




DRAGON GROUP INTERNATIONAL LIMITED

A member of  ASTI



TAPPING NEW OPPORTUNITIES



ANNUAL REPORT 2008

Cover Rationale

The masks shown on the cover resemble some of the masks used by Bian Lian masters. The Chinese Character “机” translates into the word “Opportunities”.

Bian Lian or face changing is one of China’s well-kept secret for the last three centuries since the Qing Dynasty (1644 – 1911). Considered a national treasure, there are only about 200 artists in China who are true masters of the art.

This concept appropriately depicts the changing faces of DGI over the years. It is an organisation that is constantly changing and searching for new opportunities.

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The Dragon Group International Limited ("Dragon Group" or "DGI"), previously known as Flextech Holdings Limited, was founded in 1990. The Dragon Group provides distribution and services collaborating with a number of best-in-class suppliers to provide in-depth product and solutions expertise to its customers in key regional markets.

The shares of the Dragon Group are quoted on the mainboard of the Singapore Exchange. In June 2006, the Dragon Group became a subsidiary of mainboard listed ASTI Holdings Limited ("ASTI"), an integrated group of companies manufacturing equipment and providing services to the semiconductor and healthcare industries. The ASTI group provides an integrated range of services comprising Backend Equipment Solutions & Technologies ("BEST"), Precision Engineering and Distribution & Services.

Headquartered in Singapore, the Dragon Group is the distribution and services arm of the ASTI group of companies. It has subsidiaries and representative offices across Hong Kong, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.

For more information please visit our website at www.dragongp.com



A LETTER TO SHAREHOLDERS

Our plans to grow our business were disrupted in the final quarter of the year when the world economy came to an abrupt halt. This crisis left no economies unscathed. Bucking the trend this time is China, where demand continues to grow while many countries are reporting economic contractions.

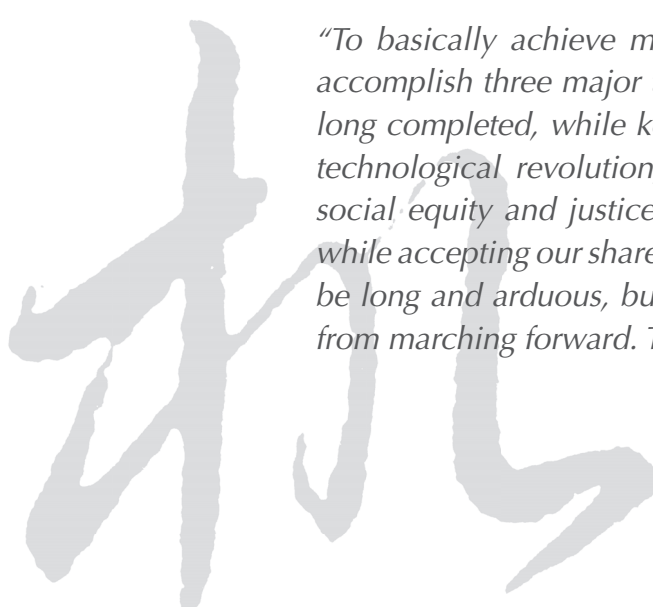


Dear Shareholders,

In my message last year, I spoke about our strategy to leverage the synergies within the Group by improving the fit among our entities and increase the Group's focus in the China market. Our plans to grow our business were disrupted in the final quarter of the year when the world economy came to an abrupt halt. This crisis left no economies unscathed. Bucking the trend this time is China, where demand continues to grow while many countries are reporting economic contractions.

The market consolidation that we anticipated in China became reality. Unfortunately, following the aftermath of the global financial and economic crisis, the contractions were more magnified. Towards the end of the year, many global economies sank into recession. China, despite its large domestic market, also felt the impact. However, opportunities still abound in this country as government expenditures on infrastructure development injected timely support and encouragement to businesses and consumers. Sharing his thoughts on the country's strategy to achieve modernisation during his visit to Cambridge University in February 2009, the Chinese Premier, Mr Wen Jiabao said:

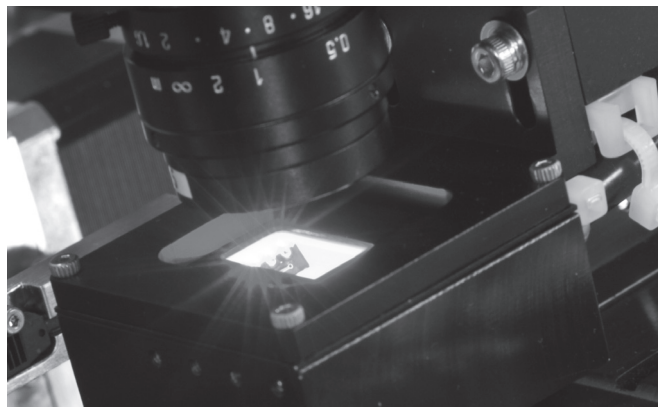
"To basically achieve modernisation by the middle of this century, we must accomplish three major tasks: first, achieve industrialisation, which Europe has long completed, while keeping abreast of the latest trends of the scientific and technological revolution; second, promote economic growth while ensuring social equity and justice; and third, pursue sustainable development at home while accepting our share of international responsibilities. The journey ahead will be long and arduous, but no amount of difficulty will stop the Chinese people from marching forward. Through persistent efforts, we will reach our goal."



A LETTER TO SHAREHOLDERS

Demonstrating China's determination and its ability to bring itself to the realm of major global economies, the government embarked upon major infrastructure investments. Among them is the upgrade of the country's telecommunications infrastructure. This move is both astute and timely. At a time when the world is hastening to curtail capital expenditures, rescue fledgling financial institutions and multinational organisations, China's move to implement 3G licenses in the country will inevitably attract the attention of the global business community. The information technology and telecommunication industries will be among the beneficiaries of this project. In anticipation of these opportunities, we have reinforced our presence in China. To facilitate our progress, I assumed additional responsibilities as the Chief Executive Officer of DGI in June 2008 and as the President of the ASTI Group's China operations. These roles enable me to expedite our thrust into China, bringing me closer to our customers and our teams on the ground. By the end of the year, we further expanded our reach into the country and market intelligence from our network provides support to our marketing and business development efforts. We believe that China will be able to pull itself out of the crisis and its economy will grow while that of other economies continues to contract or languish.

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A LETTER TO SHAREHOLDERS

Going forward, the growth of our DDD business will lead DGI's development into a China-centric and communication market segment centric business model.

Over the years, DGI has expanded its operations and reach in China and focused our efforts in growing our design, develop and distribute (“DDD”) business. Today, within the Group, we have access to more than 3 manufacturing facilities and 17 offices located in 9 cities across China.

DGI's performance in FY2008 mirrors the effect of the unusually weak business environment. Our revenue decreased by 6% to \$300.8 million and we incurred a net loss of \$7 million at the close of FY2008. Our core businesses i.e. the Electronics Distribution and Semiconductor Test & Consumables reported significant business revenue contractions giving rise to operating loss before tax totaling \$5.9 million at the close of FY2008.

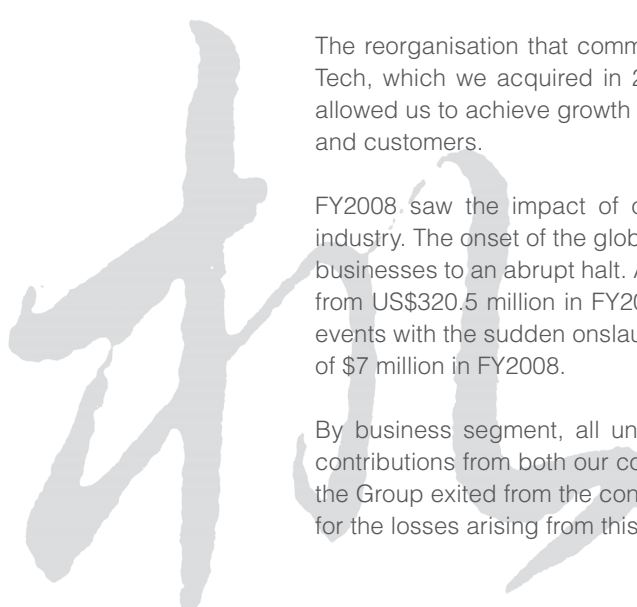
Anticipating a worsening global business climate ahead of us, we adopted immediate measures to contain our costs. Operating expenses such as communication, utilities and traveling costs were curtailed, direct headcounts reduced and our offices now operate on a four-day work week. On the business front, DDD has become our key business segment. Going forward, the growth of our DDD business will lead DGI's development into a China-centric and communication market segment centric business model. Mitigating other areas of our business risks, we realigned our customer-base and reviewed our products and services offerings to ensure that resources are directed to areas commanding better margins and growth prospects.

OPERATION REVIEW

The reorganisation that commenced in the previous financial year, continued into FY2008. Dragon Tech, which we acquired in 2007, is driving our DDD distribution model. These capabilities have allowed us to achieve growth in the China communications market while engaging top-tier suppliers and customers.

FY2008 saw the impact of our transition and weakening demand in the global semiconductor industry. The onset of the global financial and economic crisis in the final quarter of the year brought businesses to an abrupt halt. At DGI, we closed the year with a 6% decline in revenue, which dipped from US\$320.5 million in FY2007 to US\$300.8 million this year. Affected by the unexpected turn of events with the sudden onslaught of the global financial and economic crisis, we reported a net loss of \$7 million in FY2008.

By business segment, all units reported weaker performance. Our results also reflect the lower contributions from both our consumer electronics and our independent trading division. In FY2007, the Group exited from the consumer electronics business and provisions were duly made in FY2008 for the losses arising from this division.



A LETTER TO SHAREHOLDERS



Electronics Distribution

The Electronics Distribution remained our major business contributor accounting for 98% of our total revenue. The weak demand that prevailed through the year was further exacerbated by rapid business deterioration in the final quarter of the year due to the onset of the global financial and economic crisis.

Relative to the previous financial year, the Electronics Division reported a 5.9% decline in revenue, which decreased from \$313.2 million in FY2007 to \$294.8 million in FY2008. Profit before tax was \$3.4 million this year compared to \$2.8 million in the previous financial year.

Semiconductor Test & Consumables

Semiconductor Test & Consumables accounted for 2% of the Group's revenue. In FY2008, revenue generated by the Semiconductor Test & Consumables division saw a 16% decline, dipping from \$7.2 million to \$6 million. This division reported an operating loss of \$453K or approximately 8% of the Group's total loss in FY2008.

The Group's operating expenses rose 3.3% in FY2008 due to provisions for doubtful debts, which amounted to \$4 million this year compared to \$1.5 million in the previous financial year.

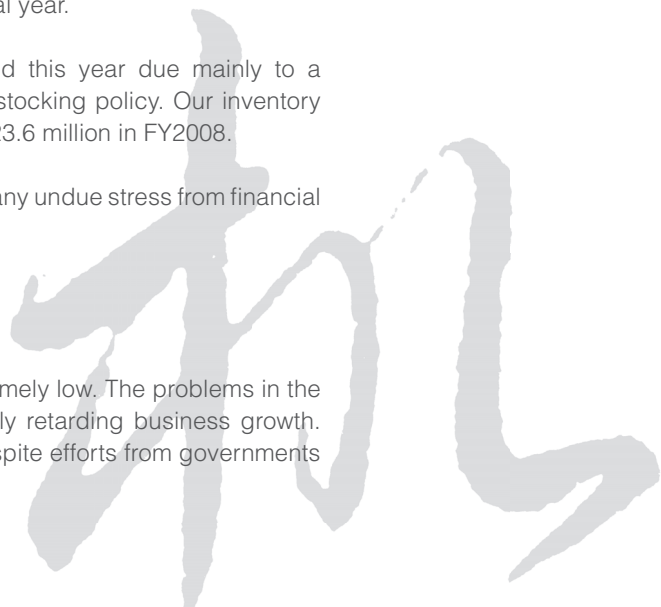
Repayments of bank borrowings during the year reduced bank borrowings from \$60.9 million to \$57.1 million. As a result, financing costs saw a 10% reduction, declining from \$4.6 million to \$4.2 million this year. Exceptional items resulted in an expense of \$0.5 million due to the impairment of goodwill for a business unit where business activities have been significantly affected by the economic downturn. The stronger US dollar towards the end of the year gave rise to a foreign exchange gain of \$0.7 million compared to the loss of \$0.2 million in the previous financial year.

The Group's working capital requirements were significantly reduced this year due mainly to a reduction in its operating costs and the adoption of a more cautious stocking policy. Our inventory was 27% lower this year, decreasing from \$32.3 million in FY2007 to \$23.6 million in FY2008.

The Company has no exposure to derivative contracts and is not under any undue stress from financial institutions or creditors on loan or debt repayments.

LOOKING AHEAD

The outlook for FY2009 is mired with uncertainties and visibility is extremely low. The problems in the global financial industry coupled with rising unemployment are rapidly retarding business growth. Business and consumer confidence plunged to an all time low and despite efforts from governments to spur spending, demand will continue to weaken in 2009.



A LETTER TO SHAREHOLDERS

Another opportunity in the horizon is the arrival of the the Intel® Atom™ processor. Intel's smallest processor, built with the world's smallest transistors and manufactured on Intel's industry-leading 45nm Hi-k Metal Gate technology, the Intel Atom processor, purpose-built for simple, affordable, netbooks and nettops, is ideal for convergent 3C(communications, computation and consumers) devices that drive the internet economy.



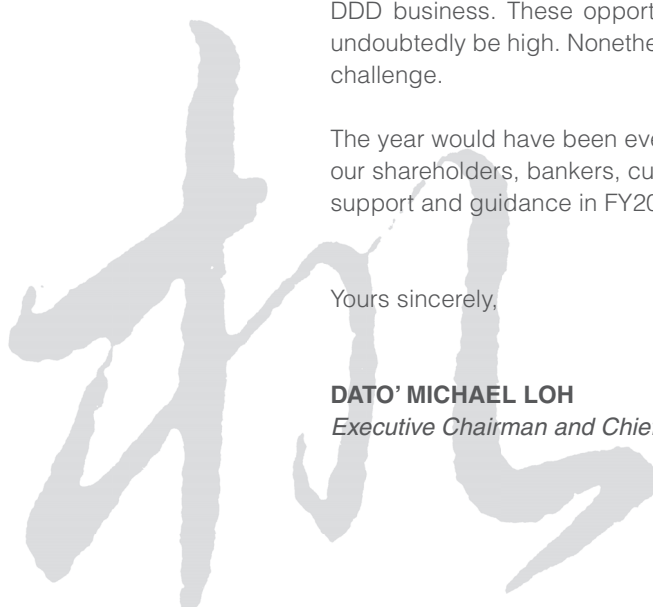
These unusual times bring unusual opportunities. While the global business landscape is finding its new footing, we will be looking to engage top tier suppliers to expand our market reach. Our focus in China remains unchanged and we will be actively engaging our business partners to seek new opportunities in the country. In the near term, market demand will undoubtedly be shrouded by uncertainties overhanging the world. On our part, we will exercise prudence and caution in our business management and focus our efforts on generating and conserving cash and liquidity in our organisation. While opportunities abound, we have to deploy our resources selectively as financial institutions become increasingly risk averse. Notwithstanding the growth in our China business, its contribution cannot adequately compensate for the overall business contractions in the Group. As a result, we expect FY2009 to be a difficult year and we will closely monitor our operations and adopt new plans and strategies in response to the changing market conditions.

On the business front, following the recent announcement by the Chinese Government on the implementation of 3G licenses in China, we will be stepping up our focus in this rapidly growing telecommunication infrastructure segment in the country. Another opportunity in the horizon is the arrival of the the Intel® Atom™ processor. Intel's smallest processor, built with the world's smallest transistors and manufactured on Intel's industry-leading 45nm Hi-k Metal Gate technology, the Intel Atom processor, purpose-built for simple, affordable, netbooks and nettops, is ideal for convergent 3C(communications, computation and consumers) devices that drive the internet economy. Poised to set new benchmarks in the global IT industry, it will also bring new opportunities for our DDD business. These opportunities may not bring immediate results and the entry barriers will undoubtedly be high. Nonetheless, we will continue our pursuit and our resources are ready for this challenge.

The year would have been even more difficult had it not been for the confidence and the trust from our shareholders, bankers, customers, employees and business associates. We thank you for your support and guidance in FY2008 and look forward to better times ahead.

Yours sincerely,

DATO' MICHAEL LOH
Executive Chairman and Chief Executive Officer



BOARD OF DIRECTORS



Dato' Michael Loh Soon Gnee, 53
Executive Chairman & Chief Executive Officer

Bachelor of Arts
Double major in Business Administration &
Chemical Engineering
- State University of New York, Buffalo, USA

Dato' Loh has a distinguished career in the semiconductor industry. He brings with him over 30 years of knowledge and experience in wafer fabrication, research and development and the assembly, testing and distribution of semiconductor products. Having spent 20 years in the Silicon Valley, USA, Dato' Loh has abundant practical business experience and a vast network of contacts in the semiconductor industry. Dato' Loh was appointed Chief Executive Officer of the Company on 1st July 2008.

Dato' Loh is the Executive Chairman of the SGX-Mainboard-listed ASTI Holdings Limited and SGX-Catalist listed Advanced Systems Automation Limited.



Mr Alex Onn Sin Ching, 54
Executive Director

Advanced Diploma in Polymer Technology
- South Bank Polytechnic of London
Diploma in Marketing
- Marketing Institute of Singapore

A seasoned IT electronics industry executive with over 25 years of experience in sales, marketing and management honed from stints with Texchem, Corning Asia, Dynamar and Norplex Oak, Mr Onn has been integral to the development of the Group.

Mr Onn is one of the founders of FE Global Electronics Pte Ltd, a wholly owned electronics distribution division of Dragon Group International Limited. He currently holds directorships in 13 companies under the FE Group, an active operating unit of the Dragon Group.



BOARD OF DIRECTORS



Mr Derek Loh Eu-Tse, 42
Independent & Non-Executive Director
Chairman of Remuneration Committee

*MA with Honours
Cambridge University*

An Advocate & Solicitor for the past 15 years, Mr Loh currently practices law at TSMP Law Corporation, where he is an Executive Director. He presently holds directorships in several companies, including Freight Links Express Holdings Ltd. Mr Loh chairs the Remuneration Committee in the latter.



