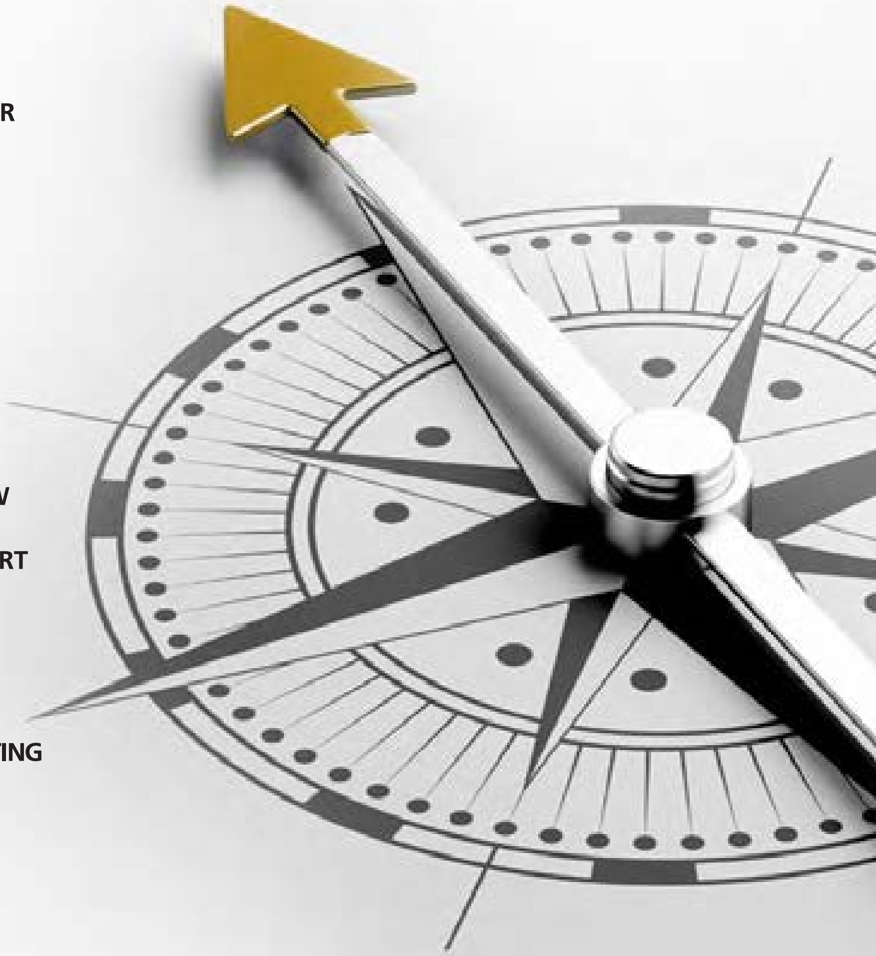
ANNUAL REPORT **2016**

AA GROUP HOLDINGS LTD.
(200412064D)

CONTENTS



PIECE OF TECHNOLOGY

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

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

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this document.

This document has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

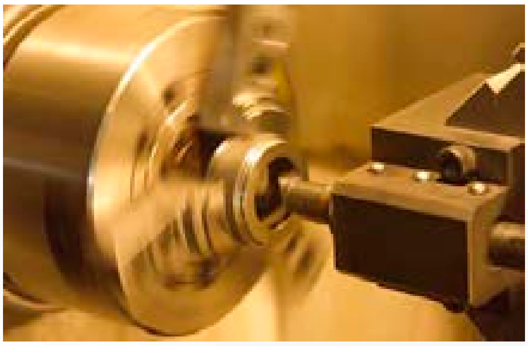
The contact person for the Sponsor is Mr.Bernard Lui, telephone: (+65) 63893000, email: bernard.lui@morganlewis.com

CORPORATE PROFILE

BASED IN SUNGAI PETANI, MALAYSIA,

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

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

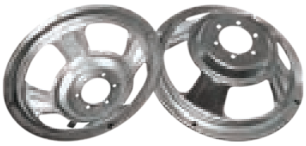


THE HEART OF THE LOUDSPEAKER

U-YOKES

WASHERS

T-YOKES

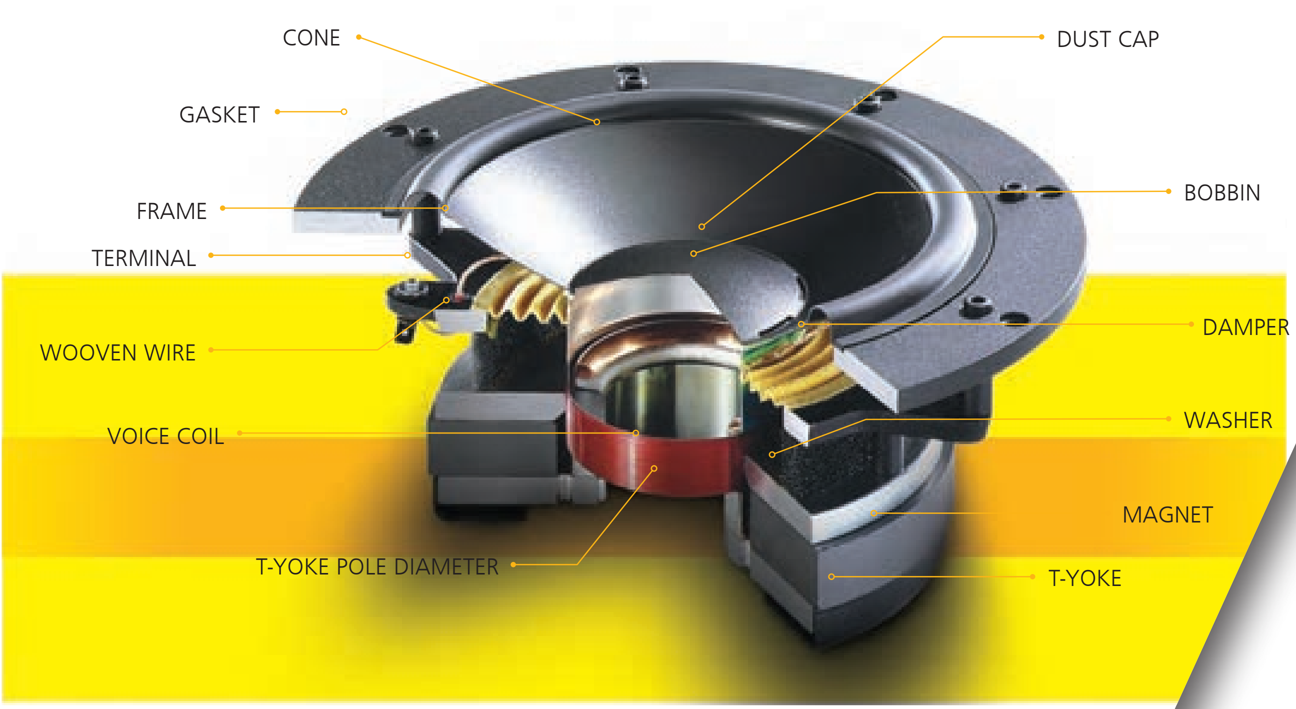


FRAMES

In a loudspeaker, sound is created when a magnetic field between the yoke and the washer reacts with the alternating field formed by the voice coil. The movement of the voice coil back and forth creates acoustical energy, or what we commonly know as sound. The combination of the washer, yoke and magnet is commonly referred to as "the heart of the loudspeaker". Using high-precision cold forging technology, we manufacture yokes (T-yokes or U-yokes), washers and frames which are typically made of low carbon steel.

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

CROSS SECTION OF LOUDSPEAKER



CORPORATE INFORMATION

BOARD OF DIRECTORS

Hsieh Kuo-Chuan @ Jaimes Hsieh *Executive Chairman*

Yau Woon Foong *Executive Director*

Tan See Leng *Lead Independent Director*

Amelia Vincent *Independent Director*

Ng Ser Chiang *Independent Director*

AUDIT COMMITTEE

Amelia Vincent
(Chairman and Independent Director)

Tan See Leng
(Lead Independent Director)

Ng Ser Chiang
(Independent Director)

NOMINATING COMMITTEE

Ng Ser Chiang
(Chairman and Independent Director)

Tan See Leng
(Lead Independent Director)

Amelia Vincent
(Independent Director)

REMUNERATION COMMITTEE

Tan See Leng
(Chairman and Lead Independent Director)

Amelia Vincent
(Independent Director)

Ng Ser Chiang
(Independent Director)

COMPANY SECRETARY

Low Yew Shen and Leow Siew Yon

REGISTERED OFFICE

6 Mohamed Sultan Road
#03-01, Singapore 238956
Tel : +65 6221 3767

COMPANY REGISTRATION NUMBER

200412064D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax:+65 6536 1360

SPONSOR

Stamford Corporate Services Pte. Ltd.
10 Collyer Quay #27-00
Ocean Financial Centre
Singapore 049315
Contact person: Bernard Lui
Tel: +65 6389 3000

AUDITORS

Moore Stephens LLP
Public Accountants and Chartered Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-Charge: Lao Mei Leng
Appointed since financial year ended 31 December 2013

PRINCIPAL BANKERS

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

United Overseas Bank (Malaysia) Berhad
1st Floor, 64E-H, Lebuh Bishop
Georgetown, 10200 Penang
Malaysia

CHAIRMAN'S MESSAGE

Jaimes Hsieh
Executive Chairman

The global economy continues to be a fast changing global environment and challenging time for all industries. The manifestation of several global macro risk could have a long and deep impact on the world economy. Key amongst them was the slowdown in the Chinese economy, which has dealt a massive blow to the global steel industry. The steel industry is the foundation industry of any economy, especially in developing countries. The raw material pricing of steel firmed up in 2016.

To ensure sustainable market development, the Group will continue to expand its business in US and Europe, emphasizing on technical enhancement of existing products and establishing new production base. The Group will strengthen its capabilities of new and market-oriented products, as well as its core competitive strengths.

In such, economic environment, AA Group's consolidated sales revenue for the fiscal year ended 31 December 2016 amounted to S$17.17 million. The 11% increase of revenues is mainly from the Group's core product – speaker yokes for the automotive industry. It reported a gross profit increase of S$0.57 million as compared to FY2015 due to the decrease of sales margin. Other income of the Group FY2016 decreased by 36% , the decrease in other income was mainly due to the translation effect. Administrative expenses and other operating expenses of the Group increased

CHAIRMAN'S MESSAGE (CONT'D)

by approximately S$1.28 million or 79% as compared to the previous year, mainly due to increase in directors' remuneration of S$0.25 million, increase in consultancy fees of S$0.39 million, rental of office S$0.13 million, loss on unrealized foreign exchange of S$0.17 million and provision impairment on fixed assets of S$0.18 million.

Please refer to the section of "Operating and Financial Review "of the Annual Report for FY2016 for further understanding of the Group's financial performance and position in 2016.

In addition to these organic growth initiatives, the Group will continue to evaluate potential acquisitions that can strengthen and broaden its revenue base and improve its profitability. An example of our efforts at strengthening and diversifying the Group's revenue base is the recent acquisition of Engineering Manufacturing Services (S) Pte. Ltd. This acquisition will improve the profitability of the Group. In addition, the management will also look at acquisitions that will add long term value and help to position the Group strategically for further growth.

It is certain that the global environment remains competitive and AA Group Holdings Ltd. will continue to face challenges along the way. However, I am certain that we will be able to overcome the challenges and compete effectively with our diversification strategy.

I would like to take this opportunity to express my gratitude to all my colleagues on the Board for their invaluable contribution and guidance.

Before I conclude, on behalf of Board of Directors and myself, I would like to thank all the stakeholders and partners, including our customers and vendors, who have reposed great trust in us and our products. I would also like to thank various government bodies for their continued support.

Finally, a special thank you to all our stakeholders for your faith and encouragement throughout the years.

Jaimes Hsieh
Executive Chairman

BOARD OF DIRECTORS PROFILE

Hsieh, Kuo-Chuan @ Jaimes Hsieh

Executive Chairman

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

Yau Woon Foong *Executive Director*

Yau Woon Foong came on board as Executive Director on 15 June 2016. He also sits on the board of the Group's subsidiary A2A Management Pte. Ltd., Toko Construction Pte. Ltd. and the recently acquired Engineering Manufacturing (S) Pte. Ltd. He is responsible in helping the Group to diversify its existing business so as to provide the Group with new revenue streams and enhancing the Shareholders' value for the Company. Prior to joining the Group, he was running a corporate services firm which provided bespoke corporate services solutions to SMEs and listed entities in Singapore and overseas. He was also formerly a director of a boutique advisory firm providing dedicated services to asset management companies in the establishment of funds and provision of fund administration services. He graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) and started his career in banking. He is currently also a Lead Independent Director of another public company listed on the SGX-ST.

Mr Yau is due for re-election as a Director at the forthcoming AGM.

BOARD OF DIRECTORS PROFILE (CONT'D)

Tan See Leng *Lead Independent Director*

Tan See Leng joined our Company as a Lead Independent Director and Chairman of the Remuneration Committee on 15 June 2016. Currently, Ms Tan is an Executive Director of a charity, Heartware Network focusing on Board Governance and growth of the organisation since 2010. She is a director of the board of Commonwealth Alliance of Young Entrepreneurs in Asia (CAYE). Prior to that, she was an auditor in a Certified Public Accountant firm, John Navamani & Co. She is a member under Institute of Singapore Chartered Accountants (ISCA). She graduated with an Association of Chartered Certified Accountants (ACCA).

Ms Tan is due for re-election as a Director at the forthcoming AGM.

Amelia Vincent *Independent Director*

Amelia Vincent joined our Company as an Independent Director and Chairman of the Audit Committee on 15 June 2016. Amelia is a reputed finance professional with over two decades of experience gained from various blue-chip multi-national companies. She is currently the Head of Finance for William Grant & Sons' Global Travel Retail project whereby she provides commercial finance, controls and governance support. Prior to that she was the Finance Director of Diageo for their Asia Pacific Travel Retail business unit, in charge of strategic and commercial imperatives as well as leading the accounting, control and compliance team. Amelia has also spent 12 years in the tech industry, where she served in various roles of accounting, finance, commercial and strategic planning. She graduated from Nanyang Technological University with a Bachelor of Accountancy (Honours) in 1996 and received her CPA in 1999.

Ms Amelia is due for re-election as a Director at the forthcoming AGM.

Ng Ser Chiang *Independent Director*

Ng Ser Chiang joined our Company as an Independent Director and Chairman of the Nominating Committee on 15 June 2016. Currently, he is a Partner of Elitaire Law LLP, an advocates and solicitors firm in Singapore. He was previously a managing partner in Hameed & Company since February 2002 and a sole-proprietor of the same company from 2004 to 2010. He graduated from the University of Wolverhampton with a Bachelor of Law in 1997 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 2000. His main area of practice is in civil and criminal litigation, corporate law as well as conveyancing. He is also a Director of four other Singapore - incorporated companies.

Mr Ng is due for re-election as a Director at the forthcoming AGM.

KEY MANAGEMENT

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

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

Shih Wen Li is our Sales and Logistics Manager. She held the position as Production Control cum Sales Representative of Chin Poon Industrial Co. Ltd in Taiwan between 1983 and 1991. She then joined Amethy International Co. Ltd in Taiwan as a Sales Leader between 1991 and 1995. She was subsequently appointed as the Sales Leader of Shin Fu Corporation in Taiwan between 1996 and 1999. Prior to joining Allied Advantage Sdn Bhd as a Sales Manager in 2003, she worked as a Sales Executive of Audio Yoke in Taiwan after leaving Shin Fu Corporation. Ms Shih graduated from Hsin Wu Commercial College in Taiwan with a major in Accounting.

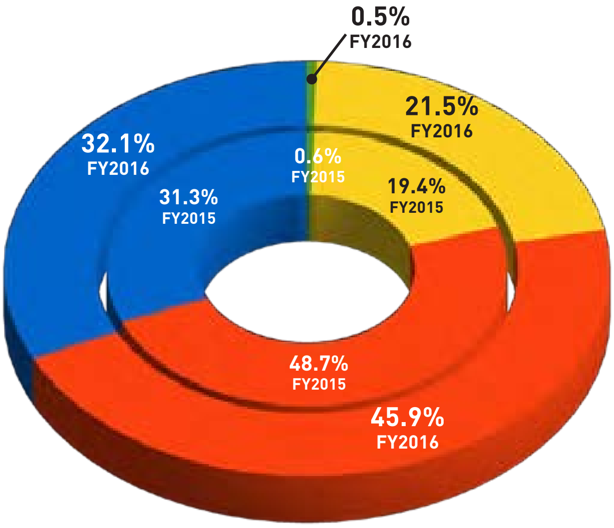
Tan Kim Cheng is our Financial Controller. She is responsible for the overall organisation and management of the Group's financial systems and is also in charge of reviewing the financial reports of all companies within the Group. She commenced her career in 1993 as the Shipping Assistant at Laser Industrial (M) Sdn Bhd. Prior to joining Allied Advantage Sdn Bhd as Assistant Accounts Manager in 1997, she was training at LCS Management Sdn Bhd as a Taxation and Accounts Assistant. She was promoted to Acting Financial Controller of Allied Advantage Sdn Bhd in October 2010 and was appointed as the Financial Controller of Allied Advantage Sdn Bhd in March 2011. Ms Tan graduated from Golden State University in the United States with a Master of Science in Finance and Accounting.

Tan Siew Lean is our Purchasing and Account Assistant Manager. Prior to joining Allied Advantage Sdn Bhd in 2008, she held the position as ISO coordinator cum Quality Engineer at AE Corporation (M) Sdn Bhd between 1994 and 1996. She was transferred to Purchasing Department and assumed the position of Executive between 1996 and 1998. Subsequently in 1999, she was promoted as Administrative Department Head to handle overall purchasing, human resource and account department of AE Corporation (M) Sdn Bhd, where she stayed until 2007. Ms Tan graduated with honours from University Utara Malaysia with a Bachelor Degree of Business Administration.

Lai Choong Hon is the CEO of Engineering Manufacturing Services (S) Pte. Ltd. ("EMS") and a key management of the Group. He joined EMS in 2004 as the Director of Finance, and was responsible for all finance, treasury, reporting and accounting activities in the company. He also took on various responsibilities which include tax and HR and also the operational aspect of leasing out the office/industrial space and workers' dormitory facilities. Prior to joining EMS, he was the Group Financial Controller of Hong Guan Technologies (S) Pte. Ltd. and General Manager of Hong Guan Systems (S) Pte. Ltd. His stint before that was as the Finance Manager of Chartered Semiconductor Manufacturing Ltd. Mr Lai is a member of The Institute of Singapore Chartered Accountants (ISCA). He obtained his degree from the Chartered Institute of Management Accountants (UK) in 1990.

