

HALF YEAR FINANCIAL STATEMENT ANNOUNCEMENT

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR RESULTS

The Board of Directors of AA Group Holdings Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “**Group**”) for the half year (“**HY**”) ended 30 June 2014.

1(a)(i) A consolidated statement of comprehensive income (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		% change + / (-)
	HY2014	HY2013	
	S\$ '000	S\$ '000	
Revenue	8,116	7,313	10.98%
Cost of sales	(7,358)	(7,078)	3.96%
Gross profit	758	235	222.55%
Other operating income	234	905	-73.92%
Administrative expenses	(664)	(645)	2.95%
Other operating expenses	(2)	(1)	100.0%
Operating profit	326	494	-33.60%
Finance income	2	-	n.m.
Finance costs	(267)	(267)	n.m.
Profit before income tax	61	227	-73.13%
Income tax	(97)	(76)	27.63%
Net (loss)/profit for the period attributable to equity holders of the Company	(36)	151	-123.84%
Other comprehensive income/(loss)	56	(16)	n.m
Total comprehensive income for the period attributable to equity holders of the Company	20	135	-85.19 %

n.m. – not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the consolidated statement of comprehensive income or in the notes to the consolidated statement of comprehensive income the current financial period reported on and the corresponding period of the immediately preceding financial year:

Profit before income tax is determined after charging / (crediting) the following:

	Group		% change + / (-)
	HY2014 S\$ '000	HY2013 S\$ '000	
Cost of inventories sold	7,358	7,078	3.96%
Depreciation of property, plant and equipment	917	824	11.29%
Amortisation of prepaid land lease payments	6	8	-25.0%
Directors' remuneration	177	173	2.31%
Loss/(Gain) on foreign exchange	55	(125)	n.m.
Rental of equipment – operating lease	2	2	n.m.
(Gain) on disposal of property, plant and equipment and leasehold land	(6)	(454)	-98.68%
Staff costs	1,031	1,029	0.19%

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	As at 30 June 2014 S\$ '000	As at 31 Dec 2013 S\$ '000	As at 30 June 2014 S\$ '000	As at 31 Dec 2013 S\$ '000
ASSETS				
Non-Current Assets				
Property, plant and equipment	16,281	16,839	-	-
Prepaid land lease payments	539	542	-	-
Investment in subsidiaries	-	-	11,065	11,065
	16,820	17,381	11,065	11,065
Current Assets				
Inventories	4,521	4,111	-	-
Trade receivables	4,855	5,029	-	-
Other receivables and other current assets	956	1,441	12	12
Amount due from subsidiary	-	-	24	119
Fixed deposits pledged	567	563	-	-
Cash and bank balance	365	338	6	1
	11,264	11,482	42	132
Total Assets	28,084	28,863	11,107	11,197
EQUITY AND LIABILITIES				
Equity attributable to members of the Company				
Share capital	12,516	12,516	12,516	12,516
Reserves	1,084	1,064	(1,690)	(1,524)
	13,600	13,580	10,826	10,992

Cont'd

	Group		Company	
	As at 30 June 2014 S\$ '000	As at 31 Dec 2013 S\$ '000	As at 30 June 2014 S\$ '000	As at 31 Dec 2013 S\$ '000
Non-Current Liabilities				
Term loans	-	97	-	-
Hire purchase creditors	391	493	-	-
Deferred taxation	2,131	2,025	-	-
	2,522	2,615	-	-
Current Liabilities				
Trade payables	2,763	2,254	-	-
Other payables and accruals	659	1,327	281	205
Due to a related party (trade)	19	230	-	-
Due to a director (non-trade)	524	316	-	-
Hire purchase creditors	401	398	-	-
Term loans	201	201	-	-
Bills payables to banks	6,463	7,101	-	-
Bank overdrafts	932	841	-	-
	11,962	12,668	281	205
Total Liabilities	14,484	15,283	281	205
Total Equity and Liabilities	28,084	28,863	11,107	11,197

(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:

The amount repayable in one year or less, or on demand

	As at 30 June 2014		As at 31 Dec 2013	
	Secured S\$ '000	Unsecured S\$ '000	Secured S\$ '000	Unsecured S\$ '000
Bills payable to banks and bank overdrafts	7,395	-	7,942	-
Term loans	201	-	201	-
Hire purchase creditors	401	-	398	-