Mr Haji Zubir Bin Haji Harun, 57
Independent & Non-Executive Director
Chairman of Audit Committee

*Diploma in Management
MIM*

Mr Haji Zubir was Vice President of Maybank Berhad, a position he had held for over a decade. He began his career with Maybank in 1972 and had held various management positions over a span of 31 years there, including Vice President of the Maybank Group and Chief Representative of Maybank in the Republic of Uzbekistan. Mr Haji Zubir was also appointed as the first CEO of Uzbek Leasing International, a Joint Venture between International Finance Corporation, European Bank Reconstruction and Development, National Bank of Uzbekistan and Maybank. Mr Haji Zubir is currently a Director of Dynamic Home Pro. Sdn Bhd, Simple Creation Sdn Bhd, Unggul Hormat Sdn Bhd, Triumphant Network Sdn Bhd and DHP Resources Sdn Bhd.



BOARD OF DIRECTORS



Mr Steven Shen Hing, 48
Executive Director

*Bachelor of Science, Electrical Engineering
National Taiwan University*

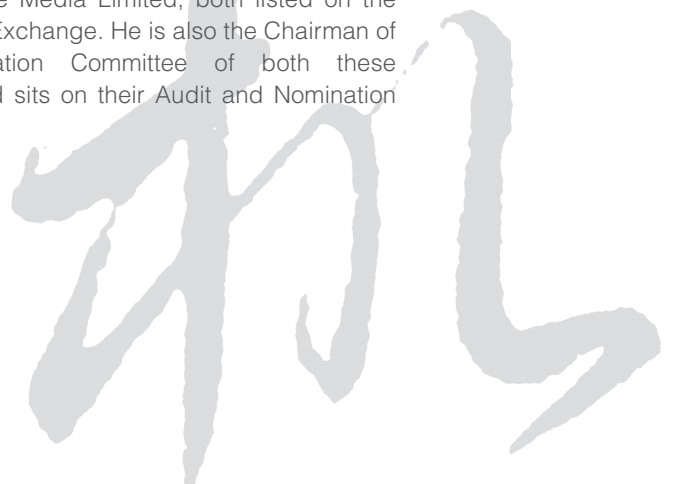
Mr Shen boasts over 20 years of experience in the electronics industry and was the General Manager of a distributor in Hong Kong for Advanced Micro Devices prior to joining the Group. Mr Shen is the President and co-founder of the FE Global (North Asia) Group of companies, and was instrumental in the establishment of FE Global (China) Ltd.



Mr Teh Kim Seng, 42
Independent & Non-Executive Director
Chairman of Nomination Committee
Chairman of Investment Committee

*LLB (Leeds University, England)
LLM (Cambridge University, England)*

With over 19 years of experience in legal, mergers and acquisition, corporate finance, venture capital and financial services arenas, Mr Teh runs Netrove Ventures, a regional boutique venture capital and business advisory firm headquartered in Hong Kong and with offices in Kuala Lumpur, Hanoi, Guangzhou and Beijing. Residing in Hong Kong, Mr Teh initially worked as an attorney in London and then in Hong Kong, specialising in Corporate Finance and Mergers & Acquisitions. He then served as the Chief Operating Officer of a regional investment and advisory firm headquartered in Hong Kong for a number of years before founding Netrove Ventures in 1999. Mr Teh is currently Chairman of Netrove Ventures. He is also the non-executive Chairman of FoaMasters International Limited and a non-executive director of Pixel Interactive Media Limited, both listed on the London Stock Exchange. He is also the Chairman of the Remuneration Committee of both these companies and sits on their Audit and Nomination Committees.



KEY MANAGEMENT

Mr Anthony Ma
 Managing Director
 FE Global Hong Kong Ltd

Mr Ma joined the Group in 1999 after it acquired Marvic International Limited (now known as FE Global Hong Kong Ltd), a distributor of electronic components in Hong Kong which he founded in 1993. A semiconductor industry veteran, Mr Ma began his 40-year career as a technician at Otis Elevator in 1965, after earning an Electrical Engineering certificate from a Hong Kong technical college. From 1968 to 1975 he worked at Carter SemiConductor, where he held various positions in production and sales and marketing. During that time, he also helped the company set up manufacturing plants in Malaysia and the Philippines. He co-founded Hi-rel Hong Kong Ltd, a distributor of electronic components in Hong Kong, in 1975, and was a partner there until 1993.

Mr B S Chakravarthy
 Managing Director
 FE Global Electronics (India) Pvt Ltd

Mr Chakravarthy joined the Group in 1998, and brings with him over 20 years of experience in the electronics industry. Mr Chakravarthy worked for a private company for two-and-a-half years after graduating with a Diploma in Electronics in 1988. In 1990, he founded his own electronic components trading business in India. This was followed by the establishment of Decibels Electronics Pvt Ltd in 1995, through which he invested into FE-Decibels Electronics Pte Ltd, which is 70% owned by FE Global Electronics Pte Ltd.

Mr Choi Young Ju
 Representative Director
 FE Global Electronics Korea Ltd

Mr Choi has more than 20 years of experience in the electronics industry. Prior to joining the group in 1998, he was in charge of the sales department in Woo Young Tech Ltd. Mr Choi holds a B.S. degree in Electronic Engineering from the University of Incheon.

Mr Gary Su
 Group Financial Controller & Company Secretary
 Dragon Group International Limited

Mr Su is a Certified Public Accountant (CPA) and has more than 18 years of experience in Accounting and Finance gained in various industries. He began his career as an auditor in London and was the Regional Financial Controller of Europe at Asia Pulp & Paper Co. Ltd before joining the Group in 2003. His previous experience includes corporate finance roles at SIA Engineering Co. Ltd and Seagate Technology.

Mr Su holds a Bachelor of Science in Accounting with Second-Class Honours from the University of Hull, England. He also holds a professional Accounting Degree from the Association of Certified Chartered Accountants, UK and a Diploma in Treasury from the Association of Corporate Treasurers, UK. Mr Su was appointed Company Secretary of DGI on 25 March 2009.

Mr Henry Liao
 General Manager
 FE Global Taiwan Co., Ltd

Mr Liao brings with him over 20 years of experience in the sales of passive electronic components. He served as the General Manager of Taiwan-based AFC since its establishment in 1992, and joined the Group following the acquisition of AFC (now known as FE Global Taiwan Co., Ltd) in 2000.

Mr Jia Tiejia
 Director & Deputy General Manager
 Nanjing Dragon Treasure Boat Development Co., Ltd.

Mr Jia joined the Group in 2001 as General Manager for Dragon Technology Distribution Co., Ltd. in HK and China. He has many years of experience in Chinese government and telecommunication industry. His previous experience includes diplomat for the Chinese embassy in Africa, division head for Ministry of Foreign Trade in Beijing and managing director for Lucent Technology Microelectronics Group in Greater China. Mr Jia holds an MBA degree from Thunderbird, USA. He started his new management career for reconstruction of Zhenghe Treasure Boat in Nanjing on behalf of the Dragon Group since 2006.

Mr Joe Yau
 General Manager
 Dragon Technology Distribution (HK) Limited

Mr Yau joined the Dragon Group in 1999. He brings with him 10 years of experience in component distribution. He is a graduate from the University of California, Irvine with B.A. in Business Administration.

Mr Lenus Kho
 General Manager
 FE Global Electronics Pte Ltd

Mr Lenus Kho joined the Group in 1997 and has over 19 years of experience in the regional semiconductor industry. He has a Diploma in Electronics Engineering from Ngee Ann Polytechnic and a Diploma in Sales and Marketing from the Marketing Institute of Singapore.



KEY MANAGEMENT

Mr Mandie Chong Man Sui

Marketing Director
Dragon Technology Distribution (HK) Limited

Mr Chong is a veteran with more than 24 years in the semiconductor industry. He holds a Bachelor of Science in Engineering from the National Taiwan University and is knowledgeable and well acquainted with the Hong Kong and China markets.

Mr Prasit Tangchutongchai

Managing Director
FE Global (Thailand) Co., Ltd

Mr Prasit joined the Group in 1999. He brings with him almost 30 years of engineering, marketing and management experience in the semiconductor industry. Prior to joining the Group, Mr Prasit was the General Manager of SII Co., Ltd, a company which he co-founded in 1997. Mr Prasit worked for Philips Semiconductor Ltd from 1979 to 1991 and last held the position of process engineering manager. From 1991 to 1997, he served as an Engineering Director of Alphatech Co., Ltd and as a Senior Marketing Manager of Hana Microelectronics. Mr Prasit holds a Bachelor of Science in Electrical Engineering from the Mapua Institute of Technology, the Philippines.

Mr Robert Sawhill

Chief Executive Officer & Executive Director
Spire Technologies Pte Ltd

Mr Sawhill joined the Dragon Group in 1996. He founded Spire Technologies in 1993, after spending 8 years at Reliability Inc, where he last held the position of Technical Advisor of the company's Singapore subsidiary. His previous experience at Reliability Inc. includes managerial and technical roles in system design, quality assurance, production and customer service. Mr Sawhill holds Bachelor of Science degrees in Electronics Technology and Computer Architecture Design from the University of Houston, USA, as well as an Associate's Degree in Communication (RF) Technology from the Tarrant County Junior College, USA.

Mr Steve Ahn Sang Ho

Head of Distribution
Dragon Group International Limited

Mr Ahn has been with the organisation for more than 7 years as the head of the Dragon Group. He has been in the electronic industry for more than 25 years. After graduating with a Degree in Electronic Engineering from Yonsei University of Korea, he joined Samsung as an electronic engineer. Thereafter, he progressed on and joined various semicon companies including Advanced Micro Devices, Motorola and Lattice. Mr Ahn was the Vice President of sales at a Korean Distribution company before joining the Dragon Group.

Mr Timothy Lim Boon Liat

Business Development Director
Dragon Group International Limited

Mr Lim brings with him over 20 years of experience in the regional semiconductor industry. He held various positions during his career including sales and management. Mr Lim holds a Diploma in sales and Marketing from the Chartered Institute of Marketing, UK.

Mr Yeo See Chye

Financial Controller
FE Global (North Asia) Ltd

Mr Yeo joined the Dragon Group in 2000. He is the Financial Controller for Dragon Technology Distribution (HK) Limited. Mr Yeo previously worked with BDO Binder Public Accounts, Penang and Deloitte Touche Tohmatsu International Public Accountants, Kuala Lumpur. Mr Yeo is a graduate from the Northern University of Malaysia with a Bachelor of Business Administration degree. He also has an ACCA degree from the Association of Chartered Certified Accountants.

Mr Zhao Zhigang

Director
Nanjing Dragon Treasure Boat Development Co., Ltd.

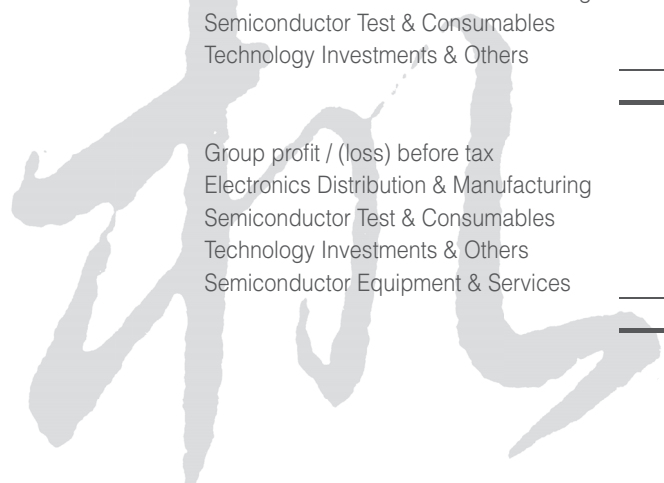
Mr Zhao joined DTB since it was established three years ago as a shareholder representative for the Nanjing Gulou District Government. Mr Zhao has more than 18 years of experience in various government posts and 20 years in business management. He has held various senior positions in different fields in his career as deputy factory director, factory GM, head of librarian, culture bureau director, general manager and chairman, etc. He has a B.A. degree and a title of Senior Economist. Now he is holding a position of Standing Member of Political Consultative Conference in Gulou District.

He has also held several key positions as Chairman and GM for Zhenghe Shipyard Relics Culture Management Company, Co-chair for Jiangsu Province Zhenghe Study Society and Deputy Director for Jiangsu Zhenghe Navigation Culture Fund. Mr Zhao is one of the founders for reconstruction of Zhenghe Treasure Boat in Nanjing.



FINANCIAL HIGHLIGHTS

RESULT OF OPERATIONS	2004	2005	2006	2007	2008
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
STATEMENT OF THE GROUP RESULTS					
Revenue	479,502	384,096	352,309	320,466	300,840
EBITA	10,026	9,127	7,140	5,837	102
Profit before income tax	10,558	4,441	(7,650)	2,547	(5,894)
Income Tax	(1,636)	(255)	(653)	(761)	(1,068)
Profit for the year	8,922	4,186	(8,303)	1,786	(6,962)
Attributable to:					
Equity holders of the Company	7,935	3,698	(8,542)	2,180	(6,810)
Minority interests	987	488	239	(394)	(152)
	8,922	4,186	(8,303)	1,786	(6,962)
Earning/ (loss) per share (cents)	6.4	2.8	(5.9)	1.4	(3.04)
FINANCIAL POSITION OF THE GROUP					
Intangible assets	9,592	9,525	1,290	8,172	7,731
Property, plant and equipment	8,292	9,296	8,836	10,361	9,188
Investments	12,797	10,479	1,144	1,595	2,048
Other assets	-	-	-	-	1,664
Current assets	95,646	95,634	110,470	118,831	107,556
Total Assets	126,327	124,934	121,740	138,959	128,187
Equity attributable to equity holders of the Company	33,267	37,029	33,215	31,291	23,545
Minority Interests	2,617	3,020	1,646	5,477	5,103
	35,884	40,049	34,861	36,768	28,648
Other long term & deferred liabilities	9,192	11,662	4,561	4,875	1,348
Current liabilities	81,251	73,223	82,318	97,316	98,191
Total Equity and Liabilities	126,327	124,934	121,740	138,959	128,187
NAV per share (cents)	14.95	16.52	14.82	13.96	10.51
Weighted average number of share in the year	222,491,456	224,081,456	224,081,456	224,081,456	224,081,456
TURNOVER AND PROFITABILITY					
Analysis by Activities					
Turnover					
Electronics Distribution & Manufacturing	468,258	377,914	344,702	313,155	294,808
Semiconductor Test & Consumables	11,244	6,182	7,269	7,184	6,032
Technology Investments & Others	-	-	338	127	-
	479,502	384,096	352,309	320,466	300,840
Group profit/ (loss) before tax					
Electronics Distribution & Manufacturing	7,166	7,061	(6,681)	2,780	3,372
Semiconductor Test & Consumables	1,339	(439)	504	(347)	(453)
Technology Investments & Others	(2,616)	(2,646)	(2,672)	114	(8,813)
Semiconductor Equipment & Services	4,669	465	1,199	-	-
	10,558	4,441	(7,650)	2,547	(5,894)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Michael Loh Soon Gnee
*Executive Chairman &
Chief Executive Officer*

Alex Onn Sin Ching
Executive Director

Steven Shen Hing
Executive Director

Non-Executive:

Derek Loh Eu-Tse
Lead Independent

Haji Zubir Bin Haji Harun
Independent

Teh Kim Seng
Independent

AUDIT COMMITTEE

Haji Zubir Bin Haji Harun
Chairman
Teh Kim Seng
Derek Loh Eu-Tse

NOMINATING COMMITTEE

Teh Kim Seng
Chairman
Derek Loh Eu-Tse
Haji Zubir Bin Haji Harun

REMUNERATION COMMITTEE

Derek Loh Eu-Tse
Chairman
Teh Kim Seng
Haji Zubir Bin Haji Harun

COMPANY SECRETARIES

Ng Lai Ying
Gary Su

EXECUTIVE OFFICERS

Anthony Ma
*Managing Director of
FE Global Hong Kong Ltd*

B S Chakravarthy
*Managing Director of
FE Global Electronics (India) Pvt Ltd*

Choi Young Ju
*Representative Director of
FE Global Electronics Korea Ltd*

Gary Su
*Group Financial Controller &
Company Secretary of DGI*

Henry Liao
*Vice General Manager of
FE Global Taiwan Co., Ltd*

Jia Tiejia
*Director & Deputy General Manager of
Nanjing Dragon Treasure Boat
Development Co., Ltd.*

Joe Yau
*General Manager of
Dragon Technology Distribution
(HK) Limited*

Lenus Kho
*General Manager of
FE Global Electronics Pte Ltd*

Mandie Chong Man Sui
*Marketing Director of
Dragon Technology Distribution
(HK) Limited*

Prasit Tangchutongchai
*Managing Director of
FE Global (Thailand) Co., Ltd*

Robert Sawhill
*Chief Executive Officer &
Executive Director of
Spire Technologies Pte Ltd*

Steve Ahn Sang Ho
Head of Distribution of DGI

Timothy Lim Boon Liat
Business Development Director of DGI

Yeo See Chye
*Financial Controller of
FE Global (North Asia) Ltd*

Zhao Zhigang
*Deputy Chairman & Executive Director of
Nanjing Dragon Treasure Boat
Development Co., Ltd.*

REGISTERED OFFICE

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Kolam Ayer Industrial Estate,
Singapore 349276
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Fax: (65) 6212 9630

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte. Ltd
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INDEPENDENT AUDITOR

Ernst & Young LLP
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner-in-charge:
Liew Choon Wei
(since the financial year ended
31 December 2005)

PRINCIPAL BANKERS

Hang Seng Bank
Malayan Banking Berhad
Oversea-Chinese Banking
Corporation Limited
Royal Bank of Scotland
Standard Chartered Bank
United Overseas Bank Limited



APPENDIX 1

DRAGON GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2008

CORPORATE GOVERNANCE



CORPORATE GOVERNANCE REPORT

Year ended 31st December 2008

The Board of Directors (the “**Board**”) of Dragon Group International Limited (the “**Dragon Group**” or “the **Company**”) is committed to maintaining the highest standards of corporate governance and transparency within and throughout the Company and its subsidiaries (collectively, the “**Group**”) even as it expands its business sizably and regionally. The Board views the adherence of such corporate governance practices as key to discharging its duties to protect and enhance shareholder value and the financial performance of the Group.

