AA GROUP HOLDINGS LTD.
(200412064D)

Waves of Technology

Annual Report 2014

CONTENTS

PIECE OF TECHNOLOGY

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

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

CORPORATE PROFILE

BASED IN SUNGAI PETANI, MALAYSIA,

AA Group 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.

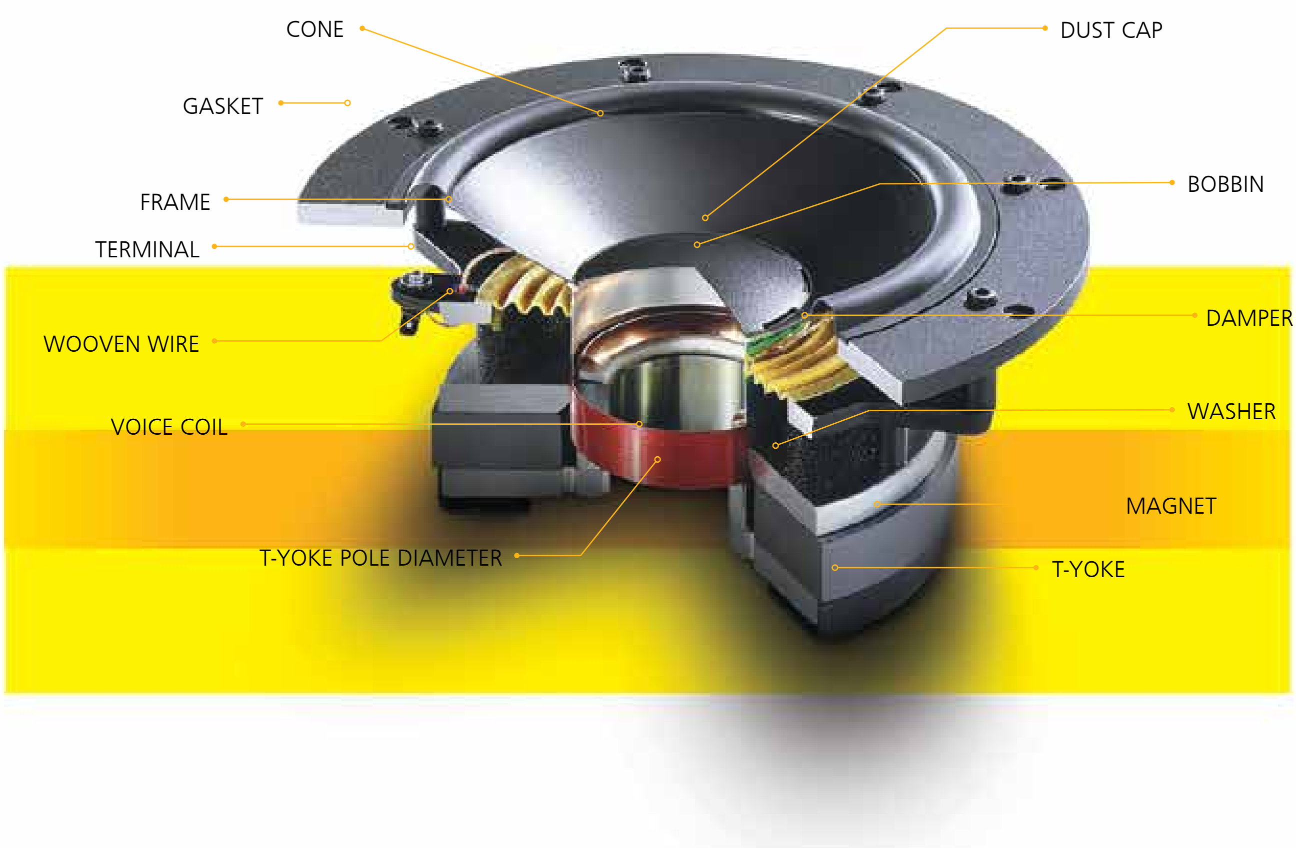
Yokes and washers, which are critical in determining the acoustical quality of the sound system, are key components of the magnet assembly in a loudspeaker. The combination of the yoke, washer and magnet represents the existing core of audio technology and is commonly referred to as "*the heart of the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

THE HEART OF THE LOUDSPEAKER

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

Feng Tzu-Ju @ Julie Feng *Managing Director*

Loo Choon Chiaw *Lead Independent Director*

Tan Kuang Hui *Independent Director*

Phuah Lian Heng *Independent Director*

AUDIT COMMITTEE

Tan Kuang Hui - Chairman
Independent Director

Loo Choon Chiaw
Lead Independent Director

Phuah Lian Heng
Independent Director

NOMINATING COMMITTEE

Phuah Lian Heng - Chairman
Independent Director

Loo Choon Chiaw
Lead Independent Director

Tan Kuang Hui
Independent Director

REMUNERATION COMMITTEE

Loo Choon Chiaw - Chairman
Lead Independent Director

Phuah Lian Heng
Independent Director

Tan Kuang Hui
Independent Director

COMPANY SECRETARY

Chia Foon Yeow

REGISTERED OFFICE

143 Cecil Street
Level 10 GB Building
Singapore 069542
Tel : +65 6534 3288
Fax : +65 6534 0833

COMPANY REGISTRATION NUMBER

200412064D

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

SPONSOR

CIMB Bank Berhad,
Singapore Branch
50 Raffles Place
#09-01 Singapore Land Tower
Singapore 048623
Contact person : Lim Hoon Khiat,
Associate Director, Investment Banking
Tel : +65 6337 5115

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 in financial year ended
31 December 2013

LEGAL COUNSEL

Loo & Partners LLP
143 Cecil Street
Level 10 GB Building
Singapore 069542

PRINCIPAL BANKERS

Malayan Banking Berhad
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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

THE GLOBAL STEEL INDUSTRY HAS STRUCTURAL OVERCAPACITY.

Jaimes Hsieh
Executive Chairman.

The financial year ended 31 December ("**FY**") 2014 has been very challenging for the Group. The uncertainties of the global economic and trading environment as well as the structural weaknesses of the global market continue to be a major threat since the medium term of 2013. The global steel industry has structural overcapacity which has an impact on the supply and pricing dynamics of steel.

According to Wood Mackenzie's iron ore market outlook, the iron ore market is expected to remain oversupplied in 2015, and demand is unlikely to show any meaningful improvement due to a combination of seasonal and cyclical reasons, a situation that is unlikely to change in the short term. The other factor affecting the iron ore market is the tightening of credit in the People's Republic of China which has restricted the ability of steel mills to purchase iron ore.

FINANCIAL REVIEW

Due to volatile market prices in the iron ore market, the Group's revenue for FY2014 recorded a decrease of S$1.81 million compared to FY2013 due mainly to a decrease in revenue contribution from iron ore trading operations.

Notwithstanding the very challenging and uncertain global economic and trading environment, the Group recorded an increase in revenue from its speaker products, namely U-Yoke, of S$1.51 million in FY2014 compared to FY2013 due mainly to increased demand. The Group has achieved this through its continuous efforts to improve its commitment to its customers.

CHAIRMAN'S MESSAGE (CONT'D)

The Group's cost of sales decreased by S$0.65 million in FY2014 as compared to the previous year, primary due to a decrease in factory overheads. Notwithstanding the decrease in revenue, the Group's gross profit for FY2014 increased by S$0.35 million, which is mainly attributable to a decrease in cost of sales.

The Group's profit before income tax in FY2014 decreased by S$0.17 million, as compared to FY2013, which is mainly attributable to an increase in administrative costs by S$0.15 million during the year and other operating costs by S$0.03 million, which was partially offset by a decrease in finance costs of S$0.01 million.

PROSPECTS

Moving forward, the Group will continue to focus on improving the quality of its core products, such as its speaker yoke, and concentrate on higher value added products as well as cost management and a strategy for driving product differentiation. The Group believes that its focus on driving market differentiation and cost competitiveness will continue to preserve its profitability and optimise the prospects of the Group in the future.

The Group will continue to explore new business plans and strategies to penetrate into new industries and diversify its product range. The Group will also continue to work on cost management, enhance its manufacturing process and embark on profitable businesses and target high margin products especially from the overseas market.

The Group is establishing a robust foundation that will support growth across all its lines of businesses. The Group has demonstrated its capabilities across products, customer segments and markets. It will continue to leverage this solid platform to achieve the Group's aspirations and deliver value to the Group's stakeholders.

In light of the uncertain global and regional economic environment, as well as stiff competition in the audio and equipment manufacturing industry, the management of the Group maintains a cautious outlook and expects the business environment to remain highly challenging for the next 12 months.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to thank all our shareholders and also our customers, suppliers, vendors, business associates for their unstinted support to the Group during the year. I would also like to thank the fellow members of the Board, the management team and all employees for their tireless commitment to enhancing the performance and well-being of the Group.

Jaimes Hsieh
Executive Chairman.

BOARD OF DIRECTORS

01 Hsieh, Kuo-Chuan @ Jaimes Hsieh

02 Feng, Tzu-Ju @ Julie Feng

03 Loo Choon Chiaw

04 Phuah Lian Heng

05 Tan Kuang Hui

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.

Mr Hsieh is due for re-election as a Director of the forthcoming AGM.

Feng, Tzu-Ju @ Julie Feng
Managing Director

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

Loo Choon Chiaw
Independent Director

Loo Choon Chiaw joined our Company as an Independent Director on 4 July 2005 and was appointed the Lead Independent Director on 2 March 2010. He has been practising as an Advocate and Solicitor of the Supreme Court of Singapore since 1981 and is currently the Managing Partner of Loo & Partners LLP, a law firm based in Singapore. Mr Loo qualified as a Barrister-at-Law of the Lincoln's Inn, London and obtained his Master of Laws degree from the University of London. He is a fellow of the Chartered Institute of Arbitrators, London, and a member of the Panel of Arbitrators of the Beijing Arbitration Commission and the Wuhan Arbitration Commission respectively. Mr Loo is also currently the lead independent director, chairman of both the remuneration and nominating committees and member of the audit committee of Allied Technologies Limited, a company listed on the Main Board of the SGX-ST. Mr Loo accepted the appointment of the Honorary Consul and Head of Post of the Principality of Liechtenstein in Singapore in June 2013, and has been acting in that official capacity since then.

Phuah Lian Heng
Independent Director

Phuah Lian Heng joined our Company as an Independent Director on 4 July 2005. Between 1992 and 1994, Mr Phuah served as a procurement engineer and contracts engineer in Hewlett-Packard Singapore and Esso Singapore respectively. From 1995 to 1999, he held positions such as business development manager, operations director and corporate development director in the Mentor Media group of companies. He is currently the Director of VCOD (S'pore) Pte Ltd. and also an independent director, chairman of both the remuneration and nominating committee and member of the audit committee of Armarda Group Limited, a company listed on the Catalist Board of the SGX-ST. Mr Phuah graduated from the National University of Singapore in 1992 with a Bachelor's Degree (First Class Honours) in Electrical Engineering.