The amount repayable after one year

	As at 30 June 2014		As at 31 Dec 2013	
	Secured S\$ '000	Unsecured S\$ '000	Secured S\$ '000	Unsecured S\$ '000
Term loans	-	-	97	-
Hire purchase creditors	391	-	493	-

Details of any collaterals

All of the Group's bank facilities were secured through a pledge of assets (including plant and machinery, motor vehicles, fixed deposits, and charges over the properties known as Lot 147, Lot 148 and Lot 149, Jalan PKNK 3/1, Kawasan Perusahaan Sungai Petani, 08000 Sungai Petani, Kedah, Malaysia) by the Group, corporate guarantee by the Company and joint and several personal guarantees provided by our Executive Chairman, Jaimes Hsieh, and Managing Director, Julie Feng.

1(c) A consolidated statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	HY2014 S\$ '000	HY2013 S\$ '000
Cash flows from operating activities:		
Profit before income tax	61	227
Adjustments for:		
Depreciation of property, plant and equipment	917	824
Amortisation of prepaid land lease payments	6	8
Gain on disposal of property, plant and equipment and leasehold land	(6)	(454)
Unrealised gain on foreign exchange	71	(132)
Interest income	(2)	-
Interest expense	252	266
Operating cash flow before working capital changes	1,299	739
Changes in working capital:		
Inventories	(410)	(44)
Trade and other receivables	649	(1,903)
Trade and other payables	(142)	764
Due to a related party (trade)	(211)	223
Cash generated from/(used in) operating activities	1,185	(221)
Interest received	-	-
Interest paid	(252)	(266)
Income tax paid	(15)	-
Net cash generated from/(used in) operating activities	918	(487)
Cash flows from investing activities:		
Purchase of property, plant and equipment (a)	(281)	(356)
Proceeds from disposal of property, plant and equipment	6	-
Proceeds from disposal of leasehold land	-	80
Net cash used in investing activities	(275)	(276)
Cash flows from financing activities:		
Due to a director	208	874
Decrease in bills payables	(638)	(233)
Repayment of hire purchase creditors (net)	(243)	(176)
Repayment of term loans	(97)	(118)
Net cash (used in)/generated from financing activities	(770)	347
Net decrease in cash and cash equivalents	(127)	(416)
Cash and cash equivalents at the beginning of period	(503)	34
Effects of exchange rate changes on balance of cash held in foreign currencies	63	(28)
Cash and cash equivalents at the end of period (b)	(567)	(410)

(a) During the financial period under review, certain property, plant and equipment were acquired by means of hire purchases which amounted to approximately S\$144,000 (2013: S\$134,000). Other property, plant and equipment amounting to S\$281,000 (2013:S\$356,000) were acquired by cash payment.

(b) For the purpose of consolidating the statement of cash flows, the cash and cash equivalents at the end of the corresponding period of the immediately preceding financial year comprise the following:

	Group	
	As at 30 June 2014 S\$ '000	As at 30 June 2013 S\$ '000
Cash and bank balances	365	444
(Less) Bank overdrafts	(932)	(854)
	(567)	(410)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group

	Share Capital S\$ '000	Merger Reserve S\$ '000	Translation Reserve S\$ '000	Retained Earnings S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2013	12,516	(6,478)	(1,838)	9,570	13,770
Net profit for the period	-	-	-	151	151
Other comprehensive loss for the period	-	-	(16)	-	(16)
Total comprehensive income for the period	-	-	(16)	151	135
Balance as at 30 June 2013	12,516	(6,478)	(1,854)	9,721	13,905
	Share Capital S\$ '000	Merger Reserve S\$ '000	Translation Reserve S\$ '000	Retained Earnings S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2014	12,516	(6,478)	(2,331)	9,873	13,580
Net loss for the period	-	-	-	(36)	(36)
Other comprehensive income for the period	-	-	56	-	56
Total comprehensive income for the period	-	-	56	(36)	20
Balance as at 30 June 2014	12,516	(6,478)	(2,275)	9,837	13,600