This report describes the corporate governance practices of the Group with specific references to the principles and guidelines set out in the Code of Corporate Governance 2005 (“**CCG**” or “the **Code**”). In areas where the Company deviates from the Code, the rationale is provided.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

Dragon Group has an effective Board to lead and control the Company. The Board is responsible for the success of the Company and is accountable to the shareholders while the Management is accountable to the Board.

The Board endeavours to provide shareholders with balanced and understandable assessments of the Company’s performance, financial position and prospects on a quarterly basis. This responsibility extends to the provision of interim and other price sensitive public reports including those to regulators (if and whenever required).

The principal functions of the Board are to:

- set values and standards of the Company and ensure that obligations to shareholders are understood;
- provide entrepreneurial leadership, approve the strategic and financial objectives of the Company;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls;
- review the performance of Management, approve the nominations to the Board of Directors and the appointments of key personnel, as may be recommended by the Nominating Committee;
- approve annual budgets, major funding proposals, investment and divestment proposals of the Company;
- review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee; and
- assume responsibility for corporate governance framework of the Company.

The Company has adopted internal guidelines setting forth matters which are specifically reserved for Board decisions. Examples of such matters include: -

- approval of interim financial results announcements;
- approval of annual financial results and accounts;
- issue of shares;
- declaration of interim or final dividends and other distributions to shareholders;
- convening of shareholders’ meetings;
- approval of corporate strategies;
- approval of interested persons transactions (including, inter alia, conflict of interest issues relating to substantial shareholders of Dragon Group and/or Directors);
- corporate or financial restructuring;
- authorisation or approval of merger and acquisition transactions; and
- authorisation or approval of major or substantial acquisition or disposal of assets.

Typically, any transactions that are significantly relative to the financial position of the Group would require Board approval.

Regular meetings of the Board and of the other committees established by the Board are convened, and the number of meetings and attendance by the respective members are set out in the table on page 3 of this report.

The Company will put all new Directors through an orientation programme to update them with all information necessary or desirable for the Directors to understand the Company’s businesses and governance practices. Depending on the need, new Directors may be put through house sessions to acquaint them on Directors’ duties and compliance with the relevant bodies of law in the performance of their duties. On an on-going basis, the Company will provide further information and updates on the Group and its business to the Board members, including any changes in legislation or regulations that may impact the Company’s conduct of its business or affect the Directors in discharging their duties to the Company. Additional training will be provided, as and when necessary, to the Directors.

CORPORATE GOVERNANCE REPORT

Principle 2: Board Composition and Balance

The Dragon Group has an effective Board to lead, steer and control the Company. The Board presently comprises six Directors, three of whom are Executive Directors. There is a strong independent element on the Board as more than one-third of the Board comprises Independent Directors.

The Dragon Group takes great pride in the composition of its Board of Directors, which as a group, provides core competencies including that of legal, accounting, finance, business accounting, finance, business development and management, relevant industry knowledge, strategic planning and customer-based experience and knowledge. The profiles of each of our Directors are set out on pages 7 and 9 of the annual report. The Board is therefore well placed to lead providing entrepreneurial and strategic leadership, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.

Non-Executive Directors are encouraged to constructively challenge and help to develop business proposals tabled by Management. They also monitor and review the performance of Management in meeting agreed goals and objectives. To facilitate a more effective check on Management, Non-Executive Directors are encouraged to meet regularly without the presence of management executives.

The Board is of the view that its current size and composition are appropriate, after taking into account the nature and scope of the Company's operations and its near-term business plans.

Principle 3: Chairman and Chief Executive Officer ("CEO")

The Chairman has assumed additional responsibilities as CEO of the Company in 2008. This is in anticipation of the growing market opportunities in China and to reinforce the Company's presence in China. The Board is of the opinion that given the Chairman's vast experience in China, adopting a single leadership structure will ensure a more efficient decision-making process to expedite the Group's thrust into this market.

The Chairman provides input on broad strategic directions for the Company and manages the daily running of the business. He also bears responsibility for the workings of the Board ensuring its effectiveness in all aspects of its role.

All major decisions made by the Chairman are reviewed by the Board and Audit Committee. His performance and appointment to the Board is reviewed periodically by the Nominating Committee and his remuneration is reviewed periodically by the Remuneration Committee. Both the Nominating Committee and Remuneration Committee comprise mainly of independent directors of the Company. As such, the Board is of the opinion that there are adequate safeguards in place against concentration of power and authority in a single individual.

The Board has a Lead Independent Director, Mr Derek Loh Eu-Tse, in accordance with recommendations under the Code, to provide a channel for shareholders to raise any issue of concern for which communication through the Chairman and CEO may not be appropriate in some circumstances.

Principle 4: Board Membership

Board and Committee Appointments

The Nominating Committee (the "NC") makes recommendations to the Board on all Board appointments. All of the members of the NC are independent. The NC Chairman is not a substantial shareholder nor is he directly associated with any substantial shareholder of the Company. The nature of the Directors' appointments on the Board and details of their membership on the Board Committees are set out below:

Board and Committee Membership

Directors	Board Membership	Committee Membership			
		Audit	Investment	Remuneration	Nominating
Dato' Michael Loh Soon Gnee	Executive	N.A.	N.A.	N.A.	N.A.
Alex Onn Sin Ching	Executive	N.A.	Member	N.A.	N.A.
Steven Shen Hing	Executive	N.A.	Member	N.A.	N.A.
Derek Loh Eu-Tse	Lead Independent	Member	N.A.	Chairman	Member
Haji Zubir Bin Haji Harun	Independent	Chairman	N.A.	Member	Member
Teh Kim Seng	Independent	Member	Chairman	Member	Chairman

CORPORATE GOVERNANCE REPORT

The Board meets at least 4 times each year and as when warranted by particular circumstances, as deemed appropriate by the Board. The Company's Articles of Association provide for telephonic and videoconference meetings. As a general rule, materials for Board meetings are sent to the Directors in advance in order for the Directors to be adequately prepared for the meetings.

The frequency of the meetings of the Board and its various Committees and the attendance by the Directors for FY2008 are set out below:

Attendance at Board and Committee Meetings

Directors	Board		Audit		Investment	
	No. of Meetings	Meetings Attended	No. of Meetings	Meetings Attended	No. of Meetings	Meetings Attended
Dato' Michael Loh Soon Gnee	5	5	N.A.	1*	N.A.	N.A.
Alex Onn Sin Ching	5	5	N.A.	2*	5	4
Steven Shen Hing	5	5	N.A.	3*	5	5
Derek Loh Eu-Tse	5	4	7	7	N.A.	1*
Haji Zubir Bin Haji Harun	5	5	7	7	N.A.	1*
Teh Kim Seng	5	5	7	7	5	5

* By Invitation

Retirement and Re-election of Directors

As a principle of good corporate governance, the Company's Articles of Association provides that at least one-third of the Directors for the time being retired from office by rotation and submit themselves for re-election by the shareholders at each AGM. Directors to retire shall be those who have been in office longest or have been in office for the last three years since their last election. In the Dragon Group, even the Chief Executive Officer retires by rotation and submits himself for re-election on a regular basis.

The functions of the NC include making recommendations to the Board on all Board appointments and the re-nomination of retiring Directors. In recommending to the Board any re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' contribution and performance at Board and Committee meetings, including their attendance, commitment of time, preparedness, participation and candour at the meeting.

The shareholding of each Director is set out in the Directors' Report under the Section "Directors of the Company" on page 1 and 2 of the Directors' Report in Appendix 2 of this annual report.

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

Directors	Designation	Date of Initial Appointment	Date of Last Re-election
Dato' Michael Loh Soon Gnee	Executive Chairman & Chief Executive Officer	23 October 2003	24 April 2008
Alex Onn Sin Ching	Executive Director	4 August 2003	24 April 2007
Steven Shen Hing	Executive Director	6 August 2004	24 April 2007
Derek Loh Eu-Tse	Lead Independent Director	15 January 2004	28 April 2006
Haji Zubir Bin Haji Harun	Independent Director	15 January 2004	24 April 2008
Teh Kim Seng	Independent Director	15 January 2004	28 April 2006

Having considered the effectiveness and contributions of each Director, the NC nominates and recommends the following Directors to retire by rotation and to stand for re-election at the forthcoming AGM of the Company:

Derek Loh Eu-Tse	Lead Independent Director
Teh Kim Seng	Independent Director

CORPORATE GOVERNANCE REPORT

Confirmation of Independence of Directors

The NC is also responsible for determining annually the independence of Directors. In its annual review for FY2008, the NC, having considered the guidelines set out in the Code, has confirmed the status of the following Non-Executive Directors.

Derek Loh Eu-Tse	Lead Independent
Teh Kim Seng	Independent
Haji Zubir Bin Haji Harun	Independent

Although some of the Directors have multiple Board representation, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company.

If ever required, the search and nomination process for new Directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process, to cast the net as wide as possible for the right candidate.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his performance or re-nomination as Director.

Principle 5: Board Performance

The NC uses objective performance criteria to assess the effectiveness of the Board as a whole. Benchmarks on the effectiveness of the Board include financial indicators such as return on assets, return on equity, return on investment, economic value added, operating margins, the Company's share price, and the Company's general performance vis-à-vis its competitors and industry peers.

These performance criteria allow for comparison with industry peers are approved by the Board and addresses how the Board has enhanced long term shareholders' value. These performance criteria are only changed where circumstances require.

Principle 6: Access to Information

The Board oversees the management of the business affairs and operations of the Group and establishes from time to time, strategies and financial initiatives implemented by Management. Management has provided the Board with complete and adequate information in a timely manner for the Board to discharge their obligations. Such information includes background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. The Board also duly monitors Management's performance.

The appointment of Company Secretary and any change thereof is a matter for the Board's decision. The Directors have separate and independent access to the Joint Company Secretaries. Duties of the Joint Company Secretaries include ensuring that Board procedures are followed and compliance with applicable rules and regulations including the Companies Act, Cap. 50 and the Singapore Exchange Listing Manual. The Joint Company Secretaries under the direction of the Chairman also ensures good information flows within the Board and its Committees and between senior management and non-executives. The Joint Company Secretaries attend Board and Audit Committee meetings.

In carrying out their obligations as Directors of the Company, access to independent professional advice is, if necessary, available to all Directors, either individually or as a group, at the expense of the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Board has set up a Remuneration Committee (the "RC") comprising three members, all of whom are Independent and Non-Executive Directors (See Board Membership at page 2 of this report). No Director is involved in deciding his own remuneration.

The RC's principal responsibilities are to:

- recommend to the Board base salary levels, benefits and incentive programs, and identify components of salary which can best be used to focus management staff on achieving corporate objectives;
- approve the structure of the compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind) for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
- review, on an annual basis, the specific compensation packages of the Company's Directors, CEO and senior management personnel and determine appropriate adjustments; and

CORPORATE GOVERNANCE REPORT

- administer the Company's Share Option Scheme ("ESOS") and responsible for approving and administering the ESOS according to its Rules.

The RC reviews subsequent awards of share options under the ESOS to all Executive Directors. There are appropriate and meaningful measures in place for the purpose of assessing the performance of Executive Directors and senior management personnel.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the RC considers the level and mix of remuneration to attract, retain and motivate Executive Directors, and to align their interests with those of shareholders, linking rewards to corporate and individual performance.

In this regard, the RC

- takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the group's relative performance and the performance of individual Directors;
- considers whether Directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive schemes);
- reviews the terms, conditions and remuneration of Executive Directors, and ensures that their total remuneration package have a significant portion of performance-related elements.

Non-Executive Directors have no service contracts with the Company and their terms are specified in the Articles of Association. Non-Executive Directors are paid a basic fee and an additional fee for serving on any of the committees. The fee payment takes into account factors such as effort and time spent, and responsibilities undertaken and their contributions to the Board. The fees paid to the Company's Non-Executive Directors are also benchmarked against Non-Executive Directors' fees paid by companies in the same industry and with similar scale of operation. The RC is of the view that the Company's Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. Such fees are subject to the approval of the shareholders at the AGM.

Executive Directors (except those who are also substantial shareholders) are eligible to participate in the ESOS. The RC will review and approve the quantity of share options to be granted based on pre-determined performance criteria. The options are exercisable up to a ten-year period including a vesting period of least 1 year. Executive Directors are encouraged to hold their shares beyond the vesting period, subject to the individual's need to finance the costs of acquisition and associated tax liability.

The remuneration policy for staff adopted by the Company, where appropriate, comprises a fixed component and a variable component. The fixed component is in the form of a base salary.

The ESOS, administered by the RC, may when appropriate, form another element in the variable component of the pay packages of all employees. Subject to such adjustment as may be made pursuant to the ESOS, the total number of shares in respect of which the Company may grant options shall not exceed fifteen per cent (15%) of the total issued share capital of the Company for the time being. The amount of share options, which may be granted to each employee, depends on the grade of the employee. This is subject to the approval of the RC.

Typically, the subscription price payable upon the exercise of a share option shall be equal to the average of the last transacted prices of the shares for the three consecutive market days on which dealings in the shares took place on the SGX-ST immediately preceding the date of grant. The Company's policy is to account for the fair value of share options for financial reporting purposes. However in deserving cases, the Company may grant the share option at a discount to Directors or executives or staff of the Company who had made significant contributions based on a predetermined performance criteria approved by the RC.

The RC and the Board have collectively endorsed the Company's remuneration policy.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

Remuneration of Directors for the year ended 31 December 2008

Directors	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Contribution From Employer (%)	Total (%)
\$250,000 to below \$500,000						
Dato' Michael Loh Soon Gnee	4%	68%	6%	22%	0%	100%
Below \$250,000						
Alex Onn Sin Ching	7%	78%	7%	5%	3%	100%
Steven Shen Hing	8%	35%	0%	57%	0%	100%
Haji Zubir Bin Haji Harun	100%	0%	0%	0%	0%	100%
Derek Loh Eu-Tse	100%	0%	0%	0%	0%	100%
Teh Kim Seng	100%	0%	0%	0%	0%	100%

Remuneration of Directors for the year ended 31 December 2008

The breakdown of the remuneration of the top 5 key executives (who are not Directors) of the Group are not disclosed in this Annual Report to avoid possible poaching of the Group's executives.

There are no employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$150,000 during the financial year ended 31 December 2008.

Directors' fees are approved by shareholders at every Annual General Meeting of the Company. The remuneration of the Executive Directors are approved by the Remuneration Committee and endorsed by the Board.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability and Audit

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Management provides members of the Board, monthly management accounts which present a balanced and understandable assessment of the Company's performance, position and prospects.

Principle 11: Audit Committee

The Audit Committee (the "AC") comprises three members, namely Haji Zubir Bin Haji Harun (Chairman), Teh Kim Seng and Derek Loh Eu-Tse. All members of the AC are Non-Executive and Independent Directors.

The members of the AC have experience in managerial positions across the legal, sale, banking, audit and finance industries. (See Directors' profile at pages 7 to 9 of the annual report). The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

The AC has the express power to conduct or authorise investigations into any matters within its terms of reference, has full access to and co-operation by Management. It has full discretion and prerogative to invite any Director or executive officer to attend its meetings. All resources that would enable the AC to discharge its duties effectively and expeditiously are made available to the AC.

The AC performs the following functions in accordance with Section 201B(5) of the Companies Act, Cap. 50:

1. reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
2. reviews with the internal auditors at least annually, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls and risk management;

CORPORATE GOVERNANCE REPORT

3. reviews the internal audit function to ensure that it is adequately resourced and has appropriate standing within the Group;
4. reviews significant financial reporting issues and judgements to ensure the integrity of financial statements of the Company and that of any formal announcement made quarterly or annually relating to the Company's financial performance, including announcements to shareholders and the SGX-ST prior to the submission to the Board;
5. reviews any significant findings of internal investigations;
6. makes recommendations to the Board on the appointment of external auditors, the audit fee and any questions of their resignation or dismissal;
7. reviews and approves the appointment, replacement, reassignment or the dismissal of the internal auditor;
8. reviews the assistance given by the Company's officers to the external auditors and internal auditors;
9. reviews and monitors interested person transactions, if any, arising and to ensure that internal control procedures approved by shareholders are adhered to in relation to such transactions;
10. reports actions and minutes of the AC meetings to the Board of Directors with such recommendations as the AC considers appropriate;
11. conducts an annual review of the independence and objectivity of the Company's external auditors, including the volume of non-audit services supplied by the external auditors, to satisfy itself that the nature and extent of such services have not prejudiced the independence and objectivity of the external auditors before confirming their re-nomination; and
12. nominate external auditors.

The AC held 7 meetings during the year, attendance of which is detailed on page 3 of this report.

The AC met with the Company's external auditors, Ernst & Young LLP ("E&Y") 4 times in FY2008. EY had met with the AC without the presence of Management. Reports of the findings and recommendations by external auditors are done independently to ensure an effective environment of control and regulation within the Group.

Each member of the AC abstains from voting on any resolution and making any recommendations and/or participating in any deliberations in respect of matters in which he is interested.

E&Y carried out, in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls focusing primarily on financial controls, to the extent set out in their audit plan. Material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address such non-compliance and weaknesses, are reported to the AC. Management, with the assistance of the Internal Auditor, follows up on E&Y's recommendations as part of its role in the review of the Company's internal control systems. The Board is satisfied that the Company's internal controls are at present adequate.

The AC has reviewed the independence of E&Y taking into account the volume of non-audit services supplied by them and is satisfied that the provision of such services did not affect their position as independent external auditor.

The Company has since May 2008 implemented a whistle blowing policy that is needed to provide well-defined and accessible channels through which any employee may raise any concerns they may have about improper conduct or malpractices within the Group. Any concerns may be raised, either anonymously or otherwise, directly to any member of the AC and the identity of the person raising the concern is strictly protected to the extent practicable in law. All members of the AC have direct oversight in the administering of the policy with the assistance of the General Counsel of the Group.

There were no complaints received up to the date of this report.

Principle 12: Internal Controls

The Company has put in place internal controls systems to manage its significant business risks, so as to safeguard shareholders' investments and the Company's assets.

A crucial function served by the AC is the regulation of risks undertaken or faced by the Group. The AC may examine whichever aspects it deems appropriate of the Group's financial affairs, audits and its exposure to risks of a regulatory or legal nature.

The AC keeps under review the efficacy of the Group's system of accounting and internal financial controls. Also kept under constant review is the Company's system of ensuring compliance with legal, operational and regulatory matters, including risk management, amongst others.

