a company in an Associated Company, or any other company outside the Group in which the Company and/or Group has an equity interest.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

(b) Associated Company Employees

- (i) confirmed full-time employees of an Associated Company who have attained the age of 21 years and above on or before the Offering Date; and
- (ii) directors of an Associated Company who perform an executive function.

(c) Non-Executive Directors

- (i) the non-executive directors of the Group; and
- (ii) the non-executive directors of an Associated Company.

Persons who qualify under (a), (b) or (c) above and who are also the Company's Controlling Shareholders or their associates are not eligible to participate in the Share Option Scheme.

*For the purposes of paragraphs (a)(i) and (b)(i) above, the secondment of an employee to another company shall not be regarded as a break in his employment or having ceased by reason only of such secondment to be a full-time employee of the Group.*

- 4.2 Subject to the Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Scheme may be amended from time to time at the absolute discretion of the Committee, which would be exercised judiciously.
- 4.3 There shall be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other companies within the Group or by any Associated Company or otherwise.
- 4.4 Shareholders who are eligible to participate in the Scheme shall abstain from voting on any resolution relating to the Scheme (other than resolution relating to the participation of, or grant of options to, directors and employees of the Company's parent company and its subsidiaries, if any).

#### **5. Limitations on the Scheme**

- 5.1 The aggregate number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable in respect of all Options granted under the Scheme, shall not exceed 15% of the issued Shares of the Company on the date preceding the grant of an Option.
- 5.2 The number of Shares comprised in Market Price Options or, as the case may be, Incentive Options, to be offered to any Group Employee or Associated Company Employee or non-executive directors in accordance with the Scheme shall be determined at the absolute discretion of the Committee, who shall take into account, in respect of a Group Employee, criteria such as rank, past performance, years of service and potential for future development of that employee and, in respect of an Associated Group Employee, his contribution to the success and development of the Group.

#### **6. Date of Grant**

- 6.1 The Committee may, subject as provided in Rule 12, grant Options at any time, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Options may only be granted on or after the second Market Day from the date on which the aforesaid announcement is released.
- 6.2 The Letter of Offer to grant the Option shall be in, or substantially in, the form set out in Schedule A, subject to such modification including, but not limited to, imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period, as the Committee may from time to time determine.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

#### 7. Acceptance of Options

- 7.1 An Option shall be personal to the Participant to whom it is granted and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.
- 7.2 The closing date for the acceptance for the grant of any Option under this Rule 7 shall not be less than fifteen (15) days and not more than thirty (30) days from the Offering Date of that Option. The grant of an Option must be accepted by completing, signing and returning the Acceptance Form in, or substantially in, the form set out in Schedule B, subject to such modification as the Committee may from time to time determine, accompanied by payment of \$1.00 as consideration.
- 7.3 If a grant of an Option is not accepted in the manner as provided in Rule 7.2, such offer shall, upon the expiry of the Acceptance Period, automatically lapse and become null, void and of no effect.

#### 8. Subscription Price

- 8.1 Subject to any adjustment pursuant to Rule 12, the Subscription Price for each Share in respect of which a Market Price Option is exercisable shall be at a price (the "Market Price") equal to the average of the last dealt prices for a Share, as determined by reference to the official list or any other publication published by the SGX-ST, for the five consecutive Market Days immediately preceding the Offering Date of that Option, rounded up to the nearest whole cent.
- 8.2 Subject to any adjustment pursuant to Rule 12, the Subscription Price for each Share in respect of which an Incentive Option is exercisable shall be determined by the Committee at its absolute discretion, and fixed by the Committee at a price which is set at a discount to the Market Price (as determined in accordance with Rule 8.1), provided that:
- (a) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST and approved by the shareholders of the Company at a general meeting). In determining the quantum of such discount, the Committee shall take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate including but not limited to:-
    - (i) the performance of the Company and the Group;
    - (ii) the individual performance of the Participant; and
    - (iii) the contribution of the Participant to the success and development of the Company and/or the Group;
  - (b) the prior approval of the shareholders of the Company in general meeting shall have been obtained for the making of offers and grants of Options under the Scheme at a discount not exceeding the maximum discount as aforesaid (for the avoidance of doubt, such prior approval shall be required to be obtained only once and, once obtained, shall, unless revoked, authorise the making of offers and grants of Options under the Scheme at such discount for the duration of the Scheme), rounded up to the nearest whole cent; and
  - (c) non-executive directors may be granted Market Price Options only.
- 8.3 In no event shall the Subscription Price be less than the nominal value of a Share. Where the Subscription Price (as determined under Rule 8.1 or, as the case may be, Rule 8.2) is less than the nominal value of a Share, the Subscription Price shall be the nominal value.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

#### 9. Exercise Options

9.1 Subject as provided in this Rule 9 and Rule 10 and any other conditions as may be introduced by the Committee from time to time, each Option shall be exercisable, in whole or in part, during the Option Period as follows:-

- (a) in the case of a Market Price Option, a period commencing after the first anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date, provided that in the case of a Market Price Option which is granted to a participant not holding salaried office or employment in the Group or the Associated Company, such option period shall expire on the fifth anniversary of such Offering Date; and
- (b) in the case of an Incentive Option, a period commencing after the second anniversary of the Offering Date and expiring on the tenth anniversary of such Offering Date provided that in the case of a Incentive Option which is granted to a participant not holding salaried office or employment in the Group or the Associated Company, such option period shall expire on the fifth anniversary of such Offering Date.