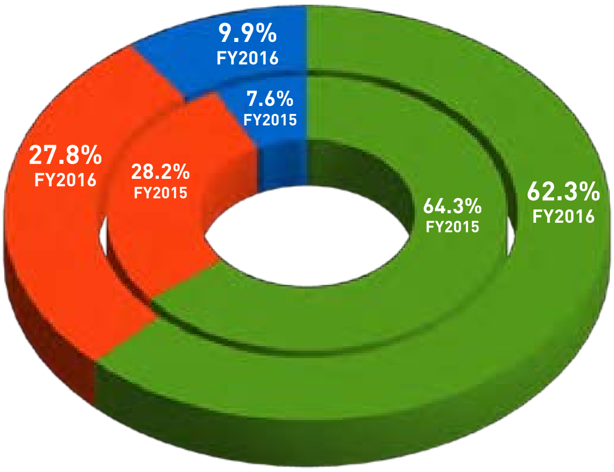
FINANCIAL HIGHLIGHTS

REVENUE BY PRODUCTS



Revenue By Products	FY2016		FY2015	
	SGD	%	SGD	%
Revenue				
● T - Yokes	5,508	32.1%	4,847	31.3%
● U - Yokes	7,880	45.9%	7,530	48.7%
● Washers	3,691	21.5%	3,004	19.4%
● Frame / Others	88	0.5%	90	0.6%
● Others	2	0.0%	-	0.0%
Total Revenue	**17,169**	**100.0%**	**15,471**	**100.0%**

REVENUE BY GEOGRAPHICAL REGION



Revenue By Geographical Region	FY2016		FY2015	
	SGD	%	SGD	%
Revenue				
● Europe	4,766	27.8%	4,357	28.2%
● Asia	1,699	9.9%	1,172	7.6%
● North America	10,704	62.3%	9,942	64.3%
Total Revenue	**17,169**	**100.0%**	**15,471**	**100.0%**

OPERATING & FINANCIAL REVIEW

Financial Performance and Position

Results of Operations (S$ '000)	FY2016	FY2015	Change (%)
Revenue			
T-Yokes	5,508	4,847	13.64%
U-Yokes	7,880	7,530	4.65%
Washers	3,691	3,004	22.87%
Frames/Others	88	90	-2.20%
Others	2	-	n.m.
Total Revenue	**17,169**	**15,471**	**10.98%**
Cost of sales	(15,804)	(14,675)	7.69%
Gross Profit	**1,365**	**796**	**71.48%**
Other operating income	835	1,296	-35.57%
Administrative expenses	(2,559)	(1,594)	60.54%
Other operating expenses	(352)	(23)	1430.43%
Operating Profit	**(711)**	**475**	**-249.65%**
Finance income	19	15	26.67%
Finance costs	(487)	(479)	1.67%
Profit Before Income Tax	**(1,179)**	**11**	**n.m.**
Income tax (expenses)/credit	(38)	(154)	n.m.
Net Loss Attributable To Equity Holders Of The Company	**(1,217)**	**(143)**	**n.m.**

Financial Position (S$ '000)	FY2016	FY2015	Change (%)
Total Assets	37,600	25,602	36.94%
Total Liabilities	18,149	14,278	27.11%
Total Equity	19,451	11,324	71.77%
Capital Expenditure	3,712	1,474	151.83%
Group Staff Strength	216	197	9.64%

n.m. - not meaningful

(a) The Group's revenue for FY2016 increased by approximately S$1.70 million or 11% as compared to FY2015. The increase in revenue was mainly due from the Group's speaker products by approximately S$1.70 million.

(b) Cost of sales for the financial year increased by S$1.13 million or 8%, as compared to previous year is mainly attributable in manufacturing cost, specifically in tooling cost and maintenance cost.

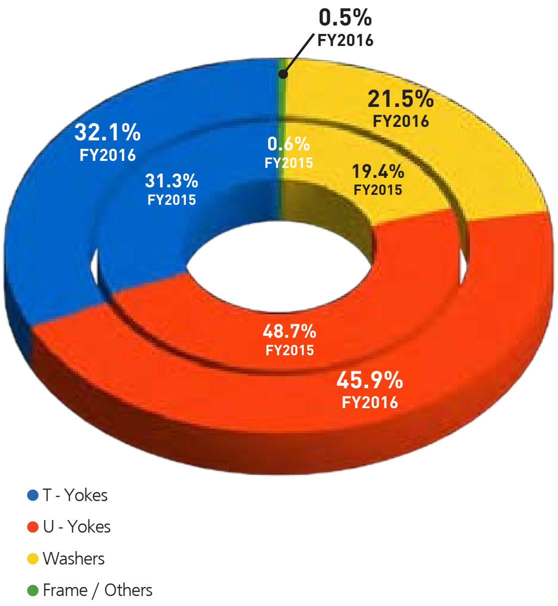
(c) Gross profit for the financial year increased by S$0.57 million or 72%, as compared to the previous year and this is mainly due to decrease in sales margin.

(d) The Group's other operating income for FY2016 decreased by S$0.46 million or 36% as compared to FY2015, mainly due to decrease in gain on foreign exchange.

(e) The Group's administrative expenses and other operating expenses increased by approximately S$1.28 million or 79% as compared to previous year, mainly due to increase in directors' remuneration S$0.25 million, increase in consultancy fees S$0.39 million, rental of office S$0.13 million, loss on unrealized foreign exchange S$0.17 million and provision impairment on fixed assets S$0.18 million.

(f) The Group's results before income tax for FY2016 is a loss of approximately S$1.19 million mainly due to the increase in administrative expenses and decreased in other operating income.

(g) The Group's income tax expenses for FY2016 amounted to approximately S$0.04 million and pertain to deferred tax liabilities arising from timing difference between depreciation and tax capital allowances.



CORPORATE GOVERNANCE REPORT

The Board ("**Board**") of Directors ("**Directors**") of AA Group Holdings Ltd. (the "**Company**") and together with its subsidiaries (the "**Group**") is committed to maintain high standards of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders ("**Shareholders**") and promote investors' confidence. This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2016 ("**FY2016**") with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). Any deviations from the Code are explained. The Company has complied with the principles and guidelines of the Code where appropriate.

BOARD MATTERS

The Board's Conduct of its Affairs

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

Guidelines of the Code	Corporate Governance Report
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the company to meet its objectives; (b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; (c) review Management performance; (d) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The principal functions of the Board, apart from its statutory responsibilities, are to: • set and direct the long-term vision and strategic direction of the Group; • review and approve the corporate policies, strategies, budgets and financial plans of the Company; • monitor financial performance, including approval of the half yearly financial reports of the Company; • oversee the business and affairs of the Company, establish, with the Management, the strategic and financial objectives to be implemented by the Management and monitor the performance of the Management; • approve major funding decisions, material interested party transactions and all strategic matters; • review the process of evaluating the adequacy of internal controls, risk management and compliance; • identify the key stakeholder groups and recognise how their perceptions affect the Company's reputation; • set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and • consider sustainability issues (e.g. environmental and social factors) in the formulation of its strategies. The Board presently consists of two (2) executive directors and three (3) independent directors. Together, the Board brings a wide range of business, legal and financial experience relevant to the Group. Hsieh, Kuo-Chuan @ Jaimes Hsieh — Executive Chairman Yau Woon Foong — Executive Director Tan See Leng — Lead Independent Director Amelia Vincent — Independent Director Ng Ser Chiang — Independent Director

CORPORATE GOVERNANCE REPORT (CONT'D)

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>1.2 All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the company.</td><td>Every Director is expected in the course of carrying out his duties as fiduciaries, to act in good faith, provide insights and consider at all times, the interests of the Company.</td></tr>
<tr><td>1.3 The Board may delegate the authority to make decisions to any Board committee but without abdicating its responsibility. Any such delegation should be disclosed.</td><td>The Board has established specific Board Committees with its own written terms of reference to assist in efficient implementation of its functions. The actions of the committees will be monitored by the Board. These committees are the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which operate within clearly defined terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board, and their actions are reviewed by the Board.</td></tr>
<tr><td>1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the Board members. Companies are encouraged to amend their articles of association (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings, should be disclosed in the company's annual report.</td><td>The details of the Directors at Meetings of Board and Board Committees during the financial year under review, are set out below. Additional ad-hoc meetings may be held where circumstances require. The Company's Constitution provides for meetings of Directors to be held via telephone-conference, video-conference or similar communication equipment.

The table below illustrates the number of meetings held in FY2016 and each Director's attendance of such meetings:

<table>
<tr><th></th><th></th><th colspan="2">Board of Directors</th><th colspan="2">Audit Committee</th><th colspan="2">Nominating Committee</th><th colspan="2">Remuneration Committee</th></tr>
<tr><th rowspan="2">Name</th><th rowspan="2">Position</th><th colspan="8">Numbers of meeting</th></tr>
<tr><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th></tr>
<tr><td colspan="10">Current Directors</td></tr>
<tr><td>Hsieh, Kuo-Chuan @ Jaimes Hsieh</td><td>Executive Chairman</td><td>2</td><td>2</td><td>2</td><td>2*</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td>Yau Woon Foong(1)</td><td>Executive Director</td><td>2</td><td>1</td><td>2</td><td>1*</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td>Tan See Leng(2)</td><td>Lead Independent Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td>Amelia Vincent(3)</td><td>Independent Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td>Ng Ser Chiang(4)</td><td>Independent Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td colspan="10">Past Directors</td></tr>
<tr><td>Feng, Tzu-Ju @ Julie Feng(5)</td><td>Managing Director</td><td>2</td><td>1</td><td>2</td><td>1*</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
<tr><td>Koh Yew Khoon, Christopher(6)</td><td>Non-Independent Non-Executive Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Chua Chee Heng(7)</td><td>Lead Independent Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Charles Chew Yeow Bian(8)</td><td>Independent Director</td><td>2</td><td>1</td><td>2</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Raymond Ong Sie Hou(9)</td><td>Lead Independent Director</td><td>2</td><td>-</td><td>2</td><td>-</td><td>1</td><td>-</td><td>1</td><td>-</td></tr>
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</td></tr>
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CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
	* By Invitation Note: (1) Mr Yau Woon Foong was appointed as Executive Director with effect from 15 June 2016. (2) Ms Tan See Leng was appointed as Lead Independent Director with effect from 15 June 2016. (3) Ms Amelia Vincent was appointed as Independent Director with effect from 15 June 2016. (4) Mr Ng Ser Chiang was appointed as Independent Director with effect from 15 June 2016. (5) Ms Feng, Tzu-Ju @ Julie Feng resigned as Managing Director on 15 June 2016. (6) Mr Koh Yew Khoon, Christopher resigned as Non-Independent Non-Executive Director on 18 March 2016. (7) Mr Chua Chee Heng resigned as Lead Independent Director on 18 March 2016. (8) Mr Charles Chew Yeow Bian resigned as Independent Director on 15 June 2016. (9) Mr Raymond Ong Sie Hou was appointed as Lead Independent Director on 18 March 2016 and resigned as Lead Independent Director on 16 June 2016.
1.5 Every company should prepare a document with guidelines setting forth: (a) the matters reserved for the Board's decision; and (b) clear directions to Management on matters that must be approved by the Board. The types of material transactions that require Board approval under such guidelines should be disclosed in the company's annual report.	Directors are involved in the supervision of the management of the Group's operations. The Company has internal guidelines and approval limits for operational, financial and capital expenditure requirements. Under these guidelines, the matters which specifically require the Board's decision or approval are those involving: • corporate strategy and business plan; • investment and divestment proposals; • funding decisions of the Group; • nominations of Directors comprising the Board and appointment of key personnel; • half year and full year results for announcement, the annual report and accounts; • issuance of new shares; • material acquisitions and disposal of assets; and • all matters of strategic importance.

CORPORATE GOVERNANCE REPORT (CONT'D)

1.6	Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties as a director and how to discharge those duties, and include an orientation programme to ensure that they are familiar with the company's business and governance practices. The company should provide training for first-time director[1] in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular training, particularly on relevant new laws, regulations, and changing commercial risks, from time to time. The company should be responsible for arranging and funding the training of directors. The Board should also disclose in the company's annual report the induction, orientation and training provided to new and existing directors.	Appropriate training/briefing will be provided for new Directors who have no prior experience as Directors of a listed company in Singapore to be familiar with their duties as a Director and how to discharge such duties as a Director. Newly-appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. To enable the Directors to gain a better understanding of the Group's business, the Directors are encouraged to request for further explanations, briefings or informal discussion on the Company's operations or business with the management. Directors are also given opportunity to visit the Group's operational facilities and meet with management staff. Where necessary, the Directors will be updated on new legislation and/or regulations which are relevant to the Group. As part of their continuing education, the Directors may attend relevant training seminars or informative talks, to apprise themselves of legal, financial and other regulatory developments, at the Company's expenses. The Directors was updated on amendments/requirements of the SGX-ST, and other statutory and regulatory requirements from time to time, to enable them to make well-informed decisions and to ensure that they are competent in carrying out their expected roles and responsibilities. The Company is responsible for arranging and funding the training of Directors. The Company will arrange for Directors to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company also works closely with professionals to provide its Directors with updates in changes to relevant laws, regulations and accounting standards. Two Directors attended Module 1: Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore – What Every Director Ought to Know on 12 July 2016.
1.7	Upon appointment of each director, the company should provide a formal letter to the director, setting out the director's duties and obligations.	Incoming Directors will also be provided with a formal letter which sets out their duties and obligations.

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[1] The term "first-time director" shall refer to a director who has no prior experience as a director of a listed company.

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders[2]. No individual or small group of individuals should be allowed to dominate the Board's decision making.

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.</td><td>The Company endeavours to maintain a strong and independent element on the Board. The strong independent element on the Board enables the Management to benefit from external diverse and objective perspective of issues raised.

The Board comprises two (2) Executive Directors and three (3) Independent Directors ("IDs") as at the date of this report. As there are three (3) IDs on the Board for the financial year under review, the requirement of the Code that at least one-third of the Board be comprised of IDs is satisfied.

As at 31 December 2016 and as at the date of this report, the Board comprises the following Directors set out below:

<table>
<tr><td colspan="2"><i>Executive Directors</i></td></tr>
<tr><td>Hsieh, Kuo-Chuan @ Jaimes Hsieh</td><td>Executive Chairman</td></tr>
<tr><td>Mr Yau Woon Foong</td><td>Executive Director (appointed with effect from 15 June 2016)</td></tr>
<tr><td colspan="2"><i>Independent Directors</i></td></tr>
<tr><td>Ms Tan See Leng</td><td>Lead Independent Director (appointed with effect from 15 June 2016)</td></tr>
<tr><td>Mr Ng Ser Chiang</td><td>Independent Director (appointed with effect from 15 June 2016)</td></tr>
<tr><td>Ms Amelia Vincent</td><td>Independent Director (appointed with effect from 15 June 2016)</td></tr>
</table>
</td></tr>
<tr><td>2.2 The independent directors should make up at least half of the Board where:

(a) the chairman of the Board and the CEO (or equivalent) is the same person;

(b) the chairman and the CEO are immediate family[3] members;

(c) the chairman is part of the Management team; or

(d) the chairman is not an independent director.</td><td>As at current date, the Independent Directors comprise of more than half of the Board's composition. The Board has undertaken a full review of its composition and is of the opinion that the Board continues to exercise objective judgement independently of the Management.</td></tr>
</table>

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[2] The term "10% shareholder" shall refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

[3] The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange (the "Listing Manual"). i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
2.3 An independent director is one who has no relationship with the company, its related corporations[4], its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the company's annual report each director it considers to be independent. The Board should determine, taking into account the views of the NC, whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Directors should disclose to the Board any such relationship as and when it arises. The Board should state its reasons if it determines that a director is independent, notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including the following: (a) a director being employed by the company or any of its related corporations for the current or any of the past three financial years; (b) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the remuneration committee; (c) a director, or an immediate family member, accepting any significant compensation from the company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for Board service; (d) a director: (i) who, in the current or immediate past financial year, is or was; or (ii) whose immediate family member, in the current or immediate past financial year, is or was, a 10% shareholder of, or a partner in (with 10% or more stake), or an executive officer of, or a director of, any organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments[5] aggregated over any financial year in excess of S$200,000 should generally be deemed significant; (e) a director who is a 10% shareholder or an immediate family member of a 10% shareholder of the company; or (f) a director who is or has been directly associated with[6] a 10% shareholder of the company, in the current or immediate past financial year. The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a director to be not independent. If the Board wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	The NC is responsible for assessing each Directors' independence on an annual basis. Each ID is required to complete a declaration form to confirm his independence based on the guidelines as set out in the Code. All the board committee meetings are chaired by the IDs. The IDs have confirmed that they do not have any relationship with the Company or its related corporations, its officers, its Shareholders with shareholding of at least 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The Board, with the concurrence of the NC, has reviewed the respective confirmations and declarations of the IDs, Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang and after taking into account their respective working experience and contributions, the Board is satisfied that each of them is independent in character and judgement. Given their independence, respective wealth of business, working experience and professionalism in carrying out their duties, the NC had found each of Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang suitable to continue to act as an independent director. The Board has accepted the NC's recommendation that each of Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang be considered independent. Each of Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang has abstained from deliberating on their respective independence.

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[4] The term "related corporation", in relation to the company, shall have the same meaning as currently defined in the Companies Act, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

[5] Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favourable treatment is accorded.

[6] A director will be considered "directly associated" with a 10% shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation. A director will not be considered "directly associated" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

CORPORATE GOVERNANCE REPORT (CONT'D)

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>2.4 The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.</td><td>The NC, which has the responsibility of reviewing the independence of each Director on an annual basis, had adopted the Code's definition of "independent" Director.
For FY2016, none of the Independent Directors have served on the Board beyond 9 years from the respective date of their first appointment which is subject to particularly rigorous review.</td></tr>
<tr><td>2.5 The Board should examine its size, and with a view to determine the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Board should not be so large as to be unwieldy.</td><td>The Board through the NC has examined its size (taking into account the scope and nature of the operations of the Company), with considerations on recommendations of the Code and is of the view that its current Board size of 5 Directors is an appropriate size for effective decision-making. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.</td></tr>
<tr><td>2.6 The Board and its Board committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also provide core competencies such as accounting or finance, business or Management experience, industry knowledge, strategic planning experience and customer based experience or knowledge.</td><td>The NC has considered the diversity of the Board and is of the view that there is adequate relevant competence on the part of the Directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management experience and strategic planning experience and that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors". Members of the Board are constantly communicating with management to provide advice and guidance on matters affecting the affairs and business of the Group, resulting in effective management of the Group's business and operations.
The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:
<table>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>- Accounting or finance</td><td>3</td><td>60%</td></tr>
<tr><td>- Business management</td><td>5</td><td>100%</td></tr>
<tr><td>- Relevant industry knowledge or experience</td><td>3</td><td>60%</td></tr>
<tr><td>- Strategic planning experience</td><td>5</td><td>100%</td></tr>
<tr><td>- Customer based experience or knowledge</td><td>5</td><td>100%</td></tr>
</table>
The Board's policy in identifying directors is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT (CONT'D)

2.7 Non-executive directors should: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.	The IDs will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the management in meeting, agreed goals and objectives, and monitor the reporting of performance. Their views and opinions will provide alternative perspectives to the Group's business. When challenging the Management proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.
2.8 To facilitate a more effective check on Management, non-executive directors are encouraged to meet regularly without the presence of Management.	When necessary, the IDs will have discussions amongst themselves without the presence of the Management.