CORPORATE GOVERNANCE REPORT

The AC, with the assistance of the internal auditors and external auditors, have reviewed, and the Board of Directors is satisfied with, the adequacy of the Dragon Group's material internal controls, including financial, operational and compliance controls, and risk management systems.

Risk Management and Interested Person Transactions

An assessment of the significant risks areas relevant to the Company's businesses and operations and compliance requirements have been carried out and are identified as follows:

Dependence on Key Personnel

The Group's success is attributable to the concerted contributions from our Directors and key executives as set out on page 7 to 11 of the annual report.

These key personnel are expected to be the vital contributors for the Group's success in order to adhere to its moving forward strategy. Whilst competitive remuneration packages are offered to retain and motivate these key personnel, the Group's operations and performance may be disrupted if there is any loss of employment services with them.

Reliance on Principals for Electronic Components

The electronic components business has accounted for 98% of the Group's FY2008 turnover. This business is arranged under distributorship and/or representative agreements with territorial rights. The Group will face adverse impact to the financial performance should the principal recall the agreements, our customers relocated where territories are not given, and/or customers transact directly with principals.

The Group manages the risk of loss of principals and customers through broadening our customer base by exploring into other geographical locations, offering more product lines and instil value-added activities like design-in programme to the customers.

Change in Technologies

The global electronics industry is faced with technological changes which may result in price erosion and stock obsolescence in which the Group distribute.

The Group manages the risk by encouraging our employees to stay abreast with the technological/market developments through regular informal meetings exchange and product training sessions.

In addition to the above, the financial risk management are disclosed on Note 39 (on page 51 of the Financial Statements in Appendix 2 of this annual report).

Foreign Exchange Risk

The Group is exposed to various common financial risks arising in the normal course of business. A significant portion of the Group's revenue is denominated in the United States dollar. Operating expenses and wages are made mainly in local currency. Hence, exchange rate movements in the United States dollar and the Singapore dollar (the Company's reporting currency), amongst others, expose the Company to foreign currency risk.

Dealings in the Company's Securities

The Company has devised and adopted an internal compliance code (the "Internal Code") to provide guidance to its officers with regards to dealings in the Company's securities including reminders that the law on insider trading is applicable at all times. The Internal Code also adopts the best practices on dealings in securities as provided in Rule 1207(18) of the SGX Listing Manual.

Interested Person Transactions ("IPT")

The risks associated with IPT relates not only to compliance issues but also the prevention of transactions being carried out on terms that are less than favourable and not at arms length.

CORPORATE GOVERNANCE REPORT

Except as provided below, there are no interested person transactions between the Company and its subsidiaries (the “Group”) of a recurring nature.

Name of Interested Person	Aggregate value of all IPTs for FY2008 under review (excluding transactions less than S\$100,000) US\$'000
Flexcomm Limited ⁽¹⁾	385
ASTI ⁽²⁾	355

(1) The IPT refers to the technical services fee and commission paid to Flexcomm Limited, a company controlled by a controlling shareholder of the Company.

(2) The IPT refers to the management fee charged by ASTI Holdings Limited, holding company of the Group.

The AC will continue to review and monitor any IPT that may arise and ensures that the Company seeks appropriate approvals, makes appropriate announcements or disclosures on these IPT in accordance with Chapter 9 of the SGX-ST Listing Manual.

Principle 13: Internal Audit

The internal audit function was outsourced to Baker Tilly International (the “Internal Auditor”) in FY 2004. The Internal Auditor (the “IA”) is independent of the activities it audits.

The IA reports directly on internal audit matters to the Chairman of the AC. The IA assists the AC in monitoring and assessing the effectiveness of the Group’s material internal controls. The IA also assists Management in identifying operational and business risks and provides recommendations to address those risks.

The AC ensures that the internal audit function is adequately resourced and has the capabilities to adequately perform its functions. In this regard, the AC reviews on a quarterly basis the effectiveness of the IA by examining the scope of the IA’s work, quality of its reports, reporting structure within the Company, qualifications and training, relationship with the external auditor, and its independence of the areas reviewed. The AC is of the view that the IA is adequately resourced and has appropriate standing within the Group.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Regular, Effective and Fair Communication with Shareholders

On a regular and timely basis, the Company disseminates material information simultaneously through news and press releases via SGXNET and electronic mail to securities analysts, shareholders, and the media. The Company also posts these press releases on its public website, <http://www.dragongp.com>, to ensure that all shareholders and the public gain fair access to information, updates and the archives of the Company. The website also provides a channel for shareholders to raise any concerns or issues, if any.

Information is always communicated to shareholders on a timely and fair basis. Where inadvertent disclosure has been made to a select group, the Company has made the same disclosure publicly to all others as soon as practicable.

Principle 15: Shareholders Participation at AGMs

Shareholders are informed of shareholders’ meetings through timely and formal notices published in the newspapers. All relevant reports and/or circulars are sent to all shareholders early so that they can familiarise themselves with the issues that will be raised at general meetings. Shareholders are also given opportunities to raise questions, and to communicate their views on issues which affect the Company, at general meetings and to vote in absentia. Every shareholder is entitled to appoint two proxies to attend general meetings and vote in his/her stead.

The Articles of Association of the Company do not impose a limit on the number of proxies a nominee company can appoint so that shareholders who hold shares through nominees can attend general meetings as proxies if they so desire; provided the member name is certified by the Depository (Nominee Company) to the Company as appearing on the Depository Register not earlier than 48 hours before the general meeting as a Depositor on whose behalf the Depository holds shares in the Company.

The Company’s external auditors, chairpersons of the Audit Committee and the Remuneration Committee are present at all General Meetings to assist the Board of Directors and Management to address any questions shareholders may have.

At general meetings, each substantially separate issue is dealt with in separate resolutions. The Company avoids bundling of resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

APPENDIX 2

DRAGON GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2008

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS





FINANCIAL REPORT

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DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Dragon Group International Limited (the "Company") and subsidiary companies (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2008.

Directors of the Company

The Directors of the Company in office at the date of this report are:-

Dato' Michael Loh Soon Gnee
 Alex Onn Sin Ching
 Steven Shen Hing
 Haji Zubir Bin Haji Harun
 Teh Kim Seng
 Loh Eu-Tse Derek

Arrangements to enable Directors to acquire shares and debentures

Except as disclosed herein, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors who held office at the end of the financial year, had, according to the register of the directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and options of the Company and its related corporations as stated below:-

Name of Director	At the beginning of the year	At the end of the year	At 21 January 2009
<i>The holding company – ASTI Holdings Limited ("ASTI")</i>		Ordinary shares	
Dato' Michael Loh Soon Gnee			
- held in name of Director	71,108,000	51,508,000	51,508,000
- held by nominee	77,400,000	57,000,000	57,000,000
Alex Onn Sin Ching			
- held in name of Director	4,313,627	4,313,627	4,313,627
Steven Shen Hing			
- held in name of Director	8,215,684	7,859,940 #	7,859,940 #
- held by nominee	8,215,684	-	-
Teh Kim Seng			
- held by nominee	100,000	100,000	100,000
<i>The Company</i>		Ordinary shares	
Dato' Michael Loh Soon Gnee			
- deemed interest *	168,063,442	168,063,442	168,063,442

DIRECTORS' REPORT

Directors' interests in shares and debentures (cont'd)

Name of Director	At the beginning of the year	At the end of the year	At 21 January 2009
Subsidiary company – SCM Solutions Pte Ltd	Options granted to subscribe for ordinary shares Held in the name of Directors		
Alex Onn Sin Ching	50,000	50,000	50,000
Subsidiary company – SCM Solutions Phils. Corporation	Ordinary shares of Pesos 10 each Held in the name of Director		
Alex Onn Sin Ching	1 @	1 @	1 @

Shares held in trust for the Group to indemnify the Group for a debtor that has defaulted on payment.

* Dato' Michael Loh Soon Gnee is deemed to be interested in the ordinary shares of the Company held by ASTI by virtue of Section 7 of the Act

@ Shares held in trust for the Group.

Dato' Michael Loh Soon Gnee is deemed to be interested in the ordinary shares of the holding company and all the subsidiary companies by virtue of Section 7 of the Act because he holds more than 20% equity interest in the holding company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

(a) *The Company*

- (i) Dragon Group Executives' Share Option Scheme (the "ESOS") was approved by the shareholders at the Extraordinary General Meeting held on 7 June 1996. At the Extraordinary General Meeting held on 16 July 2001, the shareholders approved certain modifications to the ESOS to bring the rules of the ESOS approved on 7 June 1996 in line with the amendments introduced by the Companies (Amendment) Act 1998 ("CAA") and the amendments to the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 6 April 1999.

The ESOS, as modified, caters to a larger pool of participants, namely, selected full-time executive employees, Executive Directors and Non-Executive Directors of the Group and its associated companies. Grantees or participants of the ESOS will not be restricted from participating in any other share option or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company.

The options granted to executive employees and Executive Directors of the Group will have a life span of ten (10) years from the relevant date of grant whilst options granted to Non-Executive Directors of the Group, executive employees and Directors of associated companies will have a life span of five (5) years from the relevant date of grant. However, existing options granted prior to 18 November 1998 (being the date that the CAA became operational) shall only have a maximum life span of five years.

The exercise or subscription price of the options will be the average of the closing prices of the Company's ordinary shares on the SGX-ST for the three market days immediately preceding the date of grant (the "Market Price") or at a price set at a discount not exceeding 20% of the Market Price.

The options granted at the Market Price may only be exercised one (1) year after the relevant date of grant whilst options granted at a discount to the Market Price may only be exercised two (2) years after the relevant date of grant.

DIRECTORS' REPORT

Share options (Cont'd)

(a) *The Company (Cont'd)*

- (ii) At the date of this report, the ESOS is administered by the Remuneration Committee comprising the following Directors:-
- Loh Eu-Tse Derek (Chairman)
 - Teh Kim Seng
 - Haji Zubir Bin Haji Harun
- (iii) From the commencement of the ESOS to 31 December 2008, no options have been granted under the ESOS to any controlling shareholder of the Company and/or its associates.
- (iv) The options granted by the Company do not entitle the holders of the options, by virtue of such holdings, to any right to participate in any share issue of any other company.
- (v) During the financial year, no ESOS was exercised.
- (vi) During the financial year, no options were granted under the ESOS.
- (vii) There were no outstanding options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2008.
- (viii) During the financial year, no Directors were granted options under the ESOS.
- (ix) There was no participant who received 5% or more of the total number of options available under the ESOS during the financial year.
- (x) No option was granted at a discount to the Market Price.

(b) *Subsidiary companies*

SCM Share Option Scheme (the "SCM ESOS") of SCM Solutions Pte Ltd ("SCM")

At the end of the financial year, 105,000 options to subscribe for ordinary shares in SCM at an exercise price of S\$0.0151 were outstanding. The options under the SCM ESOS are exercisable within 14 days commencing 60 days before SCM files an application with relevant authorities for an initial public offering of its shares on a stock exchange, or such earlier date as may be determined by the committee of Directors of SCM administering the SCM ESOS.

During the financial year, no options were granted to take up unissued ordinary shares of the subsidiary company and no ordinary shares of the subsidiary company were issued by virtue of the exercise of an option to take up unissued ordinary shares.

At the end of the financial year, there were no other unissued ordinary shares of the Company and its subsidiary companies under option except as disclosed above.

DIRECTORS' REPORT

Audit Committee

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

1. Reviewed the audit plans of the internal and external auditors of the Company and reviewed 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;
2. Reviewed the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company and the Group before their submission to the Board of Directors;
3. Reviewed effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
4. Met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
5. Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
6. Reviewed the cost effectiveness and the independence and objectivity of the external auditors;
7. Reviewed the nature and extent of non-audit services provided by the external auditors;
8. Recommended to the Board of Directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;
9. Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
10. Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual.

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

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of Directors,

Dato' Michael Loh Soon Gnee
Director

Alex Onn Sin Ching
Director

Singapore
14 April 2009

STATEMENT BY THE DIRECTORS

We, Dato' Michael Loh Soon Gnee and Alex Onn Sin Ching, being two of the Directors of Dragon Group International Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, statements of changes in equity and consolidated cash flow statement together with the notes thereto 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 2008 and the results of the business, changes in equity and cash flow of the Group and changes in equity of the Company for the year then ended, and
- (ii) 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. The ability of the Company to continue as going concern is dependent on factors as described in Note 1.2 to the financial statements.

On behalf of the Board of Directors,

Dato' Michael Loh Soon Gnee
Director

Alex Onn Sin Ching
Director

Singapore
14 April 2009

INDEPENDENT AUDITORS' REPORT

To the Members of Dragon Group International Limited

We have audited the accompanying financial statements of Dragon Group International Limited (the "Company") and its subsidiary companies (collectively the "Group") set out on pages 8 to 56, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity of the Group and the Company, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("the Act") and Singapore Financial Reporting Standards. This responsibility includes 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 account and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 2008 and the results, changes in equity and cash flow of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Without qualifying our opinion, we draw attention to Note 1.2 to the financial statements. The Group incurred a net loss attributable to the equity holders of the Company of US\$6,810,000 and net operating cash outflow of US\$6,195,000 for the financial year ended 31 December 2008. The Company is in a net current liability of US\$9,024,000. As at 31 December 2008, the Group, the Company and a subsidiary company have not complied with certain financial covenants of certain credit facility agreements. Subsequent to the balance sheet date, the breaches of these financial covenants were remedied after the banks have agreed to waive the breaches and amend the respective financial covenants. However, the Group is contractually required to comply with the financial covenants attached to the Group's existing credit facilities throughout the financial year ending 31 December 2009. Any breach of the financial covenants may result in the banks exercising their rights under the credit facility agreements to recall the credit facilities and to demand immediate repayment. In addition, the Group is also reliant on its existing credit facilities for its continuing operations for which the relevant banks have the right at any time to recall or to amend the facilities and demand repayment of outstanding amounts at their discretion. The Company is reliant on the availability of cash available in the Group to enable it to meet its liabilities as and when they fall due. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The ability of the Group and Company to continue as going concerns is dependent on the banks continuing to provide financing and not recalling the Group's existing credit facilities.

INDEPENDENT AUDITORS' REPORT

To the Members of Dragon Group International Limited

If the Group and Company are unable to continue in operational existence for the foreseeable future, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

ERNST & YOUNG LLP

Public Accountants and
Certified Public Accountants
Singapore

14 April 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	Note	Group	
		2008 US\$'000	2007 US\$'000
Revenue	5	300,840	320,466
Cost of sales		(272,164)	(289,554)
Gross profit		28,676	30,912
Other income	6	478	1,083
Selling and marketing costs		(16,133)	(14,763)
General and administrative costs		(14,026)	(13,725)
Development costs		(152)	(857)
Finance costs	7	(4,170)	(4,654)
Exceptional items	8	(558)	4,552
Share of results of associated companies		(9)	(1)
(Loss)/profit before taxation	9	(5,894)	2,547
Taxation	10	(1,068)	(761)
(Loss)/profit for the year		(6,962)	1,786
Attributable to:			
Equity holders of the Company		(6,810)	2,180
Minority interests		(152)	(394)
		(6,962)	1,786
Basic (loss)/earnings per share (cents)	11	(3.04)	0.97
Diluted (loss)/earnings per share (cents)	11	(3.04)	0.97

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2008

	Note	Group		Company	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
ASSETS					
Non-current assets					
Intangible assets	12	7,731	8,172	102	97
Property, plant and equipment	13	9,188	10,361	4	10
Investments in subsidiary companies	14	–	–	34,337	25,618
Investments in associated companies	15	110	113	–	–
Other investments	16	1,938	1,482	1,894	1,437
Other financial assets	17	1,664	–	1,664	–
Amounts due from subsidiary companies	18	–	–	11,699	634
		20,631	20,128	49,700	27,796
Current assets					
Stocks	19	23,583	32,306	–	–
Prepayments and advances	20	722	874	54	63
Amounts due from subsidiary companies	18	–	–	1,666	13,295
Trade debtors	21	56,894	53,664	99	–
Other debtors	22	1,531	2,933	391	386
Tax recoverable		601	737	233	157
Fixed deposits	23	2,800	2,887	–	–
Cash and bank balances	24	21,425	26,878	192	1,276
		107,556	120,279	2,635	15,177
TOTAL ASSETS		128,187	140,407	52,335	42,973
EQUITY AND LIABILITIES					
Current liabilities					
Amounts due to bankers	25	31,372	25,711	3,764	2,041
Bills payable to banks	26	25,679	31,636	–	–
Trade creditors and accruals	27	33,325	35,828	361	609
Other creditors	28	4,279	4,507	173	239
Amount due to holding company	29	1,958	186	544	186
Amounts due to subsidiary companies	30	–	–	6,766	5,551
Provision for taxation		1,578	896	51	68
		98,191	98,764	11,659	8,694
NET CURRENT ASSETS/(LIABILITIES)		9,365	21,515	(9,024)	6,483
Non-current liabilities					
Deferred taxation	31	851	807	–	–
Amounts due to subsidiary companies	30	–	–	11,473	–
Lease creditors	32	105	163	–	–
Long-term payables		392	333	–	–
Amounts due to bankers	25	–	3,572	–	3,572
		1,348	4,875	11,473	3,572
TOTAL LIABILITIES		99,539	103,639	23,132	12,266
NET ASSETS		28,648	36,768	29,203	30,707

BALANCE SHEETS

As at 31 December 2008

		Group		Company	
	Note	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Equity attributable to equity holders of the Company					
Share capital	33	41,844	39,749	41,844	39,749
Capital reserve	34	2,140	2,033	–	–
Foreign currency translation reserve	35	(7,102)	(4,291)	–	–
Accumulated losses		(13,337)	(6,200)	(12,641)	(9,042)
		23,545	31,291	29,203	30,707
Minority interests		5,103	5,477	–	–
TOTAL EQUITY		28,648	36,768	29,203	30,707
TOTAL EQUITY AND LIABILITIES		128,187	140,407	52,335	42,973