9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Scheme until such time as it shall lapse in accordance with the Scheme.

9.3 An Option shall, to the extent unexercised, immediately lapse without any claim against the Company:-

- (a) subject to Rules 9.4, 9.5 and 9.7, upon the Participant ceasing to be in the full-time employment of the Group or an Associated Company, as the case may be, for any reason whatsoever; or
- (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or
- (c) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion; or
- (d) in the event that the Committee shall, at its discretion, deem it appropriate that such Option granted to a Participant shall so lapse on the grounds that any of the objectives of the Scheme (as set out in Rule 3) have not been met.

For the purpose of Rule 9.3(a), the Participant shall be deemed to have ceased to be so employed as of the earlier of the date the notice of resignation of employment or the cessation of his employment/appointment with the Group or an Associated Company, as the case may be.

9.4 If a Participant ceases to be employed by the Group or an Associated Company, as the case may be, by reason of his:-

- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);
- (b) redundancy;
- (c) retirement at or after the legal retirement age; or
- (d) retirement before the legal retirement age with the consent of the Committee,

or any other reason approved in writing by the Committee, he may exercise any unexercised Options within the relevant Option Period.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

- 9.5 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the discretion of the Committee, be exercised by the duly appointed personal representatives of the Participant within the relevant Option Period.
- 9.6 If, for any reason whatsoever, a Participant who is a non-executive director of the Associated Company on the Offering Date, ceases to be a director of such Associated Company, any Option then held by him shall, to the extent unexercised, immediately lapse without any claim against the Company, unless otherwise determined by the Committee in its absolute discretion. In exercising such discretion, the Committee may also determine the period during which such Option may continue to be exercisable, provided that such period may not in any event exceed the Exercise Period applicable to such Option.
- 9.7 If, for any reason whatsoever, a Participant, being a Group Employee by virtue of his being an executive director of the Group on the Offering Date, ceases to be an executive director of the Group, all Options granted to such Participant will, notwithstanding such cessation, continue to be exercisable within the relevant Option Period after such Participant ceases to be director of the Group.

#### **10. Take-over and winding up**

- 10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a take-over being made for the Shares, a Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:-
- (a) the expiry, of six months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Option Period relating thereto); or
  - (b) the date of expiry of the Option Period relating thereto,

whereupon the Option then remaining unexercised shall lapse and become null and void.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 9, remain exercisable until the expiry of the Option Period relating thereto.

- 10.2 If under the Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon the Option shall lapse and become null and void.
- 10.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

- 10.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 9.1) shall be entitled, within thirty (30) days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto), to exercise any unexercised Option, after which such unexercised Option shall lapse and become null and void.
- 10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 or the winding-up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.
- 10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

#### **11. Exercise of Options**

- 11.1 An Option may be exercised, in whole or in part, by a Participant giving notice in writing to the Company in, or substantially in, the form set out in Schedule C, subject in each case to such modification as the Committee may from time to time determine. Such notice must be accompanied by a remittance for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, the relevant documentation required by the Committee and the Aggregate Subscription Cost.
- 11.2 All payments shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 11.3 Subject to such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and within five (5) Market Days from the date of the allotment of the relevant Shares, despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 11.4 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.
- 11.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained with a CPF agent bank.
- 11.6 Shares allotted and issued on exercise of an Option shall be subject to all the provisions of the Memorandum and Articles of Association of the Company, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which falls on or before the relevant exercise date of the Option, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

11.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

#### **12. Variation of Capital**

12.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution) shall take place:-

- (a) the Subscription Price for the Shares, the nominal amount, class and/or number of Shares comprised in an Option to the extent unexercised; and/or
- (b) the nominal amount, class and/or number of Shares over which Options may be granted under the Scheme,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of the Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made. The adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive.

12.2 Unless the Committee considers an adjustment to be appropriate:-

- (a) the issue of securities as consideration for an acquisition or a private placement of securities; or
- (b) the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force,

shall not normally be regarded as a circumstance requiring adjustment.

12.3 Notwithstanding the provisions of Rule 12.1:-

- (a) no such adjustment shall be made if as a result, the Subscription Price shall fall below the nominal amount of a Share and if such adjustment would, but for this paragraph (a), result in the Subscription Price being less than the nominal amount of a Share, the Subscription Price payable shall be the nominal amount of a Share; and
- (b) any determination by the Committee as to whether to make any adjustment and if so, the manner in which such adjustment should be made, must (except in relation to a capitalisation issue) be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

12.4 Upon any adjustment required to be made pursuant to this Rule 12, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Subscription Price thereafter in effect and the nominal value, class and/or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.

#### **13. Administration**

13.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as conferred on it by the Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Options granted or to be granted to him.

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

13.2 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit including, but not limited to, imposing restrictions on the number of Options that may be exercised within particular sections of the relevant Option Period.

13.3 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the quantum of discount applicable to an Incentive Option pursuant to Rule 8.2 or to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme).

**14. Notices and Annual Report**

14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing.