Tan Kuang Hui
Independent Director

Tan Kuang Hui joined our Company as an Independent Director on 4 July 2005. He is currently the Managing Partner of Crowe Horwath First Trust LLP, the Singapore member firm of Crowe Horwath International, which he founded in June 2002. Mr Tan holds a Bachelor of Accountancy from the Nanyang Technological University, Singapore and is a practising member of the Institute of Certified Public Accountants of Singapore and CPA Australia.

Mr Tan is due for re-election as a Director of 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.

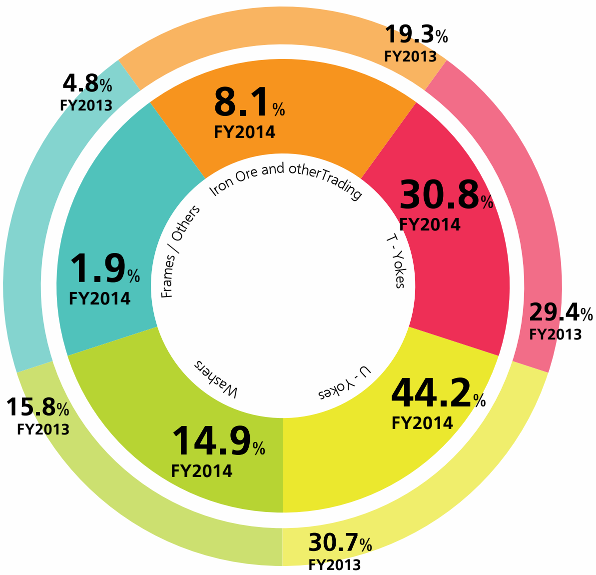
Tan Kim Cheng

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

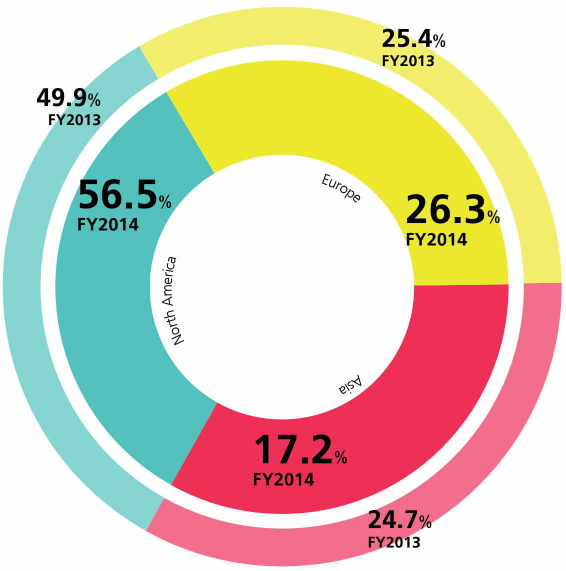
is our Purchasing and Account Assistant Manager. Prior to joining Allied Advantage Sdn Bhd in 2008, she held the position as ISO coordinator cum Quality Engineer at AE Corporation (M) Sdn Bhd between 1994 and 1996. She was transferred to Purchasing Department and assumed the position of Executive between 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.

FINANCIAL HIGHLIGHTS



REVENUE BY PRODUCTS

Revenue By Products	FY2014 (S$ '000)	FY2014 %	FY2013 (S$ '000)	FY2013 %
Revenue				
T - Yokes	4,836	30.8	4,707	29.4
U - Yokes	6,939	44.2	4,905	30.7
Washers	2,338	14.9	2,532	15.8
Frame / Others	304	1.9	763	4.8
Iron Ore and other Trading	1,271	8.1	3,079	19.3
Total Revenue	**15,688**	**100.0**	15,986	100.0



REVENUE BY GEOGRAPHICAL REGION

Revenue By Geographical Region	FY2014 (S$ '000)	FY2014 %	FY2013 (S$ '000)	FY2013 %
Revenue				
Europe	4,128	26.3	4,059	25.4
Asia	2,697	17.2	3,953	24.7
North America	8,863	56.5	7,974	49.9
Total Revenue	**15,688**	**100.0**	15,986	100.0

OPERATING & FINANCIAL REVIEW

Financial Performance and Position

Results of Operations (S$ '000)	FY2014	FY2013	Change (%)
Revenue			
T-Yokes	4,836	4,707	2.74%
U-Yokes	6,939	4,905	41.47%
Washers	2,338	2,532	-7.70%
Frames/Others	304	763	-60.13%
Iron Ore/Other Trading	1,271	3,079	n.m.
Total Revenue	**15,688**	**15,986**	**-1.87%**
Cost of sales	(14,374)	(15,022)	-4.32%
Gross Profit	**1,314**	**964**	**36.31%**
Other operating revenue	845	1,205	-29.88%
Administrative costs	(1,410)	(1,259)	11.99%
Other operating costs	(129)	(103)	25.24%
Operating Profit	**620**	**807**	**-23.17%**
Financial income	17	14	21.43%
Financial costs	(527)	(538)	-2.04%
Profit Before Income Tax	**110**	**283**	**-61.13%**
Income tax (expenses)/credit	(120)	19	n.m.
Net (Loss)/Profit Attributable To Equity Holders Of The Company	**(10)**	**302**	**n.m.**

Financial Position	FY2014	FY2013	Change (%)
Total Assets	27,458	28,862	-4.86%
Total Liabilities	14,208	15,282	-7.03%
Total Equity	13,250	13,580	-2.43%
Capital Expenditure	545	1,725	-68.41%
Group Staff Strength	204	205	-0.49%

n.m. - not meaningful

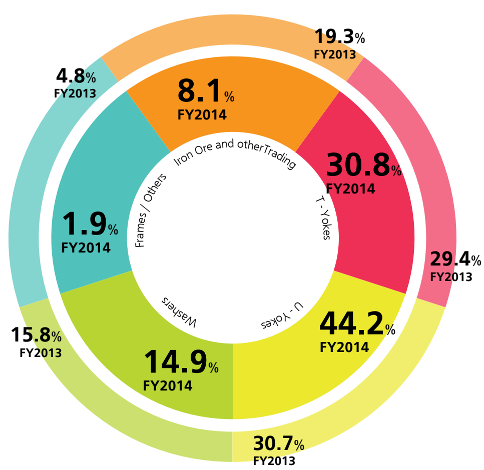
(a) The Group's revenue for FY2014 decreased by S$0.30 million or 1.87%, as compared to FY2013. The decrease in revenue was mainly due to the decrease in revenue from the Iron Ore Trading operations by S$1.81 million or 58.7% and partially offset by increased demand for the Group's speaker products namely U-Yoke, by S$1.51 million due to increase in demand.

b) The Group's cost of sales decreased by S$0.65 million or 4.32% in FY2014 as compared to FY2013, primary due to a decrease in factory overheads.

(c) Notwithstanding the decrease in revenue, the Group's gross profit for FY2014 increased by S$0.35 million or 36.31%, as compared to FY2013, which is mainly attributable to the decrease in cost of sales.

(d) The Group's other operating revenue in FY2014 decreased by S$0.36 million or 28.46%, as compared to FY2013, mainly due to the one-off gain on the disposal of the vacant land at Lot 146 in FY2013, which has been disclosed in the Company's announcement released on 13 May 2013.

(f) The Group's income tax expenses for FY2014 amounted to S$0.12 million and pertain to deferred tax liabilities arising from temporary difference attributable to the Group's property, plant and equipment allowances.



CORPORATE GOVERNANCE REPORT

The Board ("**Board**") of Directors ("**Directors**") of AA Group Holdings Ltd. (the "**Company**") is committed to maintaining high standards of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders ("**Shareholders**") and promote investors' confidence. This report outlines specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"), and any deviations from the Code are explained. This report outlines the Company's corporate governance practices and structures for the financial year ended 31 December 2014 ("**FY2014**"), with specific reference made to each of the principles of the Code explained. The Company has complied with the principles of the Code where appropriate.

1. 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 the management to achieve this objective and the management remains accountable to the Board.

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
Feng, Tzu-Ju @ Julie Feng	Managing Director
Loo Choon Chiaw	Lead Independent Director
Phuah Lian Heng	Independent Director
Tan Kuang Hui	Independent Director

The Board met twice during FY2014 with full attendance.

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

Directors are involved in the supervision of the management of the Group's operations. All Directors shall discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. Matters which specifically require the Board's decision or approval are those involving:

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

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

The Company is responsible for arranging and funding the training of Directors. Newly-appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. Directors are also given opportunity to visit the Group's operational facilities and meet with management staff to get a better understanding of the Group's business. Where appropriate, 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.

1. BOARD MATTERS (cont'd)

Board Composition and Balance

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

The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) independent directors ("**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. 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 Nominating Committee ("**NC**") is responsible for reviewing the independence of the IDs. No member of the NC should participate in the deliberation in respect of his own status as an Independent Director. The NC has confirmed the independence of all the IDs based on the results of the annual assessment.

Each of Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui has been the ID of the Board for more than nine (9) years. The Board, with the concurrence of the NC, has rigorously reviewed the respective independence of each of them and considered the need for progressive refreshing of the Board, their respective working experience and contributions. The Board is satisfied that each of them is independent in character and judgment, and found no reason that the length of their respective service has in any way dimmed their respective independence. Given their respective wealth of business, working experience and professionalism in carrying out their duties, the NC had found each of Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui suitable to continue to act as an ID. The Board has accepted the NC's recommendation that each of Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui be considered independent. Each of Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui has abstained from deliberating on their respective independence.

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

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

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. When necessary, the IDs will have discussions amongst themselves without the presence of management.

Chairman and Chief Executive Officer

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.

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

Mr Loo Choon Chiaw is the Lead ID of the Company. The appointment of the Lead ID and the participation of the IDs ensure that the Executive Chairman and the MD do not have unfettered powers of decision. 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 of the Company after such meetings.

1. BOARD MATTERS (cont'd)

Chairman and Chief Executive Officer (cont'd)

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

- scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- preparing meeting agenda 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;
- the promoting of a culture of openness and debate at the Board; and
- effective communication with Shareholders.

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

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

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

Board Membership

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

The NC comprises three (3) members, hence, fulfilling the requirement that the NC be made up of at least three (3) directors, all of whom are IDs.

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

The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. The NC meets at least once a year. One (1) meeting was held by the NC in FY2014 and attended by all members of the NC.

The principal terms of reference for the NC are:

- to review nominations for the appointment and re-appointment to the Board and the various committees;
- to decide on how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- to decide, where a Director has multiple board representations 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 (3) years;
- to determine on an annual basis whether or not a Director is independent;
- to review of Board succession plans for Directors; and
- to review of training and professional development programmes for the Board.