<u>Chairman and Chief Executive Officer</u>

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines of the Code	Corporate Governance Report
3.1 The Chairman and the CEO should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and the CEO should be clearly established, set out in writing and agreed by the Board. In addition, the Board should disclose the relationship between the chairman and the CEO if they are immediate family members.	Presently, there is no person holding the position of CEO in the Company as the Board is of the view that the current Board composition is appropriate and effective for the purposes for which the Board's roles and responsibilities are set up. The Board is of the view that there is a strong independent element on the Board to enable exercise of objective judgment of corporate affairs in the Group by members of the Board, taking into account factors such as the number of Independent Directors on the Board, as well as the size and scope of the Group's affairs and operations.
3.2 The Chairman should: (a) lead the Board to ensure its effectiveness on all aspects of its role; (b) set its agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and, timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) promote high standards of corporate governance. The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.	As Executive Chairman, Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh is primarily responsible for overseeing the overall management and strategic development of the Group. Mr Hsieh, Kuo-Chuan @ James Hsieh promotes a culture of openness and debate at the Board, ensures the Directors receive complete, adequate and timely information, ensures effective communication with shareholders and promotes high standards of corporate governance of the Group. His other duties and responsibilities include: • leading the Board to ensure its effectiveness on all aspects of its role; • scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations; • preparing meeting agenda for Board meetings and ensuring that adequate time is available for discussion of all agenda items (in consultation with management); • assisting in ensuring the Group's compliance with the Code; • ensuring that Board Meetings are held when necessary; • reviewing most board papers before they are presented to the Board; • encouraging constructive relations within the Board and between the Board and Management; and • facilitating the effective contribution of non-executive directors in particular. In addition to the above duties, the Executive Chairman will assume such duties and responsibilities as and when required of him from time to time by the Board.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
3.3 Every company should appoint an independent director to be lead independent director where: (a) the chairman and the CEO is the same person; (b) the chairman and the CEO are immediate family members; (c) the chairman is part of the Management team; or (d) the chairman director is not an independent director The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the chairman, the CEO or the chief financial officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	Ms Tan See Leng is the Lead Independent Director (the "Lead ID") of the Company. The appointment of the Lead ID and the participation of the IDs ensure that the Executive Chairman does not have unfettered powers of decision. In line with recommendation in Guideline 3.3 of the Code, Ms Tan See Leng is available to address shareholders' concerns on issues that have not been satisfactorily resolved or cannot be appropriately dealt with by the Executive Chairman.
3.4 Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the chairman after such meetings.	Led by the Lead ID, the IDs also meet periodically without the presence of the other Directors, and the Lead ID will provide feedback to the Executive Chairman after such meetings.

Board Membership

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

Guidelines of the Code	Corporate Governance Report
4.1 The Board should establish a NC to make recommendations to the Board on all Board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least 3 directors, a majority of whom, including the NC chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's annual report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	As at 31 December 2016, the NC comprises the following members, who are all Independent Directors: Mr Ng Ser Chiang — Chairman Ms Tan See Leng — Member Ms Amelia Vincent — Member The NC is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
4.2 The NC should make recommendations to the Board on relevant matters relating to: (a) the review of Board succession plans for directors, in particular, the chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its Board committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternate directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-appointment at regular intervals and at least once in every three years.	The principal terms of reference for the NC are: • to review nominations for the appointment and re-appointment to the Board and the various committees, having regard to the Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including as an Independent Director; • to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and its Board Committees, and the contribution of each individual Director; • to decide, where a Director has multiple board representations and other principal commitments, whether the Director is able to and has been adequately carrying out his duties as Director of the Company; • to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years; • to determine on an annual basis whether or not a Director is independent; • to review Board succession plans for Directors; and • to review training and professional development programmes for the Board. The NC is charged with the responsibility of re-nominating the Directors, having regard to each Director's contribution and performance and deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. The Constitution of the Company requires one-third of the Directors to retire from office at each Annual General Meeting ("AGM") of the Company. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. It is also provided in the Constitution of the Company that the Directors appointed during the course of the year must retire and submit themselves for re-election at the next AGM of the Company following their appointments.
4.3 The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it shall provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is not independent even if he does not fall under the circumstances set forth in guideline 2.3 or guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	The NC has assessed the independence of Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang, and is satisfied that there are no relationships which would deem them not to be independent. Each member of the NC shall abstain from voting on any resolutions in respect to his/her re-nomination as a Director. The NC has recommended the re-election of Mr Yau Woon Foong, Ms Tan See Leng, Ms Amelia Vincent and Mr Ng Ser Chiang, who are retiring at the forthcoming AGM pursuant to Regulation 117 of the Constitution of the Company. The Board has accepted the recommendations and the retiring Directors would be offering themselves for re-election.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code		Corporate Governance Report
4.4	When a director has multiple Board representations, he must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director's number of listed company Board representations and other principal commitments[7]. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple Boards. The Board should determine the maximum number of listed company Board representations which any director may hold, and disclose this in the company's annual report.	When a Director has multiple board representations and other principal commitments, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company. The NC is satisfied that the respective Directors have been carrying out their duties appropriately. The NC has determined that as a general rule, the maximum directorship that an independent Director can hold in listed companies, whether listed in Singapore or elsewhere, is six (6) or any other number as determined by the NC on a case-by-case basis. The NC also considered, and is of the opinion, that the multiple board representations held by Directors of the Company do not impede their performance in carrying out their duties to the Company.
4.5	The Board should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors shall bear all the duties and responsibilities of a director.	The Company does not have alternate directors in FY2016.
4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's annual report. This should include disclosure on the search and nomination process.	The NC has in place a formal and transparent process for all appointments to the Board. The NC periodically evaluates the balance of skills, knowledge and experience of each member of the Board to determine the composition of the Board in respect of its adequacy in terms of its qualify and size. Should the NC be of the opinion that new or more appointment(s) ought to be made to the Board, the NC will rely on external assistance (such as referrals from search consultants or the Singapore Institute of Directors) or internal recommendation from its Directors and the management. The selection of candidates will take into account various factors including the current and mid-term needs and goals of the Company as well as the relevant expertise of the candidates and their potential contributions to the Company. Thereafter, selected candidates will be recommended to the Board for approval. In recommending a Director for re-appointment to the Board, the NC considers each of their contribution including attendance and participation at Board and Board committees and the time and efforts accorded to the Group's business and affairs. Each NC member will abstain from voting on any resolution in respect of the assessment of his/her performance and contribution for re-nomination as a Director of the Company.

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[7] The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company Board representations and directorships and involvement in non-profit organisations. Where a director sits on the Boards of non-active related corporations, those appointments should not normally be considered principal commitments.

CORPORATE GOVERNANCE REPORT (CONT'D)

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr><td>4.7 Key information regarding directors, such as academic and professional qualifications, shareholding in the company and its related corporations, Board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, should be disclosed in the company's annual report.

In addition, the company's annual disclosure on corporate governance should indicate which directors are executive, non-executive or considered by the NC to be independent. The names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:

(a) any relationships including immediate family relationships between the candidate and the directors, the company or its 10% shareholders;

(b) a separate list of all current directorships in other listed companies; and

(c) details of other principal commitments.</td><td>Information required in respect of their academic and professional qualifications are set out at page 7 & 8 of this Annual Report.

The dates of initial appointment and last re-election of each of the current Directors are set out below:

<table>
<tr><th>Name of Director</th><th>Position held on the Board</th><th>Date of first appointment to the Board</th><th>Date of last re-election as Director</th></tr>
<tr><td>Hsieh Kuo-Chuan @ Jaimes Hsieh</td><td>Executive Chairman</td><td>20 October 2004</td><td>21 April 2016</td></tr>
<tr><td>Yau Woon Foong</td><td>Executive Director</td><td>15 June 2016</td><td>Not applicable</td></tr>
<tr><td>Tan See Leng</td><td>Lead Independent Director</td><td>15 June 2016</td><td>Not applicable</td></tr>
<tr><td>Amelia Vincent</td><td>Independent Director</td><td>15 June 2016</td><td>Not applicable</td></tr>
<tr><td>Ng Ser Chiang</td><td>Independent Director</td><td>15 June 2016</td><td>Not applicable</td></tr>
</table>

The list of directorship in other listed companies, both current and those held over the preceding 3 years, and other principal commitments for each of the current Directors are as follows:

<table>
<tr><th>Name of Director</th><th>Directorship in Other Listed Companies</th><th>Past directorships in other listed companies (preceding three years)</th><th>Details of Other Principal Commitment, if any</th></tr>
<tr><td>Hsieh Kuo-Chuan @ Jaimes Hsieh</td><td>Nil</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Yau Woon Foong</td><td>Allied Technologies Limited</td><td>Nil</td><td>Independent Director, Allied Technologies Limited</td></tr>
<tr><td>Tan See Leng</td><td>Nil</td><td>Nil</td><td>Executive Director, Heartware Network</td></tr>
<tr><td>Amelia Vincent</td><td>Nil</td><td>Nil</td><td>Head of Finance, William Grant & Sons Pte. Ltd.</td></tr>
<tr><td>Ng Ser Chiang</td><td>Nil</td><td>Nil</td><td>Partner, Elitaire Law LLP</td></tr>
</table>
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT (CONT'D)

Board Performance

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

Guidelines of the Code	Corporate Governance Report
5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board committees and for assessing the contribution by the chairman and each individual director to the effectiveness of the Board. The Board should state in the company's annual report how the assessment of the Board, its Board committees and each director has been conducted.	The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which addresses the level of participation, attendance at Board and Board committees' meetings, the individual Director's functional expertise, and how the Board has enhanced long-term shareholders' value. The Board has adopted a process and objective performance criteria to be carried out by the NC annually in assessing the effectiveness of the Board as a whole and in assessing the contribution from each individual Director to the effectiveness of the Board. The Board assesses its effectiveness as a whole through the completion of an appraisal form by each individual Director on the effectiveness of the Board. The Chairman of the NC collates the results of these appraisal forms and formally discusses the results collectively with other Board members to address any areas for improvement and, where appropriate, approval for implementation. Such performance evaluation was conducted for the Board as a whole for FY2016, by having the Directors to complete a questionnaire and findings were analysed with a view to further enhance the effectiveness of the Board. This evaluation exercise provides an opportunity to obtain feedback from each Director on whether the Board's procedures and processes have allowed him to discharge his duties and to propose changes to enhance Board's effectiveness.
If an external facilitator has been used, the Board should disclose in the company's annual report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's annual report.	No external facilitator had been appointed by the Board for this purpose.
5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allows comparison between with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.	The performance criteria approved by the Board adddresses how the Board has enhanced long term shareholders value, and are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. An evaluation exercise was carried out in the financial year under review, covering the following areas – i) Board composition; ii) Board information; iii) Board process; iv) Board accountability; and vi) Standards of Conduct
5.3 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board committees, and any other duties). The chairman should act on the results of the performance evaluation, and, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year, and is of the view that the performance of the Board as a whole has been satisfactory. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his/her performance or re-nomination as a Director. Through the evaluation process and intensity of participation by the Directors at the Board and Board Committees meetings and their quality of contribution, the NC is satisfied that the Directors are able to continue contributing effectively and the results of the assessment has been communicated to and accepted by the Board.

CORPORATE GOVERNANCE REPORT (CONT'D)

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines of the Code	Corporate Governance Report
6.1 The Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by the Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his duties properly. Hence, the Board should have separate and independent access to the Management. Directors are entitled to request from the Management and should be provided with such additional information as needed to make informed decisions. The Management shall provide the same in a timely manner.	The Board is provided with timely, complete and adequate information prior to Board meetings, as and when the need arises. Where necessary, the Board shall have separate and independent access to the Company's key management (where further enquiries may be required in order for the particular Director to carry out his duties properly). Requests for the Company's information by the Board are dealt with by the Management promptly. The Executive Directors and the senior management keep the Board informed of the Group's operations and performance on an on-going basis, through updates and reports as well as through informal discussions. Prior to the meetings of the Board and/or Board Committees, Directors are provided, where appropriate, with Management information to enable them to participate at the meetings. In addition, Board members have separate and independent access to the senior management and the Company Secretary.
6.2 Information provided should include Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.	The Company recognises the importance of the flow of information for the Board to discharge its duties effectively. In FY2016, management provided members of the Board with half-year management accounts of the Group, relevant background information relating to the matters that were discussed at the Board meetings, as well as regular updates on the financial position of the Company. Detailed board papers and related materials were sent out to the Directors before the scheduled Board meetings, as well as relevant background information relating to the matters that were discussed at the Board meetings, including the background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.
6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between the Management and non-executive directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all Board meetings.	Further, the Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and assists the Board in governance matters.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.	The appointment and the removal of the Company Secretary should be a matter for the Board as a whole.
6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, and at the company's expense.	Each member of the Board has direct access to the Group's independent professional advisors, concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities. Any cost for obtaining professional advice will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Guidelines of the Code	Corporate Governance Report
7.1 The Board should establish a RC with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's annual report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	As at 31 December 2016, the Remuneration Committee ("**RC**") comprises entirely Independent Directors and the members of the RC are: Ms Tan See Leng – Chairman Ms Amelia Vincent – Member Mr Ng Ser Chiang – Member

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
7.2 The RC should review and recommend to the Board a general framework of remuneration for the Board and key Management personnel[8]. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key Management personnel. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share based incentives and awards, and benefits in kind.	The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors and key management personnel. The overriding principle is that no Director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, functions and administration. One meeting was held by the RC in FY2016 and details of the members' attendance at the meetings are set out on page 13 of the Annual Report. The duties of the RC are: • to recommend to the Board a general framework of remuneration for Board members and key management personnel; • to determine specific remuneration packages for each Director as well as for the key management personnel. The RC's recommendations are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and senior management's fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits in kind are covered by the RC; • to determine the appropriateness of the remuneration of Non-executive Directors taking into account factors such as effort and time spent, and their responsibilities; • to review and recommend to the Board the terms of renewal of the service agreements of Executive Directors; • to consider the disclosure requirements for Directors' and key executives' remuneration as required by the SGX-ST; • to review and recommend the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel; • to review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel; and • to carry out such other duties as may be agreed to by the RC and the Board.
7.3 If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	The recommendations of the RC would be submitted to the Board for endorsement. The RC will have to seek expert advice inside and/or outside the Company with regard to remuneration matters, if necessary. The RC will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships in the boards of other listed companies. The members of the RC do not participate in any decisions concerning their own remuneration package. The Company will disclose the names and firms of any expert advice from remuneration consultants in its annual remuneration report, and will include a statement on whether such remuneration consultants have any such relationships with the Company. No external facilitator has been engaged by the Board for advice and remuneration matters for FY2016.

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[8] The term "key Management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
7.4 The RC should review the company's obligations arising in the event of termination of the executive directors and key Management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	In reviewing the service agreements of the Executive Directors and key Management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key Management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guidelines of the Code	Corporate Governance Report
8.1 A significant and appropriate proportion of executive directors and key Management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related elements of remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive and key Management personnel's performance.	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. In setting remuneration packages, the RC ensures that the Directors are adequately, but not excessively remunerated as compared to the industry and comparable companies. The Company has a remuneration policy which comprises a fixed component and a variable component. The fixed and variable components are in the form of a base salary, an annual bonus and a performance bonus that is linked to the performance of the Company and the individual. The remuneration of the Executive Directors and key management personnel of the Group are reviewed by the RC to ensure that the interests of the Executive Directors and key management personnel of the Group are aligned with the interests of the Shareholders and to ensure that the remuneration commensurates with their performance and the performance of the Company. No Director is involved in deciding his or her own remuneration.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
8.2 Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC should review whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability.	The RC also administers the AA Group Employees Share Option Scheme (the "**Scheme**"). The Scheme was approved by Shareholders on 4 July 2005 and it has complied with the relevant rules as set out in Chapter 8 of the Catalist Rules. The RC is currently appointed to administer the Scheme. The Scheme provides an opportunity for the Executive Directors and employees of the Group, together with the employees of associated companies who are not controlling Shareholders, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to the success and development of the Company and/or the Group. No option has been granted to any participant under the Scheme since the commencement of the Scheme.
8.3 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	The RC takes into consideration the level of contribution, effort and time spent, and responsibilities of each Director during its review of the Non-Executive Directors' remuneration. None of the independent and non-executive Directors have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the independent and non-executive Directors. The Directors' fees are subject to approval by the Shareholders at each annual general meeting ("**AGM**"). Save for the Director's fees as disclosed, the independent and non-executive Directors do not receive any remuneration from the Company. One of the Executive Directors has a formal service agreement which does not specify any fixed term and which can be terminated by giving six (6) months' written notice. All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of Shareholders at the AGM. Each member of the RC will abstain from reviewing and approving his or her own remuneration and the remuneration packages of persons related to him/her.
8.4 Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director owes a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT (CONT'D)

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key Management personnel, and performance.

<table>
<tr><th>Guidelines of the Code</th><th>Corporate Governance Report</th></tr>
<tr>
<td>9.1 The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key Management personnel (who are not also directors or the CEO) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main means through which the company reports to shareholders on remuneration matters.

The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key Management personnel (who are not directors or the CEO).</td>
<td>The RC recommends to the Board a framework of remuneration for the Board and senior management to ensure that the structure is competitive and sufficient to attract, retain and motivate the senior management to run the Group successfully in order to maximise Shareholders' value. Each of the RC members shall abstain from the decision-making process concerning his own remuneration.