14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

14.3 The Company shall disclose the following in its annual report:-

(a) the names of the members of the Committee administering the Scheme; and

(b) the information required in the table below for the following Participants:-

(i) Directors of the Company;

(ii) Participants who are Controlling Shareholders of the Company and their associates; and

(iii) Participants, other than those in (i) and (ii) above, who receive 5% or more of the total number of Options available under the Scheme.

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of end of financial year under review	Aggregate Options exercised since commencement of Scheme to end of financial year under review	Aggregate Options outstanding as at Scheme to end of financial year under review

(c) the number of Incentive Options during the financial year under review in the following bands:-

Discount to market price (%)	Aggregate number of Incentive Options granted during the financial under review	Proportion of Incentive Options to Market Price Options granted during the financial year under review
Up to and including 10%		
<b>Between 10% to 20%</b>		

(d) an appropriate negative statement if any of the above is not applicable.



---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

#### 15. Modifications to the Scheme

- 15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, except that:-
- (a) no modification or alteration shall alter adversely the rights attaching to any Option granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters in nominal amount of all the Shares which would fall to be allotted upon exercise in full of all outstanding Options;
  - (b) the definitions of “Group”, “Group Employee”, “Associated Company”, “Associated Company Employee”, “Controlling Shareholder”, “Participant”, “Committee”, “Option Period” and “Subscription Price” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10, 11.1, 11.6, 12, 13 and this Rule 15 shall not be altered to the advantage of Participants except with the prior approval of the Company’s shareholders in general meeting; and
  - (c) no modification or alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.
- 15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.

#### 16. Terms of employment unaffected

The terms of employment of a Participant (who is a Group Employee) shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

#### 17. Duration of the Scheme

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company’s shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee or by resolution of the Company in a general meeting subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 17.3 The termination of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 7.2, whether such Options have been exercised (whether fully or partially) or not.

#### 18. Taxes

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

---

## APPENDIX II

### RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME

---

#### **19. Costs and expenses**

- 19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank (collectively, the "CDP Charges").
- 19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

#### **20. Disclaimer of liability**

Notwithstanding any provisions herein contained, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 11.4 (and any other stock exchange on which the Shares are quoted or listed).

#### **21. Disputes**

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

#### **22. Condition of Option**

Every Option shall be subject to the condition that no Shares shall be issued pursuant to the exercise of an Option if such issue would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue of Shares hereto.

#### **23. Governing law**

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

*Schedule A*

**AA GROUP EMPLOYEE SHARE OPTION SCHEME**

**LETTER OF OFFER**  
**(MARKET PRICE OPTION/INCENTIVE OPTION)**

Serial No: \_\_\_\_\_

[Date]

To [Name]  
[Designation]  
[Address]

Private and Confidential

Dear Sir/Madam,

We have the pleasure of informing you that you have been nominated by the Board of Directors of AA Group Holdings Ltd. (the "Company") to participate in the AA Group Employee Share Option Scheme (the "Scheme"). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, in consideration of the payment of a sum of \$1.00, an offer is hereby made to grant you a Market Price Option (the "Option"), to subscribe for and be allotted Shares at the price of \$\_\_\_\_\_ for each Share.

**\*If you accept the offer, the Option Period and number of Shares comprised in the Option which are exercisable will be as follows:**

<b>Option Period</b>	<b>Option exercisable in respect of the number of Shares comprised in the Option</b>
<b>From _____ to _____</b>	<b>(i) up to %</b>
<b>From _____ to _____</b>	<b>(ii) up to % (including (1) above)</b>
<b>After _____</b>	<b>(iii) 100%</b>

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of by you, in whole or in part, except with the prior approval of the Committee duly authorised and appointed to administer the Scheme.

The Option shall be subject to the rules of the Scheme, a copy of which is enclosed herewith.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than 5.00 p.m. on \_\_\_\_\_, failing which this offer will lapse.

Yours faithfully

Conditions (if any) to be attached to the exercise of the Option will be determined by the Committee at its absolute discretion.

Enc.

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

*Schedule B*

**AA GROUP EMPLOYEE SHARE OPTION SCHEME**

**ACCEPTANCE FORM**  
**(MARKET PRICE OPTION / INCENTIVE OPTION)**

Serial No: \_\_\_\_\_

To The Committee  
AA Group Employee Share Option Scheme

---

Closing Date for Acceptance of offer : \_\_\_\_\_

Number of Shares Offered : \_\_\_\_\_

Subscription Price for each Share : \$ \_\_\_\_\_

Total Amount Payable : \$ \_\_\_\_\_  
(exclusive of the relevant CDP charges)

---

I have read your Letter of Offer dated and agree to be bound by the terms of the Letter of Offer and the Scheme referred to therein. Terms defined in your Letter of Offer shall have the same meanings when used in this Acceptance Form.

I hereby accept the [Market Price/Incentive] Option to subscribe for Shares at \$ \_\_\_\_\_ for each Share and enclose cash for \$1.00 in payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment of any Shares in CDP's name, the deposit of share certificate(s) with CDP, my securities account with CDP, or my securities sub-account with a CDP Depository Agent (as the case may be) (collectively, the "CDP charges").