1. BOARD MATTERS (cont'd)

Board Membership (cont'd)

The NC is charged with the responsibility of re-nominating the Directors. Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors (except the MD) shall retire from office at the Annual General Meeting in each year, provided that all Directors shall retire from office at least once every three years. In addition, Article 109 provides that the retiring Directors are eligible to offer themselves for re-election. Article 112 provides that each term of appointment of the MD shall not exceed five (5) years. The year of initial appointment and last re-election of the Directors are set out below:

Name	Age	Position	Date of Initial Appointment	Date of Last Re-election	Directorships in other listed companies
Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh	55	Executive Chairman	20 October 2004	27 April 2012	Nil
Mdm Feng, Tzu-Ju @ Julie Feng	52	Managing Director	21 September 2004	26 April 2013	Nil
Mr Loo Choon Chiaw	59	Lead Independent Director	4 July 2005	28 April 2014	**Present Directorships** Allied Technologies Limited **Past Directorships (in the last three (3) preceding years)** • China Milk Products Group Limited • China Sun Bio-Chem Technology Group Company Ltd. • Celestial NutriFoods Limited
Mr Phuah Lian Heng	48	Independent Director	4 July 2005	28 April 2014	**Present Directorships** Armarda Group Limited **Past Directorship (in the last three (3) preceding years)** Nil
Mr Tan Kuang Hui	44	Independent Director	4 July 2005	26 April 2013	**Present Directorships** Nil **Past Directorships (in the last three (3) preceding years)** • Sports Asia Limited • Healthway Medical Corporation Limited

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

When a Director has multiple board representations 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.

Directors are encouraged to attend relevant training programmes conducted by the relevant institutions and organisations as and when appropriate. The cost of such training will be borne by the Company.

1. BOARD MATTERS (cont'd)

Board Membership (cont'd)

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.

Information required in respect of their academic and professional qualifications and directorships in other listed companies, is set out in the "Board of Directors" section of this Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the "Report of Directors" section of this Annual Report.

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.

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 and the individual Director's functional expertise.

The Board has adopted a process 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 NC collates the results of these appraisal forms and formally discusses the results collectively with other Board members to address any areas for improvement.

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 if 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 performance or re-nomination as a Director.

Access to Information

Principle 6: In order to fulfill 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.

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

In FY2014, management provided members of the Board with half-year management accounts, as well as relevant background information relating to the matters that were discussed at the Board meetings.

Detailed board papers 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.

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.

1. BOARD MATTERS (cont'd)

Access to Information (cont'd)

Further, the Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Singapore Companies' Act, Cap. 50 and the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**"). The appointment and the removal of the Company Secretary is a matter of consideration for the Board as a whole.

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

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("**RC**") comprises three (3) members, hence, fulfilling the requirement that the RC be made up of at least three (3) non-executive directors, all of whom are non-executive Independent Directors.

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

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, functions and administration. One meeting was held by the RC in FY2014 and attended by all members of the RC.

The duties of the RC are:

- to recommend to the Board a framework of remuneration for Board members and key management personnel;
- to determine specific remuneration packages for each Executive Director;
- to determine the appropriateness of the remuneration of Non-executive Directors taking into account factors such as effort and time spent, and their responsibilities;
- to review and recommend to the Board the terms of renewal of the service agreements of Executive Directors;
- to consider the disclosure requirements for Directors' and key executives' remuneration as required by the SGX-ST;
- to review 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; and
- to review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel.

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

The RC also administers the AA Group Employees Share Option Scheme (the "**Scheme**"). The Scheme was approved by Shareholders 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.

2. REMUNERATION MATTERS (cont'd)

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.

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.

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.

Each of the Executive Directors has a formal service agreement which is valid for a period of three (3) years commencing from 1 July 2014 (the "**Term**"). The service agreement shall automatically expire at the end of the Term unless renewed by the Company as it may decide.

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.

Disclosure on Remuneration

Principle 9: Each 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, and performance.

The RC recommends to the Board a framework of remuneration for the Board and senior management to ensure that the structure is competitive and sufficient to attract, retain and motivate senior management to run the Group successfully in order to maximise Shareholders' value. Each of NC 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 FY2014 is set out as follows:

Remuneration of Directors in FY2014

Remuneration Band & Name of Director	Base/Fixed salary	Bonus	Director's fees[1]	Other benefits	Total
Below S$250,000					
Mr Hsieh, Kuo-Chuan @ Jaimes Hsieh	97%	-	-	3%	100%
Mdm Feng, Tzu-Ju @ Julie Feng	96%	-	-	4%	100%
Mr Loo Choon Chiaw	-	-	100%	-	100%
Mr Phuah Lian Heng	-	-	100%	-	100%
Mr Tan Kuang Hui	-	-	100%	-	100%

2. REMUNERATION MATTERS (cont'd)

Disclosure on Remuneration (cont'd)

Note:

[1] Directors' fees are subject to the approval of the Shareholders at the forthcoming AGM.

Remuneration of the key management personnel (who are not Directors or the Chief Executive Officer) of the Company in FY2014 is set out as follows:

Remuneration Band & Name of Key Executives [1]	Base/fixed salary	Bonus	Other benefits	Total
Below S$250,000				
Mr Koh Teik Huat	89%	-	11%	100%
Ms Tan Kim Cheng	88%	-	12%	100%
Ms Shih Wen Li	90%	-	10%	100%
Ms Tan Siew Lean	88%	-	12%	100%

Note:

[1] The Group only has four (4) key management personnel.

The Company is not disclosing the full details of the remuneration of each individual 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 FY2014 is equivalent to approximately S$150,000.

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 FY2014. "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.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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.

3. ACCOUNTABILITY AND AUDIT (cont'd)

Risk Management and Internal Controls (cont'd)

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 Audit Committee ("**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.

The Managing Director and the financial controller of the Company have given assurance to the Board that as at the end of FY2014, (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 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, fraud or other irregularities.

Audit Committee

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

The AC of the Company comprises three (3) members, hence, fulfilling the requirement that the AC be made up of at least three (3) directors, all of whom are non-executive independent Directors.

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

The AC carries out its functions in accordance with the Singapore Companies Act, Cap. 50, the Catalist Rules and the Code. The main terms of reference 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 external auditors' annual audit plan;
- to review the 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 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;

3. ACCOUNTABILITY AND AUDIT

Audit Committee (cont'd)

- 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; 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.

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.

Mr Loo Choon Chiaw is the managing partner of a law firm in Singapore and Mr Phuah Lian Heng is the director and shareholder of a local company. Mr Tan Kuang Hui is a certified public accountant and is a practising member of the Institute of Certified Public Accountants of Singapore. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.

The AC is 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.

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 FY2014. The AC has recommended to the Board that Moore Stephens LLP be nominated for re-election as external auditors at the forthcoming AGM for FY2014.

The AC meets with the external auditors without the presence of management at least annually. 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.

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. The aggregate amount of audit fees paid and payable by the Group to the external auditors, Moore Stephens LLP for FY2014 was approximately S$41,000. There was no non-audit service incurred and therefore no non-audit fees were paid to the external auditors in this regard for FY2014.

The AC met twice in FY2014 with full attendance of each member. 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.

The AC reviewed the audit plans and audit reports for FY2014 presented by the external auditors. The external auditors have provided regular updates and briefing 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.

The AC also reviewed the half-yearly and/or annual financial statements and discussed with the management, the financial controller and the external auditors the significant accounting policies, judgment and estimate 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.

3. ACCOUNTABILITY AND AUDIT

Audit Committee (cont'd)

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 FY2014 (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 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.

Internal Audit

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

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 internal audit function of the Group has been outsourced to a public accounting firm, Tan Cheah & Co. 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 twice a year for FY2014. The AC meets with the internal auditors without the presence of management at least annually.

The AC reviews the internal audit report including the follow-up actions taken by the management on a regular basis to ensure the adequacy of the internal audit function. The AC also reviews and approves the annual internal audit plans.

4. SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS, AND CONDUCT OF SHAREHOLDER MEETINGS

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.

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.

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

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

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

4. SHAREHOLDER RIGHTS, COMMUNICATION WITH SHAREHOLDERS, AND CONDUCT OF SHAREHOLDER MEETINGS (cont'd)

Information is communicated to Shareholders on a timely basis through:

- annual reports that are prepared and despatched to all Shareholders within the mandatory period;
- announcements 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.

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

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.

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

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. The external auditors will also be present to assist the Directors in addressing relevant queries raised by Shareholders.

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

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.

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. The Board will adhere to the requirements of the Listing Manual where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

5. 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 FY2014, the Company has complied with Rule 1204(19) of the Catalist Rules.

CORPORATE GOVERNANCE REPORT (CONT'D)

6. INTERESTED PERSON TRANSACTIONS

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

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

The AC has reviewed the interested person transactions of the Group for FY2014 in accordance with its existing procedures. There were no interested person transactions (with value of more than S$100,000) in FY2014.

Name of interested person	**Aggregate value of all interested person transactions for FY2014 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)**	**Aggregate value of all interested person transactions for FY2014 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
	S$'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 be put forth to Shareholders for renewal at the forthcoming AGM.

The Board confirms that each of these interested person transactions was entered into on an arm's length basis, and on normal commercial terms and are not prejudicial to the interest of the Company or its minority Shareholders.

7. MATERIAL CONTRACTS

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed under the "Report of the Directors" 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.

8. NON-SPONSOR FEE

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. During FY2014, CIMB Bank Berhad, Singapore Branch (the "**Sponsor**") acted as the continuing sponsor of the Company.

In compliance with Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor by the Company during FY2014.

9. 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 we 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.

FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS

31 DECEMBER 2014

The directors present their report to the members together with the audited consolidated financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiary companies (collectively the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

1. Directors

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

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

2. Arrangements to Enable Directors to Acquire Shares or Debentures

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

3. Directors' Interests in Shares and Debentures

The directors of the Company holding office at the beginning and the end of the financial year had no interests in the shares or debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Direct Interest		
	As at 1.1.2014	**As at 31.12.2014**	**As at 21.1.2014**
	No. of ordinary shares of the Company		
Name of director			
Hsieh, Kuo-Chuan @ Jaimes Hsieh	27,505,745	27,505,745	27,505,745
Feng, Tzu-Ju @ Julie Feng	27,505,745	27,505,745	27,505,745

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

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

4. Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Chapter 50, by reason of a contract made by the Company or a related corporation with the director or with a firm in which he is a member, or with a Company in which has a substantial interest, except as disclosed in the notes to the financial statements. Certain directors also received remuneration from the Group's subsidiaries in their capacity as directors of those subsidiaries.

5. Options Granted

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

6. Options Exercised

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

7. Options Outstanding

At the end of the financial year, there were no outstanding options to take up unissued shares of the Company or its subsidiaries.

8. Audit Committee

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

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

The AC performs the functions specified by Section 201B(5) of the Singapore Companies Act, Chapter 50, the Listing Manual Section B: Rules of Catalist of SGX-ST and the Code of Corporate Governance and assists the Board of Directors in the execution of its corporate governance responsibilities within its established terms of reference.

The duties of the AC, amongst other things, include:

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

(b) Review the half-yearly announcement of financial statements and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;

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

(d) Meet 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) Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

(f) Review the cost effectiveness and the independence and objectivity of the external auditors;

(g) Review the nature and extent of non-audit services provided by the external auditors;

(h) Recommend to the Board of Directors the external auditors to be nominated, approve the compensation of the external auditors and review the scope and results of audit;

(i) Report actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

(j) Review interested person transactions in accordance with the requirements of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"); and

(k) To undertake such other functions and duties as may be agreed to by the AC and the Board of Directors.