A breakdown showing the level and mix of remuneration for each of the Directors in FY2016 is set out as follows:

Remuneration of Directors in FY 2016
<table>
<tr><th>Remuneration Band & Name of Director</th><th>Based/ Fixed Salary</th><th>Bonus</th><th>Director's Fees</th><th>Other benefits</th><th>Total</th></tr>
<tr><td>Below S$ 250,000</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Hsieh Kuo-Chuan @ Jaimes Hsieh</td><td>95%</td><td>-</td><td>-</td><td>5%</td><td>100%</td></tr>
<tr><td>Feng, Tzu-Ju @ Julie Feng (resigned on 15 June 2016)</td><td>96%</td><td>-</td><td>-</td><td>4%</td><td>100%</td></tr>
<tr><td>Yau Woon Foong (appointed on 15 June 2016)</td><td>75.8%</td><td>-</td><td>18.5%</td><td>5.7%</td><td>100%</td></tr>
<tr><td>Koh Yew Khoon, Christopher (resigned on 18 March 2016)</td><td>78.3%</td><td>-</td><td>17.5%</td><td>4.2%</td><td>100%</td></tr>
<tr><td>Tan See Leng (appointed on 15 June 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
<tr><td>Amelia Vincent (appointed on 15 June 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
<tr><td>Ng Ser Chiang (appointed on 15 June 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
<tr><td>Chua Chee Heng (resigned on 18 March 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
<tr><td>Charles Chew Yeow Bin (resigned on 15 June 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
<tr><td>Raymond Ong Sie Hou (resigned on 16 June 2016)</td><td>-</td><td>-</td><td>100%</td><td>-</td><td>100%</td></tr>
</table>
Note:
Directors' fees are subject to the approval of the Shareholders at the forthcoming AGM.</td>
</tr>
</table>

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
	Remuneration of the key management personnel (who are not Directors or the MD) of the Company in FY2016 is set out as follows:

Remuneration Band & Name of Key Management Personnel	Based/Fixed Salary	Bonus	Other benefits	Total
Below S$ 250,000				
Mr Koh Teik Huat	90%	-	10%	100%
Ms Tan Kim Cheng	89%	-	11%	100%
Ms Shih Wen Li	92%	-	8%	100%
Ms Tan Siew Lean	88%	-	12%	100%

Guidelines of the Code	Corporate Governance Report
	The Company is not disclosing the full details of the remuneration of each Director and key management personnel as it is not in the best interests of the Company and its employees to disclose such details due to the sensitive nature of such information and to prevent the poaching of key executives. The annual aggregate remuneration paid to the top four (4) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2016 is equivalent to approximately S$130,000. The Board is of the view that the current disclosure information on remuneration matter provides sufficient overview of the remuneration policies of the Group while maintaining the confidentiality of the Directors and staff remuneration matters.
9.2 The company should fully disclose the remuneration of each individual director and the CEO on a named basis. For administrative convenience, the company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. Please refer to the table on Remuneration of Directors on page 30 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

	Guidelines of the Code	Corporate Governance Report
9.3	The company should name and disclose the remuneration of at least the top five key Management personnel (who are not directors or the CEO) in bands of S$250,000. Companies are only required to show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key Management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key Management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key Management personnel.	After due consideration, the Board has decided not to disclose the remuneration of the top four (4) management personnel who are not Directors or the CEO (in aggregate or otherwise), due to its sensitive nature as there is strong competition within the industry for key talent. Please refer to the table on the level of remuneration of key management personnel on page 31 of this Annual Report.
9.4	For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000. The company need only show the applicable bands.	There is no employee who is an immediate family member of a Director or the Chief Executive Officer of the Company whose remuneration exceeded S$50,000 during FY2016. "Immediate family" (as defined in the Catalist Rules) means, in relation to the Group's Director, the Director's spouse, child, adopted child, step-child, sibling and parent.
9.5	The annual remuneration report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes should be disclosed, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted.	Details of employee share option scheme (the "Scheme") can be found in the Company's offer document dated 23 August 2005. No options were granted under the Scheme in FY2016.
9.6	For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key Management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.	The RC makes recommendations on an appropriate framework of remuneration taking into account employment conditions within the industry and the Group's performance to ensure that the package is competitive and sufficient to attract, retain and motivate the Directors and key management personnel. The Company advocates a performance-based remuneration system for Executive Directors and key management personnel that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

CORPORATE GOVERNANCE REPORT (CONT'D)

ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines of the Code	Corporate Governance Report
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	The Company has taken efforts to comply with the Catalist Rules on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders with details of all major developments that affect the Group and strives to maintain a high standard of transparency. The Board aims to provide a balanced and understandable assessment of the Group's performance, position and prospects extends to the interim and other price-sensitive public reports, and reports to regulators (if required). The Board provides the Shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a half-yearly basis. This responsibility extends to reporting to regulators.
10.2 The Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board has taken adequate steps to ensure compliance with legislative and regulatory requirements, including without limitation, the Catalist Rules. Shareholders are informed of the financial performance of the Group through half yearly and annual result announcements and the various disclosures and announcements made to the SGX-ST via SGXNET.
10.3 The Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	The Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a half-yearly basis.

CORPORATE GOVERNANCE REPORT (CONT'D)

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk Management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Guidelines of the Code	Corporate Governance Report
11.1 The Board should determine the company's levels of risk tolerance and risk policies, and oversee the Management in the design, implementation and monitoring of the risk Management and internal control systems.	The Company does not have a Risk Management Committee. However, the Management regularly reviews the Company's businesses and operational activities to identify areas of significant business risks and takes appropriate measures to minimise these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the Directors and the AC. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements. The Group's internal controls and systems are designed to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets. Procedures are in place to identify major business risks and evaluate potential financial consequences, as well as for the authorisation of capital expenditures and investments. Comprehensive budgeting systems are in place to develop annual budgets covering key aspects of the business of the Group. Actual performance is compared against budgets and periodical revised forecasts for the year.
11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk Management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The Board will, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The Board, with the concurrence of the AC, is of the opinion that, in the absence of any evidence to the contrary, the internal controls within the Group, addressing financial, operational, compliance, and information technology controls and the risk management framework, are adequate and effective after taking into consideration: • The internal controls established and maintained by the Group; • Reports issued by the internal and external auditors; and • Regular reviews performed by the management, various Board committees and the Board. The Board notes that no system of internal controls can provide absolute assurances against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's annual report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems. The Board should also comment in the company's annual report on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems.	The Executive Chairman, Executive Director and the financial controller of the Company have given assurance to the Board that as at the end of FY2016, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective. The Board, with the concurrence of the AC, is satisfied with the adequacy and effectiveness of the internal controls addressing financial, operational, compliance, and information technology controls and risk management systems to which the Group is exposed in its current business environment as at 31 December 2016.
11.4 The Board may establish a separate Board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk Management framework and policies.	Material non-compliance and internal control weaknesses noted during the audit and the recommendations of the external auditors are reported to the AC. The AC reviews the external auditor's comments to ensure that there are adequate internal controls in the Group.

Audit Committee

Principle 12: The Board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

Guidelines of the Code	Corporate Governance Report
12.1 The AC should comprise at least three directors, the majority of whom, including the AC chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's annual report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	As at 31 December 2016, the AC comprises entirely Independent Directors and the members of the AC are: Ms Amelia Vincent – Chairman Ms Tan See Leng – Member Mr Ng Ser Chiang – Member Our Independent Directors do not have any existing business or professional relationship of a material nature with the Group, our other Directors or Substantial Shareholders. They are also not related to the other Directors or other Substantial Shareholders. The AC's key terms of reference and duties are set out below.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
12.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC chairman, should have recent and relevant accounting or related financial Management expertise or experience, as the Board interprets such qualification in its business judgement.	Ms Amelia Vincent is the Head of Finance at William Grant and Sons Pte Ltd, Ms Tan See Leng is an Executive Director of Heartware network and Mr Ng Ser Chiang is a partner of Elitaire Law LLP. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.
12.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	The AC is authorised to investigate any matter falling within its written terms of reference, and has full access to and co-operation of the Management. The AC has full discretion to invite any Director or key management personnel to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly. In performing its functions, the AC also reviews the assistance given by the Company's officers to the external auditors and internal auditors. Further to the above, the AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings. In the event that a member of the AC is interested in any matter being considered by the AC, he/she shall abstain from reviewing that particular transaction or voting on that particular resolution.
12.4 The duties of the AC should include: (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance; (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties); (c) reviewing the effectiveness of the company's internal audit function; (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and (e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	The AC carries out its functions in accordance with the Singapore Companies Act, Chapter 50, the Catalist Rules and the Code. The main terms of reference adopted by the AC in writing are: • reviewing the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and reporting to the Board annually; • to review the adequacy and effectiveness of the internal audit function; • to review the internal and external auditors' annual audit plan; • to review the internal and external auditors' reports and the independence and objectivity of the external auditors; • to review the co-operation given by the Company's officers to the internal and external auditors; • to review and ensure the integrity of the financial statements of the Group before submission to the Board for approval of release of the results announcement to the SGX-ST; • to nominate external auditors for appointment and re-appointment and approving the remuneration and terms of engagement of the external auditors; • to meet with the internal auditors and external auditors without the presence of the management at least once a year; • to review internal control procedures; and • to review and ratify all interested person transactions, if any, to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis. Apart from the above functions, the AC commissions and reviews the findings of internal investigations into matters where there is suspicion of fraud or irregularity, 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 operational results and/or financial position.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
12.5 The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of the company's management, at least annually.	The Company confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in engaging Moore Stephens LLP as the external auditors of the Company and its subsidiaries in Malaysia for FY2016. The AC has recommended to the Board that Moore Stephens LLP be nominated for re-election as external auditors at the forthcoming AGM. The AC meets with the external auditors without the presence of the Management**.** The AC also meets with the external auditors to discuss the results of their examinations and their evaluations of the systems of internal accounting controls.
12.6 The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to maintain objectivity.	The AC reviews the independence and objectivity of the external auditors annually, taking into consideration the nature and extent of any non-audit services provided to the Company by the external auditors, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The aggregate amount of audit fees paid and payable by the Group to the external auditors, Moore Stephens LLP for FY2016 was approximately S$59,000. Non-audit service was provided and the non-audit fee paid to the external auditors for FY2016 was S$32,000. The AC has recommended to the Board the nomination of Moore Stephens LLP for re-appointment as auditors of the Company at forthcoming AGM. The Company confirms that it has complied with Rule 712 of the Catalist Rules.
12.7 The AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's annual report, and procedures for raising such concerns should be publicly disclosed as appropriate.	The Company has reviewed arrangements by which the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. In this regard, the AC has adopted a whistle-blowing policy in FY2008 and further reviewed it in FY2016 (the "**Whistle-Blowing Policy**"). The AC is tasked with overseeing the administration of the Whistle-Blowing Policy. The Whistle-Blowing Policy encourages employees and external parties to raise concerns, in confidence, about possible irregularities to the Chairman of the AC. Since the adoption of the Whistle-Blowing Policy, there were no complaints, concerns or issues received by the AC. The policy and procedures for raising any concerns is communicated to all employees of the Group during the orientation for new employees.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
12.8 The Board should disclose a summary of all the AC's activities in the company's annual report. The Board should also disclose in the company's annual report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	The AC met twice in FY2016. Details of members' attendance at the meetings are set out on page 13 of the Annual Report. The meeting materials are circulated to the Directors by the Company Secretary. The financial controller, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of the senior management are also invited as and when necessary to present the reports or clarification to the Boards. In accordance with the Catalist Rules, the AC reviewed the audit plans and audit reports for FY2016 presented by the external auditors. The AC also reviewed the half-yearly and/or annual financial statements and discussed with the management, the financial controller and the external auditors regarding the significant accounting policies, judgment and estimates applied by the management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for further review and approval of the audited annual financial statements. In the AC's opinion, the auditors would not affect the independence of the auditors. The external auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.
12.9 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	None of the members of the AC is a partner or director of the Company's existing auditing firm or auditing corporation.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines of the Code	Corporate Governance Report
13.1 The internal auditor's primary line of reporting should be to the AC chairman although the internal auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The internal auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard Shareholders' investments and the Group's business and assets. The AC approves the appointment, removal, evaluation and compensation of the internal auditor ("IA"). The IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The IA's primary line of reporting is to the AC Chairman, although the IA would also report administratively to the Executive Director.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code		Corporate Governance Report
13.2	The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	The internal audit function of the Group has been outsourced to a public accounting firm, Baker Tilly Monteiro Heng Governance Sdn. Bhd. The AC approves the hiring, removal, evaluation and compensation of the internal audit firm. The internal auditors have unrestricted direct access to all of the Company's documents, records, properties and personnel and a direct and primary reporting line to the AC. The internal auditors were invited to attend the AC meetings and report directly to the AC on audit matters once for FY2016. The AC meets with the internal auditors without the presence of management at least annually.
13.3	The internal audit function should be staffed with persons with the relevant qualifications and experience.	The AC is satisfied that the internal auditors are staffed by qualified and experienced personnel, and are adequately resourced.
13.4	The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors.
13.5	The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The AC reviews the internal audit report including the follow-up actions taken by the management on an annual basis to ensure the adequacy of the internal audit function. The AC also reviews and approves the annual internal audit plans.

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines of the Code	Corporate Governance Report
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	All Shareholders are treated fairly and equitably to facilitate their ownership rights. The Board recognises the importance of maintaining transparency and accountability to the Shareholders. The Board's policy is that all Shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group. The Company believes in regular and timely communication with Shareholders as part of its organisational development to build systems and procedures. The Board is mindful of the obligation to provide Shareholders with information on all major developments that affect the Group in accordance with the Catalist Rules and the Singapore Companies Act, Chapter 50. ("Companies Act").
14.2 Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	The Company will ensure that all Shareholders have equal opportunity to participate effectively in and vote at general meetings and brief shareholders on the rules, including voting procedures that govern general meetings. The Company's general meetings are held in Singapore to provide shareholders with an opportunity to meet the Directors and the Management and vote at such general meetings.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
14.3 Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Constitution of the Company allow members of the Company to appoint two proxies to attend and vote on their behalf. A relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder. Central Provident Fund investors of the Company's securities may attend shareholders' meetings as observers, provided that they have submitted to do so with the agent banks within the specified time frame.

COMMUNICATION OF SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines of the Code	Corporate Governance Report
15.1 Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	The Board places great emphasis on investor relations. The Company strives to maintain a high standard of transparency and promote better investor communication. The Company believes that a high standard of disclosure is essential to raise the level of corporate governance. Interim and full year results and press releases are published through the SGXNet. All information of the Company's new initiatives is first disseminated via SGXNet followed by a press release. Where there has been an inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company does not practise selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with notice of AGM by post and published in a newspaper within the mandatory period, which is held within four months after the close of the financial year.
15.2 Companies should disclose information on a timely basis through SGXNET and other information channels, including a well maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	Information is communicated to Shareholders on a timely basis through: • annual reports that are prepared and despatched to all Shareholders within the mandatory period; • half yearly and full-year announcements of its financial statements on the SGXNET, other SGXNET announcements and press releases on major developments regarding the Company on the SGX website at http://www.sgx.com; • the Company's website at http://www.allied-advantage.com at which Shareholders can access information on the Group; and • email address provided at the Company's website for Shareholders and potential investors to send their enquiries.
15.3 The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	The Board welcomes shareholders to attend all general meetings of the Company, which represent the principal forum for dialogue and interaction between the Board, Management and the Company, and for shareholders to share their concerns and views.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
15.4 The Board should state in the company's annual report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or investors' day briefings.	General meetings are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given opportunities to voice their views and seek clarification to the Board on any matters relating to the Group's business and operations.
15.5 Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the Shareholders via SGXNET.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guidelines of the Code	Corporate Governance Report
16.1 Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their articles of association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	All Shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. At the Company's AGMs, Shareholders are given the opportunity to air their views and ask Directors or the management questions regarding the Group. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The AGM is the principal forum for dialogue with Shareholders. Notices of general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 clear calendar days before the meeting for ordinary resolutions and/or 21 clear calendar days before the meeting for special resolutions. The external auditors will also be present to assist the Directors in addressing relevant queries raised by Shareholders. The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the shareholders' identities through the web is not compromised.
16.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.	Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by hand and by poll, if required.
16.3 All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective chairman of the AC, NC and RC should be present and available to address shareholders' queries at these meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.	The Chairman and members of the AC, NC and RC will be present at AGMs to answer questions relating to the work of these committees.

CORPORATE GOVERNANCE REPORT (CONT'D)

Guidelines of the Code	Corporate Governance Report
16.4 Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.	The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and management, and to make such minutes available to Shareholders upon their request.
16.5 Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	All resolutions that are put to the vote at the last AGM and Extraordinary General Meeting of the Company held on 21 April 2016 and 15 November 2016, respectively were voted by way of poll. The detailed results of the number of votes cast for and against each resolution and the respective percentages were announced for each resolution. While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective.

DEALINGS IN SECURITIES

The Company has adopted policies in line with Rule 1204(19) of the Catalist Rules on dealings in the Company's securities.

The Company has adopted an internal code on dealings in securities to govern dealings in the Shares by the Directors and the key executives of the Group, Directors and management and officers of the Group, who have access to price sensitive, financial or confidential information are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the announcement of the Company's half-year and full year financial results and ending on the date of the announcement of the results.

The Board confirms that for FY2016, the Company has complied with Rule 1204(19) of the Catalist Rules.

INTERESTED PERSON TRANSACTIONS

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

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

The AC has reviewed the interested person transactions of the Group for FY2016 in accordance with its existing procedures. There were no interested person transactions (with value of more than S$100,000) in FY2016.

Name of interested person	Aggregate value of all interested person transactions for FY2016 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules) (S$'000)	Aggregate value of all interested person transactions for FY2016 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Audio Yoke Industrial Co. Limited ("**Audio Yoke**")	-	-

The Company has obtained a general mandate for recurring transactions with Audio Yoke Industrial Co. Limited which will expire at the forthcoming AGM of the Company. The Board has reviewed and are of the opinion that such mandate will not be put forth to Shareholders for renewal at the forthcoming AGM of the Company.

CORPORATE GOVERNANCE REPORT (CONT'D)

MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed under the "Directors' Statement" section in the Financial Statements and under the "Interested Person Transactions" section above, there were no material contracts and loans of the Company and its subsidiaries involving the interests of the MD, or any Director, or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Stamford Corporate Services Pte. Ltd. (the "**Sponsor**").

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor by the Company during FY2016.