**I further acknowledge that you have not made any representation to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.**

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

\* Delete accordingly

Notes:

1. The Acceptance Form must be forwarded to the Company Secretary in an envelope marked "Private and Confidential"; and
2. The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

*Schedule C*

**AA GROUP EMPLOYEE SHARE OPTION SCHEME**

**FORM OF EXERCISE OF OPTION  
(MARKET PRICE OPTION/INCENTIVE OPTION)**

To     The Committee  
       AA Group Employee Share Option Scheme

---

Total number of ordinary shares of \$0.13 each                                     : \_\_\_\_\_  
(the "Shares") offered at \$\_\_\_\_\_ for each  
Share under the Scheme on (Offering Date)

Number of Shares previously allotted thereunder                                     : \_\_\_\_\_

Outstanding balance of Shares to be allotted thereunder                             : \_\_\_\_\_

Number of Shares now to be subscribed   : \_\_\_\_\_

---

1. Pursuant to your Letter of Offer dated and my acceptance thereof, I hereby exercise the [Market Price/Incentive] Option to subscribe for Shares in AA Group Holdings Ltd. (the "Company") at \$\_\_\_\_\_ for each Share.
2. I request the Company to allot and issue the said Shares referred to in paragraph 1 above in the name of The Central Depository (Pte) Limited (the "Depository") to the credit of my securities account with the Depository or my securities sub-account with a Depository Agent specified below and to deliver the certificate(s) relating thereto to the Depository. I further agree to bear such fees or other charges as may be imposed by the Depository and any stamp duty payable in respect thereof:-  
  
      \*(i) Direct Securities Account No                     : \_\_\_\_\_  
  
      \*(ii) Securities Sub-Account No.                     : \_\_\_\_\_  
  
          Name of Depository Agent                         : \_\_\_\_\_
3. I enclose a \*cheque/cashier's order/banker's draft/postal order no. for \$\_\_\_\_\_ in payment for the subscription of \$\_\_\_\_\_ for the total number of the said Shares and the CDP charges of \$\_\_\_\_\_.
4. *I agree to subscribe for the said Shares subject to the terms of the Letter of Offer, the AA Group Employee Share Option Scheme and the Memorandum and Articles of Association of the Company.*
5. I declare that I am subscribing for the said Shares for myself and not as a nominee for any other person.

---

**APPENDIX II**  
**RULES OF THE AA GROUP EMPLOYEE SHARE OPTION SCHEME**

---

**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

\*NRIC/Passport No. : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

\* Delete accordingly

Note:

1. The form "Form of Exercise of Option" must be forwarded to the Company Secretary in an envelope marked "Private and Confidential".

---

**APPENDIX III**  
**LETTER FROM CIMB-GK SECURITIES PTE. LTD.**  
**TO THE INDEPENDENT DIRECTORS**

---

23 August 2005

The Independent Directors  
AA GROUP HOLDINGS LTD.  
11 Collyer Quay  
#10-04 The Arcade  
Singapore 049317

Dear Sirs

**AA GROUP HOLDINGS LTD. (THE “COMPANY”)**

- **SHAREHOLDERS’ MANDATE FOR INTERESTED PERSON TRANSACTIONS PURSUANT TO CHAPTER 9 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL**

**1. INTRODUCTION**

We understand from the directors of the Company (“**Directors**”) that it is envisaged that the Company and its subsidiary would, in the ordinary course of business, enter into transactions with Audio Yoke Industrial Co. Limited (“**Audio Yoke**”) which is considered an “Interested Person” as defined in Chapter 9 of the Listing Manual. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

The Company proposes to obtain a general mandate (“**Shareholders’ Mandate**”) from the shareholders of the Company (“**Shareholders**”) which will enable the Company and its subsidiary to engage in the purchase of steel wire rods and metal sheets from Audio Yoke (“**Mandate Transactions**”) provided that such transactions are made on normal commercial terms and not prejudicial to the interests of the Company and its minority Shareholders (“**Minority Shareholders**”).

*If approved at the extraordinary general meeting of the Company convened to seek, inter alia, Shareholders’ approval for the Shareholders’ Mandate (“**EGM**”), the proposed Shareholders’ Mandate will take effect from the admission of the Company to the Official List of the SGX SESDAQ and will be effective until the earlier of the following: (i) the first annual general meeting following the admission of the Company to the Official List of the SGX SESDAQ; or (ii) the first anniversary of the date of admission to the Official List of the SGX SESDAQ. Thereafter, approval from the Shareholders for a subsequent renewal of the Shareholders’ Mandate will be sought at each subsequent annual general meeting.*

To comply with the requirements of Chapter 9 of the Listing Manual, CIMB-GK Securities Pte. Ltd. (“**CIMB-GK**”) has been appointed as the independent financial adviser to provide an opinion to the independent directors of the Company (“**Independent Directors**”) on whether the review procedures set out in the Shareholders’ Mandate (“**Review Procedures**”) are sufficient to ensure that the Mandate Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

This Letter has been prepared for use by the Independent Directors and will form part of the Company’s prospectus dated 23 August 2005 (“**Prospectus**”) issued in connection with the invitation by the Company in respect of 15,400,000 new ordinary shares of S\$0.13 each in the capital of the Company, which provides, *inter alia*, the details of the Interested Persons, the Mandate Transactions, the Review Procedures and the Shareholders’ Mandate. Unless otherwise defined or the context otherwise requires, all terms defined in the Prospectus shall have the same meaning in this Letter.