REPORT OF THE DIRECTORS (CONT'D)

31 DECEMBER 2014

8. Audit Committee (cont'd)

The AC, having reviewed all non-audit services provided by the independent auditors to the Group is satisfied that the nature and extent of such services would not affect the independence of the independent auditors. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with the independent auditors, without the presence of the Company's management, at least once a year.

It is the opinion of the Board of Directors with the concurrence of the AC that the system of internal controls, which addresses the Group's financial, operational and compliance risks, maintained by the Group is in place and adequate throughout the current financial year.

Further details regarding the AC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for their reappointment as independent auditors of the Company at the forthcoming Annual General Meeting.

9. Independent Auditors

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

On behalf of the Board of Directors,

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

....
Feng, Tzu-Ju @ Julie Feng
Director

Singapore

24 March 2015

STATEMENT BY DIRECTORS

31 DECEMBER 2014

In the opinion of the directors:

(a) the accompanying consolidated financial statements of the Group and the balance sheet of the Company together with the notes thereto, as set out on pages 31 to 73, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, 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.

On behalf of the Board of Directors,

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

....
Feng, Tzu-Ju @ Julie Feng
Director

Singapore

24 March 2015

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

31 DECEMBER 2014

We have audited the accompanying financial statements of AA Group Holdings Ltd. (the "Company") and its subsidiary companies (collectively the "Group"), as set out on pages 31 to 73, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

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 have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

24 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 S$	Group 2013 S$
Revenue	3	15,687,952	15,986,491
Cost of sales		(14,373,937)	(15,021,789)
Gross profit		1,314,015	964,702
Other operating income	4	844,515	1,205,184
Administrative expenses		(1,409,570)	(1,259,128)
Other operating expenses		(128,981)	(103,008)
Finance income	5	17,476	13,544
Finance costs	6	(526,964)	(538,281)
Profit before income tax	7	110,491	283,013
Income tax	9	(120,048)	19,325
Net (loss)/profit for the year		(9,557)	302,338
Other comprehensive (loss), net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences on translation of foreign operations		(320,966)	(492,613)
Total comprehensive (loss) for the year attributable to equity holders of the Company		(330,523)	(190,275)
(Loss)/Earnings per share (cents)	10		
- Basic and diluted		(0.01)	0.31

BALANCE SHEETS

AS AT 31 DECEMBER 2014

		Group		Company	
	Note	2014	2013	2014	2013
		S$	S$	S$	S$
ASSETS					
Non-current assets					
Property, plant and equipment	11	15,178,258	16,838,974	-	-
Prepaid land lease payments	12	518,261	542,097	-	-
Investment in subsidiaries	13	-	-	11,064,509	11,064,509
		15,696,519	17,381,071	11,064,509	11,064,509
Current assets					
Inventories	14	4,434,089	4,110,667	-	-
Trade and other receivables	15	5,263,565	5,040,783	-	118,544
Other current assets	16	984,262	1,428,910	12,555	12,560
Cash and bank balances	17	1,079,244	900,769	9,398	1,350
		11,761,160	11,481,129	21,953	132,454
Total assets		27,457,679	28,862,200	11,086,462	11,196,963
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	18	12,515,906	12,515,906	12,515,906	12,515,906
Reserves	19	733,696	1,064,219	(1,834,933)	(1,523,798)
		13,249,602	13,580,125	10,680,973	10,992,108
Non-current liabilities					
Bank borrowings	20	821,172	97,158	-	-
Hire purchase creditors	21	306,760	492,532	-	-
Deferred taxation	22	2,086,792	2,025,413	-	-
		3,214,724	2,615,103	-	-
Current liabilities					
Trade and other payables	23	4,543,847	4,126,526	405,489	204,855
Hire purchase creditors	21	335,425	398,162	-	-
Bank borrowings	20	6,114,081	8,142,284	-	-
		10,993,353	12,666,972	405,489	204,855
Total liabilities		14,208,077	15,282,075	405,489	204,855
Total equity and liabilities		27,457,679	28,862,200	11,086,462	11,196,963

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	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 2014	12,515,906	(6,478,399)	(2,330,588)	9,873,206	13,580,125
Net loss for the year	-	-	-	(9,557)	(9,557)
Other comprehensive (loss) for the year Exchange differences on translation of foreign operations	-	-	(320,966)	-	(320,966)
Total comprehensive (loss) for the year	-	-	(320,966)	(9,557)	(330,523)
Balance at 31 December 2014	12,515,906	(6,478,399)	(2,651,554)	9,863,649	13,249,602
Balance at 1 January 2013	12,515,906	(6,478,399)	(1,837,975)	9,570,868	13,770,400
Net profit for the year	-	-	-	302,338	302,338
Other comprehensive (loss) for the year -Exchange differences on translation of foreign operations	-	-	(492,613)	-	(492,613)
Total comprehensive (loss) for the year	-	-	(492,613)	302,338	(190,275)
Balance at 31 December 2013	12,515,906	(6,478,399)	(2,330,588)	9,873,206	13,580,125

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 S$	2013 S$
Cash Flows from Operating Activities			
Profit before income tax		110,491	283,013
Adjustments for:			
Depreciation of property, plant and equipment	11	1,800,451	1,615,534
Amortisation of prepaid land lease payments	12	11,113	13,470
Gain on disposal of property, plant and equipment	4	(34,745)	(13,235)
Property, plant and equipment written off		2,911	-
Gain on disposal of leasehold land		-	(435,896)
Net foreign exchange gain - unrealised		(147,887)	(131,504)
Inventories written down	7	11,114	11,539
Interest income	5	(17,476)	(13,544)
Interest expense	6	508,613	516,528
Operating cash flows before changes in working capital		2,244,585	1,845,905
Changes in working capital:			
Inventories		(334,536)	159,875
Trade and other receivables and other current assets		447,005	(2,538,404)
Trade and other payables		299,672	1,583,654
Related party		(230,071)	94,475
Cash generated from operations		2,426,655	1,145,505
Interest received		17,476	13,544
Interest paid		(508,613)	(516,528)
Income tax paid		(23,716)	(13,322)
Net cash generated from operating activities		1,911,802	629,199
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	11	(323,707)	(769,451)
Proceeds from disposal of property, plant and equipment		42,267	50,451
Proceeds from disposal of leasehold land		-	774,536
Net cash (used in)/generated from investing activities		(281,440)	55,536
Cash Flows from Financing Activities			
Decrease in bills payable		(1,759,675)	(985,357)
Repayment of hire purchase creditors		(449,273)	(397,529)
Repayment of term loans		(223,880)	(227,040)
Proceed from term loan		946,108	-
Proceeds from directors		281,516	316,186
Net cash used in financing activities		(1,205,204)	(1,283,711)
Net increase/(decrease) in cash and cash equivalents		425,158	(598,976)
Cash and cash equivalents at the beginning of the year		(503,370)	14,835
Effect of exchange rate changes on the balance of cash held in foreign currencies		(42,005)	80,771
Cash and cash equivalents at the end of the year	17	(120,217)	(503,370)

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

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 16 Gemmill Lane, Singapore 069254, 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 13.

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

The financial statements for the financial year ended 31 December 2014 were approved and authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. Significant Accounting Policies

(a) Basis of Preparation

The 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 under the historical cost convention 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 that of the previous financial year except that the Group and the Company adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2014.

		Effective for annual financial periods beginning on or after
FRS 27	*Separate Financial Statements*	1 January 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 112	*Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32	*Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to FRS 36	*Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014

FRS 27 *Separate Financial Statements*

FRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements. The application of FRS 27 has no material impact on the financial performance of the Group or the financial positions of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant Accounting Policies (cont'd)

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

Adoption of New/Revised FRS (cont'd)

FRS 110 *Consolidated Financial Statements*

Under FRS 110, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of FRS 27 *Consolidated Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities* – FRS 27 used a control concept whilst INT FRS 12 placed greater emphasis on risks and rewards.

A more robust definition of control has been developed in FRS 110 in order to capture unintentional weaknesses of the definition of control set out in the previous version of FRS 27. The definition of control in FRS 110 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of investor's returns.

FRS 110 requires investors to reassess whether or not they have control over their investees on transition to FRS 110. In general, FRS 110 requires retrospective application, with certain limited transitional provisions.

The application of this new standard has no material impact on the financial performance or the financial position of the Group.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new disclosure standard and is applicable to entities that have an interest in subsidiaries, joints arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements. As this is a disclosure standard, the adoption has not resulted in any impact on the financial performance of the Group or the financial positions of the Group and the Company.

Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not be contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments.

The Group is of the view that the amendments will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on initial application.

Amendments to FRS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.

The application of these amendments has had no impact on the disclosure in the Group's consolidated financial statements.

2. Significant Accounting Policies (cont'd)

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

New/Revised FRS which are not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but are not yet effective:

		Effective for annual financial periods beginning on or after
FRS 24	*Related Party Disclosures*	1 July 2014
FRS 108	*Operating Segments*	1 July 2014
FRS 113	*Fair Value Measurement*	1 July 2014
FRS 109	*Financial Instruments*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2017

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation.

As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Amendment to FRS 108 *Operating Segments*

The amendment requires the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company when implemented.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the references to financial assets and financial liabilities in FRS 113 should be read as applying to all contracts within the scope of, and accounted for, in accordance with, FRS 39, regardless of whether they meet the definitions of financial assets or financial liabilities in FRS 32 *Financial Instruments: Presentation*.

The Group is of the view that the adoption of this standard does not have any material impact on the financial performance of the Group or financial positions of the Group and the Company when implemented.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Significant Accounting Policies (cont'd)

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

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

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 39 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 is in the process of assessing the potential impact that will result from the application of FRS 109.

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 2017, with early adoption permitted.

The Group is in the process of assessing the potential impact that will result from the application of FRS 115.

(c) Critical Accounting Judgements and Estimates

In the application of the Group's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

2. Significant Accounting Policies (cont'd)

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

Judgements made in applying accounting policies (cont'd)

(i) Allowance for inventory obsolescence (cont'd)

During the financial year, no allowance for inventory obsolescence was recognised except that there were certain inventories written down by S$11,114 (2013:S$11,539) (Note 7) to their net realisable value as at 31 December 2014. The carrying amount of the Group's inventories as at 31 December 2014 is disclosed in Note 14.

(ii) Impairment of trade receivables

The Group assesses at the end of each reporting period 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 make 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 judges whether an impairment loss should be recorded against the receivable.

During the financial year, no allowance for impairment loss was recognised on trade receivables (2013: Nil).

As at 31 December 2014, the carrying amounts of the Group's trade receivables and the allowance for impairment loss on trade receivables are disclosed in Note 15.

(iii) Impairment of investment in subsidiaries

Reviews are made periodically by management on the investment in a subsidiary 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 investment in subsidiaries (2013: Nil), and as at 31 December 2014, the carrying amount of the Company's investment in subsidiaries is disclosed in Note 13.

(iv) Determination of functional currencies

The Group measures foreign currency transactions in the respective functional currencies of the entities in the Group. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services, and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services, and the currency which funds the entity's financing activities. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices and funds from financing activities.

(v) 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.