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Attributable to equity holders of the Company							
	Share Capital (Note 33) US\$'000	Capital Reserve (Note 34) US\$'000	Fair value Reserve US\$'000	Foreign Currency Translation Reserve (Note 35) US\$'000	Accumulated Losses US\$'000	Total Reserves US\$'000	Minority Interests US\$'000	Total Equity US\$'000
2008 Group								
At 1 January 2008	39,749	2,033	–	(4,291)	(6,200)	(8,458)	5,477	36,768
Effects of exchange due to FRS 21 (Note 2.19)	2,095	107	–	(226)	(327)	(446)	289	1,938
At 1 January 2008, as restated	41,844	2,140	–	(4,517)	(6,527)	(8,904)	5,766	38,706
Exchange differences on translation of:								
- financial statements of foreign operations	–	–	–	(1,907)	–	(1,907)	(20)	(1,927)
- monetary item which form part of net investment in subsidiary companies	–	–	–	(678)	–	(678)	–	(678)
Net expenses recognised directly in equity	–	–	–	(2,585)	–	(2,585)	(20)	(2,605)
Net loss for the year	–	–	–	–	(6,810)	(6,810)	(152)	(6,962)
Total recognised expenses for the year	–	–	–	(2,585)	(6,810)	(9,395)	(172)	(9,567)
Dividend paid to minority shareholder of a subsidiary company	–	–	–	–	–	–	(22)	(22)
Acquisition of minority interests (Note 4(c))	–	–	–	–	–	–	(469)	(469)
At 31 December 2008	41,844	2,140	–	(7,102)	(13,337)	(18,299)	5,103	28,648

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

2007 Group	Attributable to equity holders of the Company							
	Share Capital (Note 33) US\$'000	Capital Reserve (Note 34) US\$'000	Fair value Reserve US\$'000	Foreign Currency Translation Reserve (Note 35) US\$'000	Accumulated Losses US\$'000	Total Reserves US\$'000	Minority Interests US\$'000	Total Equity US\$'000
	37,092	1,897	2,769	(2,178)	(6,365)	(3,877)	1,646	34,861
	2,657	136	198	(156)	(456)	(278)	118	2,497
At 1 January 2007	39,749	2,033	2,967	(2,334)	(6,821)	(4,155)	1,764	37,358
Change in accounting policy (Note 2.19)	-	-	(2,967)	-	-	(2,967)	-	(2,967)
At 1 January 2007, as restated	-	-	-	(1,790)	-	(1,790)	87	(1,703)
Recognised in the profit and loss account on disposal of investment securities	-	-	-	(167)	-	(167)	-	(167)
Exchange differences on translations of: - financial statements of foreign operations - monetary item which form part of net investment in subsidiary companies	-	-	(2,967)	(1,957)	-	(4,924)	87	(4,837)
Net expenses recognised directly in equity	-	-	-	-	2,180	2,180	(394)	1,786
Net profit for the year	-	-	(2,967)	(1,957)	2,180	(2,744)	(307)	(3,051)
Total recognised expenses and income for the year	-	-	-	-	-	-	4,020	4,020
Equity contribution by minority shareholder	-	-	-	-	(1,559)	(1,559)	-	(1,559)
Dividend (Note 41)	-	-	-	-	-	-	-	-
At 31 December 2007	39,749	2,033	-	(4,291)	(6,200)	(8,458)	5,477	36,768

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2008

Company	Attributable to equity holders of the Company				
	Share Capital (Note 33)	Fair value Reserve	Accumulated Losses	Total Reserves	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2008	39,749	–	(9,042)	(9,042)	30,707
Effects of exchange due to FRS 21 (Note 2.19)	2,095	–	(477)	(477)	1,618
At 1 January 2008, as restated	41,844	–	(9,519)	(9,519)	32,325
Net loss for the year, representing total recognised expenses for the year	–	–	(3,122)	(3,122)	(3,122)
At 31 December 2008	41,844	–	(12,641)	(12,641)	29,203
At 1 January 2007	37,092	5,223	(12,860)	(7,637)	29,455
Effects of exchange due to FRS 21 (Note 2.19)	2,657	374	(921)	(547)	2,110
At 1 January 2007, as restated	39,749	5,597	(13,781)	(8,184)	31,565
Recognised in profit and loss account on disposal of investment securities, representing total expense recognised directly in equity	–	(5,597)	–	(5,597)	(5,597)
Net profit for the year	–	–	6,297	6,297	6,297
Total recognised income and expenses for the year	–	(5,597)	6,297	700	700
Dividends (Note 41)	–	–	(1,558)	(1,558)	(1,558)
At 31 December 2007	39,749	–	(9,042)	(9,042)	30,707

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000
Cash flow from operating activities		
(Loss)/profit before taxation	(5,894)	2,547
Adjustments for :-		
Amortisation of intangible assets	559	474
Impairment loss on intangible assets	–	209
Depreciation of property, plant and equipment	2,355	2,922
(Gain)/loss on disposal of property, plant and equipment	(694)	17
Goodwill written off	558	–
Interest income	(116)	(425)
Interest expense	3,331	3,933
Property, plant and equipment written off	83	26
Gain on disposal of other investments	–	(336)
Gain on disposal of quoted investments	–	(4,761)
Share of results of associated companies	9	1
Dividend income	–	(127)
Operating cash flow before reinvestment in working capital	191	4,480
Decrease/(increase) in stocks	10,426	(8,569)
(Increase)/decrease in debtors	(3,835)	3,842
(Decrease)/increase in creditors	(7,529)	5,378
Effects of exchange rates changes	(1,912)	(296)
Cash (used in)/generated from operations	(2,659)	4,835
Interest paid	(3,331)	(3,933)
Interest received	116	425
Tax paid	(321)	(661)
Net cash (used in)/generated from operating activities	(6,195)	666
Cash flow from investing activities		
Proceeds on disposal of property, plant and equipment	2,129	237
Purchase of property, plant and equipment	(2,512)	(4,135)
Loan to external party	(997)	–
Increase in amount due to an associated company	–	59
Dividend received (Note 17)	–	127
Increase in club membership	–	(66)
Increase in other investments	(380)	–
Increase in investment in associated company	–	(42)
Proceeds from disposal of other investments	–	407
Proceeds from disposal of quoted investments	–	11,809
Profit guarantee received	–	871
Equity contribution by minority shareholder	–	4,020
Net cash outflow on business combination	–	(864)
Project development expenditure	(262)	–
Acquisition of minority interests	(821)	–
Net cash (used in)/generated from investing activities	(2,843)	12,423

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2008

	2008 US\$'000	2007 US\$'000
Cash flow from financing activities		
Dividends paid to :		
-Company's shareholders (Note 41)	–	(1,559)
-Minority shareholders of subsidiary company	(22)	–
Increase/(decrease) in amount due to holding company	1,760	(1,037)
Repayment of lease creditors	(95)	(315)
Increase in amounts due to bankers	2,089	1,831
Net cash generated from / (used in) financing activities	3,732	(1,080)
Net (decrease)/increase in cash and cash equivalents	(5,306)	12,009
Cash and cash equivalents at beginning of year	29,765	18,735
Effects of exchange rate changes on cash and cash equivalents	103	(979)
Effects of exchange due to FRS 21 (Notes 2.19)	(337)	–
Cash and cash equivalents at end of year	24,225	29,765

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:-

	2008 US\$'000	2007 US\$'000
Fixed deposits	2,800	2,887
Cash at banks and on hand	21,425	26,878
	24,225	29,765

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

1. General

1.1 Corporate information

Dragon Group International Limited (the “Company”) is a limited liability company which is domiciled and incorporated in Singapore and publicly traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The immediate and ultimate holding company is ASTI Holdings Limited (“ASTI”), also incorporated in Singapore.

The registered office of the Company is located at 3 Church Street, #08-01, Samsung Hub, Singapore 049483.

The principal place of business is located at 1 Kallang Sector, #06-01, Kolam Ayer Industrial Estate, Singapore 349276.

The principal activities of the Company are those of investment holding and acting as corporate manager and advisor in connection with the administration and organisation of the businesses of its subsidiary companies.

The Group is primarily engaged in the following activities:-

- (a) Electronics Distribution
 - (i) Trading and distribution and acting as commission agents in electronic components and products.
 - (ii) Provision of freight and warehousing facilities, material and inventory management, delivery and invoicing using web-based solutions.
 - (iii) Provision of semiconductor application in consumer electronics, computer peripheral and communication solutions.
- (b) Semiconductor Test & Consumables
 - (i) Import/export, retailing and trading in electronic components and consumables used in testing of electronic components.
 - (ii) Repair of test boards used in semiconductor testing.
- (c) Technology Investments & Others
 - (i) Investment holding and acting as corporate manager and advisor in relation to the administration and organisation of the businesses of its subsidiary companies.

Details of the significant subsidiary companies and their principal activities are included in Note 4.

1.2 Fundamental accounting concept

The Group incurred a net loss attributable to the equity holders of the Company of US\$6,810,000 (2007: net profit attributable to the equity holders of the Company of US\$2,180,000) and net operating cash outflow of US\$6,195,000 (2007: net operating cash inflow of US\$666,000) for the financial year ended 31 December 2008. The Company is in a net current liability of US\$9,024,000 (2007: net current asset of US\$6,483,000).

As disclosed in Notes 25 and 26, at 31 December 2008, the Company and a subsidiary company have not complied with certain financial covenants of certain credit facility agreements. Subsequent to the balance sheet date, the breaches of the financial covenants were remedied after the banks have agreed to waive the breaches and amend the respective financial covenants. However, the Group is contractually required to comply with the financial covenants attached to the Group's existing credit facilities throughout the financial year ending 31 December 2009. Any breach of the financial covenants may result in the banks exercising their rights under the credit facilities agreements to recall the credit facilities and to demand immediate repayment. In addition, the Group is also reliant on its existing credit facilities for its continuing operations for which the relevant banks have the right at any time to recall or to amend the facilities and demand repayment of outstanding amounts at their discretion. The Company is reliant on the availability of cash available in the Group to enable it to meet its liabilities as and when they fall due. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The ability of the Group and the Company to continue as going concerns is dependent on the banks continuing to provide financing and not recalling the Group's and Company's existing credit facilities. The Directors believe that that it is appropriate to prepare the financial statements on a going concern basis as the Directors believe that the Group and the Company will be able to comply with the amended financial covenants and continue to receive support from its bankers in relation to the existing banking facilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) as required by the Singapore Companies Act.

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements for the financial year ended 31 December 2007 were previously measured and presented in Singapore Dollars (“SGD” or “\$”). With the change in functional currency of the Company as disclosed in Note 2.19, the financial statements for the financial year ended 31 December 2008 are presented in United States Dollars (“USD” or “US\$”). All values are rounded to the nearest thousand (“US\$’000”) except when otherwise indicated.

The accounting policies applied by the Group and the Company are consistent with those used in the previous financial year.

2.2 FRS and Interpretation of FRS (“INT FRS”) not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but not yet effective:

<i>Reference</i>	<i>Description</i>	<i>Effective for annual period beginning on or after</i>
FRS 1	Presentation of Financial Statements - Revised presentation	1 January 2009
FRS 1	Presentation of Financial Statements - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements -Amendments relating to Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation - Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement -Amendments relating to Eligible Hedged Items.	1 July 2009
FRS 101	First time Adoption of Financial Reporting Standard -Amendments relating to Cost of an investment in a Subsidiary, Jointly controlled Entity or Associate	1 January 2009
FRS 102	Share-based Payment - Vesting Conditions and Cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in the Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-Cash Assets to Owner	1 July 2009

The Directors expect that the adoption of the above pronouncements will have no material impact on the financial statements in the period of initial application, except as indicated below.

(a) FRS 1 Presentation of Financial Statements – revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statements of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expenses, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.2 FRS and Interpretation of FRS ("INT FRS") not yet effective (cont'd)

(b) FRS 23 Borrowing Costs

FRS 23 Borrowing Costs has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No Changes will be made for borrowing cost incurred to these dates that have been expensed.

(c) FRS 27 Consolidated and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

FRS 27 has been amended to deleting the definition of the "cost method", which would result in all dividends received from a subsidiary, jointly controlled entity or associate being recognised in profit or loss in its separate financial statements, instead of separating them into pre- and post-acquisition dividends. In addition, where a new parent entity is inserted above an existing parent of a group, the cost of the investment will be the carrying amount of the original parent (i.e. share of equity) rather than its fair value, provided that the original parent becomes a subsidiary, the assets and liabilities of the new group and the original group are the same immediately before and after the reorganisation, and there is no change in relative ownership interests of the existing shareholders. The Group will apply the amendments introduced by FRS 27 prospectively.

(d) FRS 108 Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 Significant accounting estimates and judgments

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(a) Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

(i) *Income taxes*

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. 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. The carrying amount of the Group's provision for taxation and deferred tax liabilities at 31 December 2008 was US\$1,578,000 (2007: US\$896,000) and US\$851,000 (2007: US\$807,000) respectively.

(ii) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary companies. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences selling prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. 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 selling prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.3 Significant accounting estimates and judgments (cont'd)

(b) Key resources of estimation uncertainty

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 and liabilities within the next financial year are discussed below.

(i) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flow from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flow. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 12 to the financial statements.

(ii) *Estimated useful life of customer relationship*

The cost of customer relationship is amortised on a straight-line basis over its estimated useful life of 7.62 years. The carrying amount of the Group's customer relationship at 31 December 2008 is US\$3,215,000 (2007: US\$3,771,000). Changes in the expected economic benefits associated with customer relationship could impact the economic useful life and therefore future amortisation charges could be revised.

(iii) *Depreciation of plant and machinery*

Plant and machinery is mainly used for the manufacture of electronic components and is depreciated on a straight-line basis over the estimated useful lives. Management estimates the useful lives of plant and machinery to be within 3 to 10 years. The carrying amount of the Group's plant and machinery at 31 December 2008 is US\$3,646,000 (2007: US\$4,600,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iv) *Impairment of loans and receivables*

The Group assesses at each balance sheet date whether there is any objective 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. The carrying amount of the Group's and the Company's loans and receivables at the balance sheet date is disclosed in Note 40 to the financial statements. Further details on the impairment assessment of loan receivables are given in Note 17.

(v) *Impairment of available-for-sale financial assets*

The Group classifies certain investment in equity shares as available-for-sale financial assets. The investments in unquoted shares are measured at cost less impairment loss. If there is objective evidence that an impairment loss on these investments has been incurred, the amount of loss is measured as the difference between the assets' carrying amount and the estimated discounted future cash flow. Further details of the key assumptions applied in the impairment assessment of available-for-sale financial assets are disclosed in Note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation

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

All intra-group balances, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

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

Acquisitions of subsidiary companies are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the Group's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.8 (a). Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the profit and loss account on the date of acquisition.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiary companies not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the parent entity extension method, whereby, on acquisition of minority interests, the difference between the consideration and the book value of the share of the net assets acquired is recognised in goodwill. Gain or loss on disposal to minority interests is recognised in the profit and loss account.

2.6 Subsidiary companies

A subsidiary company is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.7 Associated companies

An associated company is an entity, not being a subsidiary company or a joint venture, in which the Group has significant influence. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence.

The Group's investments in associated companies are accounted for using the equity method. Under the equity method, investment in associated company is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associated company. Goodwill relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associated company in the period in which the investment is acquired. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company. The financial statements of the associated companies are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets are measured at cost less any accumulated amortisation and impairment losses. Intangible assets with finite useful lives are amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

(i) Project development expenditure

Project development expenditure relates to raw materials, salaries and other fixed costs used in specific development projects that are clearly defined and measurable, where the Directors believe that the Group has adequate resources to make these development projects both technically feasible and commercially viable. Research expenditure is written off in the period expenditure is incurred. Development expenditure incurred is carried forward when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during development. Project development expenditure is amortised on a straight line basis over the period of expected benefits (ranging from 3 to 5 years) to the profit and loss account, and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(ii) Customer relationships

Customer relationships relate to long-running smooth cooperation for sustained support from customers.

Customer relationships acquired are capitalised and amortised on a straight line basis over their useful life of 7.62 years.

(iii) Club memberships

Club memberships are amortised on a straight line basis over its finite useful life of 30 years.

(iv) Licence fee

Licence fee relates to fee incurred by a subsidiary company for an exclusive and royalty-bearing right and licence to use a certain technology within a specific territory. Licence fee is amortised on a straight line basis over useful life of 5 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded as cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss. When items of property, plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account. Depreciation of property, plant and equipment are charged to the profit and loss account on the basis outlined in Note 2.18.

2.10 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determined the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

(a) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in the profit and loss account. The cumulative gain or loss previously recognised in equity is recognised in the profit and loss account when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

2.11 Derecognition of financial assets

A financial asset is derecognised where the contractual rights to receive cash flow from the asset have expired.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

2.12 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost of materials is determined on a first-in-first-out or weighted average basis according to the nature of the subsidiary companies' operations. Costs of work-in-progress and finished goods include cost of direct materials, direct labour and attributable overheads. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.14 Financial liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.16 Leases

(a) Finance lease

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss account.

Capitalised leased assets are depreciated on the basis outlined in Note 2.18.

(b) Operating lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit if incentives provided by the lesser is recognised as a reduction of rental expense over the lease term on a straight line basis.

2.17 Income taxes

(a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred taxation

Deferred taxation is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

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

- In respect of temporary differences associated with investments in subsidiary companies and associated companies, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.17 Income taxes (cont'd)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. 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. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilised.

Deferred taxation is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

2.18 Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:-

Leasehold land and buildings	-	20 - 50 years or shorter of lease term
Furniture and fittings	-	3 - 10 years
Plant and machinery	-	3 - 10 years
Office equipment	-	3 - 10 years
Motor vehicles	-	4 - 5 years

No depreciation is charged on construction-in-progress until the construction is completed and the plant and machinery is transferred to its appropriate category.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

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

2.19 Foreign currency

(a) Change of functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environments in which each entity operates ("the functional currency").

Prior to 1 July 2008, the Company accounted for all transactions in currencies other than SGD as transactions in foreign currencies and were recorded, on initial recognition, in SGD using the exchange rate at the transaction.

On 1 July 2008, the Company changed its functional currency from SGD to USD. The change in functional currency was due to the increasing influence of USD over the Company's economic environment.

Pursuant to FRS 21, *The Effects of Change in Foreign Exchange Rates*, the Company changed its measurement currency from SGD to USD and the financial statements were measured prospectively in USD with effect from 1 July 2008. Consequently, the Group has changed the presentation currencies from SGD to USD.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.19 Foreign currency (cont'd)

For comparability, the comparatives have been translated and presented in USD using the following rates:

	Closing rates
6 months ended 30 June 2008	1.366
Financial year ended 31 December 2007	1.438
Financial year ended 31 December 2006	1.541

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary companies and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) Foreign currency translation

The assets and liabilities of foreign entities are translated into USD at exchange rates ruling at the balance sheet date. Revenue and expenses are translated at average exchange rates for the financial year, which approximate the exchange rates at the dates of the transactions. All resultant exchange differences are taken directly to foreign currency translation reserve.