---

**APPENDIX III**  
**LETTER FROM CIMB-GK SECURITIES PTE. LTD.**  
**TO THE INDEPENDENT DIRECTORS**

---

**2. OUR TERMS OF REFERENCE**

The objective of this Letter is to provide our independent opinion, for the purposes of Chapter 9 of the Listing Manual, on whether the Review Procedures (described on page 99 of the Prospectus) are sufficient to ensure that the Mandate Transactions (described on page 99 of the Prospectus) will be entered into on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

CIMB-GK is not and was not involved, in any way, in the deliberations on, or in the structuring and formulation of the Shareholders' Mandate, the Mandate Transactions and the Review Procedures. Such deliberations, structuring and formulation remain the responsibility of the Directors and the management of the Company.

We have not been requested to opine on, and we do not express any opinion on the merits of the Mandate Transactions and the Shareholders' Mandate. As such, we do not warrant or make any representation in relation to the merits of the Mandate Transactions and the Shareholders' Mandate. Our terms of engagement do not require us to conduct, and we have not conducted, a comprehensive review of the business, operations and financial condition of the Group. We have neither conducted an audit of the Mandate Transactions nor do we warrant the actual implementation of the Review Procedures by the Company.

In the course of our evaluation of the Review Procedures, we have held discussions with the Directors and the management of the Company. We have not independently verified such information furnished by the Directors and the management of the Company or any representation, opinion or assurance expressed by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy, adequacy or completeness of such information, representation, opinion or assurance.

The Directors have confirmed to us that to the best of their knowledge and belief, the information provided to us, whether written or verbal, as well as the information contained in the Prospectus constitute full and true disclosure of all material facts relating to the Mandate Transactions, the Shareholders' Mandate and the Review Procedures and there is no information the omission of which would make any of the information contained herein or in the Prospectus relating thereto inaccurate, incomplete or misleading in any material respect. We have further assumed that all statements of fact, belief, opinion and intention made by the Directors in the Prospectus relating to the Mandate Transactions, the Shareholders' Mandate and the Review Procedures have been made after due and careful enquiry. However, we have made such enquiries and used our judgment as we deemed necessary in assessing such information and have found no reason to doubt the reliability of such information.

**3. EVALUATION OF THE REVIEW PROCEDURES FOR MANDATE TRANSACTIONS**

In evaluating and arriving at our opinion on whether the Review Procedures, as set out on page 99 of the Prospectus are sufficient to ensure that the Mandate Transactions, as set out on page 98 of the Prospectus, will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders, we have duly noted and took into consideration:-

- (i) the rationale for and benefits of the Shareholders' Mandate as set out on page 98 of the Prospectus;
- (ii) the scope of the Shareholders' Mandate as set out on page 98 of the Prospectus;
- (iii) the Mandate Transactions as set out on page 98 of the Prospectus; and
- (iv) the Review Procedures as set out on pages 99 and 100 of the Prospectus.

---

**APPENDIX III**  
**LETTER FROM CIMB-GK SECURITIES PTE. LTD.**  
**TO THE INDEPENDENT DIRECTORS**

---

**4. OUR CONCLUSION**

Based on our evaluation of the Review Procedures and our discussions with the Directors and the management of the Company and subject to the qualifications and assumptions made herein, CIMB-GK is of the opinion that the Review Procedures are sufficient to ensure that the Mandate Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and the Minority Shareholders.

We have prepared this Letter for the benefit of the Independent Directors in their consideration of the Shareholders' Mandate and this Letter may not be reproduced or copied except with our prior written consent in each specific case. The recommendations made by the Independent Directors in respect of the Shareholders' Mandate shall remain the sole responsibility of the Independent Directors.

Our opinion should not be relied upon as a recommendation to any Shareholder as to how such Shareholder should vote on the Shareholders' Mandate. As each Shareholder may have different investment objectives and considerations, they should seek professional advice if they have any doubts in the context of their specific investment objectives and considerations.

Our views as set forth in this Letter are based on the market, industry, economic and other conditions prevailing as at the date of this Letter as well as the information contained in the Prospectus and those provided to us by the Directors and the management of the Company as at the date of the Letter. Accordingly, our opinion shall not take into account any events, conditions or disclosure of information which occur after the date of this Letter.

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully  
For and on behalf of  
**CIMB-GK SECURITIES PTE. LTD.**

MAH KAH LOON  
SENIOR VICE PRESIDENT  
CORPORATE FINANCE

CHIAN SIET HENG  
VICE PRESIDENT  
CORPORATE FINANCE

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

You are invited to apply for 15,400,000 New Shares subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 NEW SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks ("ATM Electronic Applications") or through Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications", which together with ATM Electronic Applications, shall be referred to as "Electronic Applications"). Your application for the Placement Shares (other than Reserved Shares) may only be made by way of Placement Shares Application Forms. Your application for Reserved Shares may only be made by way of Reserved Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE SHARES.**
3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares (other than Reserved Shares). If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.**

**If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.**

**If you, other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.**

**If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.**

**Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares (other than Reserved Shares). Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company.**