2. Significant Accounting Policies (cont'd)

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

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 2014 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 increases/decreases by 10% from management's estimate, the Group's profit before income tax for the year will decrease/increase by approximately S$180,000 (2013: S$$161,600).

(ii) Income taxes

The Group has exposures to income taxes in numerous jurisdictions. In determing 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 2014 are disclosed in Note 22.

(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.

2. Significant Accounting Policies (cont'd)

(d) Basis of Consolidation (cont'd)

Consolidation (cont'd)

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 but are considered an impairment indicator of the asset transferred. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of businesses

The acquisition method is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity in the consolidated statement of financial position, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the consolidated statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the balance sheet of the Group. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss in the consolidated statement of comprehensive income.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings within equity if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(e) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment

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

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.

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.

(g) 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.

(h) Investment in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses. An 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(i) Impairment of Non-Financial Assets

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.

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.

(j) 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.

(k) Trade and Other Receivables

Trade and other receivables, which generally have 30 to 180 day terms, including the amounts due from a subsidiary, are initially recognised at fair value, and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all the amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in profit or loss.

2. Significant Accounting Policies (cont'd)

(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) Trade and Other Payables

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

(n) 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.

(o) 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 outlined in (f) above.

(p) 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.

(q) Dividends to the Company's shareholders

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

(r) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(s) 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.

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.

(t) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualities 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. 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.

(u) 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.

(v) Income Tax

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(v) Income Tax (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

2. Significant Accounting Policies (cont'd)

(w) 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.

(x) Financial Instruments

<u>*Financial Assets*</u>

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 advance payments and 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.

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.

2. Significant Accounting Policies (cont'd)

(x) Financial Instruments (cont'd)

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.

(y) 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

2. Significant Accounting Policies (cont'd)

(y) Related Parties (cont'd)

b. An entity is related to a reporting entity if any of the following conditions applies: (cont'd)

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).

3. Revenue

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

4. Other Operating Income

	Group	
	2014	**2013**
	S$	**S$**
Gain on disposal of property, plant and equipment	34,745	13,235
Gain on foreign exchange	213,956	110,957
Scrap sales	595,814	637,351
Gain on disposal of leasehold land	-	435,896
Rental income	-	7,745
	844,515	1,205,184

5. Finance Income

	Group	
	2014	**2013**
	S$	**S$**
Interest income:		
- fixed deposits	17,476	13,544

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

6. Finance Costs

	Group	
	2014	**2013**
	S$	**S$**
Interest expense:		
- bankers' acceptance charges	218,978	213,470
- hire purchase	48,252	33,098
- term loans	17,078	31,585
- bank overdrafts	67,383	67,783
- trust receipt	144,760	156,368
- director's loan	12,162	14,224
	508,163	516,528
Bank charges	14,401	17,956
Bank guarantee charges	2,439	2,159
Bank commitment fees	1,511	1,638
	526,964	538,281

7. Profit before Income Tax

	Group	
	2014	**2013**
	S$	**S$**
Profit before income tax has been arrived at after charging:		
Included in cost of sales:		
Amortisation of prepaid land lease payments	11,113	13,470
Rental expense - operating lease	12,076	24,962
Inventories written down	11,114	11,539
Depreciation of property, plant and equipment		
- recognised in cost of sales	1,614,756	1,487,480
- recognised in administrative expenses	185,695	128,054
	1,800,451	1,615,534
Directors' fees	130,000	130,000
Audit fees paid/payable to:		
- Company's auditors	37,000	37,000
- Other auditors	10,517	9,992
Included in other operating expenses		
- Loss on foreign exchange	39,735	66,834

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2014 (2013: Nil).

There were also no non-sponsor fees paid/payable to the Company's Sponsor during the financial year ended 31 December 2014 (2013: Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2014

8. Staff Costs

	Group	
	2014	**2013**
	S$	**S$**
Salaries and bonuses	2,251,089	2,194,373
Employees Provident Fund & Social Security contributions	64,684	74,750
Other short-term benefits	18,956	22,993
	2,334,729	2,292,116

9. Income Tax

	Group	
	2014	**2013**
	S$	**S$**
Income tax expense/(credit) attributable to the results is made up of:		
- current income tax	8,562	10,069
- deferred tax relating to the origination and reversal of temporary differences	132,741	(48,409)
	141,303	(38,340)
Under/(Over) provision in prior years		
- current income tax	2,571	-
- deferred tax	(23,826)	19,015
	(21,255)	19,015
	120,048	(19,325)

The income tax expense/(credit) on the 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	
	2014	**2013**
	S$	**S$**
Profit before income tax	110,491	283,013

	Group	
	2014	**2013**
	S$	**S$**
Income tax expense calculated at applicable tax rates	52,514	91,997
Non-deductible expenses	93,251	94,069
Non-taxable income	(4,462)	(110,194)
Utilisation of deferred tax benefits previously not recognised	-	(29,820)
Differential in deferred tax rates*	-	(84,392)
Under provision of current income tax in prior years	2,571	-
(Over)/Under provision of deferred tax in prior years	(23,826)	19,015
	120,048	(19,325)

9. Income Tax (cont'd)

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

During the financial year ended 31 December 2013, the non-taxable income mainly relates to gain on disposal of leasehold land as disclosed in Note 4.

The corporate tax rate applicable to the Company is 17% (2013: 17%). The Company has no taxable income during the financial years ended 31 December 2014 and 2013.

* The corporate income tax rate of the subsidiaries in Malaysia for the years of assessment 2014 and 2013 is 25%. The Malaysia statutory tax rate will be reduced to 24% from the current year's rate of 25% effective year of assessment 2016. Accordingly, the deferred tax assets and liabilities arising from these subsidiaries are measured using the tax rate of 24% (2013: 24%).

Subject to agreement by the Inland Revenue Board of Malaysia, the subsidiaries in Malaysia have the following as at the balance sheet date:

(i) Estimated unutilised capital allowances of approximately S$1,592,000 (2013: S$2,303,000), are available for set-off against future taxable profits. The estimated deferred tax asset arising from the unutilised capital allowances amounted to approximately S$382,000 (2013: S$553,000).

(ii) Estimated unutilised reinvestment allowances of approximately S$9,300,000 (2013: S$9,300,000), 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 2014, no deferred tax liabilities (2013: 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)/Earnings Per Share

The basic earnings per share is calculated on the Group's (loss)/profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding as at 31 December 2014 and 2013.

The basic and diluted earnings per ordinary share calculated based on the above is as follows:

	Group	
	2014	**2013**
(Loss)/Profit for the year attributable to equity holders of the Company (S$)	(9,557)	302,338
Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share	96,276,201	96,276,201
Basic and diluted (loss)/earnings per share (Singapore cents)	(0.01)	0.31

11. Property, Plant and Equipment

Group	Factory Buildings S$	Plant & Machinery S$	Furniture, Fittings & Equipment S$	Motor Vehicles S$	Total S$
2014					
Cost					
Balance at 1 January 2014	3,215,391	28,944,656	209,275	692,391	33,061,713
Additions	-	529,834	15,541	-	545,375
Disposals	-	(195,804)	-	(163,010)	(358,814)
Written off	-	(123,796)	(14,175)	-	(137,971)
Currency realignment	(75,465)	(679,326)	(4,913)	(16,250)	(775,954)
Balance at 31 December 2014	3,139,926	28,475,564	205,728	513,131	32,334,349
Accumulated depreciation					
Balance at 1 January 2014	729,817	15,059,654	166,880	266,386	16,222,737
Depreciation for the year	62,799	1,621,595	17,654	98,403	1,800,451
Disposals	-	(188,282)	-	(163,010)	(351,292)
Written off	-	(120,885)	(14,175)	-	(135,060)
Currency realignment	(17,129)	(353,447)	(3,917)	(6,252)	(380,745)
Balance at 31 December 2014	775,487	16,018,635	166,442	195,527	17,156,091
Net book value					
Balance at 31 December 2014	2,364,439	12,456,929	39,286	317,604	15,178,258
2013					
Cost					
Balance at 1 January 2013	3,294,870	28,775,391	264,804	339,448	32,674,513
Additions	22,537	1,260,447	30,136	411,517	1,724,637
Disposals	-	(75,608)	(36,542)	(48,064)	(160,214)
Written off	-	(124,628)	(40,924)	-	(165,552)
Currency realignment	(102,017)	(890,946)	(8,200)	(10,510)	(1,011,673)
Balance at 31 December 2013	3,215,390	28,944,656	209,274	692,391	33,061,711
Accumulated depreciation					
Balance at 1 January 2013	686,860	14,165,915	231,444	287,474	15,371,693
Depreciation for the year	64,224	1,495,472	19,962	35,876	1,615,534
Disposals	-	(38,499)	(36,435)	(48,064)	(122,998)
Written off	-	(124,628)	(40,924)	-	(165,552)
Currency realignment	(21,267)	(438,606)	(7,167)	(8,900)	(475,940)
Balance at 31 December 2013	729,817	15,059,654	166,880	266,386	16,222,737
Net book value					
Balance at 31 December 2013	2,485,573	13,885,002	42,394	426,005	16,838,974

11. Property, Plant and Equipment (cont'd)

(a) As at 31 December 2014, the net book value of property, plant and equipment acquired under hire purchase in respect of which installment payments are outstanding are as follows:

	Group	
	2014	**2013**
	S$	**S$**
Plant and machinery	854,273	877,107
Equipment & tools	84,397	96,494
Motor vehicles	308,285	409,161
	1,246,955	1,382,762

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

(i) Factory buildings pledged to a financial institution for banking facilities granted to the Group as disclosed in Note 20.

(ii) Plant and machinery with a total net book value of S$549,882 (2013: S$617,553) pledged as security for bank borrowings of the Group as disclosed in Note 20.

(c) Plant and machinery with cost amounting to S$128,290 were not depreciated because the plant and machinery had not been fully commissioned as at 31 December 2013.

(d) Plant and machinery with cost of S$1,106,075 (2013: S$1,514,641) were fully depreciated assets although they are still used for production.

(e) During the financial year, the Group acquired certain property, plant and equipment by means of hire purchase totaling S$221,668 (2013: S$955,186). Other property, plant and equipment were acquired by cash payment of S$323,707 (2013: S$769,451).

12. Prepaid Land Lease Payments

	Group	
	2014	**2013**
Leasehold Land	**S$**	**S$**
Cost		
Balance at 1 January	664,058	1,064,935
Disposal	-	(367,917)
Currency realignment	(15,586)	(32,960)
Balance at 31 December	648,472	664,058
Accumulated amortisation		
Balance at 1 January	121,961	142,157
Amortisation for the year	11,113	13,470
Disposal	-	(29,277)
Currency realignment	(2,863)	(4,389)
Balance at 31 December	130,211	121,961

12. Prepaid Land Lease Payments (cont'd)

	Group	
	2014	**2013**
Leasehold Land	**S$**	**S$**
Net book value		
Balance at 31 December	518,261	542,097
Amount to be amortised:		
- Not later than one year	11,113	11,113
- Later than one year but not later than five years	44,452	56,237
- Later than five years	462,696	474,747
	518,261	542,097

The prepaid land lease payments are for four plots of state-owned land in Malaysia. These plots of land are owned by the state authority of Kedah and are located at Plot 146, 147, 148 and 149 Jalan PKNK 3/3, Kawasan Perusahaan Sungai Petani, where the manufacturing facilities of the Group reside.