Company

	Share Capital S\$ '000	Accumulated Losses S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2013	12,516	(1,258)	11,258
Net loss for the period	-	(156)	(156)
Other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	-	(156)	(156)
Balance as at 30 June 2013	12,516	(1,414)	11,102

	Share Capital S\$ '000	Accumulated Losses S\$ '000	Total Equity S\$ '000
Balance as at 1 January 2014	12,516	(1,524)	10,992
Net loss for the period	-	(166)	(166)
Other comprehensive loss for the period	-	-	-
Total comprehensive loss for the period	-	(166)	(166)
Balance as at 30 June 2014	12,516	(1,690)	10,826

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares, excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There was no change in the Company's issued share capital during HY2014.

As at 30 June 2014 and 31 December 2013, the Company did not have any outstanding convertibles that may be converted into shares and did not have any treasury shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year

	As at 30 June 2014	As at 31 December 2013
Total number of issued shares (excluding treasury shares)	96,276,201	96,276,201

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on

Not applicable as the Company does not have any treasury shares.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation adopted in the Group's financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change

Adoption of new or revised Financial Reporting Standards ("FRS") which are relevant to the Group and mandatory for the financial period beginning on or after 1 January 2014 are as follows:-

- FRS 27 (Revised) Separate Financial Statements
- FRS 110 Consolidated Financial Statements
- FRS 112 Disclosure of Interests in Other Entities
- FRS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities
- FRS 36 (Amendment) Recoverable Amount Disclosure for Non-financial Assets
- Amendment to FRS110, 112 and FRS 27

The adoption of these new/revised FRS does not have a significant financial impact on the financial performance or financial position of the Group and of the Company. They did however give rise to additional disclosure including, in some cases, revision to accounting policies.

6. Earnings/(Loss) per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	HY2014	HY2013
(Loss)/Earnings per share (S\$ cents)		
- Basic and fully diluted ^{(1) (2)}	(0.04)	0.16

Notes:

(1) (Loss)/Earnings per share were computed based on the weighted average number of issued shares in issue, being 96,276,201 ordinary shares.

(2) As there was no potential dilutive instruments outstanding, the basic and fully diluted (loss)/earnings per share were the same for both HY2014 and HY2013.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	<-----Group----- >		<-----Company----- >	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Net asset value per share based on existing issued capital (excluding treasury shares) as at the end of the respective financial periods (S\$ cents) ⁽¹⁾	14.13	14.11	11.24	11.42

Note:

(1) Computed based on 96,276,201 issued ordinary shares as at 30 June 2014 and 31 December 2013.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

(a) The Group's revenue for HY2014 increased by S\$0.80 million or 10.98%, as compared to HY2013. The increase in revenue was primarily attributable to an increase in the demand for the Group's speaker products, namely U-Yoke. The revenue contribution from the Group's iron ore trading business for HY2014 decreased by S\$0.39 million to S\$1.17 million, as compared to HY2013.

(b) The Group's cost of sales increased by S\$0.28 million or 3.96% in HY2014 as compared to HY2013. The increase in the Group's cost of sales was primarily attributable to an increase in subcontractor costs and utilities costs.

(c) The Group's gross profit for HY2014 increased by S\$0.52 million or 222.55%, as compared to HY2013, due to the greater increase in revenue despite the increase in cost of sales.

(d) The Group's other operating income for HY2014 decreased by S\$0.67 million or 73.92%, as compared to HY2013, mainly due to a one-off gain on the disposal of the vacant land at Lot 146 in HY2013, which has been disclosed in the Company's announcement released on 13 May 2013.

(e) The Group's profit before income tax for HY2014 decreased by S\$0.17 million or 73.13%, as compared to HY2013 mainly due to the decrease in other operating income, offset by the increase in gross profit.

(f) The Group's income tax expenses for HY2014 amounted to S\$0.10 million and pertain to deferred tax liabilities arising from timing difference between depreciation and tax capital allowances.

(g) As at 30 June 2014, the net book value of the Group's property, plant and equipment and prepaid land lease payments was approximately S\$16.82 million in aggregate. The foregoing constituted 59.89% of the Group's total assets as at 30 June 2014.