**If you have made an application for Reserved Shares, you may submit one separate application for the Offer Shares in your own name by way of an Application Form or by way of an Electronic Application, or submit one separate application for Placement Shares (other than Reserved Shares) by way of an Application Form, provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall NOT be treated as multiple applications.**

**Joint applications shall be rejected. Multiple applications for New Shares shall be liable to be rejected at the discretion of our Company. If you submit or procure submissions of multiple share applications for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal**

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

**Code, Chapter 224 of Singapore and the Securities Industry Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company.**

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.
5. We will not recognise the existence of a trust. An application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company reserves the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance. Our Company further reserves the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

10. Our Company reserves the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment, due consideration will be given to the desirability of allotting the New Shares to a reasonable number of Applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the New Shares allotted to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event that our Company lodges a supplementary or replacement prospectus (“Relevant Document”) pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the New Shares have not been issued, we will (as required by law) at our Company’s sole and absolute discretion either:-
  - (i) within 7 days of the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to withdraw; or
  - (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the Relevant Document.

Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 12(i) above to withdraw your application, we shall pay to you all monies paid by you on account of your application for the New Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within seven days from the receipt of such notification.

In the event that at the time of the lodgement of the Relevant Document, the New Shares have already been issued but trading has not commenced, we will (as required by law) either:-

- (iii) within 7 days from the lodgement of the Relevant Document give you a copy of the Relevant Document and provide you with an option to return the New Shares; or
- (iv) deem the issue as void and refund your payment for the New Shares (without interest or any share of revenue or other benefit arising therefrom) within 7 days from the lodgement of the Relevant Document.

Any applicant who wishes to exercise his option under paragraph 12(iii) above to return the New Shares issued to him shall, within 14 days from the date of lodgement of the Relevant Document, notify us of this and return all documents, if any, purporting to be evidence of title of those New Shares, whereupon we shall, within 7 days from the receipt of such notification and documents, pay to him all monies paid by him for the New Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the New Shares issued to him shall be void.

---

## APPENDIX IV

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw, may be found in such supplementary or replacement prospectus.

13. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

Any of the Reserved Shares not taken up will be made available first to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares.

In the event of an under-subscription for Placement Shares (other than Reserved Shares) as at the close of the Application List, that number of Placement Shares (other than Reserved Shares) under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Company and approved by the SGX-ST, if required.

In all the above instances, the basis of allotment of the New Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of New Shares allotted to you pursuant to your application, to authorised operators.
15. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares through the Joint Lead Placement Agents.
16. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:-
- (a) irrevocably offer to subscribe for the number of New Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such New Shares as may be allotted to you, in each case subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
  - (b) agree that, in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- (c) agree that the aggregate Issue Price for the New Shares applied for is due and payable to the Company forthwith;
  - (d) warrant the truth and accuracy of the information provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company in determining whether to accept your application and/or whether to allot any New Shares to you; and
  - (e) agree and warrant that, if the law of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of our Company, the Manager, the Joint Lead Underwriters or the Joint Lead Placement Agents will infringe any such laws as a result of the acceptance of your application.
17. Our acceptance of applications will be conditional upon, *inter alia*, our Company being satisfied that:-
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the New Shares on the Official List of SGX-SESDAQ;
  - (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the section "General and Statutory Information" have become unconditional and have not been terminated; and
  - (c) the Authority has not served a stop order which directs that no or no further shares to which this Prospectus relates be allotted.
18. In the event that a stop order in respect of the New Shares is served by the Authority or other competent authority, and
- (a) the New Shares have not been issued, we will (as required by law) deem all applications withdrawn and cancelled and our Company shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
  - (b) If the New Shares have already been issued but trading has not commenced, the issue will (as required by law) be deemed void and:-
    - (i) if documents purporting to evidence title had been issued to you, our Company shall, inform you to return such documents to our Company within 14 days from that date; and
    - (ii) we will refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the date of receipt of those documents (if applicable) or the date of the stop order, whichever is later.
- This shall not apply where only an interim stop order has been served.
19. In the event that an interim stop order in respect of the New Shares is served by the Authority or other competent authority, no New Shares shall be issued to you until the Authority revokes the interim stop order.
20. The Authority is not able to serve a stop order in respect of the New Shares if the New Shares have been issued and listed on a securities exchange and trading in them has commenced.

---

## APPENDIX IV

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

21. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com> and through a paid advertisement in a local newspaper.
22. We will not hold any application in reserve.
23. We will not allot Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
24. Additional terms and conditions for applications by way of Application Forms are set out on pages 235 to 238 of this Prospectus.
25. Additional terms and conditions for applications by way of Electronic Applications are set out on pages 239 to 243 of this Prospectus.

#### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" on pages 230 to 235 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares, the **BLUE** Application Forms for Placement Shares (other than Reserved Shares) or **PINK** Application Forms for Reserved Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and in this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company reserves the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and in this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.**
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading "FOR OFFICIAL USE ONLY" must be completed and the words "NOT APPLICABLE" or "N.A." should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity cards (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of your corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company's Share Registrar. Our Company reserves the right to require you to produce documentary proof of identification for verification purposes.