On disposal of a foreign entity, accumulated exchange differences are transferred from foreign currency translation reserve and are recognised in the profit and loss account as a component of the gain or loss on disposal.

2.20 Employee benefits

(a) Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

(b) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised as a liability when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(c) Equity-related compensation benefits

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit and loss account for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.20 Employee benefits (cont'd)

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled options are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the options is recognised immediately. The resultant share option reserve is then transferred to accumulated profits and loss. However, if a new option is substituted for the cancelled option, and designated as a replacement option on the date that it is granted, the cancelled and new option are treated as if they were a modification of the original option, as described in the previous paragraph.

2.21 Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred.

2.22 Impairment of assets

(a) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred; the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.22 Impairment of assets (cont'd)

(iii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sales financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit and loss account, is transferred from equity to the profit and loss account. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the profit and loss account. Reversals of impairment losses on debt instruments are reversed through the profit and loss account; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss account.

(b) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflow that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flow are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account.

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. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group does not reverse in a subsequent period, any impairment loss recognised for goodwill.

2.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing services/products (business segment), or in providing services/products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The business segments, being the primary format are based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arms' length basis.

2.24 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss if incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the profit and loss account 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 amount with the differences charged to the profit and loss account.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

2. Summary of significant accounting policies (cont'd)

2.25 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with the delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from provision of services is recognised upon services rendered.

(c) Commission income

Commission income is recognised principally upon goods delivered and invoiced by the principals to customers on orders contracted by the Group on the principals' behalf.

(d) Dividend income

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

(e) Interest income

Interest income is recognised as interest accrues (using the effective interest method).

2.26 Share capital and share issue expenses

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

2.27 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

NOTES TO FINANCIAL STATEMENTS

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3. Segment information

(a) Business segment

The Group has three main business segments that are organised and managed separately according to their respective business activities. The three business segments are Electronics Distribution, Semiconductor Test & Consumables and Technology Investments & Others. The activities of these business segments are described in Note 1 of the financial statements herein. Segment accounting policies are the same as the policies described in Note 2. Segment assets consist primarily of intangible assets, property plant and equipment, current assets and exclude income tax assets. Segment liabilities comprise mainly operating liabilities and exclude taxation liabilities.

Financial information about business segments is presented as follows: -

	Electronics Distribution		Semiconductor Test & Consumables		Technology Investments & Others		Adjustments and Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue:										
Sales to external customers	294,808	313,153	6,032	7,184	-	127	-	-	300,840	320,466
Results:										
Segment results	767	4,227	(426)	(245)	(2,895)	2,499	-	-	(2,554)	6,481
Share of results of associated companies	(9)	(1)	-	-	-	-	-	-	(9)	(1)
Interest expense									(3,331)	(3,933)
(Loss)/profit before taxation									(5,894)	2,547
Taxation									(1,068)	(761)
(Loss)/profit for the year									(6,962)	1,786

NOTES TO FINANCIAL STATEMENTS

31 December 2008

3. Segment information (cont'd)

(b) Geographical segment

The Group's business segments operate globally in three main geographical areas. Segment revenue is based on geographical location of the Group's customers. Segment assets are based on geographical location of the Group's assets.

	North Asia		South Asia		USA & Europe		Adjustments and Elimination		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Sales to external customers	182,501	172,999	110,678	124,449	7,661	23,018	–	–	300,840	320,466
Inter-segment sales	8,436	8,935	6,623	4,585	–	9	(15,059)	(13,529)	–	–
Total revenue	190,937	181,934	117,301	129,034	7,661	23,027	(15,059)	(13,529)	300,840	320,466
Other segment information										
Segment assets	98,052	88,791	153,364	144,220	109	13,373	(123,939)	(106,714)	127,586	139,670
Unallocated assets									601	737
Total assets									128,187	140,407
Capital expenditure	2,343	3,480	169	655	–	–	–	–	2,512	4,135

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. Group companies

(a) The significant subsidiary companies as at 31 December 2008 are as follows:-

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2008 %	2007 %
Held by the Company			
*** DTB Limited (Hong Kong)	Investment holding (Hong Kong)	100	100
* Spire Technologies Pte Ltd (Singapore)	Designing, manufacturing and distribution of semiconductor testing devices and import/export, retailer and trader of all types of electronic components and test consumables (Singapore)	80	80
* FE Global Electronics Pte Ltd (Singapore)	Sale, distribution and acting as commission agent in electronic components (Singapore)	100	100
Held by subsidiary companies :-			
Held by DTB Limited			
*** Nanjing DTB Development Co., Ltd (People's Republic of China)	Construction of antique wooden sea boat, communication of culture, exhibition and conference etc. (People's Republic of China)	60	60
Held by Spire Technologies Pte Ltd			
** Spire Technologies, Inc (Philippines)	Import/export, retailer and trader of all types of electronic components and test consumables (Philippines)	80	76
* Apogee Test Pte Ltd (Singapore)	Repairs of test boards for semiconductor systems (Singapore)	80	80
Held by FE Global Electronics Pte Ltd			
* FE-Decibels Electronics Pte Ltd (Singapore)	Sale, distribution and acting as commission agent in electronic components (Singapore)	70	70
*** FE Global Electronics Korea Ltd (South Korea)	Trading in semiconductor components and electrical, electronic and electromechanical parts (South Korea)	100	100
** FE Global Malaysia Sdn Bhd (Malaysia)	Agent and dealer in electrical and electronic components and products (Malaysia)	100	100
** FE Global (North Asia) Limited (Hong Kong)	Investment holding and trading in electronic components (Hong Kong)	100	100

NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. Group companies (cont'd)

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the Group	
		2008 %	2007 %
Held by subsidiary companies :- (cont'd)			
*** FE Global Taiwan Co., Ltd (Taiwan)	Sale and distribution of electronic components used in laptops and handphones (Taiwan)	100	94
* SCM Solutions Pte Ltd (Singapore)	Sale of electronic components and provision of freight and warehousing facilities, material and inventory management, delivery and invoicing using web-based solutions (Singapore)	100	100
* Sooner Technology Pte Ltd (Singapore)	Trading in electronic components, computer peripherals and acting as commission agent (Singapore)	100	100
Held by FE-Decibels Electronics Pte Ltd			
*** FE Global Electronics (India) Private Limited (India)	Sale, distribution and acting as commission agent in electronic components (India)	70	70
Held by FE Global (North Asia) Limited			
# Advance Electronic Supply Co., Ltd (British Virgin Islands)	Sale and distribution of electronic components used in laptops and handphones (British Virgin Islands)	100	94
** Dragon Technology Distribution (HK) Limited (Hong Kong)	Providing research and development services (Hong Kong)	100	100
** FE Global Hong Kong Limited (Hong Kong)	Sale, distribution and acting as commission agent in electronic components (Hong Kong)	100	100
** Flex-In Electronics Limited (Hong Kong)	Trading of electronics components (Hong Kong)	100	100
Held by Dragon Technology Distribution (HK) Limited			
*** Dragon Trading (Shanghai) Co., Ltd (Republic Of China)	Import trading business and agency services (Republic Of China)	100	100

(b) The associated companies as at 31 December 2008 are as follows :-

Held by the Sooner Technology Pte Ltd

*** IT Access Pte Ltd (Singapore)	IT service and distribution, computer security and data storage (Singapore)	30	30
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Held by FE Global Electronics Pte Ltd

*** FE Global (Thailand) Co., Ltd (Thailand)	Sale, distribution and acting as commission agent in electronic components (Thailand)	49	49
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NOTES TO FINANCIAL STATEMENTS

31 December 2008

4. Group companies (cont'd)

- * Audited by Ernst & Young LLP, Singapore.
- ** Audited by member firms of Ernst & Young Global.
- *** Audited by other Certified Public Accounting firms :-

<u>Company</u>	<u>Certified Public Accounting firm</u>
FE Global Taiwan Co., Ltd	Link Chain & Co., Taiwan
FE Global Electronics (India) Private Limited	N. Madhu Sai Sankaram, India
FE Global (Thailand) Co., Ltd	Naravadee Vanichwattana, Thailand
FE Global Electronics Korea Ltd	The 106th Audit Team, Korea
DTB Limited	Y.K Leung & Co., Hong Kong
Nanjing DTB Development Co., Ltd	Jiangsu Yonghe Certified Public Accountant Co., Ltd
Dragon Trading (Shanghai) Co., Ltd	Shanghai Hua Xia Certified Public Accountant Co., Ltd.
IT Access Pte Ltd	Steven Tan PAC

- # Unaudited because there is no statutory audit requirement in the country of incorporation.

(c) Acquisition of minority interests

On 9 April 2008, the Group acquired an additional 6% equity interest each in Advanced Electronic Supply Co., Ltd ("AES"), American (Hong Kong) Ltd ("AHK") and FE Global Taiwan Co., Ltd ("FET") from its minority shareholder for an aggregated cash consideration of approximately US\$821,000. As a result from these acquisitions, these companies became wholly-owned subsidiaries of the Group. On the date of acquisition, the aggregated book value attributable to the additional interests acquired was US\$469,000. The difference between the consideration and the book value of the interest acquired is reflected in goodwill.

On 23 April 2008, the Company through its subsidiary company acquired an additional 5% equity interest in Spire Technologies, Inc (Philippines) from its minority shareholders. As a result from this acquisition, this company became wholly-owned subsidiary of Spire Technologies Pte Ltd.

5. Revenue

	Group	
	2008	2007
	US\$'000	US\$'000
Revenue is analysed as follows:-		
Sale of goods	295,343	314,917
Provision of services	2,479	3,253
Commission income	3,018	2,169
Dividend income from quoted investment	-	127
	300,840	320,466

6. Other income

	Group	
	2008	2007
	US\$'000	US\$'000
The following items have been included in arriving at other income:-		
Interest income		
- Fixed deposits and current accounts	116	333
- Outstanding trade receivables	-	92
Gain on disposal of other investments	-	336
Service and handling fee	212	140

NOTES TO FINANCIAL STATEMENTS

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7. Finance costs

	Group	
	2008 US\$'000	2007 US\$'000
Finance costs are analysed as follows:-		
Interest expense in respect of:-		
Lease creditors	17	37
Bank term loans	1,543	1,860
Trade finance	1,771	2,036
	3,331	3,933
Bank charges	828	689
Others	11	32
	4,170	4,654

8. Exceptional items

	Group	
	2008 US\$'000	2007 US\$'000
Exceptional items are analysed as follows:-		
Gain on disposal of quoted investments	–	4,761
Impairment of intangible assets	–	(209)
Goodwill written off	(558)	–
	(558)	4,552

9. (Loss)/profit before taxation

	Group	
	2008 US\$'000	2007 US\$'000
The following items have been included in arriving at (loss)/profit before taxation:-		
Amortisation of intangible assets	559	474
Depreciation of property, plant and equipment	2,355	2,922
Foreign exchange (gain)/ loss	(741)	178
Property, plant and equipment written off	83	26
(Gain)/loss on disposal of property, plant and equipment	(694)	17
Staff costs		
- Contributions to national pension schemes	1,307	1,182
- Salaries, wages, bonuses and other costs	15,779	14,807
Trade debts written off	83	69
Provision for doubtful trade debts	3,190	1,494
Provision for doubtful trade debts written back	(191)	(8)
	(191)	(8)

NOTES TO FINANCIAL STATEMENTS

31 December 2008

10. Taxation

	Group	
	2008 US\$'000	2007 US\$'000
Provision for taxation in respect of (loss)/profit for the financial year:-		
Current taxation		
- Singapore	184	686
- Other countries	486	433
Deferred taxation	6	(467)
	676	652
Adjustment due to change in tax rate	-	(26)
Under/ (over) provision in respect of prior years		
- Current taxation	406	108
- Deferred taxation	(14)	27
	392	109
	1,068	761

A reconciliation of the domestic statutory tax rate to the effective tax rate applicable to (loss)/profit before taxation for the financial years ended 31 December is as follows :-

	Group	
	2008 %	2007 %
Domestic statutory tax rate	(18.0)	18.0
Tax effect of :-		
Income not subject to taxation	(2.3)	(31.8)
Expenses not deductible for tax purposes	23.7	35.0
Under/(over) provision of taxation in respect of prior years	6.6	3.1
Utilisation of losses brought forward	(1.7)	-
Different tax rates of other countries	0.1	1.3
Deductible temporary differences not recognised	10.9	13.7
Others	(1.2)	(9.4)
Effective tax rate	18.1	29.9

The Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately US\$4,482,000 (2007: US\$5,888,000) and US\$235,000 (2007: US\$298,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset has been recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The amount of the benefit arising from a previously unrecognised tax losses of prior years that were used to reduce current year tax expenses amounted to US\$99,000 (2007: nil).

In addition, a subsidiary company was granted an Investment Allowance Certificate under The Economic Expansion Incentives (Relief from Income Tax) Act, Chapter 86. This subsidiary company has unutilised investment allowances of approximately US\$3,585,000 (2007: US\$1,356,000), subject to agreement with the tax authority, that are available for offset against future taxable profits of the subsidiary company for which no deferred tax asset is recognised due to uncertainty of its recoverability.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

11. (Loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing the net (loss)/profit for the year and attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share amounts are calculated by dividing the net (loss)/profit for the year and attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the net (loss)/profit and share data used in the computation of basic and diluted (loss)/earnings per share for the financial years ended 31 December:-

	Group	
	2008	2007
	US\$'000	US\$'000
(Loss)/profit net of tax attributable to ordinary equity holders of the Company for basic and diluted (loss)/earnings per share	(6,810)	2,180
	'000	'000
Weighted average number of ordinary shares in issue applicable to basic (loss)/earnings per share	224,081	224,081

As there were no share options and warrants granted during the financial year or outstanding as at the end of the financial year, the basic and fully diluted (loss)/earnings per share are the same.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

12. Intangible assets

Group	Project development expenditure ^(a) US\$'000	Licence Fee ^(b) US\$'000	Goodwill ^(c) US\$'000	Customer Relationship ^(d) US\$'000	Club Membership ^(d) US\$'000	Total US\$'000
Cost						
At 1 January 2007	916	349	991	-	194	2,450
Effects of exchange due to FRS 21	66	25	71	-	14	176
At 1 January 2007, as restated	982	374	1,062	-	208	2,626
Additions	-	-	3,389	4,330	66	7,785
Written off	(517)	-	-	-	-	(517)
Currency realignment	(37)	-	(252)	(215)	(17)	(521)
At 31 December 2007 and 1 January 2008	428	374	4,199	4,115	257	9,373
Effects of exchange due to FRS 21	22	20	221	217	13	493
At 1 January 2008, as restated	450	394	4,420	4,332	270	9,866
Additions	262	-	352	-	-	614
Written off	-	-	(558)	-	-	(558)
Currency realignment	(25)	(22)	(165)	(217)	(8)	(437)
At 31 December 2008	687	372	4,049	4,115	262	9,485
Accumulated amortisation and impairment						
At 1 January 2007	916	49	-	-	55	1,020
Effects of exchange due to FRS 21	66	4	-	-	4	74
At 1 January 2007, as restated	982	53	-	-	59	1,094
Amortisation	-	112	-	359	3	474
Written off	(517)	-	-	-	-	(517)
Impairment loss	-	209	-	-	-	209
Currency realignment	(37)	-	-	(15)	(7)	(59)
At 31 December 2007 and 1 January 2008	428	374	-	344	55	1,201
Effects of exchange due to FRS 21	22	20	-	18	2	62
At 1 January 2008, as restated	450	394	-	362	57	1,263
Amortisation	-	-	-	556	3	559
Currency realignment	(25)	(22)	-	(18)	(3)	(68)
At 31 December 2008	425	372	-	900	57	1,754
Net carrying amount						
At 31 December 2007	-	-	4,199	3,771	202	8,172
At 31 December 2008	262	-	4,049	3,215	205	7,731

NOTES TO FINANCIAL STATEMENTS

31 December 2008

12. Intangible assets (cont'd)

- (a) Project development expenditure relate to material cost incurred in the chipset development projects and will be amortised on a straight line basis over the period of expected benefits. The project development expenditure of US\$517,000 was written off in 2007 as future economic benefits attributable to the assets were no longer expected to flow to the Group.
- (b) Licence fee is stated at cost less accumulated amortisation and impairment losses. The licence fee was impaired in 2007 as a result of uncertainty in the future economic benefits receivable.
- (c) Impairment review of goodwill was done by comparing the recoverable amounts, determined based on value in use calculation with the carrying value of the cash-generating units ("CGU"). The portion of goodwill written off arose due to the cessation of the business for one of the cash-generating unit subsequent to financial year end. Goodwill written off is included in the "Exceptional item" in the consolidated profit and loss account. Other than this, based on management's assessment, no impairment loss is required to be recognised on the remaining goodwill.

Given the cyclical nature of the semiconductor and electronic industry, the Group conducts periodic review of the growth trends, demand and supply forecast for the semiconductor industry and accordingly, the forecast and projection may require periodic revision to reflect the developments in the global semiconductor market.

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

- The forecast growth rates of the CGUs.
- Pre-tax discount rates applied to the cashflow projections of the CGUs.

The recoverable amount for goodwill was determined based on a value in use calculation using cash flow projections based on the financial budgets covering a five-year period. The pre-tax discount rates applied to the cash flow projections of 12.2% (2007: 6.2%) per annum, being the weighted average cost of capital of the respective cash generating units in which the goodwill relates to.

- (d) Amortisation of customer relationship and club membership are included in the "sales & marketing costs" in the consolidated profit and loss account.