In 2013, the Group disposed one of the leasehold land plots (Plot 146) for a cash consideration of S$774,536.

The plots of land have lease terms ranging from 49 to 99 years. The plots of land with a net book value of S$518,261 (2013: S$542,097) as at the balance sheet date are pledged as security for bank borrowings of the Group as disclosed in Note 20.

13. Investment in Subsidiaries

	Company	
	2014	**2013**
	S$	**S$**
Unquoted equity investments, at cost	11,064,509	11,064,509

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**	
			2014	**2013**
			%	%
Held by the Company				
Allied Advantage Sdn. Bhd.*	Malaysia	Manufacturer of speaker parts	100	100
Held through the subsidiary				
AA Supply Chain Management Sdn. Bhd.*	Malaysia	Iron ore trading	100	100

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

13. Investment in Subsidiaries (cont'd)

In 2008, the Group via its subsidiary, Allied Advantage Sdn Bhd registered a wholly owned entity in the People's Republic of China, Allied Advantage (Xu Zhou) Co Ltd. This entity was set up with a registered capital of US$10 million but the Group has not contributed any paid-up capital to the entity nor has the entity commenced its business activities since its registration.

14. Inventories

	Group	
	2014	**2013**
	S$	**S$**
At cost		
Raw materials	2,694,370	2,650,568
Semi-finished goods	756,804	541,414
Finished goods	944,154	855,453
	4,395,328	4,047,435
At net realisable value		
Semi-finished goods	7,391	6,856
Finished goods	31,370	56,376
	4,434,089	4,110,667
Cost of inventories sold recognised as cost of sales in the consolidated statement of comprehensive income	14,373,937	15,021,789

15. Trade and Other Receivables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$	**S$**	**S$**	**S$**
Trade receivables				
- third parties	5,513,872	5,302,273	-	-
Less: Allowance for impairment	(273,702)	(273,702)	-	-
	5,240,170	5,028,571	-	-
Other receivables				
- due from a subsidiary	-	-	-	118,544
- due from a third party	4,834	6,090	-	-
Tax recoverable	18,561	6,122	-	-
	23,395	12,212	-	118,544
	5,263,565	5,040,783	-	118,544

The amount due from a subsidiary is unsecured, interest-free and is repayable on demand in cash. The Company has received full repayment during the current financial year.

16 Other Current Assets

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Deposits	33,104	99,039	-	-
Advance payments	752,075	1,098,341	-	-
Prepayments	199,083	231,530	12,555	12,560
	984,262	1,428,910	12,555	12,560

As at 31 December 2013, the carrying amounts of the Group's deposit paid for purchase of capital expenditure amounted to S$44,357. In the current financial year, the deposits were fully capitalised as part of the consideration for the purchase of plant and equipment.

In 2013, the Group made an advance payment amounting to RM1.7 million (equivalent to approximately S$658,000) to the iron ore 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 2014, the Group has recovered approximately S$233,000 (2013: S$185,000) of the advance payment via deduction of the 50% of the Consideration paid to the seller. The net total advance payments made to the iron ore seller is approximately S$240,000 (2013: S$473,000) as at 31 December 2014.

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 2014, included in the advance payments was a total advance payment of approximately S$512,000 (2013: S$625,000) 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.

17. Cash and Cash Equivalents

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Cash on hand and at banks	512,045	337,833	9,398	1,350
Fixed deposits	567,199	562,936	-	-
Cash and bank balances	1,079,244	900,769	9,398	1,350

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

	Group	
	2014	2013
	S$	S$
Cash and bank balances	1,079,244	900,769
Less: Fixed deposits pledged	(567,199)	(562,936)
Less: Bank overdrafts (Note 20)	(632,262)	(841,203)
	(120,217)	(503,370)

17. Cash and Cash Equivalents (cont'd)

(a) The fixed deposits are pledged to banks as collateral for banking facilities granted to the Group, as disclosed in Note 20, and are utilised only for repayment of the said facilities.

The fixed deposits' effective interest rates ranged from 2.55% to 3.09% (2013: 2.55% to 3.15%) per annum during the financial year, and have a maturity period of less than 12 months from the balance sheet date.

(b) The bank overdrafts of the Group bear interest at 7.85% to 8.35% (2013: 7.85% to 8.10%) per annum during the financial year, and are secured as disclosed in Note 20.

18. Share Capital

	Group and Company			
	2014	**2013**	**2014**	**2013**
	No. of ordinary shares		**S$**	**S$**
Issued and fully paid:				
At the beginning and the end of the year	96,276,201	96,276,201	12,515,906	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.

19. 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.

20. Bank Borrowings

	Note	Current Within 1 year	Non-current Within 2 - 5 years	Total bank borrowings
		S$	**S$**	**S$**
Group				
2014				
Secured				
Borrowing I		67,130	-	67,130
Borrowing II		74,130	821,172	895,302
		141,260	821,172	962,432
Bank overdrafts	17	632,262	-	632,262
Bills payables		5,340,559	-	5,340,559
		6,114,081	821,172	6,935,253

20. Bank Borrowings (cont'd)

	Note	Current Within 1 year	Non-current Within 2 - 5 years	Total bank borrowings
		S$	S$	S$
Group				
2013				
Secured				
Borrowing I		64,668	29,268	93,936
Borrowing II		136,179	67,890	204,069
		200,847	97,158	298,005
Bank overdrafts	17	841,203	-	841,203
Bills payables		7,100,234	-	7,100,234
		8,142,284	97,158	8,239,442

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

	Group	
	2014	2013
	% per annum	% per annum
Bill payables	2.20% - 8.00%	1.94% - 8.35%
Term loans	7.85% - 8.10%	7.60% - 8.35%

(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) specific debenture incorporating a fixed and floating charge over certain plant and equipment of a subsidiary (Note 11);

(iii) pledge of fixed deposits (Note 17);

(iv) corporate guarantee of the Company; and

(v) joint and several guarantees by certain directors of the Company.

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

(i) Borrowing I is repayable in 72 monthly installments over a period of 6 years commencing from July 2009; and

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

(d) As at 31 December 2014, the Group has S$0.38 million (2013: S$0.69 million) outstanding of undrawn committed trade and overdraft facilities.

21. Hire Purchase Creditors

The Group has certain plant and equipment under hire purchase arrangements. These are classified as finance leases and payable within 5 years. 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:

	2014		2013	
	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	362,891	335,425	440,682	398,162
Between two to five years	327,779	306,760	533,191	492,532
Total minimum lease payments	690,670	642,185	973,873	890,694
Less: Future finance charges	(48,485)		(83,179)	
Present value of minimum lease payments	642,185		890,694	
Less:				
Repayable within one year included under current liabilities		(335,425)		(398,162)
Repayable within two to five years included under non-current liabilities		306,760		492,532

The hire purchase creditors' effective interest rates range from 2.50% to 3.73% (2013: 2.50% to 3.75%) per annum during the financial year.

Certain plant and equipment acquired under hire purchase is secured by a corporate guarantee issued by the Company. The total outstanding installment payments of these plant and equipment amounted to S$642,185 (2013: S$890,694) as at 31 December 2014.

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

22. Deferred Taxation

	Group	
	2014	2013
	S$	S$
Deferred tax liabilities		
- to be settled after 12 months	2,086,792	2,025,413

22. Deferred Taxation (cont'd)

The movement in the deferred tax account is as follows:

	Group	
	2014	**2013**
	S$	**S$**
Deferred tax liabilities		
- Accelerated tax depreciation:		
Balance at 1 January	2,738,761	2,617,000
Currency translation difference	(64,277)	(6,464)
(Credited)/Charged to profit or loss	(99,462)	128,225
Balance at 31 December	2,575,022	2,738,761
- Other temporary differences		
Balance at 1 January	37,952	-
Currency realignment	(891)	-
(Credited)/Charged to profit or loss	(378)	37,952
Balance at 31 December	36,683	37,952
Total deferred tax liabilities	2,611,705	2,776,713
Deferred tax assets		
- Other temporary differences		
Balance at 1 January	(198,669)	(2,343)
Currency realignment	4,662	136
Charged/(Credited) to profit or loss	50,676	(196,462)
Balance at 31 December	(143,331)	(198,669)
- Unutilised capital allowances		
Balance at 1 January	(552,631)	(568,930)
Currency realignment	12,970	15,408
Charged to profit or loss	158,079	891
Balance at 31 December	(381,582)	(552,631)
Total deferred tax assets	(524,913)	(751,300)

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	
	2014	**2013**
	S$	**S$**
Deferred tax liabilities	2,611,705	2,776,713
Less: Deferred tax assets	(524,913)	(751,300)
	2,086,792	2,025,413

23. Trade and Other Payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$	**S$**	**S$**	**S$**
Trade payables				
- third parties	3,543,309	2,253,954	-	-
- related party	-	230,071	-	-
	3,543,309	2,484,025	-	-
Other payables				
- amount due to a subsidiary	-	-	200,640	-
- accrued operating expenses	533,534	507,473	162,000	140,600
- due to directors	281,516	316,186	-	-
- sundry creditors	185,488	794,891	42,849	64,255
Advances from a customer	-	23,951	-	-
	1,000,538	1,642,501	405,489	204,855
	4,543,847	4,126,526	405,489	204,855

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

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 approximately S$259,684 (2013: S$301,000) due to a director which bears interest of 2.5% (2013: 2.5%) per annum.

The advances from a customer was offset against the sale of iron ore during the current financial year.

24. Related Party Transactions

Transactions with Related Parties

There are transactions and arrangements between the Group and related parties 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	
	2014	**2013**
	S$	**S$**
With related parties in which certain directors of the Company have a substantial interest		
Purchase of raw materials	143,467	4,047,311
Purchase of tools, moulds, machineries and others	-	21,602
Secretarial fees	24,052	21,965
With the directors of the Company		
Funds from directors (net)	281,516	316,186
Interests on loan from a director (Note 6)	12,162	14,224

24. Related Party Transactions (cont'd)

Compensation of Key Management Personnel

	Group	
	2014	**2013**
	S$	**S$**
Directors' fees	130,000	130,000
Salaries and bonuses	387,924	361,300
Employees Provident Fund and Social Security contributions	9,711	9,578
Other short-term benefits	13,261	8,368
	540,896	509,246
The above comprised compensation of the following:		
Directors of the Company	432,023	345,858
Other key management personnel	108,873	163,388
	540,896	509,246

25. Corporate Guarantees

As disclosed in Note 20, the Company provided a corporate guarantee for banking facilities granted by financial institutions to a subsidiary. As at 31 December 2014, the facilities utilised amounted to S$4,527,295 (2013: S$6,690,733).

As disclosed in Note 21, the Company has also provided corporate guarantees for certain plant and equipment acquired under hire purchase amounting to S$642,185 (2013: S$890,694).

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.