---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

5. (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with the particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent of the issued share capital of or interests in such corporation.
7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of New Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**AA GROUP SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company or the Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:-
- (a) in consideration of our Company having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 29 August 2005 or such other time or date as our Company may, in consultation with the Manager, decide and by completing and delivering the Application Form:-

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- (i) your application is irrevocable; and
  - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
- (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
- (c) in respect of the New Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Manager, the Joint Lead Underwriters, the Joint Lead Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained;
- (f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Manager, the Joint Lead Underwriters, the Joint Lead Placement Agents or other authorised operators; and
- (g) you irrevocably agree and undertake to subscribe for the number of New Shares applied for as stated in the Application Form or any smaller number of such New Shares that may be allotted to you in respect of your application. In the event that our Company decides to allot a smaller number of New Shares or not to allot any New Shares to you, you agree to accept such decision as final.

**Applications for Offer Shares**

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes “A” and “B”. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:-
  - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope “A” provided;
  - (b) in the appropriate spaces on **WHITE** envelope “A”:-
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for; and
    - (iii) affix adequate Singapore postage;
  - (c) SEAL **WHITE** ENVELOPE “A”;

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08, OCEAN BUILDING, SINGAPORE 049315**, the number of Offer Shares you have applied for; and
  - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08, OCEAN BUILDING, SINGAPORE 049315**, to arrive by **12.00 noon on 29 August 2005 or such other time as our Company may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

**Applications for Placement Shares (other than Reserved Shares)**

- 1. Your application for Placement Shares (other than Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
- 2. The completed **BLUE** Placement Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08, OCEAN BUILDING, SINGAPORE 049315**, to arrive by **12.00 noon on 29 August 2005 or such other time as our Company may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- 3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

**Applications for Reserved Shares**

- 1. Your application for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
- 2. The completed **PINK** Reserved Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to LIM ASSOCIATES (PTE) LTD, 10 COLLYER QUAY #19-08, OCEAN BUILDING, SINGAPORE 049315** to arrive by **12.00 noon on 29 August 2005 or such other time as our Company may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
- 3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

---

## APPENDIX IV

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

#### ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB Group are set out respectively in the “Steps for Electronic Applications through ATMs of UOB Group” and the “Steps for Internet Electronic Applications through the IB website of UOB Group” (collectively, the “Steps”) appearing in this Prospectus. The Steps set out the actions that you must take at an ATM or the IB website of UOB Group to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to “you” in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification (“User ID”) and a Personal Identification Number/Password (“PIN”) given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB Group to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip (“Transaction Record”), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation (“Confirmation Screen”) of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

**You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.**

You must ensure, when making an Internet Electronic Application, that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” on pages 230 to 235 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-
  - (a) **that you have received a copy of this Prospectus (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- (b) that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residence status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the “Relevant Particulars”) with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company and the Manager (the “Relevant Parties”); and
- (c) that this is your only application for Offer Shares and it is made in your own name and at your own risk.

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key in the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore, to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

- 2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES) ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES.**

- 3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website of the relevant Participating Bank through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

- 4. You irrevocably agree and undertake to subscribe for and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted to you in respect of your Electronic Application. In the event that our Company decides to allot any lesser number of such Offer Shares or not to allot any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of the applications. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

**Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on SGX-SESDAQ. You may also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company nor the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.**

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make Electronic Applications through the ATMs of the following Participating Banks, you may check the results of your Electronic Applications as follows:-

Bank	Telephone	Available at ATM	Operating Hours	Service expected from
UOB Group	1800 222 2121	ATM (Other Transactions – “IPO Enquiry”) <sup>(1)</sup>  <a href="http://www.uobgroup.com">http://www.uobgroup.com</a> <sup>(1)(2)</sup>	ATM / Phone Banking - 24 hours a day  Internet Banking 24 hours a day	Evening of the balloting day  Evening of the balloting day
DBS	1800 339 6666 (for POSB Account holders)  1800 111 1111 (for DBS Account holders)	Internet Banking  <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(2)</sup>	24 hours a day	Evening of the balloting day
OCBC	1800 363 3333	ATM	ATM / Phone Banking - 24 hours a day	Evening of the balloting day

---

## APPENDIX IV

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

**Notes:**

- (1) If you make your Electronic Application through the ATM or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.
  - (2) If you make your Internet Electronic Application through the IB website of UOB Group or DBS, you may check the results of your application through the same channels listed in the table above in relation to ATM Electronic Application made at ATMs of UOB Group or DBS.
7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company and the Manager and if, in any such event, our Company, the Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
  8. Electronic Applications shall close at **12.00 noon on 29 August 2005** or such other time as our Company may, in consultation with UOB Asia, decide. Subject to the paragraph above, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.
  9. You are deemed to have irrevocably requested and authorised our Company to:-
    - (a) register the Offer Shares allotted to you in the name of CDP for deposit into your Securities Account;
    - (b) send the relevant Share certificate(s) to CDP;
    - (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting of applications; and
    - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
  10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company will reject any application by any person acting as nominee except those made by approved nominee companies only.
  11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
  12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

13. By making and completing an Electronic Application, you are deemed to have agreed that:-
- (a) in consideration of our Company making available the Electronic Application facility, through the Participating Banks as the agents of our Company, at their ATMs and IB websites (if any):-
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (b) none of our Company, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording and storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;
  - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and not otherwise, notwithstanding any payment received by or on behalf of our Company;
  - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
  - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and none of our Company, the Manager, the Joint Lead Underwriters, the Joint Lead Placement Agents or any other person involved in the Invitation shall have any liability for any information not so contained.