Company	Club Membership US\$'000
Cost and net carrying amount	
At 1 January 2007	29
Effects of exchange due to FRS 21	2
At 1 January 2007, as restated	31
Additions	66
At 31 December 2007 and 1 January 2008	97
Effects of exchange due to FRS 21	5
At 1 January 2008, as restated and 31 December 2008	102

NOTES TO FINANCIAL STATEMENTS

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13. Property, plant and equipment

Group	Leasehold land and buildings US\$'000	Furniture and fittings US\$'000	Plant and machinery US\$'000	Office equipment US\$'000	Construction- in-progress US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost							
At 1 January 2007	331	3,689	13,995	6,234	-	929	25,178
Effects of exchange due to FRS 21	24	264	1,002	447	-	66	1,803
At 1 January 2007, as restated	355	3,953	14,997	6,681	-	995	26,981
Additions	1,788	565	501	864	308	109	4,135
Disposals/write offs	(1)	(642)	(257)	(1,378)	-	(396)	(2,674)
Acquisition of a subsidiary company	-	-	-	94	-	29	123
Transfer	-	(20)	21	(1)	-	-	-
Currency realignment	(24)	(146)	(52)	(311)	(1)	(34)	(568)
At 31 December 2007 and 1 January 2008	2,118	3,710	15,210	5,949	307	703	27,997
Effects of exchange due to FRS 21	111	195	801	314	16	37	1,474
At 1 January 2008, as restated	2,229	3,905	16,011	6,263	323	740	29,471
Additions	18	136	58	379	1,847	74	2,512
Disposals/write offs	(8)	(1,378)	(766)	(471)	(1,311)	(178)	(4,112)
Currency realignment	10	(276)	(887)	(367)	63	(41)	(1,498)
At 31 December 2008	2,249	2,387	14,416	5,804	922	595	26,373
Accumulated depreciation							
At 1 January 2007	64	3,024	8,727	3,938	-	588	16,341
Effects of exchange due to FRS 21	5	217	625	282	-	42	1,171
At 1 January 2007, as restated	69	3,241	9,352	4,220	-	630	17,512
Charge for the year	13	440	1,350	981	-	138	2,922
Disposals/write offs	(1)	(618)	(46)	(1,332)	-	(397)	(2,394)
Transfer	-	(1)	-	1	-	-	-
Currency realignment	(2)	(137)	(46)	(201)	-	(18)	(404)
At 31 December 2007 and 1 January 2008	79	2,925	10,610	3,669	-	353	17,636
Effects of exchange due to FRS 21	4	154	559	194	-	19	930
At 1 January 2008, as restated	83	3,079	11,169	3,863	-	372	18,566
Charge for the year	99	304	985	850	-	117	2,355
Disposals/write offs	(8)	(1,357)	(734)	(379)	-	(116)	(2,594)
Currency realignment	(4)	(213)	(650)	(255)	-	(20)	(1,142)
At 31 December 2008	170	1,813	10,770	4,079	-	353	17,185
Net carrying amount							
At 31 December 2007	2,039	785	4,600	2,280	307	350	10,361
At 31 December 2008	2,079	574	3,646	1,725	922	242	9,188

NOTES TO FINANCIAL STATEMENTS

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13. Property, plant and equipment (cont'd)

Company	Office equipment US\$'000
Cost	
At 1 January 2007	37
Effects of exchange due to FRS 21	3
At 1 January 2007, as restated	40
Additions	5
Disposals/write offs	(2)
At 31 December 2007 and 1 January 2008	43
Effects of exchange due to FRS 21	2
At 1 January 2008, as restated	45
Additions	2
Transfer	(2)
Disposals/write offs	(2)
At 31 December 2008	43
Accumulated depreciation	
At 1 January 2007	25
Effects of exchange due to FRS 21	2
At 1 January 2007, as restated	27
Charge for the year	6
At 31 December 2007 and 1 January 2008	33
Effects of exchange due to FRS 21	2
At 1 January 2008, as restated	35
Charge for the year	6
Disposals/write offs	(2)
At 31 December 2008	39
Net book value	
At 31 December 2007	10
At 31 December 2008	4

The net carrying amount of plant and equipment held under finance leases at the balance sheet date are as follows:-

	Group	
	2008 US\$'000	2007 US\$'000
Motor vehicles	116	233
Office equipment	4	387
	120	620

Leased assets are pledged as security for the related finance lease liabilities.

14. Investments in subsidiary companies

	Company	
	2008 US\$'000	2007 US\$'000
Unquoted shares, at cost	35,884	27,087
Impairment losses	(1,547)	(1,469)
Carrying amount of investments	34,337	25,618

Details of the significant subsidiary companies are set out in Note 4(a).

NOTES TO FINANCIAL STATEMENTS

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15. Investments in associated companies

	Group	
	2008 US\$'000	2007 US\$'000
Unquoted shares, at cost	133	128
Share of post-acquisition losses	(23)	(15)
	<u>110</u>	<u>113</u>

Details of the associated companies are set out in Note 4(b).

The summarised financial information of the associated companies is as follows:

	Group	
	2008 US\$'000	2007 US\$'000
Assets and liabilities:		
Current assets	551	608
Non-current assets	40	49
Total assets	<u>591</u>	<u>657</u>
Current liabilities	308	330
Non-current liabilities	9	27
Total liabilities	<u>317</u>	<u>357</u>
Results :		
Revenue	920	611
(Loss)/profit for the year	<u>(17)</u>	<u>2</u>

16. Other investments

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
<i>Available-for-sale financial assets</i>				
- Unquoted equity shares, at cost	12,578	11,881	6,746	6,047
- Impairment losses	(10,685)	(10,444)	(4,852)	(4,610)
	<u>1,893</u>	<u>1,437</u>	<u>1,894</u>	<u>1,437</u>
- Quoted equity shares in corporations, at fair value	45	45	-	-
	<u>1,938</u>	<u>1,482</u>	<u>1,894</u>	<u>1,437</u>

The recoverable value of one of the Group's investments which has been classified as available-for-sale financial assets, has been determined by management on a value-in-use calculation using the cash flow projections based on financial budgets approved by the management of the investee company covering a five-year period. The discount rate applied to the cash flow projection is 12%. Based on the estimated recoverable value, there is no indicator of impairment at the date of this report. The other available-for-sale financial assets are fairly stated at their recoverable value.

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17. Other financial assets

In November 2008, the Company signed a loan agreement with Dragon Art Media Co., Ltd (“DAM”), a publishing company in Bangkok, Thailand whereby the Company would provide a loan of not exceeding Baht 60 million to DAM. This loan was extended after the Board deliberated on the various investment opportunities detailed in a report prepared by a firm of consultants in Thailand. The purpose of the loan is to enable the Group to get a further strategic foothold in the travel and leisure business sector which the Board of Directors believes would complement the Group’s investment in the Treasure Boat business.

The loan extended to DAM as at 31 December 2008 amounted to US\$1,664,000 (Baht 52 million). The loan is structured as follows:-

- (a) unsecured;
- (b) interest bearing at the minimum loan rate as announced by the Bangkok Bank Public Company Limited from time to time applicable on the withdrawal date of the loan;
- (c) repayable after 2 years from date of draw down or upon request by the Company; and
- (d) convertible at a fixed rate in part or in full at the discretion of the Company, subject to the clearance of the required legislation in Thailand.

The Group had transferred US\$997,000 to DAM via its solicitors in Thailand during the year. The remaining US\$667,000 was transferred to the holding company of DAM in 2007 to be held in trust for the Group and was recorded as “Deposit” in 2007.

At the date of this report, DAM has provided the Group with a cash flow and profit forecast duly approved by DAM’s Board of Directors, for the next 5 years which detailed its projected performance during this future period. The projection indicated that in order for DAM to achieve its budgeted results and market penetration, it would need the continued financial support from the Group. The Board of Directors has resolved to provide this financial support at least until 31 December 2009 at a capped limit of US\$1 million and not to recall the loan prematurely in order to allow DAM to stabilise its financial position and to improve and strengthen its market research/share in the required travel publication sector.

In view of this commitment to DAM, the Board of Directors is of the view that its strategic move into the travel and leisure sector remains viable and its long term convertible loan to DAM is not impaired at the date of this report.

18. Amounts due from subsidiary companies

	Company	
	2008 US\$'000	2007 US\$'000
Amounts due from subsidiary companies	13,629	22,738
Less: Allowance for impairment	(264)	(8,809)
	13,365	13,929
Disclosure in balance sheet:		
Non-current	11,699	634
Current	1,666	13,295
	13,365	13,929
Movement in allowance account:		
At 1 January	8,809	10,270
Effects of exchange due to FRS 21	465	736
At 1 January, as restated	9,274	11,006
Charge for the year	37	184
Written off	(9,047)	(2,381)
At 31 December	264	8,809

The amounts due from subsidiary companies are non-trade in nature, unsecured and to be settled in cash.

The current amounts due from subsidiary companies are non interest bearing and repayable upon demand. The non current amounts due from subsidiary companies are interest bearing at 4.5% to 7.5% (2007: 6%) per annum and repayable only when the cash flow of these companies permit.

NOTES TO FINANCIAL STATEMENTS

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19. Stocks

	Group	
	2008 US\$'000	2007 US\$'000
Balance sheet		
Raw materials	178	147
Work-in-progress	29	162
Finished goods	23,376	31,997
	23,583	32,306
Profit and loss account:		
Inclusive of the following charge:		
- Stocks written-down	1,509	466

20. Prepayments and advances

	Group		Company	
	2008 US\$' 000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Advance payments to suppliers	–	495	–	–
Prepayments	722	379	54	63
	722	874	54	63

21. Trade debtors

Trade debtors are non-interest bearing and are generally on 60 day to 120 day terms. They are recognised at their original invoiced amounts which represent their fair value on initial recognition.

At the balance sheet date, trade debtors arising from export sales amounting to US\$441,000 (2007: US\$119,000) were arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

(a) Trade debtors that are not impaired:

	Group	
	2008 US\$'000	2007 US\$'000
Not past due	39,639	15,363
Past due but not impaired:		
Less than 30 days	10,082	22,576
30 to 60 days	4,529	5,141
61 to 90 days	815	3,420
91 to 120 days	418	2,644
More than 120 days	1,411	4,520
	56,894	53,664

NOTES TO FINANCIAL STATEMENTS

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21. Trade debtors (cont'd)

(b) Trade debtors that are impaired

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

	Individually impaired	
	2008 US\$'000	2007 US\$'000
Trade debtors – nominal amounts	7,149	9,493
Allowance for impairment	(5,320)	(2,329)
	1,829	7,164
Movement in allowance account:		
At 1 January	2,329	922
Effects of exchange due to FRS 21	123	66
At 1 January, as restated	2,452	988
Charge for the year	3,190	1,494
Written off	(191)	(8)
Exchange differences	(131)	(145)
At 31 December	5,320	2,329

Trade debtors that were individually determined to be impaired at the balance sheet date were related to debtors that were in significant financial difficulties and have defaulted on payments. Included in these trade debtors was US\$1,780,000 before deducting allowance of US\$631,000 which was not fully impaired as it was covered by an undertaking by a Director to indemnify the Group for this debt by way of shares in ASTI valued at US\$1,149,000 held by this Director. During the financial year, the Director has transferred his legal and beneficial interest in part of these ASTI shares valued at US\$794,000 which were used by ASTI as part of the purchase consideration for the acquisition of shares held by minority shareholders. This amount would be repayable to the director if the amount owing from this trade debtor is subsequently collected. Accordingly, it is recorded in "Sundry Creditors" (Note 28). The remaining ASTI shares held by the Director has not been transferred to the Group as at 31 December 2008. The remaining debtors are not secured by any collateral or credit enhancements.

Bad debts written off directly to profit and loss account amounted to US\$83,000 (2007: US\$69,000).

22. Other debtors

	Group		Company	
	2008 US\$' 000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Deposits	385	1,167	5	5
Interest receivable	832	826	–	–
Staff loans	14	42	–	–
Recoverable expenses	216	175	216	173
Due from an associated company	262	142	–	–
Due from a related party	11	–	–	–
Sundry debtors	643	581	170	208
	2,363	2,933	391	386
Allowance for doubtful debts	(832)	–	–	–
	1,531	2,933	391	386

The interest receivable for the financial year ended 31 December 2007 was mainly interest on outstanding trade receivables.

The amounts due from associated company, related party and staff loans are unsecured, non-interest bearing and repayable upon demand.

Recoverable expenses relate to expenses incurred for a planned development of a property in China which is under negotiation.

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23. Fixed deposits

Fixed deposits of the Group with financial institutions mature within 1 month (2007: 12 months) from the financial year-end. Interest rates for the Group ranged from 0.8% to 3.47% (2007: 2.1% to 4.7 %) per annum.

24. Cash and bank balances

Cash at bank earns interest at floating rates based on daily bank deposit rates.

25. Amounts due to bankers

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Term loans and revolving credit facility				
- Non Current	-	3,572	-	3,572
- Current	31,372	25,711	3,764	2,041
	<u>31,372</u>	<u>29,283</u>	<u>3,764</u>	<u>5,613</u>

The amounts due to bankers bear interest at 2.6% to 7.28% (2007: 3.8% to 7.2%) per annum and repayable on the quarterly basis ending in 2010 (2007: 2010) except for US\$27,367,000 (2007: US\$22,866,000) repayable within 90 days and subject to renewal basis. These facilities are secured by way of joint and several corporate guarantees from ASTI, the Company and certain subsidiary companies of the Group.

As at 31 December 2008, the Company has breached certain covenants of a term loan amounting to US\$3,764,000. Under the terms of the loan agreement, US\$1,613,000 was repayable after 12 months from the balance sheet date. This has been presented as a current liability due to the breaches. Subsequent to balance sheet date, the breaches of the covenants were remedied after the bank has agreed to waive the breaches and amend the respective covenants.

26. Bills payable to banks

The bills payable to banks are covered by corporate guarantee from ASTI, the Company and certain subsidiary companies. The bills payable have maturity periods ranging from 3 months to 4 months (2007: 2 months to 4 months) and bear interest at approximately 3.175% to 7.6% (2007: 6.0% to 7.9%) per annum, which approximate the effective interest rates.

As at 31 December 2008, a subsidiary company has breached certain covenants of the related banking facility. The amount of the bills payable drawn as at 31 December 2008 was US\$6,838,000 which was contractually repayable within 2 days to 4 months. Subsequent to balance sheet date, the bank has granted a waiver on the breaches as at 31 December 2008.

The Group has to continue to comply with the financial covenants of the Group's existing credit facilities. Any breach of the financial covenants may result in the banks exercising their rights under the credit facility agreements to recall the credit facilities and to demand immediate repayment. In addition, the banks have the right to a periodic review of the terms of the facility agreements and to amend or recall the facilities at their discretion.

27. Trade creditors and accruals

	Group		Company	
	2008 US\$' 000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Trade creditors	30,457	34,376	-	-
Accruals	2,868	1,452	361	609
	<u>33,325</u>	<u>35,828</u>	<u>361</u>	<u>609</u>

Trade creditors are normally settled on 30 to 45 day terms.

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28. Other creditors

	Group		Company	
	2008 US\$' 000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Lease creditors (Note 32)	36	74	–	–
Proposed Directors' fees	131	131	131	131
Deposits received	183	758	–	–
Amounts due to Directors of subsidiary companies	59	75	–	–
Sundry creditors	3,367	2,104	42	108
Amount due to an associated company	181	104	–	–
Amount due to a related party	65	9	–	–
Prepayments by customers	257	390	–	–
Creditor for purchase of property, plant and equipment	–	862	–	–
	4,279	4,507	173	239

Deposits received were mainly from customers for sales orders.

The amounts due to Directors of subsidiary companies, associated company, related party and sundry creditors are unsecured, interest free and repayable on demand in cash.

Included in sundry creditors is US\$794,000 (2007: Nil) which relates to the value of ASTI shares transferred from a Director during the year as indemnity for a trade debtor (Note 21).

29. Amount due to holding company

The amount due to holding company is unsecured, non-trade in nature, repayable on demand in cash and interest free except for amount of US\$1,510,000 (2007: Nil) which bears interest rate at 5.175% (2007: Nil) per annum.

30. Amounts due to subsidiary companies

The amounts due to subsidiary companies are non-trade in nature, unsecured and interest-free. The current amounts are repayable on demand in cash and the non-current amounts are repayable only when the cash flow of the Company permits.

31. Deferred taxation

	Group	
	2008 US\$'000	2007 US\$'000
Gross deferred tax liabilities:-		
Differences in depreciation	96	90
Intangible assets	755	717
	851	807

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32. Lease creditors

Group	Minimum lease payments		Net present value of lease payments	
	2008	2007	2008	2007
	US\$'000	US\$'000	US\$'000	US\$'000
Future payments payable for finance leases				
Not later than one year	42	90	36	74
Later than one year but not later than five years	95	149	76	122
More than five years	39	55	29	41
	176	294	141	237
Finance charges allocated to future periods	(35)	(57)	–	–
	141	237	141	237
Current portion (Note 28)	36	74	36	74
Non-current portion	105	163	105	163
	141	237	141	237

Finance leases bear interest ranging from 3.2% to 6.4% (2007: 2.3% to 6.4%) per annum, which approximates the effective interest rates.

Leased assets are pledged as security for the related finance lease liabilities. The net book values of assets acquired under finance leases are disclosed in Note 13.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

33. Share capital

	Group and Company			
	2008		2007	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid				
Balance at beginning	224,081	39,749	224,081	37,092
Effects of exchange due to FRS 21	-	2,095	-	2,657
Balance at end	224,081	41,844	224,081	39,749

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.

34. Capital reserve

The capital reserve is relating to capitalisation of bonus issue in 2001.

35. Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from translation of:-

- (i) financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency; and
- (ii) monetary items which form part of net investments in subsidiary companies.

NOTES TO FINANCIAL STATEMENTS

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36. Contingent liabilities

	Company	
	2008	2007
	US\$'000	US\$'000
Contingent liabilities not provided for in the financial statements:-		
- Corporate guarantees given to secure banking facilities for subsidiary companies	65,494	71,059
- Corporate guarantees given to secure supply of goods for subsidiary companies	4,500	1,200
	69,994	72,259

The Company has issued letters of financial support to certain subsidiary companies to enable these subsidiary companies to operate as going concerns and to meet their liabilities as and when they fall due.

37. Operating lease commitments

The Group leases premises, machinery and equipment under non-cancellable lease arrangements. Future minimum rentals under non-cancellable leases as at 31 December are as follows:-

	Group	
	2008	2007
	US\$'000	US\$'000
Not later than one year	1,305	732
Later than one year but not later than five years	843	365
	2,148	1,097

Rental expenses (principally for premises, machinery and equipment) were US\$1,909,000 and US\$2,036,000 for the financial years ended 31 December 2008 and 2007 respectively.

The above operating leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or entering into other leasing agreements.

Certain leases include renewal options for additional lease periods ranging from 1 to 3 years and at rental rates based on negotiations and prevailing market rates.