UTILISATION OF PROCEEDS

A. Rights cum Warrants Issue completed on 23 December 2016

On 23 December 2016, the Company issued 962,762,010 new ordinary shares at S$0.01 per new ordinary share pursuant to the Rights cum Warrants Issue. The status in terms of utilisation of proceeds is as follows:

Intended purposes	Percentage (%) allocated	Amount utilised as at the date of this report (S$'000)	Balance as at the date of this report (S$'000)
For business expansion and financing business ventures through acquisitions and/or strategic investments	80-95	$8,214 (86%)	NIL
Working capital purposes	5-20	$1,326 (14%)	NIL
Total	**100**	**$9,540 (100%)**	**NIL**

With respect to the S$1,326,000 used for general working capital, the breakdown is as follows:

General working capital – purpose of utilisation	Percentage utilized (%)
Payment of employee compensation and directors' fees	34
Payment of office overheads and other operating expenses	12
Payment of professional fees and other compliance costs	54
Total	**100**

The use of proceeds is in accordance with the stated use.

B. Proceeds from exercise of Warrants

As at the date of this report, a total of 246,564,750 Warrants had been exercised and S$2,958,777 had been received by the Group. An amount of approximately S$149,000 from the proceeds arising from the exercise of these Warrants were used for working capital purposes. The use of the proceeds is in accordance with the stated use.

With respect to the S$149,000 used for general working capital, the breakdown is as follows:

General working capital – purpose of utilisation	Percentage utilized (%)
Payment of professional fees and other compliance costs	100
Total	**100**

CORPORATE GOVERNANCE REPORT (CONT'D)

CORPORATE SOCIAL RESPONSIBILITY

The Group believes that environmentally-friendly practices complement business efficiency. The Group's staff are encouraged to reduce, recycle and reuse and advocate corporate social responsibility towards the environment by incorporating these processes in our daily operations. The Group encourages the use of recycle paper in office and a lot of activities to reduce the pollution to earth and water such as oil trap controlled and schedule waste like contaminated rug and glove in our operation.

Disclosure on Compliance with the Code of Corporate Governance 2012

Relevant Principles or Guidelines	Page reference in the Annual Report
Guideline 1.3 Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters	13
Guideline 1.4 The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	13
Guideline 1.5 The type of material transactions that require Board approval under guidelines	14
Guideline 1.6 The induction, orientation and training provided to new and existing directors	15
Guideline 2.3 The Board should identify in the Company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	17
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	N.A.
Guideline 3.1 Relationship between the Chairman and CEO where they are immediate family members	N.A.
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	20
Guideline 4.4 The maximum number of listed company board representations which Directors may hold should be disclosed	22
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	22

CORPORATE GOVERNANCE REPORT (CONT'D)

Relevant Principles or Guidelines	**Page reference in the Annual Report**
Guideline 4.7 Key information regarding Directors, including which Directors are executive, non-executive or considered by the NC to be independent	23
Guideline 5.1 The Board should state in the Company's Annual Report how assessment of the Board, its Board Committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report	24
Guideline 7.1 Names of the members of the RC and the key term of reference of the RC, explaining its role and the authority delegated to it by the Board	26
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company	27
Guideline 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	30
Guideline 9.1 Remuneration of Directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO)	30
Guideline 9.2 Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	31
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	32
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000	32

CORPORATE GOVERNANCE REPORT (CONT'D)

Relevant Principles or Guidelines	**Page reference in the Annual Report**
Guideline 9.5 Details and important terms of employee share schemes	32
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	32
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems. The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems	35
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	35
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	37
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	37
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	38
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day Briefings	41
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	41

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

31 DECEMBER 2016

The directors present their statement to the members together with the audited consolidated financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 56 to 98 are drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Hsieh, Kuo-Chuan @ Jaimes Hsieh	Executive Chairman	
Yau Woon Foong	Executive Director	(Appointed on 15 June 2016)
Tan See Leng	Lead Independent Director	(Appointed on 15 June 2016)
Amelia Vincent	Independent Director	(Appointed on 15 June 2016)
Ng Ser Chiang	Independent Director	(Appointed on 15 June 2016)

Arrangements to Enable Directors to Acquire Shares or Debentures

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

Directors' Interests in Share and Debentures

No director who held office had interests in the shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

There was no change in the directors' interests in share and debentures between the end of the financial year and 21 January 2017.

Options to Take Up Unissued Shares

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

Options Exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT (CONT'D)

31 DECEMBER 2016

Audit Committee

The Audit Committee ("AC") comprises all independent directors. The members of the Audit Committee at the date of this statement are as follows:

Amelia Vincent (Chairman)	(Appointed on 15 June 2016)
Tan See Leng (Lead Independent Director)	(Appointed on 15 June 2016)
Ng Ser Chiang (Independent Director)	(Appointed on 15 June 2016)

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

(a) Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(b) Reviewed the half yearly financial information and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company before their submission to the board of directors;

(c) Reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

(d) Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(e) Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(f) Reviewed the cost effectiveness and the independence and objectivity of the external auditor; and the nature and extent of non-audit services provided by the external auditors;

(g) Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;

(h) Reviewed the cost effectiveness and the independence and objectivity of the external auditors; and the nature and extent of non-audit services provided by the external auditors;

(i) Recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;

(j) Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(k) Reviewed interested person transactions (if any) in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC having reviewed the external auditors' non-audit services, was of the opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has held three meetings since the last directors' statement with full attendance from all members. In performing its functions, the AC has also met with the Company's internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the AC are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

DIRECTORS' STATEMENT (CONT'D)

31 DECEMBER 2016

Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

....
Yau Woon Foong
Director

....
Hsieh, Kuo-Chuan @ Jaimes Hsieh
Director

31 March 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD. (INCORPORATED IN SINGAPORE)

31 DECEMBER 2016

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 56 to 98, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We refer to Note 2(r) under "Significant Accounting Policies" and Note 3 to the financial statements.

Risk:

The Group has recorded revenue of S$17,169,585 for the financial year ended 31 December 2016.

We have identified sales cut-off to be significant because of the higher level of risk that revenue is recognised before the transfer of risks and rewards of ownership of goods to the customers, particularly when the sales transactions are close to the year end.

Our response:

We have obtained an understanding of the Group's revenue recognition process and evaluated the design of key internal controls over the revenue recognition cycle. On a sample basis, we have tested the operating effectiveness of selected key internal controls over the revenue recognition cycle. On a sample basis, we have also tested certain sales transactions to verify whether revenue is only recognised upon the transfer of risks and rewards of ownership of goods to the customers.

We performed sales cut-off tests by checking the contractual and shipping terms of selected sales transactions close to the year end to assess whether the revenue was recognised in the appropriate accounting period and in accordance with the Group's revenue recognition policy. We have also evaluated the journal vouchers for any unusual adjustments made to the revenue account.

Our findings:

We found the Group's revenue has been appropriately recognised and in the relevant accounting period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD. (INCORPORATED IN SINGAPORE) (CONT'D)

31 DECEMBER 2016

Key Audit Matters (cont'd)

Valuation of Inventories

We refer to Note 2(c)(i) under "Critical Accounting Judgements and Estimates", Note 2(k) under "Significant Accounting Policies" and Note 15 to the financial statements.

Risk:

The Group's inventories amounted to S$3,517,818 as at 31 December 2016.

Inventories are stated in the financial statements at the lower of cost and net realisable value. We focused on this area because of the high degree of management judgement required in determining the net realisable value of the inventories. The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Our response:

We evaluated the appropriateness of the Group's accounting policy on the valuation of its inventories. We observed the Group's inventory counts to identify the existence of damaged or obsolete products. On a sample basis, we checked and analysed the ageing profile of the inventories by verifying to the underlying suppliers' invoices. On a sample basis, we tested the unit cost of the inventories and checked management's assessment of inventories to state them at the lower of cost and net realisable value by comparing the carrying amount of the inventory items to their recent selling prices. We also evaluated management's assessment of the net realisable value by taking into consideration the aging, physical condition, and past and expected future sales of the inventories.

Our findings:

We found that the results of our evaluation of the Group's net realisable values of inventories to be consistent with management's assessment.

Valuation of Goodwill

We refer to Note 2(c)(iii) under "Critical Accounting Judgements and Estimates", Note 2(e) under "Significant Accounting Policies" and Note 13 to the financial statements.

Risk:

The Group's goodwill arising on consolidation of S$685,258 is allocated to the Toko Construction Pte Ltd cash-generating unit ("CGU") as at 31 December 2016.

The Group is required to perform an annual impairment test on the CGU by comparing the carrying amount of the CGU with its recoverable amount as at year end. Management applies the value-in-use method to estimate the recoverable amount of the CGU which involves the determination of discounted cash flow projections of the CGU. An impairment loss is recognised in the income statement if the recoverable amount of the CGU falls below the carrying amount of the CGU as at year end.

We have identified valuation of goodwill as a key audit matter as the annual impairment test of the CGU requires significant management judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amount of the goodwill is highly sensitive to key assumptions applied in respect of future revenue growth rate, gross margin, the long term growth rate and the pre-tax discount rate used in the cash flow projections. A small change in the assumptions can have a significant impact on the estimation of the recoverable amount.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD. (INCORPORATED IN SINGAPORE) (CONT'D)

31 DECEMBER 2016

Key Audit Matters (cont'd)

Valuation of Goodwill (cont'd)

Our response:

We conducted a detailed discussion with the Group's key management including the relevant finance personnel as part of our review of management's process to determine the appropriate CGU to which the goodwill is allocated. We have evaluated management's selection of the key inputs used in the discounted cash flow projections and compared these key inputs including future revenue growth rate, gross margin, the long term growth rate and the pre-tax discount rate to our knowledge of the CGU's business including historical performance, forecast and industry benchmarks based on local facts and circumstances currently available on the CGU. We have evaluated the Group's planned strategies around revenue growth and cost initiative and performed a sensitivity analysis by changing the key assumptions used in the VIU calculation and assessed the impact to the CGU's recoverable amount. We have also reviewed the disclosure in the financial statements in respect of the goodwill allocated to the Toko Construction Pte Ltd CGU.

Our findings:

We found that the results of our evaluation of the Group's estimation of the recoverable amount of goodwill to be consistent with management's assessment. We also found that the Group's disclosures regarding goodwill to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD. (INCORPORATED IN SINGAPORE) (CONT'D)

31 DECEMBER 2016

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AA GROUP HOLDINGS LTD. (INCORPORATED IN SINGAPORE) (CONT'D)

31 DECEMBER 2016

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Lao Mei Leng.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
	Note	**2016**	**2015**
		S$	**S$**
Revenue	3	17,169,585	15,471,279
Cost of sales		(15,804,343)	(14,675,598)
Gross profit		1,365,242	795,681
Other operating income	4	834,592	1,296,183
Administrative expenses		(2,558,653)	(1,593,702)
Other operating expenses		(352,451)	(23,400)
Finance income	5	19,101	15,497
Finance costs	6	(487,116)	(478,853)
(Loss)/Profit before income tax	7	(1,179,285)	11,406
Income tax	9	(38,348)	(154,417)
Net loss for the year attributable to equity holders of the Company		(1,217,633)	(143,011)
Other comprehensive loss, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(282,825)	(1,782,759)
Total comprehensive loss for the year attributable to equity holders of the Company		(1,500,458)	(1,925,770)
			Restated
Loss per share (cents)			
- Basic	10	(0.59)	(0.08)
- Diluted	10	(0.53)	(0.15)

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

AS AT 31 DECEMBER 2016

		Group		Company	
	Note	**2016**	**2015**	**2016**	**2015**
		S$	**S$**	**S$**	**S$**
ASSETS					
Non-current assets					
Property, plant and equipment	11	14,550,138	13,082,761	-	-
Prepaid land lease payments	12	422,391	441,735	-	-
Goodwill	13	685,258	-	-	-
Investments in subsidiaries	14	-	-	11,064,510	11,064,510
		15,657,787	13,524,496	11,064,510	11,064,510
Current assets					
Inventories	15	3,517,818	3,484,961	-	-
Trade and other receivables	16	6,201,347	4,651,683	-	-
Other current assets	17	961,343	1,585,254	21,260	16,574
Cash and bank balances	18	11,262,075	2,355,432	9,410,623	15,278
		21,942,583	12,077,330	9,431,883	31,852
Total assets		37,600,370	25,601,826	20,496,393	11,096,362
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	19	22,143,526	12,515,906	22,143,526	12,515,906
Reserves	20	(2,692,532)	(1,192,074)	(2,892,070)	(2,169,739)
		19,450,994	11,323,832	19,251,456	10,346,167
Non-current liabilities					
Bank borrowings	21	660,295	751,021	-	-
Hire purchase creditors	22	1,428,862	729,059	-	-
Deferred taxation	23	1,929,295	1,961,577	-	-
		4,018,452	3,441,657	-	-
Current liabilities					
Trade and other payables	24	8,562,749	5,223,250	1,244,937	750,195
Hire purchase creditors	22	1,196,572	490,374	-	-
Bank borrowings	21	4,371,603	5,122,713	-	-
		14,130,924	10,836,337	1,244,937	750,195
Total liabilities		18,149,376	14,277,994	1,244,937	750,195
Total equity and liabilities		37,600,370	25,601,826	20,496,393	11,096,362

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Share capital	Merger reserve	Translation reserve	Retained earnings	Total attributable to equity holders of the Company
		S$	S$	S$	S$	S$
Balance at 1 January 2016		12,515,906	(6,478,399)	(4,434,313)	9,720,638	11,323,832
Issue of ordinary share	19	9,627,620	-	-	-	9,627,620
Net loss for the year		-	-	-	(1,217,633)	(1,217,633)
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		-	-	(282,825)	-	(282,825)
Total comprehensive loss for the year		-	-	(282,825)	(1,217,633)	(1,500,458)
Balance at 31 December 2016		22,143,526	(6,478,399)	(4,717,138)	8,503,005	19,450,994
Balance at 1 January 2015		12,515,906	(6,478,399)	(2,651,554)	9,863,649	13,249,602
Net loss for the year		-	-	-	(143,011)	(143,011)
Other comprehensive loss for the year - Exchange differences on translation of foreign operations		-	-	(1,782,759)	-	(1,782,759)
Total comprehensive loss for the year		-	-	(1,782,759)	(143,011)	(1,925,770)
Balance at 31 December 2015		12,515,906	(6,478,399)	(4,434,313)	9,720,638	11,323,832

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S$	2015 S$
Cash Flows from Operating Activities			
(Loss)/Profit before income tax		(1,179,285)	11,406
Adjustments for:			
Depreciation of property, plant and equipment	11	1,685,511	1,674,331
Amortisation of prepaid land lease payments	12	9,798	10,394
Impairment of property, plant and equipment	11	177,932	-
(Gain)/Loss on disposal of property, plant and equipment	4	(161)	14,378
Property, plant and equipment written off		14,545	113
Net foreign exchange gain – unrealised		(280,375)	(313,202)
Inventories written down	7	15,275	3,693
Interest income	5	(19,101)	(15,497)
Interest expense	6	468,497	453,843
Operating cash flows before changes in working capital		892,636	1,839,459
Changes in working capital:			
Inventories		(48,132)	401,383
Trade and other receivables and other current assets		(1,085,968)	(64,516)
Trade and other payables		2,090,013	169,664
Cash generated from operations		1,848,549	2,345,990
Interest received		19,101	15,497
Interest paid		(468,497)	(453,843)
Income tax paid		(44,243)	(8,352)
Income tax refund		3,050	12,792
Net cash generated from operating activities		1,357,960	1,912,084
Cash Flows from Investing Activities			
Refundable deposit from/(to) third party		500,000	(500,000)
Purchase of property, plant and equipment	11	(538,876)	(361,499)
Net cash outflow on acquisition of subsidiary	14	(321,936)	-
Proceeds from disposal of property, plant and equipment		12,513	30,443
Placement of fixed deposits with licensed banks		(3,181)	(15,497)
Net cash used in investing activities		(351,480)	(846,553)
Cash Flows from Financing Activities			
Loan from a shareholder		500,000	1,230,000
Decrease in bills payable		(529,977)	(206,165)
Repayment of hire purchase creditors		(1,510,217)	(510,713)
Repayment of term loan		(88,812)	(132,143)
Proceed from term loan		-	117,655
Issue of shares		9,627,620	-
Net proceeds from/(repayment to) directors		144,926	(136,551)
Net cash generated from financing activities		8,143,540	362,083
Net increase in cash and cash equivalents		9,150,020	1,427,614
Cash and cash equivalents at the beginning of the year		1,257,765	(120,217)
Effect of exchange rate changes on the balance of cash held in foreign currencies		(23,511)	(49,632)
Cash and cash equivalents at the end of the year	18	10,384,274	1,257,765

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

1 General

AA Group Holdings Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore, and is listed on the SGX-Catalist Board. The registered address of the Company is 6 Mohamed Sultan Road, #03-01, Singapore 238956 and its principal place of business is located at Plot 147, 148 & 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah Darul Aman, Malaysia.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are set out in Note 14.

The financial statements for the financial year ended 31 December 2016 were approved and authorised for issue by the board of directors in accordance with a resolution of the directors on the date of the Directors' Statement.

2 Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared on an historical cost basis, except as disclosed in the summary of accounting policies below.

(b) Adoption of New and Revised FRS

Adoption of New/Revised FRS

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016 as follows:

		Effective for annual financial periods beginning on or after
Amendments to FRS 1	*Disclosure Initiative*	1 January 2016
Amendments to FRS 16	*Clarification of acceptable methods of depreciation*	1 January 2016
Amendments to FRS 27	*Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 107	*Financial Instruments: Disclosures*	1 January 2016

The adoption of these amendments to FRSs did not result in substantial changes to the Group's accounting policies and had no material effect on the Group's financial performance or financial position.

New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but are not yet effective:

		Effective for annual financial periods beginning on or after
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
Amendments to FRS 12	*Income taxes – Recognition of deferred tax assets for unrealized losses*	1 January 2017
FRS 112	*Disclosure of Interest in Other Entities*	1 January 2017
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 116	*Leases*	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

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

New/Revised FRS which are issued but not yet effective (cont'd)

Except for FRS 109, FRS 115 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future period will have no material impact on the financial statements in the period of initial application.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 109 will not have a material impact to the Group's financial statements.

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs.*

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group assesses that adopting FRS 115 will not have a material impact to the Group's financial statements.

FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for accounting periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116. The Group has entered into lease agreements, which are expected to be recognised as right-of-use assets with corresponding lease liabilities under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects in future financial years prior to adoption.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(c) Critical Accounting Judgements and Estimates

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies, based on historical experience and other relevant factors considered to be relevant.

The preparation of financial statements also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on the management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(i) Allowance for inventory obsolescence

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. Allowances are recorded against the inventories for any such declines based on historical obsolescence and slow-moving experiences.

During the financial year, no allowance for inventory obsolescence was recognised except that there were certain inventories written down by S$15,275 (2015: S$3,693) (Note 7) to their net realisable value as at 31 December 2016. The carrying amount of the Group's inventories as at 31 December 2016 is disclosed in Note 15.