(h) As at 30 June 2014, the current assets of the Group were of S\$11.26 million represented 40.11% of the Group's total assets.

The Group's inventories amounted to S\$4.52 million and constituted 40.14% of the Group's total current assets. The Group's inventories comprised mainly of raw materials and semi-finished products of S\$3.56 million and finished goods of S\$0.96 million.

The Group's trade receivables amounted to S\$4.86 million and other receivables amounted to S\$0.96 million, representing 43.10% and 8.49% respectively of the Group's total current assets. Decreases in trade and other receivables during HY2014 were mainly due to the recovering of trade debts and offset of certain advance payments to iron ore suppliers against the purchases and other related costs during HY2014.

The Group's cash and bank balances comprising cash on hand and cash at financial institutions amounted to approximately S\$0.37 million as at 30 June 2014.

Fixed deposits of the Group amounted to S\$0.57 million as at 30 June 2014 have been pledged to banks as collateral for notes payable.

(i) As at 30 June 2014, the Group's total current liabilities were S\$11.96 million.

Short-term borrowings of the Group, including hire purchase payables, amounted to S\$8.00 million as at 30 June 2014 and represented 66.85% of the Group's total current liabilities. These borrowings were used mainly for the Group's working capital purposes. The decrease in short-term borrowings during HY2014 was mainly due to the repayment of bill payables, term loans and hire purchase instalments.

Trade payables of the Group, including trade amount due to a related party, amounted to S\$2.78 million as at 30 June 2014, representing 23.26% of the total current liabilities of the Group. These payables were mainly from the purchase of raw materials for speaker parts and iron ore during HY2014.

Other payable and accruals of the Group, including the amount due to a director of the Company, amounted to S\$1.18 million as at 30 June 2014, representing 9.89% of the Group's current liabilities. These payables mainly comprise advances from a director of the Company and accrued operating expenses of S\$0.52 million and S\$0.66 million respectively.

(j) As a result of the foregoing, the Group was in a net current liabilities position of S\$0.70 million as at 30 June 2014 compared with a net current liabilities position of S\$1.19 million as at 30 June 2013. The Group's shareholders' equity as at 30 June 2014 was approximately S\$13.60 million.

(k) In HY2014, the Group's operating cash flow before working capital changes was approximately S\$1.30 million and net cash generated from operating activities was approximately S\$0.92 million. This was mainly attributable to an overall decrease in trade and other receivables from the iron ore trading business.

(l) The Group's net cash used in investing activities in HY2014 amounted to approximately S\$0.28 million. This was mainly attributable to the purchase of machinery and factory equipment for production purposes.

(m) The Group's net cash used in financing activities in HY2014 amounted to approximately S\$0.77 million. This was mainly attributable to the repayment of term loans and hire purchase creditors and decrease in bill payables, partially offset off by advances from a director of the Company.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable, there was no forecast or prospect statement previously disclosed to shareholders.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

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.

In view of the above, the Group has ventured into the iron ore trading business to add diversity to the Group's business and to generate more revenue. The Group had commenced its iron ore trading business in mid-2013 and has recently traded with a major mine producer in Malaysia and exported to key countries such as China and Taiwan.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommended in respect of HY2014.

13. Summary of Interested Person Transactions for the financial period ended 30 June 2014

The aggregate value of interested person transactions during HY2014 is as follows:

Name of interested person	Aggregate value of all interested person transactions for HY2014 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions for HY2014 conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Audio Yoke Industrial Co. Limited	Nil	Nil

14. Negative Assurance Confirmation by Directors Pursuant to SGX Listing Rule 705(5)

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial statements of the Group for the half year ended 30 June 2014 (comprising the comprehensive income statement, balance sheet, cash flow statement and statement of changes in equity, together with the accompanying notes) presented in this announcement to be false or misleading in any material respect.

On behalf of the Board,

Hsieh Kuo-Chuan
Executive Chairman

Feng Tzu-Ju
Managing Director

BY ORDER OF THE BOARD

Hsieh Kuo-Chuan
Executive Chairman
12 August 2014

This announcement 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 Catalyst. The Sponsor has not independently verified the contents of this announcement.

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

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