38. Related party disclosures

An entity or individual is considered a related party of the Group for the purposes of the financial statements if: (1) it possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or (2) it is subject to common control or common significant influence.

Related companies refer to the ASTI group of companies.

NOTES TO FINANCIAL STATEMENTS

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38. Related party disclosures (cont'd)

(a) Sales and purchases of goods and services

In addition to related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties who are not members of the Group took place during the year at terms agreed between the parties:

	Group		Company	
	2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Holding company				
Dividend income	–	127	–	127
Management fee expense	351	174	351	174
Interest expense	–	31	–	31
Related companies				
Sales	824	573	–	–
Subsidiary companies				
Management fee income	–	–	75	511
Interest income	–	–	148	204
Interest expense	–	–	110	34
Associated companies				
Commission expense	488	390	–	–
Management fee income	21	44	–	–
Other related parties				
Technical services fee ⁽¹⁾	385	234	–	–
Commission expenses ⁽²⁾	18	5	–	–
Other investment ⁽³⁾	–	551	–	551

Other related parties

- (1) The technical services fee was paid to a director-related company for the provision of technical services to a subsidiary company.
- (2) The commission expenses was paid in 2007 to a director-related company for the provision of services to a subsidiary company.
- (3) On 12 March 2007, the Company exercised the Company's conversion rights in respect of the convertible loan with a director-related company.

(b) Compensation of key management personnel

	Group	
	2008 US\$'000	2007 US\$'000
Short-term employee benefits	1,258	1,455
Defined contribution benefits	23	26
Other short-term benefits	587	388
	<u>1,868</u>	<u>1,869</u>
Comprise amounts paid to:		
Directors of the Company	858	899
Other key management personnel	1,010	970
	<u>1,868</u>	<u>1,869</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2008

38. Related party disclosures (cont'd)

(b) Compensation of key management personnel (cont'd)

At 1 January and 31 December 2008, none of the Company's Directors and key Executive Officers held options to purchase ordinary shares of the Company under ESOS.

During the financial year ended 31 December 2008, no share options have been granted to the Company's Directors.

39. Financial risk management objectives and policies

(a) Financial risk management

The main risks arising from the Group's and Company's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The policies for managing each of these risks are summarised below.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from amounts due to bankers.

Sensitivity analysis for interest rate risk

At the balance sheet date, if USD interest rates had been 75 (2007: 75) basis points lower/higher with all other variables held constant, the Group's and the Company's profit net of tax would have been US\$30,000 (2007: US\$47,000) and US\$28,000 (2007:US\$42,000) respectively higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

Other information on interest rate risk is disclosed in various notes to the financial statements.

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with different banks. The ability of the Group and Company to continue as going concerns is dependent on factors disclosed in Note 1.2.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

39. Financial risk management objectives and policies (cont'd)

(a) Financial risk management (cont'd)

(ii) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

2008	1 year or less	1 to 5 years	Over 5 years	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Amounts due to bankers	31,588	-	-	31,588
Bills payable	25,692	-	-	25,692
Trade and other creditors	37,568	-	-	37,568
Amounts due to holding company	1,958	-	-	1,958
Lease creditors	42	95	39	176
Long term payables	-	-	392	392
	96,848	95	431	97,374
Company				
Amounts due to bankers	3,906	-	-	3,906
Trade and other creditors	534	-	-	534
Amount due to holding company	544	-	-	544
Amount due to subsidiary companies	6,766	-	11,473	18,239
	11,750	-	11,473	23,223
2007				
	US\$'000	US\$'000	US\$'000	US\$'000
Group				
Amounts due to bankers	26,395	3,754	-	30,149
Bills payable	31,692	-	-	31,692
Trade and other creditors	40,261	-	-	40,261
Amounts due to holding company	186	-	-	186
Lease creditors	90	149	55	294
Long term payables	-	-	333	333
	98,624	3,903	388	102,915
Company				
Amounts due to bankers	2,289	3,755	-	6,044
Trade and other creditors	848	-	-	848
Amount due to holding company	186	-	-	186
Amount due to subsidiary companies	5,551	-	-	5,551
	8,874	3,755	-	12,629

(iii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other debtors and amount due from subsidiary companies. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Other information on credit enhancements is disclosed in Note 21.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

39. Financial risk management objectives and policies (cont'd)

(a) Financial risk management (cont'd)

(iii) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade debtors on an on-going basis. The credit risk concentration profile of the Group's trade debtors at the balance sheet date is as follows:

By Country:	2008		Group	
	US\$'000	% of total	US\$'000	2007 % of total
People's Republic of China	39,479	69%	29,420	54%
Singapore	4,473	8%	4,633	9%
Taiwan	3,278	6%	2,880	6%
Malaysia	2,468	4%	5,747	11%
Thailand	2,075	4%	2,188	4%
Korea	1,138	2%	1,807	3%
India	1,890	3%	1,477	3%
Others	2,093	4%	5,512	10%
	56,894	100%	53,664	100%

At the balance sheet date, approximately:

- 39% (2007: 17%) of the Group's trade debtors are due from 5 major customers in the Group and;
- 1% (2007: 6%) of the Group's trade and other debtors were due from related parties whilst almost all of the Company's receivables were balances with related parties.

Financial assets that are neither past due or impaired

Trade and other debtors that are neither past due or impaired are creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(iv) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the companies within the Group. The companies within the Group customarily conduct their business in their respective functional currency. No company in the Group has entered into any derivatives to manage foreign currency risk.

Sensitivity analysis

The following table demonstrates the sensitivity of the Group's and Company's profit net of tax to a reasonably possible change in the USD, SGD, Renminbi ("RMB") and Malaysia Ringgit ("Ringgit") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

39. Financial risk management objectives and policies (cont'd)

(a) Financial risk management (cont'd)

(iv) Foreign currency risk (cont'd)

		Group Net Profit		Company Net Profit	
		2008	2007	2008	2007
		US\$'000	US\$'000	US\$'000	US\$'000
USD	Strengthened by 5% (2007: 5%)	-155	-277	-	-164
	Weakened by 5% (2007: 5%)	+155	+277	-	+164
SGD	Strengthened by 5% (2007: 5%)	-143	-275	-62	-
	Weakened by 5% (2007: 5%)	+143	+275	+62	-
RMB	Strengthened by 5% (2007: 5%)	+382	+47	-	-
	Weakened by 5% (2007: 5%)	-382	-47	-	-
Ringgit	Strengthened by 5% (2007: 5%)	+116	+114	+116	+114
	Weakened by 5% (2007: 5%)	-116	-114	-116	-114

(b) Fair values of financial instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:-

(i) Cash and cash equivalents, amounts due to bankers (current), trade and other debtors, trade and other creditors, bills payable and amounts due to/from subsidiary companies (current) and holding company

The fair values of these financial instruments approximate their carrying amounts at the balance sheet date because of their short-term maturity.

(ii) Other investments (unquoted)

It is not practicable to estimate the fair value of the long-term unquoted investments because of the lack of quoted market prices.

(iii) Other investments (quoted)

The fair values of the quoted investments were determined by quoted market prices.

(iv) Amounts due from/to subsidiary companies (non current)

It is not practicable to estimate the fair values of non current amounts due from/to subsidiary companies as there are no repayment terms and hence, the timing of cash flow cannot be estimated reliably.

(v) Other financial assets (non current) and lease creditors

The fair values of the other financial assets (non current) and lease creditors is determined by discounting the relevant cash flow using current interest rates for similar instruments at balance sheet date.

There is no significant difference between the fair values and the carrying amounts as at 31 December 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

40. Financial Instruments

Disclosures relating to balance sheet

FRS 107 introduces a new requirement to disclose the carrying amounts of financial instruments under each of the classification in FRS 39, either on the face of the balance sheet or in the notes. The categories of financial instruments include financial assets and financial liabilities that are classified as held for trading, those that are designated upon initial recognition as financial assets or financial liabilities at fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, and financial liabilities measured at amortised cost.

	Note	Group		Company	
		2008 US\$'000	2007 US\$'000	2008 US\$'000	2007 US\$'000
Loans and receivables					
Trade debtors	21	56,894	53,664	99	-
Other debtors	22	1,531	2,933	391	386
Fixed deposits	23	2,800	2,887	-	-
Cash and bank balances	24	21,425	26,878	192	1,276
Other financial assets	17	1,664	-	1,664	-
Amounts due from subsidiary companies	18	-	-	13,365	13,929
		<u>84,314</u>	<u>86,362</u>	<u>15,711</u>	<u>15,591</u>
Financial liabilities measured at amortised cost					
Trade creditors and accruals	27	33,325	35,828	361	609
Other creditors	28	4,279	4,507	173	239
Bills payable	26	25,679	31,636	-	-
Amounts due to bankers	25	31,372	29,283	3,764	5,613
Amounts due to subsidiary companies	30	-	-	18,239	5,551
Amount due to holding company	29	1,958	186	544	186
Lease creditors	32	105	163	-	-
Long term payables		392	333	-	-
		<u>97,110</u>	<u>101,936</u>	<u>23,081</u>	<u>12,198</u>
Available-for-sale financial assets					
Other investments	16	1,938	1,482	1,894	1,437

41. Dividend

	Group and Company	
	2008 US\$'000	2007 US\$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Special dividend for 2008: Nil (2007: S\$0.01*) per share	-	1,559
* After deduction of 18% tax		

42. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by shareholders equity. The Group included within net debt, amounts due to financial institutions and finance lease creditors, less bank balances. Shareholders' equity includes equity attributable to the members of the Company. As at 31 December 2008, the gearing ratio of the Group is 0.58 (2007: 0.50).

No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2008.

NOTES TO FINANCIAL STATEMENTS

31 December 2008

43. Events occurring after balance sheet date

a) Change in corporate tax rate

On 22 January 2009, the Singapore Finance Minister announced the revision in the Singapore corporation tax rate from 18% to 17% with effect from Year of Assessment 2010. This is a non-adjusting subsequent event and the financial effect of the reduced tax rate will be reflected in the 31 December 2009 financial year. There is no material impact on the financial statements of the Group and Company arising from this reduction in the Singapore corporate tax rate.

b) Job credit scheme

On 22 January 2009, the Singapore Finance Minister also announced the introduction of Jobs Credit Scheme (the "Scheme"). Under the Scheme, employers will receive a 12% cash grant on the first \$2,500 of each month's wages for each employee on their Central Provident Fund payroll. The Jobs Credit is for one year, and employers will receive the Jobs Credit in 4 payments: March, June, September and December 2009. For each payment, employers will receive Jobs Credits on the employees that are on their CPF payrolls at the start of the quarter in which payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12% cash credit that employers will receive.

This is a non-adjusting subsequent event and the financial effect will be reflected in the 31 December 2009 financial year. The Group's staff costs have been computed for the current financial year without adjusting for the effect of the grant under the Scheme. Adjusting for the grant received in March 2009 will result in approximately US\$41,000 reduction in staff costs.

44. Comparative figures

Certain prior year comparatives figures have been reclassified to better reflect the nature of the balances:

	Group		Company	
	As reclassified 2007 US\$'000	As previously reported 2007 US\$'000	As reclassified 2007 US\$'000	As previously reported 2007 US\$'000
Profit and loss account				
Selling and marketing costs	14,763	14,404	*	*
General and administrative costs	13,725	14,084	*	*
Balance sheet				
Other debtors	2,933	2,760	386	213
Prepayments and advances	874	1,047	63	236
Trade debtors	53,664	52,216	-	-
Bills payable	31,636	30,188	-	-

* Not applicable

45. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 14 April 2009.

APPENDIX 3

DRAGON GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2008

STATISTICS OF SHAREHOLDINGS



Statistics of Shareholdings

As at 18 March 2009

Number of equity securities	:	224,081,456
Number of treasury shares	:	Nil
Class of equity securities	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 - 999	162	4.66	48,396	0.02
1,000 - 10,000	2,713	78.07	9,465,730	4.23
10,001 - 1,000,000	593	17.07	28,669,115	12.79
1,000,001 and above	7	0.20	185,898,215	82.96
Total :	3,475	100.00	224,081,456	100.00

TWENTY LARGEST SHAREHOLDERS

NO	NAME OF SHAREHOLDERS	NUMBER OF SHARES	%
1	ASTI Holdings Limited	168,063,442	75.00
2	Lim & Tan Securities Pte Ltd	5,031,333	2.25
3	Tan Citi Time Pte Ltd	4,667,000	2.08
4	DBS Nominees Pte Ltd	3,109,600	1.39
5	B.G. Tan Investments Pte Ltd	2,163,000	0.97
6	United Overseas Bank Nominees Pte Ltd	1,729,840	0.77
7	Sunshine Bay Limited	1,134,000	0.51
8	Espoir Investments Pte Ltd	851,000	0.38
9	OCBC Nominees Singapore Pte Ltd	795,600	0.36
10	Kim Eng Securities Pte. Ltd.	776,000	0.35
11	Kua Chee Keong	520,000	0.23
12	Manifold Investments Pte Ltd	500,000	0.22
13	Yeo Yee Ter	500,000	0.22
14	CIMB-GK Securities Pte. Ltd.	490,000	0.22
15	Tang Houi Miang	489,000	0.22
16	Phillip Securities Pte Ltd	428,800	0.19
17	Mohammad Khalid Khan	371,000	0.17
18	Wong Peng Weng	348,000	0.16
19	UOB Kay Hian Pte Ltd	333,200	0.15
20	DB Nominees (S) Pte Ltd	287,000	0.13
	Total :	192,587,815	85.97

SUBSTANTIAL SHAREHOLDERS (As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST	%	DEEMED INTEREST	%
ASTI Holdings Limited	168,063,442	75.00	-	-
Dato' Michael Loh Soon Gnee ⁽¹⁾	-	-	168,063,442	75.00

Note: ⁽¹⁾ Dato' Michael Loh Soon Gnee is deemed to be interested in the 168,063,442 shares held by ASTI Holdings Limited by virtue of Section 7 of the Companies Act, Cap. 50.

PERCENTAGE SHAREHOLDING IN PUBLIC'S HAND (RULE 723)

24% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

APPENDIX 4

DRAGON GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2008

NOTICE OF ANNUAL GENERAL MEETING



NOTICE OF ANNUAL GENERAL MEETING

DRAGON GROUP INTERNATIONAL LIMITED

(Company Registration No. 199306761C)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **Dragon Group International Limited** (“the Company”) will be held at 25 Kallang Avenue, #06-01 Kallang Basin Industrial Estate, Singapore 339416 on Thursday, 30 April 2009 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors’ Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 103 of the Company’s Articles of Association:

Mr Derek Loh Eu-Tse **(Resolution 2)**
Mr Teh Kim Seng **(Resolution 3)**

Mr Derek Loh Eu-Tse will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.

Mr Teh Kim Seng will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent.

3. To approve the payment of Directors’ fees of S\$189,300 for the year ended 31 December 2008 (2007: S\$189,300). **(Resolution 4)**

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

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

AS SPECIAL BUSINESS

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

6. Authority to issue shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited, (“**SGX-ST**”) authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible or exchangeable 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 Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:
 - (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument), does not exceed fifty per cent.

NOTICE OF ANNUAL GENERAL MEETING

(50%) (one hundred per cent. (100%) in the case of pro rata renounceable rights issue) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed 20 per cent. of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

- (2) (subject to such manner of 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 percentage of issued share capital shall be calculated based on the total number of issued shares (excluding treasury shares, if any) in the capital of the Company as at the date of the passing of this Resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities and share options that have been issued pursuant to any previous shareholder approval and which are outstanding as at the date of the passing of this Resolution; and
 - (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the Monetary Authority of Singapore) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)]

(Resolution 6)

7. Authority to Issue Shares at a Discount Exceeding 10% but not more than 20%

- (a) That, conditional upon the passing of Resolution 6 but without limiting the rights conferred by the passing of Resolution 6, the Directors of the Company be authorised and are hereby empowered to issue such number of new ordinary shares and/or convertible securities in the capital of the Company (whether in pursuance of any offer, agreement option made or granted by the Directors or otherwise) other than on a non pro rata basis pursuant to Resolution 6, at an issue price per share to be determined by the Directors provided that such price may represent a discount exceeding 10% but not more than 20% to the price per share determined in accordance with the requirements of the SGX-ST Listing Manual (or such other discount as may be permitted by SGX-ST from time to time).
- (b) That, in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (c) That, unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 7)

8. Authority to issue shares under the Dragon Group Executives' Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Dragon Group Executives' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, 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 total number of issued shares (excluding

NOTICE OF ANNUAL GENERAL MEETING

treasury shares, if any) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 8)

By Order of the Board

Gary Su
Secretary

Singapore, 15 April 2009

Explanatory Notes:

- (i) The Ordinary Resolution 6 in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date 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 as follows:
- (a) in the case of pro rata renounceable rights issues, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company,
 - (b) in other pro rata bases for issue of share (other than pro rata renounceable rights issue), up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company.
 - (c) In any issue of share other than on a pro-rata basis to existing shareholders of the Company, up to a number not exceeding 20% of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company.

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

- (ii) The Ordinary Resolution 7 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 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 such number of new ordinary shares, on a non pro rata basis pursuant to Resolutions 6, at a discount exceeding 10% but not more than 20% to the weighted average price for trades done on the Exchange for the full market day on which the placement or subscription agreement is signed.
- (iii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting 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 general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares, if any) in the capital of the Company from time to time.

Notes :

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

APPENDIX 5

DRAGON GROUP INTERNATIONAL LIMITED

ANNUAL REPORT 2008

PROXY FORM



DRAGON GROUP INTERNATIONAL LIMITED

(Company Registration No. 199306761C)
(Incorporated in Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy **Dragon Group International Limited's** shares, this Report is forwarded to them at the request of the 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.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____ (Name)

of _____ (Address)

being a member/members of **DRAGON GROUP INTERNATIONAL LIMITED** (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Thursday, 30 April 2009 at 10.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(*Delete where inapplicable)

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2008		
2	Re-election of Mr Derek Loh Eu-Tse as a Director		
3	Re-election of Mr Teh Kim Seng as a Director		
4	Approval of Directors' fees amounting to S\$189,300		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors		
6	Authority to Issue Shares in the capital of the Company		
7	Authority to Issue Shares at a Discount Exceeding 10% but not more than 20%		
8	Authority to issue shares under the Dragon Group Executives' Share Option Scheme		

Dated this _____ day of _____ 2009

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Notes :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (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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