(ii) Impairment of trade and other receivables, and other current assets

As at each reporting period end, the Group assesses whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

In determining this, management makes judgements as to whether there is observable data indicating that there has been significant changes in the payment ability of the debtor, or whether there have been significant adverse changes in the technology, market, economic or legal environment in which the debtor operates. Where there is objective evidence of impairment, management evaluates whether an impairment loss should be recorded against the receivable.

During the financial year ended 31 December 2015, trade receivables previously impaired amounting to S$273,702 were assessed by management to be non-recoverable and were written off.

As at 31 December 2016, the carrying amounts of the Group's trade and other receivables, ad other current assets are disclosed in Note 16 and Note 17 respectively.

(iii) Impairment of investments in subsidiaries

Reviews are made periodically by management on the investment in subsidiaries for a decline in business operation or financial performance so as to assess whether an allowance against the investment in a subsidiary should be recorded. These reviews require the use of judgement, which could result in revisions to the recoverable amount of the investment in a subsidiary.

During the financial year, no impairment loss was recognised for investments in subsidiaries (2015: Nil), and as at 31 December 2016, the carrying amount of the Company's investments in subsidiaries is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

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

Judgements made in applying accounting policies (cont'd)

(iv) Classification of prepaid land lease

The Group has three plots of stated-owned land in Malaysia where the Group's manufacturing facilities reside. The Group has determined that the legal ownership of these plots of land remained with the state authority of Kedah, and accordingly have classified these plots of land as prepaid land lease payments as disclosed in Note 12 to the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(i) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be within 4 to 50 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 is disclosed in Note 11. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual value of these plant and equipment. Hence, future depreciation charges could be revised.

If depreciation on property, plant and equipment increase/decrease by 10% from management's estimate, the Group's loss before income tax for the year will increase/decrease by S$168,551 (2015: Decrease/increase profit before income tax by S$167,433).

(ii) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses for each tax jurisdiction. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the Group's deferred tax assets and liabilities as at 31 December 2016 are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

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

Key sources of estimation uncertainty policies (cont'd)

(iii) Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the estimation of value in use is provided in Note 13.

(d) Basis of Consolidation

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Acquisition of business

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(d) Basis of Consolidation (cont'd)

Acquisition of business (cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 *Financial Instruments* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Goodwill on Consolidation

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous held equity interest in the acquiree over the fair value of the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. The cash-generating unit ("CGU") to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the CGU may be impaired, by comparing the carrying amount of the CGU, including the allocated goodwill, with the recoverable amount of the CGU. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent years.

When goodwill forms part of a CGU and part of the operation within that CGU is disposed of, the goodwill associated with the operation disposed of, is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. In this circumstance, goodwill disposed is measured based on the relative fair values of the operations disposed of, and the portion of the CGU retained.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(f) Functional and Foreign Currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of group entities' financial statements

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchanges rates at the date of transactions); and
- All resulting currency translation differences are recognised in other comprehensive income and accumulated in the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

(g) Property, Plant and Equipment

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

Subsequent expenditure related to property, plant and equipment that has already been recognised, is added to the carrying amount of the asset only when it is probable that future economic benefits (in excess of the standard performance of the assets before the expenditure was made) associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss during the year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 Significant Accounting Policies (cont'd)

(g) Property, Plant and Equipment (cont'd)

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset, and is recognised in profit or loss.

(h) Prepaid Land Lease Payments

Prepaid land lease payments are stated at cost less accumulated amortisation and any accumulated impairment losses. The prepaid land lease payments are amortised on a straight-line basis over the lease terms, which range from 49 to 99 years.

(i) Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses. An impairment assessment of investments in subsidiaries is performed when there is an indication that the investments may have been impaired.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(j) Impairment of Non-Financial Assets Excluding Goodwill

Non-financial assets are tested for impairment whenever there is any indication that these assets may be impaired. At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2 Significant Accounting Policies (cont'd)

(j) Impairment of Non-Financial Assets Excluding Goodwill (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Cost includes the actual cost of materials and incidentals in bringing the inventories into store and for manufactured inventories, the cost of work-in-progress and finished goods comprises raw materials, direct labour and related production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete and slow-moving items.

(l) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of presentation in the consolidated statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above less bank deposits pledged as security.

(m) Interest-bearing Loans and Borrowings

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(n) Assets under Hire Purchase Arrangements

Where assets are financed by hire purchase arrangements that give rights approximating to ownership, the assets are capitalised under plant and equipment as if they had been purchased outright at the values equivalent to the present value of the total rental payable during the years of the hire purchase and the corresponding hire purchase commitments are recorded as liabilities. The excess of the hire purchase payments over the recorded hire purchase obligations is treated as finance charges, which are allocated over each hire purchase term to give a constant rate of interest on the outstanding balance at the end of each year. Hire purchase payments are treated as consisting of capital and interest elements and the interest is charged to profit or loss. Depreciation on the relevant assets is charged to profit or loss on the basis stated in Note 2(g).

(o) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(p) Dividends to the Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

(q) Financial Guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially as a liability at their fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are amortised to profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amounts with the difference charged to profit or loss.

(r) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating intercompany sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of Services

Service income is recognised in the period in which the service is rendered.

Interest income

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

Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(s) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company's subsidiary companies make contribution to the state pension scheme, the Employees Provident Fund, in Malaysia and the Central Provident Fund in Singapore. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision for the estimated liability for annual leave is recognised for services rendered by employees up to the balance sheet date.

(t) Operating Leases

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the leases.

(u) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(u) Income Tax (cont'd)

Deferred tax (cont'd)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its tax assets and liabilities.

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 they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

(v) Segment Reporting

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

(w) Financial Instruments

Financial Assets

Classification of financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the nature of the assets and the purpose for which the financial assets are required. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than twelve months after the balance sheet date, which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "other current assets (excluding prepayments)" and "cash and bank balances" on the balance sheet.

Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the net sale proceeds and the carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

2 Significant Accounting Policies (cont'd)

(w) Financial Instruments (cont'd)

Financial Assets (cont'd)

Subsequent measurement

Financial assets are subsequently carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Financial Liabilities

An entity shall recognise a financial liability on its balance sheet when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Financial liability is recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue.

Financial liabilities are presented as "trade and other payables", "bank borrowings" and "hire purchase creditors" on the balance sheet.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and net amount reported in the balance sheets, when and only when, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the financial assets and settle the financial liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

2 **Significant Accounting Policies** (cont'd)

(x) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

   i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

   ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

   iii. both entities are joint ventures of the same third party;

   iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

   vi. the entity is controlled or jointly controlled by a person identified in (a); or

   vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

   viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

3 Revenue

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

4 Other Operating Income

	Group	
	2016	**2015**
	S$	**S$**
Gain on disposal of property, plant and equipment	161	-
Gain on foreign exchange	407,514	727,112
Scrap sales	422,415	569,071
Rental Income	4,502	-
	834,592	1,296,183

5 Finance Income

	Group	
	2016	**2015**
	S$	**S$**
Interest income:		
- fixed deposits	19,101	15,497

6 Finance Costs

	Group	
	2016	**2015**
	S$	**S$**
Interest expense:		
- bankers' acceptance charges	195,382	185,128
- hire purchase	128,302	61,180
- term loans	41,467	43,446
- bank overdrafts	40,308	44,943
- trust receipts	59,830	118,401
- director's loan	3,208	745
	468,497	453,843
Bank charges	14,793	20,969
Bank guarantee charges	2,326	2,526
Bank commitment fees	1,500	1,515
	487,116	478,853

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

7 (Loss)/Profit before Income Tax

	Group	
	2016	**2015**
	S$	**S$**
(Loss)/Profit before income tax has been arrived at after charging:		
Included in cost of sales:		
- Amortisation of prepaid land lease payments	9,798	10,394
- Depreciation of property, plant and equipment	1,491,537	1,513,349
- Inventories written down	15,275	3,693
- Rental expenses	4,709	5,511
- Staff costs	1,815,907	1,656,795
- Utilities	928,450	782,206
Included in administrative expenses:		
- Audit fees paid/payable to:		
(i) Company's auditors	47,000	41,000
(ii) Other auditors	11,337	12,427
- Depreciation of property, plant and equipment	193,974	160,982
- Directors' fees	147,622	132,695
- Rental expenses	132,481	3,000
- Staff costs	1,172,708	641,087
Included in other operating expenses:		
- Impairment of property, plant and equipment	177,932	-
- Loss on disposal of property, plant and equipment	-	14,378
- Loss on foreign exchange	166,605	-

Non-audit fees amounting to S$32,000 (2015: Nil) were paid/payable to the Company's auditors during the financial year ended 31 December 2016.

There were also no non-sponsor fees (2015: Nil) paid/payable to the Company's Sponsor during the financial year ended 31 December 2016.

8 Staff Costs

	Group	
	2016	**2015**
	S$	**S$**
Salaries and bonuses	2,844,317	2,210,535
Defined contributions plans	128,289	65,061
Other short-term benefits	16,009	22,286
	2,988,615	2,297,882

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

9 Income Tax

	Group	
	2016	**2015**
	S$	**S$**
Income tax expense attributable to the results is made up of:		
- current income tax	24,008	-
- deferred tax relating to the origination and reversal of temporary differences	16,672	164,490
	40,680	164,490
Under/(Over) provision in prior years		
- current income tax	2,336	(9,905)
- deferred tax	(4,668)	(168)
	(2,332)	(10,073)
	38,348	154,417

The income tax expense on the (loss)/profit before income tax varies from the amount of income tax expense determined by applying the applicable tax rates in each jurisdiction the Group operates due to the following factors:

	Group	
	2016	**2015**
	S$	**S$**
(Loss)/Profit before income tax	(1,179,285)	11,406
Income tax expense calculated at applicable tax rates	69,670	125,463
Non-deductible expenses	77,459	45,748
Income not subject to tax	(62,424)	-
Effect of utilisation of deferred tax benefits	(44,025)	-
Differential in deferred tax rates*	-	(6,721)
Under/(Over) provision of current income tax in prior years	2,336	(9,905)
Over provision of deferred tax in prior years	(4,668)	(168)
	38,348	154,417

The non-deductible expenses relate mainly to interest expense (restricted), depreciation for non-qualifying assets, amortisation of leasehold land, and tax losses that are not allowed for set-off against future taxable profits during the relevant financial years.

The corporate tax rate applicable to the Company is 17% (2015: 17%). The Company has no taxable income during the financial years ended 31 December 2016 and 2015.

* The corporate income tax rate of the subsidiaries in Malaysia for the years of assessment 2016 and 2015 is 24% and 25% respectively. During the financial year ended 31 December 2016, the Malaysia statutory tax rate was reduced to 24% from the prior year's rate of 25%. Accordingly, the deferred tax assets and liabilities arising from these subsidiaries are measured using the tax rate of 24% (2015: 25%).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

9 **Income Tax** (cont'd)

Subject to the agreement by the Inland Revenue Board of Malaysia, the carrying amounts of the Malaysia group entities' unutilised capital allowances and unutilised reinvestment allowance as at the balance sheet are as follows:

(i) Estimated unutilised capital allowances of approximately S$779,000, were available for set-off against future taxable profits as at 31 December 2015 and the estimated deferred tax asset arising from the unutilised capital allowances which amounted to approximately S$187,000 were utilised during the current financial year ended 31 December 2016.

(ii) Estimated unutilised reinvestment allowances of approximately S$8,271,985 (2015: S$8,176,000), available for set-off against future taxable profits. Reinvestment allowance is part of the tax base of the qualifying assets or a tax incentive given by the Malaysia government, the quantum of which is determined using the amount of qualifying expenditure as the denominator. Accordingly, applying the initial recognition exemption rule, no deferred tax assets can be recognised on unutilised reinvestment allowance.

As at 31 December 2016, no deferred tax liabilities (2015: Nil) have been recognised for taxes that would be payable on the undistributed earnings of the Group's Malaysia subsidiaries as no withholding tax is imposed on dividends from Malaysian subsidiaries due to the double tax agreement between Malaysia and Singapore.

10 Loss per Share

Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to the equity holders of the Company of S$1,217,633 (2015: S$143,011) by the weighted average number of ordinary shares of 205,441,839 (2015: 176,506,369) in issue during the financial year ended 31 December 2016. In the current financial year, the Group has restated the comparative loss per share to take into consideration the rights issue during the financial year ended 31 December 2016 (Note 19).

Diluted loss per share

Diluted loss per share is calculated on the net loss attributable to owners of the Company of S$1,217,633 (2015: S$143,011) divided by the weighted average number of ordinary shares of 231,431,152 (2015: 96,276,201) in issue during the financial year ended 31 December 2016, after adjustment for the effect of all dilutive potential ordinary shares.

During the financial year ended 31 December 2016, the Company issued warrants and has 962,762,010 (2015: Nil) outstanding warrants (the "Warrants") as at 31 December 2016. Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at the exercise price of S$0.012.

For the purpose of calculating diluted loss per share, the Company assumed the exercise of the Warrants on the date of issuance as there is a dilutive effect for the financial year ended 31 December 2016. During the financial year ended 31 December 2015, there were no dilutive potential ordinary shares included in the calculation of diluted loss per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

11 Property, Plant and Equipment

Group	Factory Buildings S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
2016					
Cost					
Balance at 1 January	2,734,926	25,481,224	218,571	518,468	28,953,189
Additions	-	3,529,477	32,175	10,632	3,572,284
Acquisition of a subsidiary	-	-	534	14,527	15,061
Disposals	-	(299,457)	(5,098)	-	(304,555)
Written off	-	(721,388)	(301)	-	(721,689)
Currency realignment	(61,173)	(535,000)	(5,386)	(11,597)	(613,156)
Balance at 31 December	2,673,753	27,454,856	240,495	532,030	30,901,134
Accumulated depreciation and impairment losses					
Balance at 1 January	730,160	14,768,772	152,561	218,935	15,870,428
Depreciation for the year	55,371	1,484,903	35,429	109,808	1,685,511
Impairment loss charged to profit or loss	-	177,932	-	-	177,932
Disposals	-	(286,925)	(5,278)	-	(292,203)
Written off	-	(706,843)	(301)	-	(707,144)
Currency realignment	(18,228)	(353,248)	(3,913)	(8,139)	(383,528)
Balance at 31 December	767,303	15,084,591	178,498	320,604	16,350,996
Net book value					
Balance at 31 December	1,906,450	12,370,265	61,997	211,426	14,550,138
2015					
Cost					
Balance at 1 January	3,139,926	28,475,564	205,728	513,131	32,334,349
Additions	-	1,414,227	51,514	115,331	1,581,072
Disposals	-	(659,807)	(9,504)	(38,523)	(707,834)
Written off	-	(25,722)	(1,303)	-	(27,025)
Currency realignment	(405,000)	(3,723,038)	(27,864)	(71,471)	(4,227,373)
Balance at 31 December	2,734,926	25,481,224	218,571	518,468	28,953,189
Accumulated depreciation					
Balance at 1 January	775,487	16,018,635	166,442	195,527	17,156,091
Depreciation for the year	58,741	1,508,085	18,105	89,400	1,674,331
Disposals	-	(605,755)	(8,797)	(37,178)	(651,730)
Written off	-	(25,722)	(1,190)	-	(26,912)
Currency realignment	(104,068)	(2,126,471)	(21,999)	(28,814)	(2,281,352)
Balance at 31 December	730,160	14,768,772	152,561	218,935	15,870,428
Net book value					
Balance at 31 December	2,004,766	10,712,452	66,010	299,533	13,082,761

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

11 Property, Plant and Equipment (cont'd)

(a) Net book value of plant and equipment under finance leases

The net book value of plant and equipment acquired under hire purchase in respect of which installment payments are outstanding are as follows:

	Group	
	2016	2015
	S$	S$
Plant and machinery	3,800,670	1,300,943
Equipment & tools	140,352	64,947
Motor vehicles	201,329	297,326
	4,142,351	1,663,216

(b) Assets pledged as security

Included in property, plant and equipment of the Group are factory buildings pledged to a financial institution for banking facilities granted to the Group as disclosed in Note 21.

(c) Gross carrying amount of fully depreciated plant and machinery still in use

As at 31 December 2016, the gross carrying amount of fully depreciated plant and machinery still in use amounted to S$1,577,287 (2015: S$1,341,102).

(d) Additions of plant and equipment

Included in additions in the consolidated financial statements are plant and equipment acquired under finance leases amounting to S$3,033,408 (2015: S$1,219,573). The cash outflow on acquisition of plant and equipment amounted to S$538,876 (2015: S$361,499).

(e) Impairment loss

During the financial year ended 31 December 2016, certain plant and equipment were assessed to be technically obsolete by the Group. Accordingly, an impairment loss amounting to S$177,932 was recognised in profit or loss.

12 Prepaid Land Lease Payments

	Group	
	2016	2015
Leasehold Land	S$	S$
Cost		
Balance as at 1 January	564,830	648,472
Currency realignment	(12,634)	(83,642)
Balance at 31 December	552,196	564,830
Accumulated amortisation		
Balance as at 1 January	123,095	130,211
Amortisation for the year	9,798	10,394
Currency realignment	(3,088)	(17,510)
Balance as at 31 December	129,805	123,095

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

12 Prepaid Land Lease Payments (cont'd)

	Group	
	2016	2015
Leasehold Land	S$	S$
Net book value		
Balance as at 31 December	422,391	441,735
Amount to be amortised:		
- Not later than one year	9,798	10,394
- Later than one year but not later than five years	39,192	41,576
- Later than five years	373.401	389,765
	442,391	441,735

The prepaid land lease payments are for three plots of state-owned land in Malaysia. These plots of land are owned by the state authority of Kedah and are located at Plot 147, 148 and 149 Jalan PKNK 3/3, Kawasan Perusahaan Sungai Petani, where the manufacturing facilities of the Group reside.

The plots of land have lease terms ranging from 49 to 99 years.

As at 31 December 2016, the plots of land with a net book value of S$422,391 (2015: S$441,735) are pledged as security for bank borrowings of the Group as disclosed in Note 21.

13 Goodwill

	Group	
	2016	2015
	S$	S$
Balance at the beginning of the year	-	-
Goodwill arising on acquisition of a subsidiary (Note 14)	685,258	-
Balance at the end of the year	685,258	-

The goodwill arising on consolidation relates to the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets acquired in the following subsidiary ("cash-generating unit" or "CGU") under the respective reportable operating segment as set out below.