26. Commitments

Capital commitment

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

	Group	
	2014	**2013**
	S$	**S$**
Authorised and contracted but not accounted for		
- Purchase of property, plant and equipment	1,633,045	171,056

27. Financial Information by Segments

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 (2013: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2(w). 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.

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$**
2014						
Revenue	1,270,964	303,974	4,835,806	6,939,259	2,337,949	15,687,952
Segment results	142,173	26,434	1,066,477	1,530,367	(95,943)	2,669,508
Unallocated operating expenses (net)						(2,049,529)
Finance income						17,476
Finance costs						(526,964)
Profit before income tax						110,491
Income tax						(120,048)
Profit for the year						(9,557)
Segment assets - unallocated						27,457,769
Segment liabilities - unallocated						(14,208,077)
Other information:						
Additions to property, plant and equipment - unallocated						545,375
Depreciation of property, plant and equipment - unallocated						1,800,451
Amortisation of prepaid land lease payments - unallocated						11,113
Inventories written down						11,114

27. Segments Information (cont'd)

Reportable Operating Segments (cont'd)

	Iron ore trading & other trading	Frame & others	T-yokes	U-yokes	Washers	Total
	S$	S$	S$	S$	S$	S$
2013						
Revenue	3,079,740	762,899	4,707,150	4,905,095	2,531,607	15,986,491
Segment results	379,290	2,192	1,288,496	1,342,680	(43,613)	2,969,045
Unallocated operating expenses (net)						(2,161,295)
Finance income						13,544
Finance costs						(538,281)
Profit before income tax						283,013
Income tax						19,325
Profit for the year						302,338
Segment assets - unallocated						28,862,200
Segment liabilities - unallocated						(15,282,075)
Other information:						
Additions to property, plant and equipment - unallocated						1,724,637
Depreciation of property, plant and equipment - unallocated						1,615,534
Amortisation of prepaid land lease payments - unallocated						13,470
Inventories written down						11,539
Gain on disposal of leasehold land						435,896

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.

27. Segments Information (cont'd)

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$
2014				
Revenue	2,697,299	4,128,056	8,862,597	15,687,952
Non-current assets	15,696,519	-	-	15,696,519
2013				
Revenue	4,059,793	3,952,898	7,973,800	15,986,491
Non-current assets	17,381,071	-	-	17,381,071

Information about Major Customers

Revenues of approximately S$14,192,000 (2013: S$13,273,000) are derived from 5 (2013: 5) external customers. These revenues are attributable to the manufacture of T-yokes, Y-yokes, washers and frame and trading of iron ore.

28. 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.

28. Financial Risk Management (cont'd)

(a) Market Risk (cont'd)

(i) Currency Risk (cont'd)

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

	USD	RM	Euro	S$	Total
	S$	S$	S$	S$	S$
Group					
As at 31 December 2014					
Financial assets					
Cash and bank balances	194,114	856,690	18,850	9,590	1,079,244
Trade and other receivables	4,539,427	163,981	541,596	-	5,245,004
Other financial assets	-	33,104	-	-	33,104
	4,733,541	1,053,775	560,446	9,590	6,357,352
Financial liabilities					
Trade and other payables	(1,375,164)	(2,963,834)	-	(204,849)	(4,543,847)
Borrowings	(640,230)	(6,295,023)	-	-	(6,935,253)
Hire purchase creditors	-	(642,185)	-	-	(642,185)
	(2,015,394)	(9,901,042)	-	(204,849)	(12,121,285)
Net financial assets/(liabilities)	2,718,147	(8,847,267)	560,446	(195,259)	(5,763,933)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	8,847,267	-	195,259	9,042,526
Currency exposure on net financial assets	2,718,147	-	560,446	-	3,278,593
As at 31 December 2013					
Financial assets					
Cash and bank balances	64,585	832,674	2,160	1,350	900,769
Trade and other receivables	4,210,492	142,833	681,336	-	5,034,661
Other financial assets	-	99,039	-	-	99,039
	4,275,077	1,074,546	683,496	1,350	6,034,469
Financial liabilities					
Trade and other payables	(1,315,252)	(2,582,468)	-	(204,855)	(4,102,575)
Borrowings	(2,097,898)	(6,092,833)	(48,711)	-	(8,239,442)
Hire purchase creditors	-	(890,694)	-	-	(890,694)
	(3,413,150)	(9,565,995)	(48,711)	(204,855)	(13,232,711)
Net financial assets/(liabilities)	861,927	(8,491,449)	634,785	(203,505)	(7,198,242)
Less: Net financial liabilities denominated in the respective entities' functional currencies	-	8,491,449	-	203,505	8,694,954
Currency exposure on net financial assets	861,927	-	634,785	-	1,496,712

28. 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% (2013: 5%) respectively with all other variables including the tax rate being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	2014	2013
	Increase/(Decrease) Profit before income tax	
	S$	S$
Group		
USD against S$		
- strengthened	135,907	43,096
- weakened	(135,907)	(43,096)
Euro against S$		
- strengthened	28,022	31,739
- weakened	(28,022)	(31,739)

(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$6,935,253 (2013: S$8,239,442) on which effective hedges have not been entered into are denominated mainly in RM. If the RM interest rates increase/decrease by 1% (2013: 1%) with all other variables including the tax rate being held constant, the profit before income tax will be lower/higher by approximately S$69,000 (2013: S$82,000) as a result of the increase/decrease in interest expense on these borrowings.

(b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group 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.

28. Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

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.

The Group has a significant concentration of credit risk from its trade receivables as approximately 85.4% (2013: 83.2%) of the trade receivables outstanding as at the end of the financial year are owing from 5 (2013: 4) 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	
	2014	**2013**
	S$	**S$**
By Geographical Areas		
Asia	611,631	890,537
North America	3,034,134	2,721,373
Europe	1,594,405	1,416,661
	5,240,170	5,028,571

Financial assets that are neither past due nor impaired

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

As at 31 December 2014, trade and other receivables of the Group which are neither past due nor impaired amounted to S$3,833,689 (2013: S$4,503,982).

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	
	2014	**2013**
	S$	**S$**
Within 30 days	697,473	37,622
31 to 90 days	311,404	38,123
More than 90 days	402,438	454,934
	1,411,315	530,679

28. Financial Risk Management (cont'd)

(b) Credit Risk (cont'd)

Financial assets that are past due and/or impaired (cont'd)

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	
	2014	**2013**
	S$	**S$**
Balance at 1 January and 31 December	273,702	273,702

The allowance for impairment loss of trade receivables relates to one debtor that is determined to be individually impaired, as there is an uncertainty over the recovery of this amount.

(c) Liquidity Risk

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

	Carrying amount	**Contractual cash flow**	**Within one year**	**Between two to five years**
Group	**S$**	**S$**	**S$**	**S$**
2014				
Trade and other payables	4,543,847	4,543,847	4,543,847	-
Bank borrowings	6,935,253	7,049,846	6,594,120	455,726
Hire purchase creditors	642,185	690,670	362,891	327,779
	12,121,285	12,284,363	11,500,858	783,505
2013				
Trade and other payables	4,102,575	4,110,076	4,110,076	-
Bank borrowings	8,239,442	8,913,247	8,804,748	108,499
Hire purchase creditors	890,694	973,873	440,682	533,191
	13,232,711	13,997,196	13,355,506	641,690

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.

	Within one year	**Between two to five years**	**Over five years**
Company	**S$**	**S$**	**S$**
2014			
Financial guarantees	5,243,247	272,959	198,971
2013			
Financial guarantees	7,686,016	589,690	-

28. Financial Risk Management (cont'd)

(c) Liquidity Risk (cont'd)

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 2014 and 2013.

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.

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	
	2014	**2013**
	S$	**S$**
Net debt	11,042,041	12,355,893
Total equity	13,249,602	13,580,125
Net debt-to equity ratio	83.34%	90.99%

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

29. 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.

29. Fair Value Measurement (cont'd)

Fair value of Financial Instruments (cont'd)

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 2014 and 2013:

	Fair value				**Carrying amount**
	(Level 1)	**(Level 2)**	**(Level 3)**	**Total**	
	S$	**S$**	**S$**	**S$**	**S$**
2014					
Financial Liabilities:					
Bank borrowings (non-current)	-	-	(520,203)	(520,203)	(821,172)
Hire purchase creditors (non-current)	-	-	(317,771)	(317,771)	(306,760)
2013					
Financial Liabilities:					
Bank borrowings (non-current)	-	-	(88,697)	(88,697)	(97,158)
Hire purchase creditors (non-current)	-	-	(504,693)	(504,693)	(492,532)

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

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.

APPENDIX

8 APRIL 2015

This Appendix (as defined herein) is circulated to the shareholders ("**Shareholders**") of AA Group Holdings Ltd. (the "**Company**") together with the Company's annual report for the financial year ended 31 December 2014 (the "**Annual Report**"). The purpose of this Appendix is to provide Shareholders with information in relation to the proposed renewal of the Shareholders' Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on Thursday, 23 April 2015 at 2.00 p.m. at Peach Garden at Hotel Miramar, No. 401, Havelock Road, Singapore 169631.

If you have sold or transferred all your shares in the issued share capital of the Company, you should immediately forward this Appendix to the purchaser or transferee or to the bank, stockbroker or other agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

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

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**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 Appendix.

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

The contact person for the Sponsor is Mr. Lim Hoon Khiat, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.

AA Group Holdings Ltd.

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

APPENDIX

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE

APPENDIX (CONT'D)

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:-

"AASB"	:	Allied Advantage Sdn Bhd
"Act"	:	The Companies Act (Chapter 50) of Singapore
"AGM"	:	The annual general meeting of the Company
"Appendix"	:	This appendix dated 8 April 2015 in relation to the proposed renewal of the Shareholders' Mandate
"Associate"	:	(a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audio Yoke"	:	Audio Yoke Industrial Co. Limited
"Board" or "Directors"	:	The Directors of our Company as at the date of this Appendix
"Catalist Rules"	:	The Listing Manual Section B: Rules of Catalist of the SGX-ST
"Company"	:	AA Group Holdings Ltd.
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercises control over our Company
"Executive Director"	:	The executive Director of our Company as at the date of this Appendix, unless otherwise stated, and "Non-Executive Director" refers to our non-executive Director
"Executive Officers"		The executive officers of our Group as at the date of this date of this Appendix, unless otherwise stated
"Group"	:	The Company and its subsidiaries
"Independent Director"	:	The independent Director of our Company as at the date of this Appendix, unless otherwise stated
"Interested Person"	:	Has the meaning ascribed to it in the Catalist Rules or as set out in paragraph 2.1 of this Appendix
"Latest Practicable Date"	:	23 March 2015, being the latest practicable date prior to the printing of this Appendix
"Mandated Transactions"		Has the meaning ascribed to it as set out in paragraph 2.2 of this Appendix
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP

APPENDIX (CONT'D)

"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"		The general mandate approved by Shareholders pursuant to Chapter 9 of the Catalist Rules for the Group to enter into certain transactions with the Interested Person
"Substantial Shareholders"	:	A person who owns directly or indirectly 5% or more of the total share capital in our Company or in a company, as the case may be
"2015 AGM"		The annual general meeting of the Company to be held on 23 April 2015 at 2.00 p.m.
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent"	:	Per centum or percentage

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

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

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

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

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

1. Introduction

The Company has issued a Notice of AGM dated 8 April 2015 in relation to the 2015 AGM. Item 8 appearing under the heading "Special Business" in the Notice of AGM is an Ordinary Resolution for the proposed renewal of the Shareholders' Mandate.