**Steps for Electronic Applications through ATMs and the IB website of the UOB Group**

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB Group are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB's ATM screens, the following terms will appear in abbreviated form:-

"&"	:	and
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	CENTRAL PROVIDENT FUND BOARD



---

**APPENDIX IV**  
**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

“CPFINVT A/C”	:	CPF INVESTMENT ACCOUNT
“ESA”	:	ELECTRONIC SHARE APPLICATION
“IC/PSSPT”	:	NRIC or PASSPORT NUMBER
“NO” or “NO.”	:	NUMBER
“PERSONAL NO”	:	PERSONAL IDENTIFICATION NUMBER
“REGISTRARS”	:	SHARE REGISTRARS
“SCCS”	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
“YR”	:	YOUR

**Steps for an ATM Electronic Application through ATMs of UOB Group**

- Step 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.
- 2 : Select “CASHCARD/OTHER TRANSACTIONS”.
- 3 : Select “SECURITIES APPLICATION”.
- 4 : Select “ESA-FIXED”.
- 5 : Select the share counter which you wish to apply for.
- 6 : Read and understand the following statements which will appear on the screen:-
- **THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT**  
(Customer to press “ENTER” to continue)
  - **PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
  - **WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT**
- Press the “ENTER” key to confirm that you have read and understood the above statements.
- 7 : Read and understand the following terms which will appear on the screen:-
- **YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION**  
(Press “Enter” to continue)

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- **YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS AND ISSUER/VENDOR(S)**
  - **THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME & AT YR RISK**  
(Press "Enter" to continue)
- 8 : Screen will display:-
- NRIC/Passport No. XXXXXXXXXXXXX**
- IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**  
(Press "CANCEL" or "CONFIRM")
- 9 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., "CURRENT ACCOUNT / I- ACCOUNT" , "CAMPUS" OR "SAVINGS ACCOUNT / TX ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select.
- 10 : After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (this screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB's ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number.
- 11 : Read and understand the following terms which will appear on the screen:-
1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
  2. **PLEASE USE YOUR OWN ATM CARD**
  3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
  4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
  5. **PRESS ENTER KEY**
- 12 : Key in your CDP Securities Account number (12 digits) and press the "ENTER" key.
- 13 : Select your nationality status.
- 14 : Key in the number of Shares you wish to apply for and press the "ENTER" key.

---

## APPENDIX IV

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

- 15 : Check the details of your Electronic Application on the screen and press “ENTER” key to confirm your Electronic Application.
- 16 : Select “NO” if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB’s IB website screens, the following terms will appear in abbreviated form:-

“CDP”	:	The Central Depository (Pte) Limited
“CPF”	:	The Central Provident Fund
“NRIC” or “I/C”	:	National Registration Identity Card
“PR”	:	Permanent Resident
“SGD” or S\$	:	Singapore Dollars
“SCCS”	:	Securities Clearing & Computer Services (Pte) Ltd
“SGX-ST”	:	Singapore Exchange Securities Trading Limited

#### **Steps for an Internet Electronic Application through the IB website of UOB Group**

- Step 1 : Connect to UOB website at <http://www.uobgroup.com>.
- 2 : Locate the Login icon at the top title bar of the Home Page.
- 3 : Click on Login > to UOB Personal Internet Banking.
- 4 : Enter your Username and Password and click “Submit”.
- 5 : Select Investment Services (“IPO” should be the default transaction that appears, select “Application”).
- 6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions.
- 7 : Click “Continue”.
- 8 : Select your country of residence (you must be residing in Singapore to apply) and click “Continue”.
- 9 : Select the IPO counter from the drop list (if there are concurrent IPOs) and click “Continue”.
- 10: Check the share counter, select the mode of payment and account number to debit and click on “Continue”.

---

**APPENDIX IV**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- 11: Read the important instructions and click on “Confirm” to confirm that:-
1. **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Document.**
  2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable), and application details to the share registrars, CDP, SGX-ST, SCCS, CPF, issuer and the Issue Manager.**
  3. **This application is made in your own name and at your own risk.**
  4. **For FIXED/MAX price share application, this is your only application. For TENDER price share application, this is your only application for this share at the selected tender price.**
  5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in S\$, based on the Bank’s prevailing board rates at the time of application. The different prevailing board rates at the time of the application and at the time of refund of applications moneys may result in either a foreign exchange profit or loss, or application moneys may be debited and refunds credited in S\$ at the same exchange rate.**
  6. **For 1<sup>st</sup>-come-1<sup>st</sup> serve securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**
- 12: Check your personal details, details of the share counter you wish to apply for and account to debit.
- Select (a) Nationality;  
Enter (b) your CDP securities account number; and  
(c) the number of shares applied for  
Click “Submit”
- 13: Check the details of your application, your NRIC /Passport No., CDP securities account number and the number of shares applied for, share counter, payment mode and account to debit.
- 14: Click “Confirm”, “Edit” or “Cancel”.
- 15: Print the Confirmation Screen (optional) for your own reference and retention only.