	Building Construction Segment	
	2016	2015
	S$	S$
Toko Construction Pte Ltd	685,258	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

13 Goodwill (cont'd)

As at 31 December 2016, the goodwill was assessed for impairment. The recoverable amount of a CGU is determined based on value in use calculations. The key assumptions for the value in use calculations are as follows:

		2016
1.	Estimated discount rates using pre-tax rates that reflect current market assessments of the risks specific to the CGU	5.4%
2.	Growth rates used to calculate the terminal value based on industry growth forecasts	-
3.	Cash flow forecasts derived from the most recent financial budgets approved by management	5 years
4.	Gross margin	40% to 49%

These assumptions were used for the analysis of the CGU. Management recognises the possibility of new entrants and decline in industrial demand that can have a significant impact on the growth rate assumptions. The budgeted gross margin is based on past performance and expectations of future market and business developments.

Based on management's assessment of the recoverable amount of the CGU, no impairment of goodwill was required as at 31 December 2016.

Sensitivity analysis

Management considered the possibility of an increase or decrease in the estimated growth rate and increase in the discount rate used. A 5% decrease in the estimated growth rate and increase in the discount rate used would not result in the recoverable amount being lower than the carrying amount of goodwill.

14 Investment in Subsidiaries

	Company	
	2016	2015
	S$	S$
Unquoted equity investments, at cost	11,064,510	11,064,510

The details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Percentage of equity interest held by the Group	
			2016 %	2015 %
Held by the Company				
Allied Advantage Sdn. Bhd.[1]	Malaysia	Manufacturer of speaker parts	100	100
A2A Management Pte Ltd [2]	Singapore	Provision of business and management consultancy services	100	100
Held through the subsidiaries				
AA Supply Chain Management Sdn. Bhd.[1]	Malaysia	Iron ore trading	100	100
Toko Construction Pte Ltd[2]	Singapore	Building construction services	100	-

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

[2] Audited by Moore Stephens LLP, Singapore.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

14 Investment in Subsidiaries (cont'd)

Acquisition of a Subsidiary

On 16 March 2016, the Group acquired an equity interest of 100% in Toko Construction Pte Ltd ("Toko") for a purchase consideration of S$1,060,456 (the "Acquisition"). The effect of the Acquisition is summarized as below:

	Note	2016 S$
Identifiable net assets		
Cash and cash equivalents		18,829
Trade and other receivables		654,586
Plant and equipment	11	15,061
Trade and other payables		(59,144)
Amount due to a shareholder		(236,235)
Provision for taxation		(17,899)
Total identifiable net assets		375,198
Goodwill arising from acquisition	13	685,258
Fair value of purchase consideration		1,060,456
Less:		
Issue of promissory note payable	24	(719,691)
Cash and cash equivalents of the subsidiary acquired		(18,829)
Net cash outflow on acquisition of the subsidiary		321,936

Acquisition-related costs amounting to S$66,000 have been excluded from the consideration transferred and have been recognised as an expense in the current financial year in the consolidated statement of comprehensive income.

From the date of acquisition, Toko contributed total revenue of S$2,215 and loss of the year of S$45,477 to the Group's results. If the acquisition had occurred on 1 January 2016, the contributed revenue would have been S$165,559 and the loss for the year would have been S$249,040.

15 Inventories

	Group	
	2016 S$	2015 S$
At cost		
Raw materials	1,895,590	1,813,406
Semi-finished goods	618,545	680,724
Finished goods	963,776	968,439
	3,477,911	3,462,569
At net realisable value		
Semi-finished goods	8,967	2,560
Finished goods	30,940	19,832
	39,907	22,392
	3,517,818	3,484,961
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	15,804,343	14,675,598

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

16 Trade and Other Receivables

	Group		Company	
	2016	2015	2016	2015
	S$	S$	S$	S$
Trade receivables				
- third parties	6,045,125	4,537,834	-	-
	6,045,125	4,537,834	-	-
Other receivables				
- due from a third party	147,085	101,662	-	-
Tax recoverable	9,137	12,187	-	-
	156,222	113,849	-	-
	6,201,347	4,651,683	-	-

The average credit period generally granted for trade receivables is between 30 to 180 days (2015: 30 to 180 days).

As at 31 December 2016, included in trade receivables is an outstanding amount of S$347,322 (2015: Nil) (the "Balance") due from a customer (the "Customer") for past construction services rendered. On 7 March 2017, the Group entered into a repayment arrangement with the Customer for the Balance and the repayment schedule is as follows:

(i) First payment in March 2017 amounting to S$50,000; and
(ii) Subsequent monthly payments from July 2017 of S$49,554 till full settlement of the Balance.

The Balance is interest-free and is not secured by collateral or credit enhancement. In March 2017, the Group received the first payment of S$50,000 from the Customer.

17 Other Current Assets

	Group		Company	
	2016	2015	2016	2015
	S$	S$	S$	S$
Deposits	66,561	574,028	-	-
Advance payments	466,000	680,786	-	-
Prepayments	367,014	330,440	21,260	16,574
Others	61,768	-	-	-
	961,343	1,585,254	21,260	16,574

Deposits

As at 31 December 2015, included in deposits was an amount of S$500,000 (the "Deposit") paid by the Group in the previous financial year to the previous shareholders of Toko Construction Pte. Ltd. ("Toko"). The Deposit constituted part of the purchase consideration for the acquisition of Toko and was refunded to the Group in cash prior to the completion of the Acquisition during the financial year ended 31 December 2016.

17 Other Current Assets (cont'd)

Advance payments

(a) Advances payments to Iron Ore Seller

In 2013, the Group made an advance payment amounting to RM1.7 million (equivalent to approximately S$658,000) to the iron ore seller (the "Seller") upon execution of the sale and purchase agreement. The future payment for purchases of iron ore (the "Consideration") payable to the Seller is subject to a deduction of 50% per ton, until full refund of the total advance payment.

As of 31 December 2016, the Group has recovered approximately S$233,000 (2015: S$233,000) of the advance payments via deduction of the 50% of the Consideration paid to the Seller. The net advance payments made to the iron ore seller is approximately S$223,000 as at 31 December 2016 (the "Balance").

On 14 February 2017, the Group entered into a repayment arrangement with the Seller for the Balance and the Seller is to repay the Group in 8 installments for the full settlement of the Balance during the financial year ending 31 December 2017. Subsequent to year end, the Group received payment amounting to S$34,639 (RM110,000) from the Seller.

(b) Advances payments to Mining Operators

The Group also pays for the cost of extraction and crushing the iron ore (the "Charges") to the appointed mining operators who assist the seller to prospect, exploit and the mining of iron ore. As at 31 December 2016, included in the advance payments was a total advance payment of S$243,000 (2015: S$472,000) paid to the mining operators and other iron ore sellers. These advance payments are to be settled through offset against the future charges and other related costs.

Mining Operator I
During the current financial year ended 31 December 2016, Mining Operator I made full settlement of the advance payment via the following:
- Cash payment of S$155,000 to the Group; and
- Payments to third parties on behalf of the Group amounting to S$74,000.

Mining Operator II

On 14 February 2017, the Group entered into a repayment arrangement with Mining Operator II with an outstanding balance of S$243,000 (the "Balance") as at 31 December 2016. Mining Operator II is to repay the Group in 8 installments for the full settlement of the Balance during the financial year ending 31 December 2017. Subsequent to the current year end, the Group received payment amounting to S$34,639 (RM110,000) from Mining Operator II.

18 Cash and Cash Equivalents

	Group		Company	
	2016	2015	2016	2015
	S$	S$	S$	S$
Cash on hand and at banks	10,750,424	1,846,962	9,410,623	15,278
Fixed deposits	511,651	508,470	-	-
Cash and bank balances	11,262,075	2,355,432	9,410,623	15,278

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

18 Cash and Cash Equivalents (cont'd)

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	2016	**2015**
	S$	**S$**
Cash and bank balances	11,262,075	2,355,432
Less: Fixed deposits pledged	(511,651)	(508,470)
Less: Bank overdrafts (Note 21)	(366,150)	(589,197)
	10,384,274	1,257,765

(a) The fixed deposits are pledged to banks as collateral for banking facilities granted to the Group, as disclosed in Note 21, and are utilised only for repayment of the said facilities.

During the financial year ended 31 December 2016, the fixed deposits' weighted average effective interest rates bear a rate of 2.92% (2015: 2.86%) per annum and have a maturity period of less than 12 months from the balance sheet date.

(b) During the financial year ended 31 December 2016, the bank overdrafts of the Group bear a weighted average effective interest rate at 8.45% (2015: 8.49%) per annum and are secured as disclosed in Note 21.

19 Share Capital

	Group and Company			
	2016	**2015**	**2016**	**2015**
	No. of ordinary shares		**S$**	**S$**
Issued and fully paid:				
At the beginning and the end of the year	1,059,038,211	96,276,201	22,143,526	12,515,906

Ordinary shares of the Company do not have any par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual assets.

20 Reserves

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

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

The movements in the Group's reserves are presented in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

21 Bank Borrowings

	Note	Current Within 1 year S$	Non-current Within 2 - 5 years S$	After 5 years S$	Total bank borrowings S$
Group					
2016					
Secured					
Borrowing I		75,695	343,100	317,195	735,990
Bank overdrafts	18	366,150	-	-	366,150
Bills payables		3,929,758	-	-	3,929,758
		4,371,603	343,100	317,195	5,031,898
2015					
Secured					
Borrowing I		73,781	632,454	118,567	824,802
Bank overdrafts	18	589,197	-	-	589,197
Bills payables		4,459,735	-	-	4,459,735
		5,122,713	632,454	118,567	5,873,734

(a) The weighted average effective interest rates of the bank borrowings of the Group are as follows:

	Group 2016 % per annum	 2015 % per annum
Bill payables	5.54	6.39
Term loans	4.95	4.95

(b) These bank borrowings are secured by:

- (i) first legal charge over a subsidiary's leasehold land (Note 12) and factory buildings (Note 11);
- (ii) pledge of fixed deposits (Note 18);
- (iii) corporate guarantee of the Company; and
- (iv) personal guarantee by a director of the Company .

(c) Borrowing I is repayable in 120 monthly installments over a period of 10 years commencing from February 2015.

(d) As at 31 December 2016, the Group has S$0.56 million (2015: S$0.73million) outstanding of undrawn committed trade and overdraft facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

22 Hire Purchase Creditors

The Group has certain plant and equipment under hire purchase arrangements. These are classified as finance leases and payable within 5 years. The Group's obligation under finance leases are secured by the lessors' title to the leased assets as disclosed in Note 11. Future minimum lease payments under these finance leases together with the present value of the net minimum lease payments are as follows:

	2016		2015	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	S$	S$	S$	S$
Amount payable under finance leases:				
Within one year	1,317,585	1,196,572	547,951	490,374
Between two to five years	1,488,167	1,428,862	764,360	729,059
Total minimum lease payments	2,805,752	2,625,434	1,312,311	1,219,433
Less: Future finance charges	(180,318)		(92,878)	
Present value of minimum lease payments	2,625,434		1,219,433	
Less:				
Repayable within one year included under current liabilities		1,196,572		490,374
Repayable within two to five years included under non-current liabilities		1,428,862		729,059

During the financial year ended 31 December 2016, the hire purchase creditors' weighted average effective interest rates range from 3.13% (2015: 3.13 %) per annum.

Certain plant and equipment acquired under hire purchase are secured by a corporate guarantee issued by the Company. As at 31 December 2016, the total outstanding installment payments of these plant and equipment amounted to S$2,625,434 (2015: S$1,219,433).

The Group has options to purchase the equipment for a nominal amount at the conclusion of the hire purchase agreements.

23 Deferred Taxation

	Group	
	2016	2015
	S$	S$
Deferred tax liabilities		
- to be settled after 12 months	1,929,295	1,961,577

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

23 Deferred Taxation (cont'd)

The movement in the deferred tax account is as follows:

	Group	
	2016	**2015**
	S$	**S$**
Deferred tax liabilities		
- Accelerated tax depreciation:		
Balance at 1 January	2,292,953	2,575,022
Currency translation difference	(61,585)	(345,574)
Charged to profit or loss	300,771	63,505
Balance at 31 December	2,532,139	2,292,953
- Other temporary differences		
Balance at 1 January	70,821	36,683
Currency realignment	836	(7,604)
(Credited)/Charged to profit or loss	(70,691)	41,742
Balance at 31 December	966	70,821
Total deferred tax liabilities	2,533,105	2,363,774
Deferred tax assets		
- Other temporary differences		
Balance at 1 January	(273,731)	(143,331)
Currency realignment	18,041	29,492
Credited to profit or loss	(348,120)	(159,892)
Balance at 31 December	(603,180)	(273,731)
- Unutilised capital allowances		
Balance at 1 January	(128,466)	(381,582)
Currency realignment	(1,579)	34,149
Charged to profit or loss	130,045	218,967
Balance at 31 December	-	(128,466)
Total deferred tax assets	(603,810)	(402,197)

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

	Group	
	2016	**2015**
	S$	**S$**
Deferred tax liabilities	2,533,105	2,363,774
Less: Deferred tax assets	(603,810)	(402,197)
	1,929,295	1,961,577

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

24 Trade and Other Payables

	Group		Company	
	2016	2015	2016	2015
	S$	S$	S$	S$
Trade payables				
- third parties	5,168,744	3,085,541	-	-
Other payables				
- amount due to a subsidiary	-	-	1,018,937	544,574
- accrued operating expenses	529,779	605,378	136,000	171,334
- due to directors	263,671	118,745	-	-
- loans from shareholders	1,730,000	1,230,000	-	-
- promissory note payable	719,691	-	-	-
- sundry creditors	150,864	183,586	90,000	34,287
	3,394,005	2,137,709	1,244,937	750,195
	8,562,749	5,223,250	1,244,937	750,195

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and is repayable on normal credit terms.

The amounts due to directors are non-trade in nature, unsecured, interest-free and are repayable on demand, except for an amount of S$98,820 due to a director as at 31 December 2015 (the "Balance"), which incurred interest of 2.5% (2015: 2.5%) per annum. During the financial year ended 31 December 2016, the Group made full repayment of the Balance.

The loans from shareholders are non-trade in nature, unsecured, interest- free and repayable on demand.

The promissory note payable is interest-free, unsecured and repayable on demand.

25 Related Party Transactions

Transactions with Related Parties

There are transactions and arrangements between the related parties and Group and the effects of these on the basis determined between the parties are reflected in these financial statements. In addition to the transactions and balances disclosed elsewhere in the financial statements, related party transactions include the following:

	Group	
	2016	2015
	S$	S$
With related party in which a director of the Company have a substantial interest		
Secretarial fees	-	21,235
With the directors of the Company		
Funds paid from/(to) directors (net)	144,926	(136,551)
Interest on loan from a director (Note 6)	3,208	745

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

25 Related Party Transactions (cont'd)

Compensation of Key Management Personnel

	Group	
	2016	**2015**
	S$	**S$**
Directors' fees	147,622	132,695
Salaries and bonuses	744,649	506,682
Employees Provident Fund and Social Security contributions	23,905	10,606
Other short-term benefits	18,498	12,432
	934,674	662,415
The above comprised compensation of the following:		
Directors of the Company	805,250	548,338
Other key management personnel	129,424	114,077
	934,674	662,415

26 Corporate Guarantees

As disclosed in Note 21, the Company provided a corporate guarantee for banking facilities granted by financial institutions to a subsidiary. As at 31 December 2016, the facilities utilised amounted to S$3,105,678 (2015: S$3,758,766).

As disclosed in Note 21, the Company has also provided corporate guarantees for certain plant and equipment acquired under hire purchase amounting to S$2,625,433 (2015: S$1,219,433).

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

27 Commitments

Capital commitment

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

	Group	
	2016	**2015**
	S$	**S$**
Authorised and contracted but not accounted for		
- Purchase of property, plant and equipment	740,347	1,414,773

28 Segment Information

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

Revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current financial year (2015: Nil).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

28 Segment Information (cont'd)

Reportable Operating Segments

The Group is primarily engaged in five business segments namely, manufacture of T-yokes, U-yokes, Washers, Frame, and trading in iron ore and others.

	Iron ore trading & other trading	Frame & others	T-yokes	U-yokes	Washers	Total
	S$	S$	S$	S$	S$	S$
2016						
Revenue	2,215	88,214	5,508,409	7,879,966	3,690,781	17,169,585
Segment results	959	(1,435)	567,967	812,497	(14,746)	1,365,242
Unallocated operating expenses (net)						(2,076,512)
Finance income						19,101
Finance costs						(487,116)
Loss before income tax						(1,179,285)
Income tax						(38,348)
Loss for the year						(1,217,633)
Segment assets - unallocated						37,600,370
Segment liabilities - unallocated						18,149,376
Other information:						
Additions to property, plant and equipment - unallocated						3,572,284
Depreciation of property, plant and equipment - unallocated						1,685,511
Amortisation of prepaid land lease payments - unallocated						9,798
Allowance for impairment of property, plant and equipment - unallocated						177,932
Inventories written down						15,275
2015						
Revenue	-	90,513	4,846,770	7,529,749	3,004,247	15,471,279
Segment results	-	(32,174)	533,373	828,628	(534,146)	795,681
Unallocated operating expenses (net)						(320,919)
Finance income						15,497
Finance costs						(478,853)
Profit before income tax						11,406
Income tax						(154,417)
Loss for the year						(143,011)
Segment assets - unallocated						25,601,826
Segment liabilities - unallocated						(14,277,994)
Other information:						
Additions to property, plant and equipment - unallocated						1,581,072
Depreciation of property, plant and equipment - unallocated						1,674,331
Amortisation of prepaid land lease payments - unallocated						10,394
Inventories written down						3,693

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

28 Segment Information (cont'd)

Reportable Operating Segments (cont'd)

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

Geographical Information

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

	Asia S$	Europe S$	North America S$	Total S$
2016				
Revenue	1,699,302	4,766,582	10,703,701	17,169,585
Non-current assets	15,657,787	-	-	15,657,787
2015				
Revenue	1,172,370	4,356,840	9,942,069	15,471,279
Non-current assets	13,524,496	-	-	13,524,496

Information about Major Customers

Revenues of approximately S$16,115,780 (2015: S$14,691,947) are derived from 5 (2015: 5) external customers. These revenues are attributable to the manufacture of T-yokes, Y-yokes and washers.

29 Financial Risk Management

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes of the management of these risks.