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM for, the proposed renewal of the Shareholders' Mandate which was last renewed by the Shareholders at the AGM held on 28 April 2014.

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

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

Pursuant to Chapter 9 of the Catalist Rules, the Shareholders' Mandate, which was last renewed by the Shareholders in the last AGM held on 28 April 2014, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the 2015 AGM to be held on 23 April 2015.

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

It is proposed that the Shareholders' Mandate be tabled to Shareholders for renewal and approval at the 2015 AGM to be held on 23 April 2015 without any modifications.

Further details of the Shareholders' Mandate are set out in paragraph 2 of this Appendix.

2. The Shareholders' Mandate for Interested Person Transactions

2.1 Categories of Interested Person

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

The Company had, at its AGM held on 28 April 2014, sought and obtained the approval of the Shareholders for the Company and its subsidiaries or any of them to enter into the Mandated Transactions. The Shareholders' Mandate is subject to annual renewal. The Shareholders' Mandate was last renewed at the AGM of the Company held on 28 April 2014 and will expire at the 2015 AGM.

2.2 Nature of Transactions

The transactions with the Interested Person which will be covered by the Shareholders' Mandate ("**Mandated Transactions**") are the following:

(a) the purchase by our Group from Audio Yoke of steel wire rods and metal sheets; and

(b) the purchase by our Group from Audio Yoke of tooling, semi-finished products, machinery and chemical.

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

APPENDIX (CONT'D)

2. The Shareholders' Mandate (cont'd)

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

2.4 Review Procedures for Mandated Transactions

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

(i) Our Group shall require that:-

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

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

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

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

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

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

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

APPENDIX (CONT'D)

2. The Shareholders' Mandate (cont'd)

2.4 Review Procedures for Mandated Transactions (cont'd)

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

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

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

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

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

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

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

2.5 Audit Committee's Statement

(a) Our Audit Committee (currently comprising Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Mandated Transactions, as well as the reviews to be made periodically by our Audit Committee in relation thereto, are sufficient to ensure that the Mandated Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Our Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval obtained for the Shareholders' Mandate which took place on 28 April 2014.

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

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

APPENDIX (CONT'D)

3. Directors' and Substantial Shareholders' Interests

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

	Direct interest		Deemed Interest	
	No. of Shares	**%**	**No.of Shares**	**%**
Directors				
Hsieh, Kuo-Chuan @ Jaimes Hsieh (1)	27,505,745	28.57	27,505,745	28.57
Feng, Tzu-Ju @ Julie Feng (1)	27,505,745	28.57	27,505,745	28.57
Substantial Shareholders				
Lai Hock Meng	-	-	11,703,000	12.16

Notes:

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

(2) Lai Hock Meng's deemed interest of 11,703,000 Shares are held by nominee companies.

In accordance with the requirements of Chapter 9 of the Catalist Rules, Hsieh, Kuo-Chuan @ Jaimes Hsieh and Feng, Tzu-Ju @ Julie Feng will abstain and each of them has also undertaken that their respective associates will abstain, from voting on the Ordinary Resolution in relation to the proposed renewal of the Shareholders' Mandate at the 2015 AGM.

In addition, each of Hsieh, Kuo-Chuan @ Jaimes Hsieh and Feng, Tzu-Ju @ Julie Feng and their respective associates shall not accept nomination as proxies or otherwise for voting in respect of the Ordinary Resolution in relation to the proposed renewal of the Shareholders' Mandate at the 2015 AGM unless they are given specific instructions as to voting. Save as disclosed in this Appendix, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Mandated Transactions.

4. Directors' Recommendations

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Loo Choon Chiaw, Mr Phuah Lian Heng and Mr Tan Kuang Hui (the "**Independent Directors**"). The Independent Directors are of the opinion that the entry into of the Mandated Transactions by our Group in the ordinary course of business will enhance the efficiency of our Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the 2015 AGM.

5. Annual General Meeting

The 2015 AGM, notice of which is set out in the Annual Report of the Company, will be held on Thursday, 23 April 2015 at 2.00 p.m. at Peach Garden at Hotel Miramar, No. 401 Havelock Road, Singapore 169631for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

APPENDIX (CONT'D)

6. Action to be taken by shareholders

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his/her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at its registered office at 143 Cecil Street, Level 10, GB Building, Singapore 069542 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes.

As Rule 919 of the Catalist Rules requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the Interested Persons referred to in paragraph 2.1 of this Appendix together with their Associates who are Shareholders shall abstain from voting in respect of Ordinary Resolution 8 at the AGM to be held on 23 April 2015.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2013 and 31 December 2014 are available for inspection at the registered office of the Company at 143 Cecil Street, Level 10, GB Building, Singapore 069542 during normal business hours from the date of this Appendix up to the date of the forthcoming AGM.

8. Director's responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Shareholders' Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context

ANNEXURE

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTNG MANUAL

Scope

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

Definitions

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

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

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

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

General Requirements

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

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

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group.

Immediate announcement of a transaction is required where:

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

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

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

General Mandate

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

STATISTICS OF SHAREHOLDINGS

AS AT 12 MARCH 2015

SHARE CAPITAL

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

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100- 1,000	40	14.55	40,000	0.04
1,001 - 10,000	147	53.45	612,000	0.64
10,001 - 1,000,000	81	29.45	8,006,000	8.31
1,000,001 and above	7	2.55	87,618,201	91.01
TOTAL	**275**	**100.00**	**96,276,201**	**100.00**

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 12 March 2015, approximately 21.87% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Catalist Rules has been complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Share	%
1	HL BANK NOMINEES (SINGAPORE) PTE LTD	61,387,800	63.76
2	LAI HOCK MENG	11,703,000	12.16
3	LOW YEW SHEN (LIU YAOSHENG)	4,503,401	4.68
4	WANG YONG	4,000,000	4.15
5	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	3,000,000	3.12
6	CITIBANK CONSUMER NOMINEES PTE LTD	1,778,000	1.85
7	TAN KIM CHENG	1,246,000	1.29
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	875,000	0.91
9	RAMESH S/O PRITAMDAS CHANDIRAMANI	797,000	0.83
10	LEE EAN LEAN	722,000	0.75
11	LIM KAI CHI PATRICIA MRS PATRICIA CHIA	591,000	0.61
12	KOH CHIN HWA	450,000	0.47
13	BEH CHYE HEE	393,000	0.41
14	KENNETH TAN HONG LIM	385,000	0.40
15	KOH LAY TIN	270,000	0.28
16	KHOO BOO KOK	229,000	0.24
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	207,000	0.22
18	LEE GHEE THIAM	197,000	0.20
19	NG GUAN SENG	194,000	0.20
20	LEONG HIM WOH	179,000	0.19
	Total	**93,107,201**	**96.72**

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 12 MARCH 2015

Substantial Shareholders
(as shown in the Company's register of substantial shareholders)
as at 12 March 2015

	Direct interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Hsieh, Kuo-Chuan @ Jaimes Hsieh [(1)]	27,505,745	28.57	27,505,745	28.57
Feng, Tzu-ju @ Julie Feng [(1)]	27,505,745	28.57	27,505,745	28.57
Lai Hock Meng [(2)]	-	-	11,703,000	12.16

Notes:

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

(2) Lai Hock Meng's deemed interest of 11,703,000 Shares is held by nominee companies.

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 Peach Garden at Hotel Miramar, No. 401, Havelock Road, Level 3, Singapore 169631, on Thursday, 23 April 2015 at 2:00 p.m. for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2014 and the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Hsieh Kuo-Chuan @ Jaimes Hsieh [**See Explanatory Note 1**]; and **(Resolution 2)**

   Mr Tan Kuang Hui [**See Explanatory Note 2**]. **(Resolution 3)**
   Please refer to the section entitled "Board of Directors" of the Company's Annual Report 2014 for information Mr Hsieh Kuo-Chuan @ Jaimes Hsieh and Mr Tan Kuang Hui.

3. To approve the amount of S$130,000.00 proposed as Directors' Fees for the financial year ended 31 December 2014. **(Resolution 4)**

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

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

As Special Business:

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

6. **Authority to allot and issue shares** **(Resolution 6)**

   That pursuant to Section 161 of the Companies Act, Cap.50, the Articles of Association 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 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 (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued Shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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 at the time of the passing of this Resolution, after adjusting for:

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

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

(c) any subsequent consolidation or subdivision of Shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[**See Explanatory Note 3**]

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

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

[**See Explanatory Note 4**]

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

(a) That approval be and is hereby given for the purposes of Chapter 9 of the Catalist Rules for the Company and its subsidiaries, to enter into any of the transactions falling within the categories of interested person transactions set out in the Appendix to this Annual Report of the Company dated 8 April 2015 (the "**Appendix**") with any party who is of the class of interested persons described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "**Shareholders' Mandate**");

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

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

[**See Explanatory Note 5**]

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

By Order of the Board

Chia Foon Yeow
Company Secretary

Singapore, 8 April 2015

EXPLANATORY NOTES:

1. Mr Hsieh Kuo-Chuan @ Jaimes Hsieh will, upon re-election as a Director of the Company, remain as the Executive Chairman.

2. Mr Tan Kuang Hui 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. The Ordinary Resolution 6 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 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 at the time this Ordinary Resolution is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of Shares.

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

4. The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoke by the Company in general meeting, whichever is the earlier, to allot and issue Shares of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital (excluding treasury shares, if any) of the Company from time to time pursuant to the exercise of the options under the Scheme.

5. The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the interested person transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:

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

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

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

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 143 Cecil Street Level 10 GB Building Singapore 069542 not less than 48 hours before the time appointed for holding the above Meeting.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**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 notice.*

This notice has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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. Lim Hoon Khiat, Associate Director, Investment Banking, CIMB Bank Berhad, Singapore Branch at 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: +65 6337 5115.

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 the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

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

I/We, ____ (Name)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("**AGM**") of the Company, to be held at Peach Garden at Hotel Miramar, No. 401 Havelock Road, Level 3, Singapore 169631 on Thursday, 23 April 2015 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' Report, Auditors Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Hsieh Kuo-Chuan @ Jaimes Hsieh as a Director		
3	Re-election of Mr Tan Kuang Hui as a Director		
4	Approval of proposed Directors' Fees of S$130,000.00 for the financial year ended 31 December 2014		
5	Re-appointment of Messrs Moore Stephens LLP as Auditors of the Company and to authorize the Directors to fix their remuneration		
6	Authority to allot and issue shares		
7	Authority to allot and issue shares under the AA Group Employee Share Option Scheme		
8	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

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

Dated this ________ day of ____________________, 2015.

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

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

(Please see notes overleaf before completing this form)

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

5. This proxy form must be deposited at the Company's registered office at 143 Cecil Street Level 10 GB Building Singapore 069542 not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

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