(a) Market Risk

(i) Currency risk

Certain of the Group's transactions are denominated in foreign currencies such as United States dollar ("USD"), Ringgit Malaysia ("RM") and Euro ("Euro"). As a result, the Group is exposed to movements in foreign currency exchange rates.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

29 **Financial Risk Management** (cont'd)

(a) Market Risk (cont'd)

(i) Currency risk (cont'd)

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

	USD **S$**	**RM** **S$**	**Euro** **S$**	**S$** **S$**	**Total** **S$**
Group					
As at 31 December 2016					
Financial assets					
Cash and bank balances	787,163	972,880	52,912	9,449,120	11,262,075
Trade and other receivables	5,015,614	169,984	657,171	349,441	6,192,210
Other financial assets	-	561,269	-	33,060	594,329
	5,802,777	1,704,133	710,083	9,831,621	18,048,614
Financial liabilities					
Trade and other payables	(2,864,329)	(2,877,629)	-	(2,820,791)	(8,562,749)
Borrowings	-	(5,031,898)	-	-	(5,031,898)
Hire purchase creditors	-	(2,625,434)	-	-	(2,625,434)
	(2,864,329)	(10,534,961)	-	(2,820,791)	(16,220,081)
Net financial assets/(liabilities)	2,938,448	(8,830,828)	710,083	7,010,830	1,828,533
Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies	-	(8,830,828)	-	7,010,830	(1,819,998)
Currency exposure on net financial assets	2,938,448	-	710,083	-	3,648,531
As at 31 December 2015					
Financial assets					
Cash and bank balances	1,023,174	853,578	5,760	472,920	2,355,432
Trade and other receivables	3,868,086	160,343	611,067	-	4,639,496
Other financial assets	-	37,383	-	536,645	574,028
	4,891,260	1,051,304	616,827	1,009,565	7,568,956
Financial liabilities					
Trade and other payables	(1,342,432)	(2,429,056)	-	(1,451,762)	(5,223,250)
Borrowings	-	(5,873,734)	-	-	(5,873,734)
Hire purchase creditors	-	(1,219,433)	-	-	(1,219,433)
	(1,342,432)	(9,522,223)	-	(1,451,762)	(12,316,417)
Net financial assets/(liabilities)	3,548,828	(8,470,919)	616,827	(442,197)	(4,747,461)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	(8,470,919)	-	(442,197)	(8,913,116)
Currency exposure on net financial assets	3,548,828	-	616,827	-	4,165,655

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

29 **Financial Risk Management** (cont'd)

(a) Market Risk (cont'd)

(i) *Currency risk* (cont'd)

If the USD and Euro change against the S$ by 5% (2015: 5%) respectively with all other variables including the tax rate being held constant, the effects arising from the net financial assets position will be as follows:

	(Decrease)/Increase	
	(Loss)/Profit before income tax	
	2016	**2015**
	S$	**S$**
Group		
USD against S$		
- strengthened	146,922	177,441
- weakened	(146,922)	(177,441)
Euro against S$		
- strengthened	35,504	30,841
- weakened	(35,504)	(30,841)

_(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest-bearing financial assets

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

Interest-bearing financial liabilities

Interest-bearing financial liabilities include hire purchase creditors, bank overdrafts, term loans, and bills payables. The Group's exposure to cash flow interest rate risks arises mainly from variable-rate borrowings.

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

The Group's bank borrowings at variable rates amounted to S$5,031,898(2015: S$5,873,734) on which effective hedges have not been entered into are denominated mainly in RM. If the RM interest rates increase/decrease by 1% (2015: 1%) with all other variables including the tax rate being held constant, the (loss)/profit before income tax will be higher/lower by approximately S$50,000 (2015: lower/higher by approximately S$59,000) as a result of the increase/decrease in interest expense on these bank borrowings.

(b) Credit Risk

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

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level and at the Group level by management.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

29 Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

The Group has a significant concentration of credit risk from its trade receivables as approximately 94% (2015: 95%) of the trade receivables outstanding as at the end of the financial year are owing from 5 (2015: 5) customers.

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

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

	Group	
	2016	**2015**
	S$	**S$**
By Geographical Areas		
Asia	713,894	319,114
North America	3,806,612	3,077,318
Europe	1,524,619	1,141,402
	6,045,125	4,537,834

Financial assets that are neither past due nor impaired

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

As at 31 December 2016, financial assets of the Group which are neither past due nor impaired amounted to S$5,297,212 (2015: S$4,260,998).

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables. The ageing analysis of trade receivables of the Group past due as at the balance sheet date but not impaired is as follows:

	Group	
	2016	**2015**
	S$	**S$**
Within 30 days	578,010	335,550
31 to 90 days	541,517	508,904
More than 90 days	369,800	108,072
	1,489,327	952,526

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance account used to record the impairment is as follows:

	Group	
	2016	**2015**
	S$	**S$**
Balance at 1 January	-	273,702
Bad debts written off during the year	-	(273,702)
Balance as at 31 December	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

29 Financial Risk Management (cont'd)

(c) Liquidity Risk

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

Group	**Carrying amount S$**	**Contractual cash flow S$**	**Within one year S$**	**Between two to five years S$**	**Over five years S$**
2016					
Trade and other payables	8,562,749	8,562,749	8,562,749	-	-
Bank borrowings	5,031,898	5,316,977	4,623,998	360,083	332,896
Hire purchase creditors	2,625,433	2,805,752	1,317,585	1,488,167	-
	16,220,080	16,685,478	14,504,332	1,848,250	332,896
2015					
Trade and other payables	5,223,250	5,223,250	5,223,250	-	-
Bank borrowings	5,873,734	6,249,561	5,461,365	663,760	124,436
Hire purchase creditors	1,219,433	1,312,311	547,951	764,360	-
	12,316,417	12,785,122	11,232,566	1,428,120	124,436

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

Company	**Within one year S$**	**Between two to five years S$**	**Over five years S$**
2016			
Financial guarantees	4,766,298	1,030,329	398,533
2015			
Financial guarantees	4,953,744	475,774	253,285

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and financial liabilities.

(d) Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. The Group manages its capital structure, and makes adjustment to it, in the light of changes in economic conditions. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 2015.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

29 **Financial Risk Management** (cont'd)

(d) Capital Risk (cont'd)

Management monitors capital with reference to net debt-to-equity ratio. The net debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, trade and other payables and hire purchase creditors less cash and bank balances. Total equity includes equity attributable to the equity holders of the Company.

	Group	
	2016	**2015**
	S$	**S$**
Net debt	4,958,006	9,960,985
Total equity	19,450,994	11,323,832
Net debt-to equity ratio	25.49%	87.96%

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

30 **Fair Value Measurement**

Fair value of Financial Instruments

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at measurement date;
(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and
(iii) Level 3: Unobservable inputs for the asset or liability.

Fair Value of the Group's financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following table presents the financial liabilities measured at fair value as at 31 December 2016 and 2015:

	Fair value				Carrying amount
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**	
	S$	**S$**	**S$**	**S$**	**S$**
2016					
Financial Liabilities:					
Bank borrowings (non-current)	-	(506,974)	-	(506,974)	(660,295)
Hire purchase creditors (non-current)	-	-	(1,468,867)	(1,468,867)	(1,428,862)
2015					
Financial Liabilities:					
Bank borrowings (non-current)	-	(562,200)	-	(562,200)	(751,021)
Hire purchase creditors (non-current)	-	-	(752,265)	(752,265)	(729,059)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2016

30 **Fair Value Measurement** (cont'd)

Non-current bank borrowings

The fair values of long-term interest bearing borrowings are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the balance sheet date.

Non-current hire purchase creditors

The fair value is determined by discounting the relevant cash flows using the current interest rates for similar instruments at the balance sheet date.

Other financial assets and financial liabilities

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

31 **Subsequent Event**

On 23 January 2017, the Group has entered into a sale and purchase share agreement (the "Agreement") to acquire the entire issued and paid-up capital of Engineering Manufacturing Services (S) Pte. Ltd. (the "Target Company") and its subsidiaries, for an aggregate consideration of S$25.0 million (the "Proposed Acquisition"). The key terms of the Agreement are as follows:

(a) The Group will acquire all the 6,500,100 fully paid-up ordinary shares in the capital of the Target Company (the "Sale Shares"). Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of the Group.

(b) The aggregate consideration for the sale and purchase of the Sale Shares shall be paid in the following manner:

- Issuance of 3 years redeemable, transferable, zero coupon bond by the Group to Poh Huat Heng Corporation Pte Ltd ("PHH") in the principal amount of S$7.0 million as at the completion date;
- Novation to the Group, of the S$11.0 million debt owed by PHH to the Target Company; and
- Cash payment of S$7.0 million to PHH within 1 month from the date of completion.

On 20 February 2017 (the "Date of Acquisition"), the Proposed Acquisition was completed and the Target Company will be consolidated with effect from the Date of Acquisition.

Details of the assets acquired and liabilities assumed, revenue and profit contribution of the Target Company and the effect of the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time that these financial statements have been authorised for issue.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2017

SHARE CAPITAL

Issued and fully paid	**: SGD22,143,526.13**
Number of shares	**: 1,303,118,661**
Class of shares	**: Ordinary shares fully paid**
Voting rights	**: One vote for each ordinary share**
Treasury Shares	**: Nil**

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	1	0.15	99	0.00
100 - 1,000	52	7.95	41,200	0.00
1,001 - 10,000	118	18.04	523,400	0.04
10,001 - 1,000,000	402	61.47	98,470,100	7.56
1,000,001 AND ABOVE	81	12.39	1,204,083,862	92.40
TOTAL	**654**	**100.00**	**1,303,118,661**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Share	%
1	KGI SECURITIES (SINGAPORE) PTE. LTD.	634,060,806	48.66
2	OCBC SECURITIES PRIVATE LIMITED	65,382,200	5.02
3	CITIBANK NOMINEES SINGAPORE PTE LTD	43,706,400	3.35
4	ONG BOON KWONG (WANG WENGUANG)	34,950,000	2.68
5	JONATHAN LIM ZHENG JIE	30,387,200	2.33
6	YEO SEE YOUNG (YANG SHIYANG)	28,000,000	2.15
7	LEE LAI SAN (LI LISHAN)	24,050,000	1.85
8	ONG CHIN GUAN	23,450,000	1.80
9	NG SOO TIONG	21,000,000	1.61
10	CHOO HAN SAN	17,530,000	1.35
11	TAN CHOON SIANG (CHEN JUNXIANG)	15,000,000	1.15
12	LIM KAH HOE	13,800,000	1.06
13	NG KIN NANG ASHLEY	13,400,000	1.03
14	LEE MUI HWA	12,558,400	0.96
15	YEE TAK MENG	12,000,000	0.92
16	LEE LI YING (LI LIYING)	11,500,000	0.88
17	MELODY LOW	9,907,000	0.76
18	FOO SHIH CHERN	9,595,000	0.74
19	PHILLIP SECURITIES PTE LTD	8,236,600	0.63
20	LIM AH SOON	8,030,000	0.62
	Total	**1,036,543,606**	**79.55**

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 15 MARCH 2017

DISTRIBUTION OF WARRANTHOLDINGS

Size Of Warrantholdings	No. Of Warrantholders	%	No. Of Warrants	%
1 - 99	2	20.00	34,156	0.00
100 - 1,000	2	20.00	34,156	0.00
1,001 - 10,000	2	20.00	108,476,733	1.25
10,001 - 1,000,000	2	20.00	573,260,132	6.58
1,000,001 AND ABOVE	2	20.00	8,029,330,001	92.17
TOTAL	**10**	**100.00**	**8,711,135,178**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

No.	Name	No. of Share	%
1	HL BANK NOMINEES (S) PTE LTD	723,858,034	
2	RAFFLES NOMINEES (PTE) LTD	571,784,814	6.56
3	BNP PARIBAS SECURITIES SVCS	522,112,744	5.99
4	CITIBANK NOMS S'PORE PTE LTD	313,752,665	3.60
5	CIMB SEC (S'PORE) PTE LTD	279,300,000	3.21
6	MERRILL LYNCH (SPORE) PTE LTD	194,553,214	2.23
7	MAYBANK NOMINEES (S) PTE LTD	133,448,953	1.53
8	HONG LEONG FINANCE NOMINEES PL	110,579,000	1.27
9	EU YEE TAT DAVID	91,036,740	1.05
10	UOB NOMINEES (2006) PTE LTD	67,168,381	0.77
11	DBS NOMINEES PTE LTD	56,217,712	0.65
12	DBSN SERVICES PTE LTD	48,127,000	0.55
13	EUCO INVESTMENTS PTE LTD	41,000,730	0.47
14	OVERSEA-CHINESE BANK NOMINEES PRIVATE LIMITED	22,965,232	0.26
15	SBS NOMINEES PTE LTD	7,466,095	0.09
16	KGI SECURITIES (SINGAPORE) PTE	6,709,089	0.08
17	DB NOMINEES (S) PTE LTD	5,039,399	0.06
18	EU YEE KWONG GEOFFREY	4,075,295	0.05
19	HSBC (SINGAPORE) NOMS PTE LTD	3,413,403	0.04
20	UNITED OVERSEAS BANK NOMINEES	3,011,100	0.03
	Total	**3,205,619,600**	**28.49**

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 15 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(As registered in the Register of Substantial Shareholders)

	Direct interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Thanaboonchuchai Karnsiri (1)	181,095,530	13.90	-	-
Quek Lay Wah (2)	82,604,984	6.34	-	-
Wong Kum Yong (3)	83,471,146	6.41	-	-

The percentage of shareholding above is computed based on the total issued shares of 1,303,118,661 excluding treasury shares of the Company.

Notes:

(1) Thanaboonchuchai Karnsiri has direct interest of 181,095,530 shares held through KGI Securities (Singapore) Pte. Ltd.
(2) Quek Lay Wah has direct interest of 82,604,984 shares held through KGI Securities (Singapore) Pte. Ltd.
(3) Wong Kum Yong has direct interest of 83,471,146 shares held through KGI Securities (Singapore) Pte. Ltd.

PERCENTARGE OF SHAREHOLDING IN PUBLIC'S HANDS

The percentage of shareholdings of the Company (excluding preference shares, convertible equity securities and treasury shares) held in the hands of the public is approximately 73.35%.

Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AA Group Holdings Ltd. (the "**Company**") will be held at 60 Benoi Road, #03-02 EMS Building, Boardroom, Singapore 629906 on Thursday, 27 April 2017 at 2.00 p.m. for the purpose of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statements and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Regulation 117 of the Constitution of the Company:

   (i) Mr Yau Woon Foong **(Resolution 2)**
   (ii) Ms Tan See Leng **[See Explanatory Note 1]** **(Resolution 3)**
   (iii) Ms Amelia Vincent **[See Explanatory Note 2]** **(Resolution 4)**
   (iv) Mr Ng Ser Chiang **[See Explanatory Note 3]** **(Resolution 5)**

3. To approve the payment of Directors' fees of S$146,984 for the financial year ended 31 December 2016. (2015: S$132,695). **(Resolution 6)**

4. To re-appoint Messrs Moore Stephens LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may be transacted at the Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares**

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

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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

   provided that:

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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

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

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

  (c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **[See Explanatory Note 4]** **(Resolution 8)**

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

That the Directors of the Company be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the AA Group Employee Share Option Scheme (the "**Scheme**") upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.**[See Explanatory Note 5]**
(Resolution 9)

By Order of the Board

Low Yew Shen
Leow Siew Yon
Joint Company Secretaries

Singapore, 12 April 2017

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes on Resolutions to be passed:

1. Ms Tan See Leng will, upon re-election as a Director of the Company, remain as Lead Independent Director, the Chairman of the Remuneration Committee, member of the Audit Committee and Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

2. Ms Amelia Vincent will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, member of the Nominating Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. Mr Ng Ser Chiang will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

4. The Ordinary Resolution 8 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a *pro rata* basis to shareholders.

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

5. The Ordinary Resolution 9 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue 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 options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes:

1. A Member of the Company entitled to attend and vote at the Annual General Meeting ("**AGM**") is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. A member who is not a relevant intermediary (as defined in section 181 of the Companies Act, Chapter 50) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.

3. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member's form of proxy appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

4. In any case where a more than one proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

5. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be either under its common seal or under the hand of any duly authorised officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company), if required by law, be duly stamped and be deposited at the office of Cresco Markets Pte. Ltd., 6 Mohamed Sultan Road #03-01, Singapore 238956 not less than 48 hours before the time appointed for the AGM, failing which the instrument may be treated as invalid shall be attached to the instrument of proxy.

6. The instrument appointing a proxy must be deposited at the office of Cresco Markets Pte. Ltd., 6 Mohamed Sultan Road #03-01, Singapore 238956 not less than 48 hours before the time of the AGM.

7. Investors who have used their CPF account savings to buy shares in the capital of the Company and who wish to attend the AGM as observers are to register with their respective CPF agent banks.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representative appointed for the Meeting (including any adjournment thereof), and in order for the Company (or its agents or services providers) to company with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representatives to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representatives for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representatives for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

*This notice has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr. Bernard Lui, Telephone: +65 63893000, Email: bernard.lui@morganlewis.com.

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AA GROUP HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200412064D)

PROXY FORM

ANNUAL GENERAL MEETING

Important:

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

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

I/We, ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or failing *him/her/them, the Chairman of the meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 60 Benoi Road, #03-02 EMS Building, Boardroom, Singapore 629906 on Thursday, 27 April 2017 at 2.00 p.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with Auditors' Report thereon		
2	Re-election of Mr Yau Woon Foong as a Director		
3	Re-election of Ms Tan See Leng as a Director		
4	Re-election of Ms Amelia Vincent as a Director		
5	Re-election of Mr Ng Ser Chiang as a Director		
6	Approval of Directors' Fees of S$146,984 for the financial year ended 31 December 2016		
7	Re-appointment of Messrs Moore Stephens LLP as Auditors		
Special Business			
8	Authority to allot and issue shares		
9	Authority to allot and issue shares under the AA Group Employee Share Option Scheme		

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

Dated this ______ day of ________________, 2017.

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

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

(Please see notes overleaf before completing this form)

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in the relevant sections of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the Annual General Meeting ("AGM") of the Company is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. A member who is not a relevant intermediary (as defined in section 181 of the Companies Act, Cap. 50) is entitled to appoint not more than two proxies and where two proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.

4. A member who is a relevant intermediary is entitled to appoint more than two proxies and where such member's form of proxy appoints more than one proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

5. In any case where a more than one proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

6. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 6 Mohamed Sultan Road #03-01, Singapore 238956, not less than 48 hours before the time set for the AGM.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof shall, if required by law, be duly stamped and be deposited at the office of Cresco Markets Pte. Ltd., 6 Mohamed Sultan Road #03-01, Singapore 238956 not less than 48 hours before the time appointed for the AGM, failing which the instrument may be treated as invalid.

9. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

10. Completion and return of this appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

11. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

12. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2017.

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

Lot 147 - 149, Jalan PKNK 3/1,
Kawasan Perusahaan Sungai Petani,
08000 Sungai Petani, Kedah, Malaysia.

+ 604 441 8351
+ 604 441 8349

www.allied-advantage.com